PARTICIPANTS

Corporate Participants

Ron Parham – Senior Director-Investor Relations
Gertrude Boyle – Chairman
Timothy P. Boyle – President, CEO, Director & Executive VP-Global Sal
Thomas B. Cusick – Chief Financial Officer & Senior Vice President
Bryan L. Timm – Chief Operating Officer & Executive Vice President

Other Participants

Bob Scott Drbul – Analyst, Barclays Capital, Inc.
Robert F. Ohmes – Analyst, Bank of America Merrill Lynch
Eric B. Tracy – Analyst, Janney Montgomery Scott LLC
Dan Meyers – Equity Research Associate, Northland Securities
Katharine McShane – Analyst, Citigroup Global Markets (United States)
Liz Dunn – Analyst, Macquarie Capital (USA), Inc.
Camilo R. Lyon – Analyst, Canaccord Genuity, Inc.
Jim V. Duffy – Analyst, Stifel, Nicolaus & Co., Inc.
Darla J. Shay – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Chris Svezia – Analyst, Susquehanna Financial Group LLP

MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Columbia Sportswear Company Fourth Quarter 2012 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host Mr. Ron Parham, Senior Director of Investor Relations and Corporate Communications. Thank you, Mr. Parham, you may begin.

Ron Parham, Senior Director-Investor Relations

All right. Thanks Manny. Good afternoon and thanks for joining us. Earlier this afternoon, we announced fourth-quarter and full-year 2012 financial results and we provided a preliminary outlook for our full-year 2013 and also for our first quarter 2013. Keeping with our standard practice, shortly after the press release we also filed an 8-K containing a detailed CFO commentary on the results and posted that commentary on our Investor Relations website. With me today are President and CEO, Tim Boyle; Senior Vice President of Finance and Chief Financial Officer, Tom Cusick; Executive Vice President and Chief Operating Officer, Bryan Timm; and Senior Vice President and General Counsel, Peter J. Bragdon. I'll ask our chairman, Gert Boyle, to cover the Safe Harbor language.

Gertrude Boyle, Chairman

Good afternoon. This conference call will contain forward-looking statements regarding Columbia's business opportunities and anticipated results of operations. Please bear in mind that forward-looking information is subject to many risks and uncertainties and actual results may differ materially from what is projected. Many of these risks and uncertainties are described in Columbia's Annual Report on Form 10-K for the year ending December 31, 2011 and subsequent filings with the SEC.

Forward-looking statements in this conference call are based on our current expectations and beliefs. And we do not undertake any duty to update any of the forward-looking statements after the date of this conference call to confirm the forward-looking statement to actual results or to change in our expectation.

Ron Parham, Senior Director-Investor Relations

All right. Thanks, Gert, I will turn the call over to Tim.

Timothy P. Boyle, President, CEO, Director & Executive VP-Global Sal

Thanks, Ron. Welcome, everyone, and thanks for joining us this afternoon. The fourth quarter and full-year results we announced today and the additional details provided in Tom's CFO commentary are consistent with the preliminary announcement we issued three weeks ago. A year ago at this time, coming off record-setting warm winter globally, we knew 2012 was going to be a difficult year for top line growth. The management team acted quickly and decisively in the first quarter implementing expense reductions and we maintained solid discipline around discretionary spending throughout the year in order to preserve profitability.

Until the holiday shopping season began in late November, it looked as though we would achieve our outlook for a slight increase in full-year operating margins despite a flat top line. However, December delivered mild weather causing us to fall short of our expectations in our North American wholesale and direct-to-consumer businesses. We have made and continue to make what we believe are responsible changes in our cost structure and are focused on forging a path to top line growth that will enable us to generate operating margin leverage over the long-term.

These moments strengthen our resolve to remain focused on enhancing our brand portfolio through innovation, enhanced design and compelling marketing. Over the past four years, we have introduced differentiated technology platforms under our Columbia brand to help keep people warm, dry, cool and protected any time of the year anywhere in the world. These innovations represent the platforms of our Columbia brand revitalization and repositioning strategy and we now have the opportunity to leverage and expand upon each of these platforms.

In today's more stable sourcing environment, we are working closely with our product line managers and manufacturing partners to refine and re-engineer our products to achieve a more democratic price/value relationship. Our goal is to make our technologies more accessible to a broader base of consumers and drive better volume for ourselves and our retailers. Our emphasis is especially acute on styles that feature Omni-Reflective and Omni-Freeze ZERO technologies, but ultimately it includes our entire product line.

We believe consumers are still in the early stages of awareness and adoption of Omni-Heat Reflective two years after its launch. These past two mild winters have slowed that progress but we continue to view Omni-Heat Reflective as a long-term competitive advantage with visible qualities that differentiate it from competitors and make it easy for consumers to understand.

As we continue to rationalize the price/value relationship, we intend to maintain our fall marketing focus on Omni-Heat Reflective to create demand and drive broader adoption. We also intend to maintain disciplined distribution that directs our innovative products to brand enhancing sporting goods and specialty channels. We expect retailers to be cautious as they place advance orders for fall 2013 and in turn, we are also planning conservatively in building inventories. Under that scenario, if the weather cooperates, we should all benefit from a greater proportion of full price sales, better gross profit margins and cleaner inventory levels exiting the year.

Taken as a whole, our product line offers differentiated technology platforms that help keep people warm, dry, cool and protected any time of the year, anywhere in the world. Another important part of our long-term strategy is to establish greater year-round demand for our products. We are very excited about the launch of Columbia's Omni-Freeze ZERO and Mountain Hardwear's Cool.Q.ZERO technologies which debuted this month in key southern markets and spread around the world over the next three months. We've developed integrated marketing campaigns within each brand to drive demand for those cooling products. Key retailers will be prominently positioning Columbia's Omni-Freeze ZERO on their floors. More than 1,000 brand enhancing sporting goods and specialty stores will be equipped with an Omni-Freeze ZERO cooling station consisting of point of purchase display materials and demonstration kits that will inform consumers and allow them to feel its active cooling properties.

The Omni-Freeze ZERO tour consisting of two customized trucks armed with Omni-Freeze ZERO demonstration kits are expected to generate millions of in-person marketing impressions through live demonstrations of Omni-Freeze ZERO's cooling properties. These trucks will visit hundreds of wholesale customer stores, music and sporting events, outdoor venues and neighborhood festivals in 45 cities from April through June. We used the same trucks to execute a similar grassroots campaign from mid-July through mid-September last year that generated good initial awareness and anticipation for this year's Omni-Freeze ZERO launch.

These and other grassroots efforts will be supported by an integrated print, digital and broadcast advertising campaign targeting outdoor athletic and PFG consumers. Mountain Hardwear will launch Cool.Q.ZERO in early April with a campaign featuring print advertising, social media and in-store events targeting the running community and specialty running accounts. In total, the Omni-Freeze ZERO watch will be the biggest spring campaign in Columbia's history.

Another way we're continuing to expand our year-round relevance is with our Performance Fishing Gear or PFG assortment which also features Omni-Freeze ZERO cooling technology. PFG has been a staple of our lives since its introduction in 1996 and is a growing part of our U.S. and Latin American apparel business. PFG is strongest in the U.S. Gulf States, as well as in Central and South America. In these markets, consumers view Columbia as a fishing and water sports brand as passionately as northern consumers view Columbia as an outdoor brand.

Our PFG apparel generated great sell-through this fall and finished the season as our best performing category, reflecting its year-round relevance in warm weather markets. Many consumers who enjoy PFG's versatility have also embraced our Drainmaker footwear line specifically designed for water-based activities. For PFG consumers, Columbia is an essential head-to-toe partner in their outdoor experience.

In our fall 2012 Sorel line, we introduced a small assortment of versatile lightweight less insulated styles with enhanced wearability targeting towards the early fall back to university season. Based on positive retailer feedback, we expanded the assortment for fall 2013. Our goal is to extend Sorel's retail relevance to include the shoulder seasons, so it becomes a more meaningful year-round brand to consumers and our retail partners, and a more meaningful contributor to our future sales and earnings growth.

As our preliminary 2013 outlook makes clear, the next 11 months look very similar to the past 12 from the standpoint of sales and operating margins. On the heels of two unseasonably warm winters, the management team and I remain committed to evolving the organization to position us to capitalize on growth opportunities while continuing to diligently manage operating expenses. But I also want to make this clear, we know we cannot continue to cost cut our way to success.

We will continue to aggressively pursue catalysts to grow our top line profitably. We will continue to invest in our brands, products and our people and initiatives that we believe can grow Columbia Sportswear Company into a much larger business. As we continue to focus on catalysts for long-term growth, we remain committed across the company to being a leading innovator with our substantial brand portfolio. Our first focus is on building the right product positioned to appeal to a broad range of consumers.

For us the word innovation includes new or exclusive technologies, differentiating features, inventive and appealing designs, market-leading performance characteristics, as well as creative and memorable marketing efforts that drive consumer demand for our brands. It's also about being innovative in our approach to how we conduct our business which has been rapidly evolving as we've invested in long-term growth platforms that are increasingly multi-channel, multi-brand and multi-national.

Looking ahead to 2014, we remain excited about launching our new China joint venture with Swire Resources and adding another important growth platform to our global business. We have many tools at our disposal, starting with our brand portfolio that is backed by a very strong balance sheet. As we approach Columbia's 75th anniversary, we are also mindful of the great strength of our heritage as an authentic active outdoor company. That concludes my prepared remarks.

Operator, can you help us with questions?

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. [Operator Instructions] Our first question is from Bob Drbul of Barclays. Please go ahead.

<Q – Bob Drbul – Barclays Capital, Inc.>: Hi, good evening.

<A – Tim Boyle – Columbia Sportswear Co.>: Hi, Bob.

<A – Tom Cusick – Columbia Sportswear Co.>: Hi, Bob

<Q – Bob Drbul – Barclays Capital, Inc.>: Hi, Tim, hi guys; hi, Gert.

<A – Gert Boyle – Columbia Sportswear Co.>: Hi, there.

<Q – Bob Drbul – Barclays Capital, Inc.>: Tim, the first question that I have is, when you look at the 13 estimates that you've put out there, or the initial guidance on it, when you look year-over-year in terms of order book, where are you this year in terms of, like, the percentage of the book that's complete versus last year?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, I think we've done that analysis, Bob. And I think we are approximating the same sorts of percentages in total, but we expected a year like this that will be somewhat behind. And I think that we're in that, sort of, lagging range now. But we've looked at the year, with all the various components, and the way that we've got the business structured and built across the globe, and that's why we've guided or given the results that we expect today for 2013.

<Q – Bob Drbul – Barclays Capital, Inc.>: Okay. And then, on the inventory, you made a lot of progress getting the inventories to a really good level here. When you look at the disposal of the inventory throughout the last several months, do you think that the clearance process has hindered your 2013 demand? Was there a lot of, you think, holdover from products from 2012 to 2013 that people were going to have for next year as well?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, I think it's clear, especially in winter boots, that there'll be some carryover. But I think in Outerwear and Accessories, that's pretty much cleaned up. Now, we do have some significant winter weather, especially even this week coming through the Northeast, which is likely to help alleviate some of that inventory overhang. But I would say, across our product lines, the only real significant overhang from 2012 is winter footwear.

<Q – Bob Drbul – Barclays Capital, Inc.>: Okay. And then my last question, Tim, is on Omni-Freeze ZERO. When you look at the sell-in for the spring product, and when you look at Omni-Heat versus Omni-Freeze ZERO, can you tell us like what you've learned with Omni-Heat, sort of how you're applying it to Omni-Freeze ZERO, and if you think that level of penetration can be similar to what you've done with Omni-Heat?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, I think the Omni – the difference between the two technologies, and they're both visible, so – visible to the consumer, so they're analogous in that regard. But the Omni-Freeze ZERO opportunity is much, much larger, because we can sell that product in the middle of winter in Houston and Florida, and in the highly popular sections of the United States and, frankly, the world. When it's cold in areas that – hopefully, cold in areas in times of the year when it's appropriate. So I think the difference is, it's a broader calendar demand period for that product.

Now, it's a bit more complicated as it relates to describing it to consumers, and that's why we've put so much time and effort into the retail theater portion of our marketing efforts that we talked about in the 1,000 or so stores where we're going to have people actually demonstrating the product. So, we're excited about the potential and it's – but it is a little bit – it's slightly more complicated story than Omni-Heat Reflective.

<Q – Bob Drbul – Barclays Capital, Inc.>: Thanks, Tim. Good luck.

<A – Tim Boyle – Columbia Sportswear Co.>: Thanks Bob.

Operator: Thank you. Our next question is from Robby Ohmes with Bank of America. Please go ahead.

<Q – Robby Ohmes – Bank of America Merrill Lynch>: Oh, hey, Tim. How are you?

<A – Tim Boyle – Columbia Sportswear Co.>: Good, Robby.

<Q – Robby Ohmes – Bank of America Merrill Lynch>: Hey, a couple of follow-ups on Bob's question. The Omni-Freeze ZERO, who are the key retail partners that you will be doing the cooling stations with?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, the larger sporting goods chains, including Dick's and Sports Authority Academy, would be those that would come off the top of my head initially. But, we also have product in a number of specialty doors across the Southwest. But I think the larger specialty – sorry, the larger big box sporting goods guys would be the ones that come off the top of my head initially.

<Q – Robby Ohmes – Bank of America Merrill Lynch>: And then another question I had was the – down at the Outdoor Retailer show there was talk from some brands about changing the way they flow inventory into – through the season, for the fall season, particularly Outerwear. And, can you talk about whether you will be sort of changing the way you ship and flow and if that changes the wholesale shipment comparisons as you look to the back half of 2013?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, it's interesting, there was a lot of discussion about that, but when we analyze our order book which is not complete yet, but our customers are asking for deliveries of products in about the same range. And when we look historically at the rate of sale of Outerwear products on the calendar, in almost any year that we look at, about 20% of the total is sold prior to October or prior to the middle of October anyway. So we've seen customers keeping that cadence about the same. We see a higher level of interest and a higher order book on lighter weight products and then we see obviously a dampened demand for Outerwear in general. But, I think the cadence of deliveries is going to be about the same.

<Q – Robby Ohmes – Bank of America Merrill Lynch>: Got you. And last question, Tim, and then I'll let you go. The – can you just comment on the footwear outlook for 2013 for Columbia brand for fall 2013 and for Sorel? And, is there anything you'd highlight for both those brands in Footwear?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. So, let me start with Sorel, because that's the epitome of a cold weather product. We have worked diligently to design and merchandise some of these shoulder season products and we've been successful moving some of the product there. But, by and large, Sorel is a cold-weather footwear brand. And so when it's – it has roots in North America. When it's inappropriately weathered there, it's impactful. So we will expect to see some dampening there. On the Columbia side, we have a heavy dependence on winter footwear for Columbia as well, but there's also the fairly significant spring-summer and trail product on the Columbia side. So, it is less weather dependency on that brand.

<Q – Robby Ohmes – Bank of America Merrill Lynch>: Got it. Thanks, Tim.

<A – Tim Boyle – Columbia Sportswear Co.>: Thank you.

Operator: Thank you. Our next question is from Eric Tracy of Janney Capital Markets. Please go ahead.

<Q – Eric Tracy – Janney Montgomery Scott LLC>: Hey, guys, good afternoon.

<A – Tim Boyle – Columbia Sportswear Co.>: Good afternoon.

<Q – Eric Tracy – Janney Montgomery Scott LLC>: I guess if I could follow up on the questions around the seasonal cadence of retailer orders. You mentioned Sorel having more transitional product. But within the core Columbia brand, particularly with Outerwear, is there a plan to go with more transitional product in less kind of on-the-core Outerwear? How should we sort of be thinking about that?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, we are following our – our offering will include both heavy Outerwear and lighter products and we'll be led by our consumers – sorry, our retailers' demand for both types. It's sort of a question of whether you believe that winter will never happen again or whether or not the last couple years have been an aberration. So, my own personal take is that it's difficult to extrapolate a couple of years into a global change in the weather, but we have both types of Outerwear and we just – we are relying on our customers to order whatever they'd like.

<Q – Eric Tracy – Janney Montgomery Scott LLC>: Okay. Yeah, I just didn't know if there was a way to sort of flex the supply chain, your inventory positioning and get enhanced to be able to flex those assortments. And I know its tough particularly in Outerwear given the lead times, but I was just sort of curious there.

<A – Tim Boyle – Columbia Sportswear Co.>: I think in general, our response is to be more conservative in terms of how we approach any additional inventories that our customers haven't written orders for. So, that's our approach.

<Q – Eric Tracy – Janney Montgomery Scott LLC>: Okay. And then, you sort of alluded to the price/value equation and wanting to sort of take the technologies to a broader set of consumers. Can I infer by that, that there might be some price compression and if so, how should we think about that in terms of implications on margins? Are you able to manufacture the product to hold the line there?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, so, I guess I would answer that this way. I think in our initial launches of these differentiating technologies we've tended to put them out with the most premium quality materials and the most premium features on the garments which makes them relatively expensive against other competitive products. So we can offer these technologies with somewhat less make and a more popular price point actually with higher margin for the company. So, our focus is going to be on bringing these products – bringing these features and innovations into products that don't have all the bells and whistles that we've been adding. And – so there's where we think we can have a more popular price point, more people can utilize the technologies and the company will have a higher margin.

<Q – Eric Tracy – Janney Montgomery Scott LLC>: Okay. And then lastly, I guess, you guys obviously did a great job in terms of managing expenses on the G&A line this year. I know you've got some bonus stuff coming through comp in 2Q. And also just more broadly how we should think about the marketing spend and investment needed to kind of drive the top line versus again still just trying to control the overall G&A line is really what I was trying to get at?

<A – Tim Boyle – Columbia Sportswear Co.>: Sure. Well, we think there's broad acceptance inside Columbia and I think you'd find agreement with our retailers that we are not spending enough on marketing and we agree. We need to be able to provide a bigger marketing spend and we need to be able to provide higher operating margins, frankly, as well. So, our focus is on managing those expense levels where we can and the levers – there are many available to us. We have committed to a slight increase in our marketing spend for 2013. And frankly, as we look at the marketing spend, we realize that we can be more efficient with that spend. So, I think you'll see, even though we're not spending as much on marketing as we would like, you'll see a better utilization of that spend and even a slight increase in what we're spending.

<Q – Eric Tracy – Janney Montgomery Scott LLC>: Okay. I appreciate it. Thanks, guys. Best of luck.

<A – Tim Boyle – Columbia Sportswear Co.>: Thanks.

Operator: Thank you. Our next question is from Dan Meyers of Northland Securities. Please go ahead.

<Q – Dan Meyers – Northland Securities>: Hi guys. This is Dan on for Reed. I am just wondering if there are any other new product initiatives that you haven't mentioned yet, that you have in the works? And then, do you expect these new product initiatives to carry higher margins than some of your current lines?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, I think, Dan, what we've discovered in rolling out these innovations is that – and we had – still have a number of innovations in our pipeline. But what we discovered is that we were launching these things at too quick a pace. So, before we even had full adoption of, as an example, Omni-Heat Reflective, we had a plan to have Generation 2 Omni-Heat Reflective in the marketplace. And we've since stepped back a little bit, talked to our customers, talked to retailers and consumers and we really decided, hey, we – there's a lot of people around that don't know what Omni-Reflective is. Let's make sure that we fully absorb – that consumers can fully absorb that innovation before we start launching another. So, we have more scheduled to be launched, but we are going to really be diligent about the cadence so that we get more adoption and more utilization of these before we start offering new ones. So, we have more, but we don't have plans to add them at this time.

<Q – Dan Meyers – Northland Securities>: Okay. That's helpful. Thank you. And then you mentioned, you plan on making some changes to the cost structure going forward. Is that mostly on the G&A line? Or is there anything with gross margins there? Thanks.

<A – Tim Boyle – Columbia Sportswear Co.>: No, our goal is – we think there's an opportunity to expand gross margin at the same time that we'll bring our costing down – sorry, our garment cost down. There are levers available to us to change our SG&A structure, and we are analyzing those constantly. But, when we talk about democratizing our pricing structure, it's more about where – what price points we are aiming at with our products.

<Q – Dan Meyers – Northland Securities>: All right. Thank you very much.

Operator: Thank you. Our next question is from Kate McShane of Citi. Please go ahead.

<Q – Kate McShane – Citigroup Global Markets (United States)>: Thanks. Good afternoon. I was wondering if you could – if you were able to quantify or generally tell us the direction in the margin differential between some of your heavier winter products versus some of the lighter weight products.

<A – Tim Boyle – Columbia Sportswear Co.>: I'm sorry the marketing, did you say?

<A>: Margins.

<Q – Kate McShane – Citigroup Global Markets (United States)>: Yeah, margin differential.

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, I think our margins, frankly, across the weight of garments are about the same. Yeah, I don't think there is a significant change between lighter weight and heavier weight garments.

<Q – Kate McShane – Citigroup Global Markets (United States)>: Okay. And then, my second question is on Europe. I was wondering if you could walk us through a little bit what you saw in Europe during the quarter. I think their winter skewed a little bit colder than here in the U.S. And what progress is being made with the brand in the countries you're in currently?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, the weather there in 2012 and 2013 was better than it was here in North America. It came earlier. I would say that we are still challenged there. And we are focusing on, again, in markets where we have been strongest which would include France, Germany and Spain on again providing those democratized applications of our technologies. I wouldn't say that we've fully formulated the proper approach there yet. And I think we've noticed maybe more impact on economy there than we had otherwise thought. But, Europe offers a great opportunity for the company to continue to improve itself and that's been a focus, particularly of mine. I think I've been to Europe now, I mean, either four or five times since August and it's been an area where I've been focusing time, not only with our team there, but also with our retailers to make sure that we've got the right product offering.

<Q – Kate McShane – Citigroup Global Markets (United States)>: Thank you.

Operator: Thank you. [Operator Instructions] The next question is from Liz Dunn of Macquarie. Please go ahead.

<Q – Liz Dunn – Macquarie Capital (USA), Inc.>: Hi. Good afternoon. Can you hear me okay?

<A – Tim Boyle – Columbia Sportswear Co.>: Absolutely.

<Q – Liz Dunn – Macquarie Capital (USA), Inc.>: Great. My question is – my first question is around just the Spring business. Understanding that this has obviously been a period where you've had some difficult weather. It's kind of going a bit against you. I'm surprised there's not more opportunity in spring than there is in fall. Can you just discuss your progress of your Spring business?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, we talked in my prepared remarks about our PFG product, which is almost exclusively a Spring business for us and especially in the southern part of the United States where you could argue it's spring year-round there, if not summer year-round. I think the average temperature in Houston in December is probably 70 degrees. That business has been quite good for us; the PFG business as well as expanding into Central and South America at a pretty rapid pace. Additionally, the largest spring product launch we've ever been involved with will be the Omni-Freeze ZERO which is a great spring product for us. So, we are highly focused on spring and summer product, not only because it's a big opportunity for us, but if you look at a heat map of the globe, it's – there is more people living in warm areas than there are people living in cold areas.

<Q – Liz Dunn – Macquarie Capital (USA), Inc.>: Living there right now. In terms of – I mean, without asking you to take a position on climate change or anything, are you thinking about strategies for Sorel in light of these warmer winters that we've had? Is there any way to sort of move that product a little bit towards more lightweight? And then, how are you planning 2013 from the standpoint of winter? Are you planning 2013 and then budget in this guidance? Is there an expectation for a more normal winter? Thanks.

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, strategically, with Sorel, we are moving that brand to product that is less weather sensitive and can be worn, as an example, in rain or just cool temperatures or even just in a rugged type application. The brand's true strengths are in winter. And so, it's even as we move away from the specifics of weather, we still have a big business based in weather. My particular opinion is that winter will happen and these are years that are aberrations. But our approach has been, frankly, to be much more conservative in terms of how we've approached the inventory levels. And that's, at the end of the day, how we are looking at the unknowns of weather.

<Q – Liz Dunn – Macquarie Capital (USA), Inc.>: Okay. And then just one more if I may, can you talk about how – I know we're about year way from it, but how the joint venture with Swire will impact the P&L and how we should expect that to flow when that agreement takes hold?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, we are very excited about the China JV. It's a huge opportunity for us to grow the business, but I'll let Tom maybe speak specifically to how we are looking at that implications on the P&L.

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, Liz. So, I think as we've mentioned, the joint venture launches around the first part of 2014. So the joint venture will sell to wholesale customers and consumers the spring 2014 and beyond product. So we'll begin to recognize the full amount of revenue and cost for that business beginning in January. However, we will incur some transition startup costs throughout the course of this year, probably beginning in the second quarter for things like trade shows and sales meetings, et cetera.

<Q – Liz Dunn – Macquarie Capital (USA), Inc.>: Okay great. Thanks. Good luck.

Operator: Thank you. Our next question is from Camilo Lyon of Canaccord Genuity. Please go ahead.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Thanks. Good afternoon, everyone. With respect to the fall of order book, could you just talk about any potential ASP impact, with the shift to more lighter weight product from the heavier traditional outer weight product that we are accustomed to seeing and how those orders might be affected by those ASP shifts?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. In our analysis of the order book to date, we haven't seen a significant change, although, I guess, I would expect some slight change just based on the fact that customers are more interested in moderate weight product versus – and fleeces rather than heavyweight product, but, I don't know that the change has been so dramatic that we would see it.

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, I think there has been some slight, if you look at just average unit cost across the product line and across the globe just given the mix of inventory, there's, I would say a low-to-mid single digit, perhaps even high-single digit in certain regions and categories per product, but generally given mix, the average unit costs across the line are down slightly in fall 2013 compared to fall 2012.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Great. And then – but from the perspective of just the average price of a lighter weight jacket versus a heavier outer weight jacket I would assume is less expensive. So, I'm just trying to understand what the impact would be on the sales in the back half from that transition to lighter weight product?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, from an average weighted price standpoint for fall 2013, we're not seeing really any meaningful change year-over-year.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Okay. Great. And then, I guess, shifting to Sorel, as you guys think about trying to broaden out the climate acceptance for the products and as you are going into warmer regions, does that alter or expand your distribution opportunities? Would you be opening more doors or speaking to other retailers that don't carry the product today?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. I think we're currently selling to almost everybody globally that we want to sell to, and again, the product, as much as we would like to convert it into a less weather sensitive product brand and we are working on that, it's still a winter product. And, that's the bulk of its sales there. So, I wouldn't expect it to – absent weather that it would change dramatically.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Okay. Maybe I'll say in different way. Assuming that you're – it's still considered a winter product and obviously it is, are there opportunities for you to expand your distribution in 2013 within that winter category indoors that you're currently not in? Or do you feel like you're at a right level of penetration?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, I think we're selling everywhere we want to sell today, but we would like to sell those customers more, but frankly, the demand for winter product has just been depressed.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Okay. Great. My last question is about the motivation behind the price reductions. Obviously you want to be more competitive given the landscape. Is that something that you feel can have some meaningful impact this year? Is that something that the consumer is going to have to learn about over the coming years? Can you get that message out soon enough that it will have an impact on sell-through?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, it's really a matter of taking the garments that we traditionally sell and adding the Omni-Heat Reflective and other technologies to make them more appealing price-wise. So, we have accomplished some of that for fall 2013, and – but I would say the sea change of products in that more moderate price range will really be future seasons.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: And would that come with different distribution channels for that moderately priced product? Or would it stay as it currently is for the product line?

<A – Tim Boyle – Columbia Sportswear Co.>: No. It's going to stay in the premium sporting goods and specialty stores. But we – those stores typically sell high volumes of moderately priced product as well.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Got it. All right, guys. Good luck with everything. Take care.

<A – Tim Boyle – Columbia Sportswear Co.>: Thanks.

Operator: Thank you. Our next question is from Jim Duffy of Stifel. Please go ahead.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Thanks. Hello, everyone.

<A – Tim Boyle – Columbia Sportswear Co.>: Hi, Jim.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Tom, a few questions for you on the guidance. Can you speak to the change in the fall order book that's presumed in the guide, and the owned retail store comp that's presumed in the guide?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah. So, maybe starting to your first question related to retail. We're currently planning 10 new stores in the U.S. I mean, those come online, four in Q2, four in Q3 and two in the fourth quarter, and those will be outlet. And then, as it relates to the order book I think it's a little too early to talk in any specificity there. We'll come back and provide more detail around the order book in our April call, but, I would say just directionally speaking from a geographic perspective, we're planning for 2013 to be comparable to 2012 with growth in our global direct-to-consumer business, the LAAP region, on a currency neutral basis, there's obviously some headwinds there with the yen right now and growth in the distributor business in Europe. And then that's anticipated to be offset largely by declines in our U.S. and European wholesale businesses.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: And, are you planning for positive same-store sales in your own retail locations?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, we generally don't talk about comp store sales, but the answer to that question would be, yes.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay. And then, Tom, is there any mentionable consequence to the earnings from the recent recalls you've had on the battery powered products or was that covered by reserve accounts?

<A – Tom Cusick – Columbia Sportswear Co.>: Well, we had anticipated those costs and estimated those reserves and those are – assuming we're right there, those costs are captured in the fourth quarter.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Great. And then, Tim, maybe a question for you, can you speak to the current state of inventories in the channel after the recent spell of cooler weather we've had? Is the channel inventory in a healthy place entering mid-February or is there still more work to be done there?

<A – Tim Boyle – Columbia Sportswear Co.>: I think it's certainly improved. Anytime there's cold weather, we've had an improvement in our sell-throughs at our retail partners. And, I would say, that absent winter footwear, we're – I think that based on the weather that we're anticipating hitting the Northeast and being around for a while, will likely clean up a lot of whatever residual is left now. But, we still got some issues as it relates to winter footwear in stores, through, I would say at least today.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay. And then final question, just an update on the thoughts on the use of cash, I was surprised that there wasn't a special dividend. Does Columbia still consider itself a potential acquirer? Any light you can shed on that would be helpful. Thanks.

<A – Tom Cusick – Columbia Sportswear Co.>: As you know, Jim, we've got the three traditional levers of the dividend buyback and M&A, and we generally don't comment on the latter two. As it relates to use of cash in the near-term, our expectation is that we will utilize upwards of $50 million to capitalize our China joint venture between now and the end of the first quarter in 2013. So, in the near-term, that will be a large use of cash. And then as we just look at free cash flow in 2013, with the higher CapEx in 2013 as compared to 2012, coupled with the dividend, we're not looking to generate significant excess cash in 2013.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay. That's helpful. Thank you.

Operator: Thank you. [Operator Instructions] Our next question is from Christian Buss of Credit Suisse. Please go ahead.

<Q – Darla Shay – Credit Suisse Securities (USA) LLC (Broker)>: Hi. This is actually Darla Shay on for Christian. Thank you for taking my call. In regards to your long-term product pipeline, are there any changes to the mix of Sportswear versus Outerwear evolving over the next several years?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, not particularly although, the Sportswear business globally is larger obviously than the Outerwear business and less weather sensitive. So, as we are successful – as we become more successful in our Sportswear business and there could be a larger growth there than in Outerwear.

<Q – Darla Shay – Credit Suisse Securities (USA) LLC (Broker)>: All right. Great. Thank you very much.

Operator: Thank you. Our next question is from Chris Svezia from Susquehanna Financial. Please go ahead.

<Q – Chris Svezia – Susquehanna Financial Group LLP>: Good afternoon, everyone. Tim, I was wondering if you can just help us out for one sec. When you think about the fourth quarter and how the season played out, do you feel that the Columbia brand was able to sustain its market share position? I think last year you had mentioned that you felt pretty confident that the Columbia brand maintained its market share. But I mean, this year as you kind of came through, can you kind of parcel out maybe what retailers have come back to you? And think about how the brand was positioned and maybe where the market share position stands for it?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, I would answer that from a categorical and geographical area. So I think there's areas in the globe where we've had significant market share gains. And I think there's areas in the globe where we gave some back. And I would also point categorically to the impact and positive nature of our PFG product as a gain. And I think an Outerwear and Winter Footwear, the jury is still out whether or not we actually lost market share or in fact – I am convinced that the market has contracted, so whether or not we gave up market share there, it's possible. But, I know for sure that the market itself has contracted.

<Q – Chris Svezia – Susquehanna Financial Group LLP>: Okay. And then just going back to Europe for one second, when you talk about some of the new product that's being launched, is it being launched simultaneously in that market, and are you, I guess, providing additional marketing support behind it when you launched that product in Europe as well?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. So, our product launches are global, and so the European consumers will be seeing those simultaneously with the U.S., and we're probably spending more as a percent of sales in Europe than we are here in the U.S.. So, plenty of consumers are going to be seeing the Zero product in Europe.

<Q – Chris Svezia – Susquehanna Financial Group LLP>: Okay. Last question I have is just on the SAP integration. I know you guys did I think Canada last year, I think you are planning to do North America this year. Any thoughts about pros and cons to it in Canada, and just any with your nightmares with the times with SAP integration? So, I'm just kind of curious any protocols you have in place when you put in a place here in North America? Thanks.

<A – Tim Boyle – Columbia Sportswear Co.>: I'll let Brian speak to that specifically.

<A – Bryan Timm – Columbia Sportswear Co.>: Yeah. As you mentioned we went live with Canada last year in 2012. It was a good implementation and then we spent the next couple of months really trying to stabilize that business, and make sure it allowed them to do their business process as necessary. We quickly turned our attention to our largest region here in the U.S., and as in the commentary we now have plans to go live in the U.S. region in April of 2014.

I think one thing about 2013, we're trying to accomplish is, when you look at Canada versus the U.S., there's additional functionality that we plan to put into the U.S., and things like the way we communicate with our liaison officers in Asia, our vendors in Asia as well as our salesforce, and we'll also be upgrading our Warehouse Management System also in 2013, all of which progress us to – in this implementation efforts, and ultimately start to reduce some of the risk of the actual U.S. go-live in April of next year.

<Q – Chris Svezia – Susquehanna Financial Group LLP>: Okay. And all those costs, Bryan, are in your SG&A guidance for the year, correct?

<A – Bryan Timm – Columbia Sportswear Co.>: That's correct, Chris.

<Q – Chris Svezia – Susquehanna Financial Group LLP>: Okay. All right, great. Thanks very much and all the best.

<A – Bryan Timm – Columbia Sportswear Co.>: Thanks.

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, this is Tom. I wanted to follow-up to Jim Duffy's earlier question. I think I stated that the capitalization of the China joint venture would be complete by the end of the first quarter of 2013. I meant the first quarter of 2014, so that roughly $50 million investment will be – about roughly two-thirds this year and a third next year – in the first quarter of next year.

Operator: Thank you. We have no further questions in queue at this time. I'll turn the floor back over to management for any additional or closing remarks.

Timothy P. Boyle, President, CEO, Director & Executive VP-Global Sal

Well, thanks, everyone, for listening in. We're looking forward to talking to you further at the end of the first quarter. Thank you.

Operator: Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.