



2013 INVESTOR DAY – JUNE 11, 2013

Scott Baxter - VF Corporation - Group President - Jeanswear Americas, Imagewear and South America

Terrific. Thank you, Steve. That was great. I mean, that's just wonderful. Great business. Really appreciate it. Good morning, everyone, and thank you for being here. It's great that you came to spend some time with us today. I was really looking forward to our presentation and the opportunity for us to get together because two short years ago we got together, and I had a lot to talk about in the Jeanswear and Imagewear business.

But the really impressive thing is the progress that our teams have made in two short years. And we're going to spend a lot of time talking about that today. I'm real proud of what they've done, and I think you're going to like this message.

So let's go ahead and let's talk about the Jeanswear business. The very formidable, very large business. And as you can see, we're going to go ahead and grow from \$2.8 billion to \$3.3 billion, a strong 4% CAGR going forward. Now where is that going to happen from a geography standpoint around the world? We're going to have continued strong growth in our Americas region. We're going to stabilize the EMEA region, and we're going to have continued strong double-digit growth in the APAC region.

Now, you can't have that growth and you can't grow like that without a strong leading, stable of brands. Look at these brands that we have, wrangler, Lee, Rock & Republic, Riders by Lee. Nobody has a portfolio of leading brands in the industry like we do. It gives us that platform to grow from. It gives us that opportunity to have the voice of the leader within the industry. When you have a set of brands like this, it's incumbent upon you to take that leadership role and to innovate and to grow and to bring newness to the channel on an ongoing basis.

So how are we going to do that, and where are we going to do that? If you look at this slide right here, it's important to note that our existing core is really strong in several areas. We're really strong in Mass. We're really strong with the Wrangler patch, and it's incumbent upon us to grow that existing core. How are we going to expand that core? We're going to do it through really intelligent initiatives like our Hispanic initiative.

So one of the many initiatives that you're going to hear from me today, one of the many things that we're doing from a consumer insight standpoint, it's a really strong demographic, it's growing, very intelligent, growing in affluence, growing in income, and it's untapped for us, tremendous potential. They love the brand. There's many things that we can do there.

And how are we going to extend from there? Well, a few short years ago, before we got together two years ago, we didn't have a very large department store business with our Lee brand, but we had received a test right before that with Belk department stores. And our test with our Lee Platinum label had gone so well that we received complete system-wide distribution with our Lee Platinum at Belk.

And because that went so well, because we built products for the consumer that the consumer liked and we listened to the consumer, we received a test from Macy's for our Lee Platinum. And that has gone so well that we've actually expanded that test twice since we got together two years ago.

And so what's happened since then? Well, this fall, we kicked off a test with Bon-Ton store. So if you think about it, the progress that we've made in two short years just on that department store business, it gives you an idea the potential that we have going forward. It's really significant.

Now I'm not going to spend much time on this slide at all, but what I am going to do is I'm going to dig into all four quadrants on this X, and I'm going to give you real-life examples of why our strategy is working and how it's working. There is nobody more laser-focused on the consumer than the folks at Jeanswear. We know our consumer really well. We've known them for a long time. Wrangler's been around for a long time. Lee is celebrating its 125th anniversary next year.

We spend a lot of time, we spend a lot of effort, and we spend a lot of resources understanding the consumer, and that really helps us make a difference. We're building product and innovation. Because at the end of the day, it comes down to product that people like, people feel comfortable in. They like the fit, they want to wear.

I want you to really take a look at this slide. This slide is extremely important to me, and it's extremely important to our business going forward. When I was here two years ago, we probably had 10 to 12 innovation projects in our current pipeline.

And of those 10 to 12 projects, we probably thought about them a little bit, and the person that was handling it and the resources behind it were pretty limited. It was maybe the person that came up with the idea or if it was a Wrangler idea, it was probably someone from our Wrangler brand managing it. But now, I want to fast-forward 24 months, and I want to share with you how far we have come.



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We have 80, 80 projects in our pipeline right now. And those projects had been vetted before they've gone into our pipeline. We actually have resources that manage this entire process. So before, like I said, it was just part of what people did during their jobs. We have dedicated resources and the dedicated staff that help us manage this. We have 80 projects. And I want you to think like this.

As you think about these next five years, what have we done? We've created a pipeline of growth and opportunity and product that's short term. We have stuff that's coming out in the next quarter. We have stuff that's coming out every quarter this year. We have midterm. The next two to three years. We have long term, four to five years.

We have created a path for growth for the next five years, and then the exciting thing about this, those are just me talking about the aggregate numbers of the projects. These projects are different in nature. We have materials. We have innovation. We have really big platforms around fit, around comfort. We have breakthrough ideas that are really game changing. That's the difference.

And then, like anything else in life, with 80 big projects like this, you never know what's going to come next. You never know where we're thinking about some of these projects are smaller in nature from a revenue standpoint, and we have really big numbers attached to some of these projects. But you never know when one's just going to explode. This is our spot, shape, build and scale model. This is extremely important.

I wanted to spend a little extra time with you here on this today because this is a path for growth that we've invested in and it's a big difference from when we got together just two years ago. And I think that we're refining this process for the industry and it's going to be a difference five years from now when we have a chance to talk about it again.

From a serving-consumers-directly standpoint, we have a really robust e-commerce business. We hear from our consumers, and you know what they tell us? They tell us -- your product is really easy to shop for online. Your product is really easy to connect to online. People really like our products online. They find it easy. They find it fun. Everybody pretty much knows their size in jeans, knows their size in shirt. And so it's really been a big win for us. And we're putting more resources against this.

I wouldn't say that we're best in class, but what I would tell you is that we work really hard to catch up. And we're working with folks, like Steve and his team have been wonderful partners as far as sharing information, helping us get better, and that's just leveraging one VF. That's what makes VF fantastic because we have people who do world-class stuff that we can steal from, and it's all good because it's part of the family. So we're really growing there, and we're getting better and our business has been growing double digit for at least three years now. And I'm excited to talk to you about that again in a few years.

And then the other part is, I wanted to show you a couple of our different stores. And the stores are really important for us. You can see our Wrangler store in Germany, and one of our Lee stores in Asia. They're really important for us because they help us tell the brand story. It lets the consumer touch us and touch our brand directly.

And one of the single most important things that a store does for you, it gives you instantaneous feedback on your product. You know immediately if your consumer is accepting and taking that product and they like it. Not only can you tell from the cash register, but you can tell from the interaction from the people that you have at the store, and that's really important.

So from a geography standpoint, I utilized this slide and I utilized the Americas and South and Central America for a specific reason. Over 70% of the business that we do in the global Jeanswear category is in these regions. I didn't want to show you where we didn't do a lot of business and talk about all this opportunity where we didn't do a lot of business. I wanted to impart upon you where we have a big business, and I wanted to share with you why we still have tremendous opportunity.

In the United States, the Americas, all the way from Canada down to Mexico, I already shared with you that we've got this big Hispanic platform and opportunity. It's untapped, huge potential for us. And that's happening right now, growing right out of our Mass, which is a substantial business. I talked, or I'm going to talk, a little bit about our Western theme, our Western culture, and still the great opportunity that we have there. I talked about our department store business and how that's growing and how well our tests are going.

That's just an example of where we have a really strong core business, and yet, we still have tremendous opportunity. And then a little bit different, from a South American standpoint, we have really well-known brands in a very big and dynamic marketplace but we haven't tapped into that potential yet, but we are going to do that. We've got a platform now down there. We're kicking that off right now.

We've just announced our President that's going to go down there and run that business for us, and we're bringing the VF platform together. And there's huge opportunity down there to bring the power of VF and to grow that business. So a good example of just how we can do it in two different ways.



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So this tells you a little bit, we're going to grow the Wrangler brand to \$1.8 billion, strong 3% CAGR growth going forward. I started with this slide. It was important to me to start with this slide. You might think why not start with a Mass slide because that's our huge Mass business, right? It's our biggest business that we have. I started here because of the authenticity.

Wrangler was born in 1947. We built a product called the MWZ 13, and it was built for the cowboy. It is absolutely, without question, the single most important piece of apparel in a cowboy's closet. They live for this product. It is our heritage. It's our authenticity. And I will tell you, they wear that product to get married in, to go to graduations, to go to school in, to work in, to play in. They wear Wrangler, and they are just our biggest ambassadors that we have.

And we have a leadership, a strong leadership position in this category, in both men's and women's in tops and bottoms, and we can anchor so much out of this platform, from an innovation standpoint, because they're such brand champions. They love newness, they love innovation and they purchase it when they see it from Wrangler. They really get behind the brand. They're just incredible ambassadors.

So I wanted to share a little story with you about this product. The number one selling item that we have in our Western line is a product that we made, that I just referenced, in 1947 called MWZ 13 built for the cowboys. Well, we kind of figured that 1947 to 2013, the cowboy maybe has changed a little bit. They do have cellphones now, and they actually use them and certain things have changed.

So we went down deep in the heart of Texas and spent a couple of weeks with cowboys. We rode with them on ranches and worked with them. We asked them a ton of questions. We spent time. We got their feedback. We tried to understand what they want to do, what they look for in a product. And then we went back to the lab, and we built a fantastic new product. It's similar to the old product, but it has some new features, like a cell phone pocket, like a little different fit. People are bigger today. Like a little different in-seam, maybe little different fabric and a couple of cases. But it's a product that zoomed in two short years to our number two best selling item.

I think it's a great example of where someone might have said -- you know what, it's the number one selling item in your line, why build another product to compete against it? Why mess with it? Well, I really am impressed with our people because they thought -- hey, we can enhance the whole line. We can build something even better. We can build something for the old and the new, people can have both. And it's helped grow and propel our business greatly, and it's helped us really think about newness and innovation within the Western channel.

So who are these people? They're the authentic cowboy. That's the person that actually lives and works in the Western world. It might be a rancher. It might be a cowboy. It might be a country singer. But it's people who actually live and make their living and spend all day in their Wranglers. It's the most important piece of apparel they have. Brand champions. It's the new cowboy.

That's the person that really loves the culture. Loves country music. Loves to rope, loves to ride, loves to spend time outdoors, but has to have a different job, maybe as a teacher, maybe as a fireman, but as soon as the five o'clock bell rings, they throw on their Wranglers. When the weekend's here, they're riding horses, they're listening to country music. They love our product. They wear it. They're inspired by it. We're building products for them.

And then there's also the Western-inspired cowboy. But that's maybe a person a lot like you and I. Maybe there's an occasion where you like to just throw on your Wranglers and go out and listen to some country music twice a month. Maybe you just like to throw them on because you feel great about it. You love the culture and you love the feel and the thought of being like a cowboy.

And that's a huge category that's actually growing in influence all around the world actually. And we're pretty excited about it. It's really growing in the States. It's really growing in South America. People are really moving back to a simpler time and a culture and that Western theme and that culture and they like it. And as we look at the business, there's significant opportunity in all three of those.

Let's talk a little bit about Mass business. It's a significantly large business, really important to VF Corporation. And also, we're a leader in this business. We take that position really seriously. We know this consumer better than anyone. So as the leader, we have to play offense. We have to set the bar for everybody else. And we're doing that from an innovation standpoint. The single most important thing for these folks in this category, the single most important thing is comfort. These people wear their Wranglers all day long. They work in their Wranglers, they garden in their Wranglers, they coach little league in their Wranglers, they go out in their Wrangler.

So when we talk to this consumer they're constantly telling us comfort, comfort, comfort. It's a huge platform for us. It's a big differentiator for us. And we're building product around comfort. This is a product that we're coming up with, called Flex Tech.



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Now, it's got some stretch in it, but I'm here to tell you, don't mention stretch with men. They don't like it. We call it Flex technology, they like that a lot better. But it's an extremely comfortable product. This product has tested in our Mass business better than any product we have ever come out with.

What we've heard from our consumers as we tested this product was two things; one, it's my favorite piece of apparel; and two, it's my most comfortable piece of apparel. And this is hitting the market as we speak. And this is part of a much larger comfort platform within this channel that other parts of our business can draw from because that's the power of VF, and you're going to hear some more about that in the future.

And who are our brand icons? How do we bring the brand to life? How do we tell that story? We do it with three folks, specifically at the Wrangler business. Most of you know, we've been with Brett for a long time, and Brett hasn't played football for a few years, but he still really resonates with the consumer. They really like his lifestyle, what he stands for, what he accomplished. And we utilize Brett from a rugged standpoint.

So as you watch our advertising and our commercials, Brett is our outdoor guy. He's the guy that gets out and makes it happen. You see in the commercials, he's with his dog and his truck, he's playing football, all that stuff, having a lot of fun, and by the way, that's actually on his ranch that we shot that one commercial that you might be thinking of right now. Just a terrific guy, a great spokesperson.

And then we have Dale Jr. We've been with the Earnhardt family for a long time. They been Wrangler-wearers forever, and they are just terrific folks. And we use Dale Jr. from an authentic standpoint. So that's how we capitalize on that.

And then I'd like to welcome to our family, Drew Brees. For those of you that haven't heard, we just signed Drew Brees, and we're utilizing Drew because of his work in the community, because of his work after Katrina and because of all that he's done with this foundation. And he's really a strong family person, really strong values. We're using Drew from a family and social standpoint. So we really feel like, from a consumer standpoint, we captured the essence of the brand and really have a strong communication channel to and from with our consumers.

Let's switch gears just a little bit. Let's stay in the Jeanswear group, and let's talk about Lee, growing from \$1.1 billion to \$1.4 billion, very significant, big, big product for us, big brand for us, nice strong mid single-digit CAGR. How are we going to do that? This is really important. And I wanted to share with you and talk a little bit more about innovation. This is our new Shapetastics product. We scanned 5,000 unique different women, 5,000, scanned their body so that we could build a better product for the department store channel. This is about to hit the department store channel, and I am here to tell you, this is a game-changer.

Now, you heard me talk earlier about several of our different consumers. What we heard from, specifically from our Lee female consumer, single most important thing for them? Fit. Fit is number one. So we have gone back. We have done our research. We've done our homework. And we've put the time and the resources into this, with our new 360 tailoring. And this is going to hit the Belks, the Macy's, the Bon-Tons of the world, and this is a game-changer because fit is so important.

A female consumer loves to have great fit because it gives them great confidence in what they're doing in their jeans. Whether it's work or play, it just exudes confidence and it helps you feel better about the product you are wearing. And we have really great technology that we've really thought through that is an absolute game-changer, and this is another platform. This fit platform is big for us, and there is a lot of opportunity in this fit platform going forward.

Now, I'm going to pause here for one second because I put this in because it's really important, and I want to tell you why and then I want you to read it. These are some testimonials from some Lee customers. What's happening in the world today is people are doing a ton of research before they get in the store about product. They're doing that research online. And they're doing that research with their mobile device also. But they're doing that research in the store too.

So it doesn't just have to be before they get there. They do it in the store too. And something that's really interesting is probably more than ever in our culture, people are taking cues from others on what's important and what to buy and whether someone else likes it. Bloggers and testimonials have become extremely influential within our world, and these are just a couple of our testimonials.

And the only way that you can get testimonials like this is you have to build fantastic product, you have to lead in innovation. And we are gaining these type of testimonials. This why Lee is winning. This is why Lee will win in the future. That in addition to many, many projects in our innovation pipeline, a fit platform that they have going forward. So a really significant opportunity for us going forward, and social media would really help us do that.



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We got together in September in Shanghai and spent some time talking about the Asia-Pacific business, and I just wanted to go ahead and reiterate, although we were just together not that long ago strong, continued double-digit growth in the Asia-Pacific region.

So with that, I'm going to wrap-up Jeanswear and move over to Imagewear. We don't spend a lot of time on Imagewear, as far as talking about it with you folks. But it is a very formidable, very large and very significant business, encompassing two divisions, the Image workwear division and the LSG sports license business within the Imagewear coalition. It's very large.

We're growing to \$1.3 billion, a strong 4% CAGR going forward, and I think it's really important to know here a significant cash generator for VF Corporation, a really important cash generator of VF Corporation, and also a really interesting business for VF Corporation because we get to look at the consumer in a different way.

We get to see the consumer's eyes through a B2B focus. We get to see the consumer's eyes through a licensed piece although, Karen has a big license business this is another substantial license business but it's different for us and it helps us understand our businesses a little bit better because we get a couple of different lenses to look through, and we're sharing more and more of VF and it can only help us going forward.

And when you look at this leadership set of brands, it's stunning. Number one in workwear, Red Kap, since 1923, number one in FR significant growth over the last five years with Bulwark, Majestic on-field, authentic major league baseball. Only one person can be on-field. Only one person can have that authenticity, and we have it. And then if you look at the other marquee businesses that we do business with, there's no better set of assets to have a license with than the NFL, the NHL, the NBA. We don't have the NCAA on here, but that's also one of our businesses, and of course, Harley Davidson.

I always joke and talk to the people that there are very few businesses that you're in that people tattoo themselves. And if you really think about it, all the tattoos that people have of Harley-Davidson, the passion they for that brand. All the sports tattoos that are out there. People have Yankees tattoos, Red Sox tattoos, Packers tattoos. These are people that are very passionate about their apparel and very passionate about their brand.

So where do we do business here? Who are our consumers? In the Image business, we do business with large multinational corporations, people in the oil and gas services, people in the manufacturing and automobile business. Those are significant customers. Large government institutions are big customers.

Big utilities for our FR product to protect their employees, and then also with large global distribution companies like Cintas and ARAMARK and Ameripride and UniFirst. From an LSG standpoint, we do business at stadiums and concessions, anywhere you want to pick up your apparel.

I'll tell you what's become a really, really important channel for us from an LSG standpoint, that's the e-commerce channel. The reason being is so many of you might not be from New York or wherever you're from, wherever you're living now, that might not be, and most likely, isn't, if you're a professional, where you grew up. Your travel and your work is taking you someplace else, but you still have that affinity. If you grew up in Green Bay and you ended up moving to Denver, you still love your Packers.

Well, we make it really easy for you to buy your Packer apparel online, and that channel is getting larger and larger as people become more displaced in America and they want to follow their team. And then of course, with our retail partners.

Let's talk a little bit about the Image business. I specifically put this slide in because it was really important in a couple of ways. One, I wanted to share with you earlier, remember, I talked about our comfort platform that we talked about with Wrangler? Well, here's a great example of Wrangler and of image coming together creating a product from a comfort standpoint. It's going to lead in comfort in the industry. So here's what happened.

Our people had been talking to and always are doing research with their consumer. And one of the things that we found out is Red Kap plays in a certain marketplace, right? But there was an opportunity to play one level above there. And so we were thinking about what brand we could do that, we create a brand, we partner with a brand.

And then the one thing that we can consistently heard from this consumer was -- yes, the first thing that I do when I get home, I take off my uniform, I put on my Wranglers. Like -- holy cow. That consumer is using our other products. That consumer is using Wrangler. Why not use the Wrangler brand? Why not bring the comfort platform home over, create a product that is just superior in not only comfort but mobility because we call these occupational athletes because they're moving and changing tires and oil or whatever. They've got to stretch and they've got to move around.



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So we are just now kicking this product off in the marketplace and we think there's just incredible potential for it. But it's a really great example of communicating. One, via talking, taking advantage of this huge comfort platform, taking advantage of a relationship that we already have with our consumers from a Wrangler standpoint. I mean, you heard me say, they're literally taking off their work uniform and the first thing they put on is their Wranglers.

I mean, we're going to go ahead and outfit from when they get up, we just got to get them some Nautica pajamas, right, Karen? So when they go to bed in Nautica and then they get up and wear Wrangler the rest of the day. I mean, this is really that consumer that we have and how we're working with them, how we're making sure we do.

Now this happens to be probably one of my favorite stories of VF. So I am going to take an extra minute to tell you the story because I think it's really a great story of ingenuity and a great story of our people thinking a little bit differently, going against the grain and how they've been rewarded and we've been rewarded as a company. Now do you see that shirt up here? That is just, in the far right-hand corner, that is our new automotive work shirt. We make hundreds of thousands of automotive work shirts, hundreds of thousands, and we have, forever. We've made those forever.

And for the last decades, us, in the competition have raced to the bottom to take as much cost out of that shirt as possible. So what I mean by that is you have a shirt and you're trying to generate additional gross margin, and we continue to take make out of the product and make out of the product and try to make it more profitable and it was a race to the bottom with these. We completely commoditized the category, right?

So we go out and we're talking to these folks. And here our folks are and they're talking to these folks and what do these folks say? They say -- we really don't like wearing a shirt anymore. I don't feel any pride when I'm interfacing with the consumer. I can't do my work. I can't perform in it like I used to because you took so much make out of it. You took my tools sleeves out of it. You took my tool sleeve out of it. You took my placard off of it. I can't protect myself. So our people came back.

And they said -- you know what, here we are again trying to think about how we can take some more make out of the product. Why don't we do something completely opposite? Why don't we do a 180 here? Why don't we put all the make back in?

So here's what we did, we went back to the drawing board and we put all the make back in the product. We put a whole tools sleeve in. We put a placard in. We put long sleeves on, because we were trying to go to short sleeves because they're cheaper to make, right? We put a couple of different colors in because we had mono-colored everything. We put much better fabric in the product, right? We put placards in. And we put [gussets] in. It's the single most piece of comfortable, yet functional workwear you'll ever wear.

And guess what? For two years, over 50% growth in a category that had been dormant for years. Our business has been up over 50% two years running. And we charge double what we used to charge for a shirt. And here's what we hear from both associates and employers. From the employers, we hear it's a retention factor. We actually are retaining people we think by giving them apparel that they're proud of and that they can wear. And what we hear from the people that work, they love coming to work in it. They feel great about interfacing with the consumer. I just think it's a great example of our people listening and our people saying -- hey, wait a second. Enough is enough in doing something a little bit different and having the courage to do that.

Let's spend a little time on licensed sports group. I shared with you a little bit about this business most of what we do starts with our authenticity in Majestic on-field. We're building great craveable product, product for the people that are passionate about their sports teams. Those incredible winning moments, whether it be the World Series or the Super Bowl or whatever it may be, and they actually like players too.

When we got together two years ago, I talked to you about this business and I shared with you how we innovated around just specifically on-field. And our team, since then, has created these four platforms to start building product and innovating around. And that is really important to note because we have limited ourselves before with just this one platform. So now we have four and we've got just this much bigger universe.

And now we're building and doing out of these four versus limiting ourselves in this one. And I wanted to give you a specific example of what happened from that. We used to make women's product. We set focus groups. And our focus groups used to be male-dominated. And we used to make women's product that really wasn't comfortable. It was just a smaller size men, maybe didn't have any fashion. And we really weren't listening.

But we since gone back to the drawing board in the last couple of years and we've listened to women, and they told us -- we want fashion. We want design. We want lighter weights. We can't wear that heavy stuff that our husbands and our boyfriends wear. We want



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things that we can be proud of that we would wear, that we might even not just wear it to the stadium or the game. We're going to wear it out. We need a tighter formfitting product. We need better silhouettes.

So we'd come out with products like our new women's replica, smash hit. We've come out with the shimmer top, the number one selling women's piece in the NFL. That product has just flown off the shelves. But we did it through listening. And we did it again through these four platforms and making sure we understand what people want. We're building product for people and we're listening to them, we're understanding what they want and we're having success because of it.

So again, just a quick note on the CAGR. And my time is up with you today until we get together for our Q&A here later in the day. But I did want to leave you with this, two short years ago, we got together and spent some time, and I was so proud of the team and the progress they had made and all the things that they were doing. And it's really unbelievable for me to think all that we've done in those two short years. It's just shocking.

And now, we've got five years to do even more. And we're so much more intelligent about our business. We have so much more from a resource standpoint to apply to our businesses. We have fantastic people doing great things. We're real proud of what we're doing. And you can count on us to continue to do that to be thoughtful, to be intelligent and to really grow this business going forward. I can't wait to get together again because I can't wait to brag about all the great things our folks are doing.

And with that, I want to introduce Karen Murray, our President of our Sportswear division.
