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Under Armour, Inc. (UA)

Q2 2015 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Under Armour Second Quarter Earnings Webcast and Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, today's conference call is being recorded.

I would now like to turn the conference over to Mr. Tom Shaw, Director of Investor Relations. Please go ahead, sir.

Thomas D. Shaw
Director-Investor Relations

Thanks and good morning to everyone joining us in today's second quarter conference call. During the course of this call, we'll be making projections or other forward-looking statements regarding future events or the future financial performance of the company. We wish to caution that such statements are subject to risks and uncertainties that could cause actual events or results to differ materially. These risks and uncertainties are described in our press release and in the Risk Factors section of our filings with the SEC. The company assumes no obligation to update forward-looking statements to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

In addition, as required by Regulation G, we need to make you aware that during the call, we will reference certain non-GAAP financial information, specifically currency-neutral net revenue growth. We provide a reconciliation of this non-GAAP financial information in our earnings release, a copy of which is available on our website at www.uabiz.com.

Joining us on today's call will be Kevin Plank, Chairman and CEO; followed by Brad Dickerson, our Chief Operating Officer and CFO, who will discuss the company's financial performance for the second quarter and provide an update to our 2015 outlook. After the prepared remarks, Kevin and Brad will be available for a Q&A session that will end at approximately at 9:30 a.m. Finally, a replay of this teleconference will be available at our website at approximately 11:00 a.m. Eastern Time today.

I will now turn it over to Kevin Plank.

Kevin A. Plank
Chairman & Chief Executive Officer

Thank you, Tom, and good morning to everyone. I am calling in from Munich, Germany where later today we are opening our newest international office from which we will serve the markets in Germany, Austria and Switzerland. This is my last stop of a weeklong trip that has taken me to multiple cities including Glasgow, Copenhagen and now Munich. As we continue to grow our global footprint, these trips continue to provide deeper insight into the markets and how consumers are thinking about our brand.

My visit to Copenhagen reconfirmed and enhanced the excitement around our recent Endomondo acquisition and a huge opportunity that Connected Fitness provides UA with global consumers. With today's ribbon cutting in Munich, we will now have 17 regional offices outside the United States, which are positioning the brand closer to the local consumer and driving the incredible execution we have seen in the past year, including 93% international net revenue growth just this past quarter.

That strong growth outside the United States helped drive total net revenues for the quarter of 29%; the twenty-first consecutive quarter of 20%-plus net revenue growth. In addition, total apparel net revenues grew by 23%, marking the twenty-third consecutive quarter of 20%-plus percent net revenue growth. We have traditionally referred to this as our scoreboard. But based on my visit to St. Andrews earlier this week, maybe we should refer to it as a leaderboard. Either way, we continue to shoot consistently great numbers.

As we prepare in our twentieth year in the business of sports, we have learned a lot of valuable lessons. Some of them have been learned through business, but just as many probably have been learned through sport. Over the past year, three Under Armour athletes have transcended their sports and become known by just their first names; Stephen, Misty and Jordan. These three athletes have combined to teach us one incredibly valuable lesson: that we need to think bigger.

For Stephen Curry, Misty Copeland and Jordan Spieth being a great basketball player, principal ballerina and PGA golfer was rooted in their ability to see beyond, to be prepared to not just be great but to be extraordinary, to plan and practice but also know when to take the risk.

Our lessons out of this are incredibly relevant to this moment in time for the Under Armour brand. First, our athletes' success pushes us to see beyond just maximizing the revenue opportunities in any given quarter. It forces us to think clearly about what we need to do better and how we need to organize to be more than just an American sports brand, to go from changing the way athletes dress to changing the way athletes live.

Second, this intense brand heat provides us with abundant opportunities to invest in businesses like basketball, women's and golf that will not only grow our share within those large categories but will also positively impact all of our business across both categories and geographies.

So my two main topics today are how do we invest to capitalize on that momentum and how do we organize to think bigger about the opportunities in front of us today. Thinking bigger is part of what drives the world's greatest athletes to outperform on the highest stage. And it's hard to think of three individuals who have done more of that recently than Stephen, Misty and Jordan. And the best part is that, just like UA, they too are just getting started.

Stephen Curry; NBA league MVP, world champion, recently voted best male athlete and best NBA player at the ESPYs and, most importantly, new father of a baby girl who one day might give her big sister, Riley, some competition for the spotlight – a pretty good stretch for a great young man and tremendously rewarding for Under Armour to be part of his on-court success. We're taking Stephen on a tour to China and other markets in Asia starting late next month, and frankly, we believe he's just beginning to touch upon his potential both in the U.S. and other key basketball markets across the globe,

Misty Copeland; trailblazer, prima ballerina, athlete, named last month as the first female African-American principal dancer with the American Ballet Theatre. Again, tremendous pride on our behalf to be involved early in Misty's meteoric rise by helping introduce her to an audience beyond the ballet world with last year's I Will What I Want campaign.

Jordan Spieth; when we signed him more than two-and-a-half years ago, we told you to watch out for this young man as we had a strong feeling he was going to turn in to a huge asset for our golf business. It's amazing for all of us that in such a short time, he's gone from being one of the names touted as the future of golf to being the story of golf, not just now but we believe well into the future.

And while I'd be remiss to not at least mention the great performances by other UA athletes this quarter, not this year: Andy Murray; Carey Price; Bryce Harper; Todd Frazier of the Cincinnati Reds, who last week won the Home Run Derby in front of his home crowd at the Great American Ball Park.

The recent accomplishments of Stephen, Misty and Jordan are somewhat overwhelming and heavily impactful. Their achievements these past few weeks represent a moment in time for the Under Armour brand, one that forces us to reassess our opportunities and look deeper to understand what all the success means for us.

There is, of course, the immediate benefit to our brand. This brand heat is driving huge amounts of incremental traffic to our e-commerce platform across the globe, with our basketball traffic up more than 300% year-over-year, while on our social channels we added more followers on Instagram during the recent NBA Finals than we did in all of 2014. The Curry One shoe was a great success of our e-commerce site as we continued to gain share in key footwear categories with our wholesale partners.

Our women's business continues to grow strongly in key areas like capris, shorts, sport bras and running footwear, while our e-commerce golf business was exceptional, growing about 60% year-over-year.

But there is a bigger takeaway for our company in all of this. We've learned from these athletes, not only about the preparation it takes to be great, but the added level of commitment it takes to be truly special. All three of these athletes started as clear underdogs; yet were able to put themselves in a position where their skills and focus enabled them to transcend their sport. All of them have proven, as Jordan Spieth stated following his Masters victory when asked why he chose Under Armour, that being aggressive, young and fearless can be a deadly combination.

Our athletes' ability to see what was needed to be excellent forces us to think bigger. It requires we accept there are moments in time where we need to accelerate to take advantage of the new opportunities our brand momentum creates. We understand there are short-term benefits for this unprecedented momentum, but we are focused on the long term. To us, this moment provides a great chance to build a more meaningful connection with our consumer through the power of these transcended athletes. And that connection can be deeper and more powerful for our brand than any short-term spike in our revenues or our earnings. Without question, the brand equity we are creating right now will benefit our business more significantly over the long term than it will simply just this year.

Specifically, in a large category like basketball, we've had incredible success for the Curry One footwear, including some very hot selling limited releases. But that brand heat, evidenced by the lines outside our Brand House stores on release day, gives us great confidence in the brand we are building with Stephen Curry and our strategy in bringing new product to market.

It has motivated our footwear team. It has given confidence to our retail partners about our expanding presence in the basketball category, amongst others, particularly in the mall. We recently debuted a new shop-in-shop concept with Champs Sports called The ARMOURY, which highlights not only the basketball category but a broader mix of product and innovation that the athlete's been historically unable to find from our brand in the mall.

This is great evidence of the confidence we have in our product and the continued success we are seeing across our offerings with our key retail partners.

And like basketball, that same foundation and confidence is building in our golf and women's businesses. We are still developing a wide consumer audience in these three categories here in the U.S. and the opportunity for us in international markets is abundant.

The second element of thinking bigger lies in how we organize our business. And in this case, thinking bigger means thinking smaller. Thinking in a way that enables us to be more surgical with how we reach our consumer and the experiences we provide them, to look at our end-use consumer more discreetly and with more discipline.

As the breadth of our product mix continues to expand, we are moving to a sports-category-focused organizational structure that will enable us to maintain our focus on the needs of that end-use consumer.

We recognize that a UA run consumer has different needs than a UA basketball consumer. And we are now in a great position to harness the overall strength of our brand and innovation pipeline to ensure we are exceeding expectations for all of our consumers. To help drive this initiative, we have recently brought on Terdema Ussery, who for the past 18 years has served as President of NBA's Dallas Mavericks and has prior industry experience in athletic footwear and apparel.

We can speak to this in more depth at our Investor Day meeting in September, but we want to be clear today about our intent. This category of focus will provide the structure to help us sell more shirts and shoes. This structure has proven successful for us in golf with the combination of great product, a great asset and a great team helped us double revenues the past two years. This increased category of [audio gap] (12:33) will help us drive our core business, a critical component in our long-term growth story.

The last piece I want to cover today is our evolution from a brand that started by just making compression tees to one now focused on perfecting shirts and shoes, as well as creating authentic and relevant sports and fitness experiences every time and everywhere our consumer interacts with our brand. We can do so because of the strength of our Connected Fitness platform, where we continue to add more than 100,000 unique registered users to the platform every single day. We remain in the early stages of uncovering the potential of what the world's largest digital health and fitness community, with now over 140 million athletes, can do to help us build consumer engagement and drive healthier lifestyles.

We are growing our community at more than 30% year-over-year, and so far in 2015, these users have voluntarily logged over 1 billion workouts and more than 5 billion foods have been logged into our apps. This level and detail of data will empower us to provide actual insights back to our community that will help them lead a healthier lifestyle, and we believe the brand equity that can provide us is immeasurable. Ultimately, the more people exercise, the more athletic footwear and apparel they will buy.

Again, we will provide deeper detail on our Connected Fitness opportunities in September at our Investor Day, but we are extremely pleased with the growth of our community and the type of insight we can bring to our consumers' lives.

So, just before I hand it back to Brad, I want to reiterate our commitment to growth. We have delivered 21 consecutive quarters of 20%-plus revenue growth. We are growing in key areas like footwear, women's and international, and doing so while investing in new opportunities like Connected Fitness, which we believe will be critical to our continued growth. And most importantly, we have the capacity to adapt, to change course and accelerate investments when the opportunity calls for it and to think bigger about what the Under Armour brand can eventually be.

There are so many great things going on at Under Armour today, which are difficult to fully articulate in a one-hour conference call. I look forward to seeing all of you at our Investor Day in September at our headquarters in Baltimore to further showcase the brand that we are building. We remain aggressive, young and fearless, and I'm excited to provide more color on how we are thinking and organizing to become the next great global brand.

And with that, let me turn it over to Brad.

Bradley James Dickerson

Chief Operating, Financial & Accounting Officer

Thanks, Kevin. I would now like to spend some time discussing our second quarter results followed by our updated outlook for 2015. Our net revenues for the second quarter of 2015 increased 29% to $784 million. On a currency neutral basis, net revenues increased 31% for the period.

Within our product categories, we grew apparel net revenues 23% to $515 million compared to $420 million in the prior year's quarter. Many of the same growth drivers that drove our first quarter apparel business continued during the second quarter, including our new Armour baselayer, updated training products, and expanded golf and hunting lines.

Second quarter footwear net revenues increased 40% to $154 million from $110 million the prior year. We continue to gain significant traction across multiple footwear categories, most notably within the larger markets of running and basketball.

SpeedForm remains a key growth story for our brand and we begin to introduce this innovation across a wider range of styles and categories this year. And as Kevin mentioned, we capitalized on the incredible success of Stephen Curry in basketball with new color lace quickly selling out during his MVP and championship run with the Warriors.

Our accessories net revenues during the second quarter increased 39% to $83 million from $60 million last year, primarily driven by strong consumer demand for our line of bags. Our global direct-to-consumer net revenues increased 33% for the quarter, representing approximately 32% of net revenues. We continue to be encouraged with our recent Brand House openings, including the first full quarter of results for our Chicago and Mall of America stores as well as the new second quarter openings in Indianapolis and Orlando.

From a global standpoint, we ended the second quarter with 160 owned stores, including 139 Factory House stores and 21 Brand House stores.

Our e-commerce business had a standout quarter, and we are seeing the return on our investment in mobile optimization across our expanding list of global sites. While an ongoing focus on mobile is key, we were also able to drive strong traffic gains through more effective e-mail communications as well as by leveraging the incredible success of our athletes during the period.

Looking at our regions, North America net revenues increased 22% to $681 million in the second quarter compared to $558 million in the prior year's quarter. On a currency neutral basis, North America net revenues increased 23% based primarily on the drivers I highlighted for the overall company. International net revenues increased 93% to $89 million in the second quarter and represented 11% of total net revenues. On a currency neutral basis, international net revenues increased to 112% for the period.

In the EMEA region, we continue to focus on the three core markets of the UK, Germany and France, while also developing distributor agreements in the region, including the Middle East. In Asia Pacific, our partner store expansion and e-commerce growth in China remain key stories. And we also benefited from the rollout of our distributor agreement in Southeast Asia. And in Latin America, we are seeing balanced growth throughout the region, following our market entry into many of these countries during 2014.

Moving on to margins, second quarter gross margins contracted 80 basis points to 48.4% compared to 49.2% in the prior year's period. The following factors were the primary drivers during the quarter.

First, as we previously outlined, the continued strength of the U.S. dollar negatively impacted gross margins by approximately 60 basis points in the second quarter versus the prior year.

Second, we incurred higher air-freight expense in the second quarter primarily due to our efforts to normalize product flow from the West Coast port disruption and better service for back-to-school selling season, which negatively impacted gross margins by approximately 50 basis points. Partially offsetting this margin pressure, better margins in our Factory House business combined with our higher margin Connected Fitness revenues benefited gross margins by approximately 20 basis points in the second quarter.

Selling, general and administrative expenses as a percentage of net revenues deleveraged 80 basis points to 44.3% in the second quarter of 2015 from 43.5% in the prior year's period. As a reminder, starting last quarter, in an effort to simplify and streamline our conversation, we consolidated our SG&A detail into two primary buckets; marketing and other SG&A.

SG&A details for the second quarter are as follows: Marketing cost decreased to 11.4% of net revenues for the quarter from 11.6% in the prior-year period with modest leverage driven primarily by the strong net revenues during the second quarter. Our SG&A cost increased to 32.9% of net revenues for the quarter from 31.9% in the prior year driven primarily by our Connected Fitness acquisitions and investments in our Brand House strategy.

Operating income for the second quarter decreased 8% to $32 million compared with $35 million in the prior-year period.

Interest and other expense for the second quarter increased to $4 million compared with $1 million in the prior-year period, primarily reflecting increased interest expense associated with the financing of our Connected Fitness acquisitions.

Our second quarter tax rate of 46.7% was favorable to the 47.5% rate last year, primarily due to certain tax planning strategies.

Our second quarter net income decreased 17% to $15 million compared to $18 million in the prior-year period, while our diluted earnings per share decreased to $0.07 from $0.08 in the prior-year's period.

On the balance sheet, total cash and cash equivalents for the quarter decreased 43% to $171 million compared with $300 million at June 30, 2014. Inventory for the quarter increased 26% to $837 million compared to $662 million at June 30, 2014. Total debt increased to $716 million as compared to $197 million at June 30, 2014, primarily reflecting the financing of our Connected Fitness acquisitions.

Looking at our cash flows: Our investment in capital expenditures was $91 million for the second quarter compared to $29 million in the prior-year's period, driven primarily by our investments in our SAP platform and our global retail strategy.

Now moving on to our updated 2015 guidance: Based on current visibility, we expect 2015 net revenues of approximately $3.84 billion, representing growth of 25%; and 2015 operating income in the range of $405 million to $408 million, representing growth of 14% to 15%.

We have long stated that we'd be opportunistic with our investment levels if and when the right situations present themselves. In a period where we have seen unprecedented success from our athletes on a global stage, we believe we have a unique opportunity to position ourselves more aggressively in key long-term growth categories such as basketball and golf, which we believe can create brand halos across the Under Armour portfolio

As a result, we expect to spend more than originally planned in marketing throughout the remainder of the year, and this is the primary reason we are raising our full-year net revenues guidance while maintaining the upper end of our previous operating income guidance. We believe this will better position our brand in delivering long-term sustainable growth.

As a reminder, our operating income guidance includes a dilutive impact of the Connected Fitness acquisitions consisting of one-time transaction costs in the first quarter, operating losses from these businesses and non-cash amortization charges of the intangible assets generated from the acquisitions.

Below operating results, we continue to expect a full-year effective tax rate of approximately 41% compared to 39.2% in the prior year, primarily given the strengthening of the U.S. dollar which continues to negatively impact our international profitability.

Now I'd also like to provide some additional color on several items starting with revenues. We expect the growth rate in footwear to continue outpacing the growth rate for the overall business during the second half of the year. International growth is expected to ease from the growth rate achieved in the first half of 2015 as we begin to cycle through our entry into Latin America, as well as new distributor partnerships launched during the second half of

2014. From a cadence standpoint, we expect relatively consistent net revenue growth rates during the third and fourth quarters.

Now looking at gross margins: We continue to expect our full-year gross margin to be roughly in line with last year's 49% rate. During the third quarter, we continue to expect an approximate 50-basis-point contraction, primarily due to the negative impact of the stronger U.S. dollar. In SG&A, we expect the combined impact of higher planned marketing spend I previously discussed and ongoing other SG&A expense pressure will result in similar year-over-year growth rate in the third quarter as experienced during the first half of the year.

Finally, a quick look at our planned capital expenditures: We continue to plan 2015 capital expenditures in the range of $330 million to $340 million. Consistent with our prior guidance, approximately $140 million of this total is allocated across three large areas to support long-term growth, including our new domestic distribution center, the expansion of our corporate headquarters in Baltimore and a new and expanded SAP platform. We have also accelerated our investment in key areas that will drive revenue growth, including the rollouts of our global retail strategy and new e-commerce sites.

We would now like to open the call for your questions. We ask that you limit your questions to two per person so we can get to as many of you as possible. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question comes from Erinn Murphy of Piper Jaffray. Your line is now open.

Erinn E. Murphy
Piper Jaffray & Co (Broker)

Q

Great. Thank you. Good morning. I guess I was curious if you could talk a little bit more, Kevin, about the Connected Fitness space. I mean, the wearable space broadly just continues to expand, whether it's Fitbit or whether it's Nike. You guys already have the largest platform globally. I mean, how do you think about just maintaining that leadership position, driving engagement? And then what are those key metrics that you're focused on; is it unique users, is it log out – or logged workouts? Just help us think about kind of how you're thinking about this bigger picture.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Yep. Thank you, Erinn. So, first of all, we see this as a – just a massive white space. And for me personally, I remember how I felt when I had this idea for a T-shirt or, more importantly, a piece of equipment to be worn underneath of athletes' uniforms or equipment that, in the past, had always just been a short sleeve cotton T-shirt and a long sleeve – or a long sleeve cotton T-shirt depending on the weather.

And it just felt like, how come no one has done this before? And for me personally is when we looked at this opportunity to begin with, it felt like there's this massive white space and that no one – no one in the world is measuring sort of an athlete's performance. And you start to see these things coming around whether it's wearables and biometric measurement, et cetera, and we dabbled in that all the way back to 2008.

But we quickly came to realize the value for us was not going to be in, I think, the equipment side of it, but the value for us was going to be in the community. And we feel like we've really locked that up. The fact that consumers have no barometer for their health today is a mistake. And frankly, that's where we see this massive opportunity, and we feel that we're the best ones to take advantage of it really because of the acquisitions that we've made in the last two years. This year's size and scale of the community that we've made, it marks us the clear leader by a factor of as much as four, three, or at least two times, now having more than 140 million unique registered users. And as I mentioned in my script, adding more than 100,000 users are downloading one of our four apps today; MapMyFitness, Endomondo, MyFitnessPal or Under Armour Record.

And again, some of the stats that I read off as well, I want to drive them home because I think it's incredible. We logged more than one billion workouts were logged into one of our four apps over the last – just since the beginning of the year. More than 5 billion different foods have been logged as well. In giving scale, MyFitnessPal, which is the largest of the four apps that we have, and as we continue to merge them, that voice will continue to come out as we articulate it, but this is the world's largest database in the history of mankind of food. I mean, just think about it for a second, that we logged more than 5 billion foods, that we know in over 80 countries what people are eating and what they're putting in their body.

So, we now believe we've got the ability to be relevant across all of our platforms, and we're going to work to merge them into a consistent product that reads as a daily dashboard. I mean, ultimately, that's where we're heading. We think that the consumer needs a dashboard that just says how am I doing? If I can look on my cell phone and I can figure out my bank balance, my stock price or the weather in a given city, the fact that I have no measure or barometer for my health, except for going to see a doctor every 12, 18 or 24 months we think is really a crime.

So, we're identifying that into four key plays that the consumer should be measuring themselves, the athletes should be measuring themselves: Sleep, how much did I sleep last night? Fitness, did I exercise or not; and if so, to what degree? Daily activity, which is typically like the steps, like how much am I moving around? And then fourth and probably most importantly, what am I putting in my body, my nutrition?

And we've thought a lot about this, and I think one thing I really want to get across is sort of the way that we're thinking about defining success, and we do believe that there needs to be a daily dashboard, and so we will – you'll continue to see that articulate itself through the Under Armour record platform. And we've got a few – many things coming for that, particularly we'll showcase for you at Investor Day.

But if you ask us to sum it up, we're looking for an engage you to a community that relies on Under Armour and the Connected Fitness ecosystem we are building to help them measure those four central areas of sleep, fitness, daily activity and nutrition.

And more importantly, we want to empower people. This isn't just about knowing that I took 8,000 steps yesterday, but because I took 8,000 steps, how did it make me feel and, more importantly, how did that work with how I slept or what do I exercise or what I ate that next day. And we think that having that information is going to allow them to make better decisions to live healthier and enriched lives. I mean, affecting I think ultimately, obviously, fitness and the way that'll work, but we think there's the outlook for us to affect global health, and that's what gets us so excited.

And by doing this, of course, we believe that real time is a company that focuses on selling shirts and shoes. We believe that we're going to create engagement with the consumer to give them a reason to interact with our brand multiple times, and I think all those things lead to this energy that you're feeling from us. And frankly, the resources that we've expanded over the last couple of years position ourselves, I think, really uniquely and unlike any other brand, especially in our space, but frankly, anyone who's looking at biometric measurement for the athlete and ultimately for any end consumer.

So, as I said, this is going to be a big part of the focus that we'll have at our Investor Day in September, and I encourage you to come and see what we have coming on. But incredibly exciting for us, and I think there's a lot more to come.

Erinn E. Murphy
Piper Jaffray & Co (Broker)

Q

Great. That's helpful. Thank you. And then I guess just my second question would just be we head into the back-to-school season here domestically. Could you just talk about how your guys are feeling broadly about the environment? And then, I think, last year one of your major retailers received product later in this season. So, just help us think about if there's any kind of key nuances in the order pattern flow this season as we lap that? Thank you.

Bradley James Dickerson
Chief Operating, Financial & Accounting Officer

A

Yeah. I can take that one, Erinn. Definitely, we're focused on delivering back-to-school in a much better fashion. I think we are doing that in a better fashion this year. I think still not quite at the level that we'd like; but definitely, incrementally better than last year. So, I think we should look much better on the retail floor in a more timely fashion for back-to-school this year. So, we're looking, we're thinking pretty well about that.

As we get in the back half of the year also, just to remember also in our guidance kind of consistent with how we look at things and in the past years, too. Especially when you look at fourth quarter, in our guidance, we've been consistent, I think, in the last couple of years talking about being very prudent in how we forecast the fourth quarter relative to weather and holiday and so forth and not taking things for granted there in our guidance. So, I'd say those are the two things in the back half of the year, revenue guidance, a better flow in back-to-school and also consistent of how we're approaching the fourth quarter revenue guidance.

Erinn E. Murphy
Piper Jaffray & Co (Broker)

Q

Thank you. Best of luck.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks, Erinn.

Operator: Thank you. And our next question comes from Camilo Lyon of Canaccord Genuity. Your line is now open.

Camilo R. Lyon
Canaccord Genuity, Inc.

Q

Good morning, guys. Great quarter. Really great job.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Camilo, thank you.

Camilo R. Lyon
Canaccord Genuity, Inc.

Q

Kevin or Brad, you guys talked about spending more on marketing here in the third quarter, capitalizing on the success of your athletes and rightly so. How do you guys think about balancing being in-stock in these categories with an increased level of advertising? Are you planning on speeding up production, using more air-freight to get product to stores. How do you balance that supply/demand equation?

Bradley James Dickerson
Chief Operating, Financial & Accounting Officer

A

Yeah. Camilo, this is really much more about beyond 2015 than it really is about the back half of 2015 from a revenue and product perspective, taking advantage of the opportunity that's in front of us from a brand perspective is really what we're talking about here. So, the ability for us to invest in our stories here, tell our stories, take advantage of the unique environment we're in and say that we're going to drive much, much more top line in the back half of the year because of that, I think there's no doubt that we'll see some benefit and we expect to see some benefit, and that's kind of included in our guidance.

But the real story here is about beyond 2015. It's about 2016 and beyond of what this does, especially in key categories, again, like basketball and golf. And if you just think about basketball for a second and you take Stephen Curry and the ability for us to tell a story in a category, that is influential not only in the basketball category, but just the younger consumer and what that could mean for our youth business in 2016, 2017 and beyond. That's what we're really talking about here, is just the longer-term opportunity versus the shorter-term opportunity.

Camilo R. Lyon
Canaccord Genuity, Inc.

Q

Okay. And then following up on that, on the basketball commentary and Steph Curry's success, clearly, the shoes have been a runaway success, selling out in pretty much every color wave that you've come out with. I think you've spoken in the past about wanting to get the footwear right, the category right before fully expanding in the mall with the biggest basketball mall-based retailer. Do you feel that you're now at that point where you can start to really get all of those doors penetrated? And if you could, remind us where you're at from a penetration perspective and what the opportunity is?

Kevin A. Plank
Chairman & Chief Executive Officer

A

Yeah, Camilo. Let me take this as an opportunity just to talk about our footwear a little bit. And without question, the performances of Steph and really breaking through, I mean, he's – since we signed Steph three years ago, look, he was always an underdog, but he was always the best everywhere he went. And so, getting credit for that is something we're really proud of him doing whether it was – as first of all, the most important thing to him was winning the championship, but then the league MVP, and then his acknowledgement at the ESPYs where, I think, among all athletes, he has broken through. And that's a really difficult thing to do particularly in a sport like basketball. And so, we're proud of what that means.

But it's not a one-way ticket to all of a sudden you've arrived. Like, there's a lot of work for us to be done and there's a lot more. One thing I learned a long time ago when – I remember the first time an Under Armour logo popped on the front cover of USA Today's sports page, and I thought I was going to walk in the office and the place would be flooded with orders; it's just not the way it goes. And so, brands are built on consistency. Consistency is built in trust and trust is built in drops and it's lost in buckets.

And so, what you see is we had a great big pouring I think of credibility in the sport of basketball and which Steph brings to us on a day-to-day basis. But that's going to require a lot more investment, and it's going to require a long-term commitment. And so, we want to let everybody know, particularly our consumer, but frankly, our competition as well that we are moving into basketball. We've been working on this for – it's not an overnight success – we've been working on this for years, if not a decade. And we're incredibly proud of where we've gotten to, but we're really just getting started.

So, as far as basketball as a category goes, we've been working. We've had great support from our sporting goods partners first and primarily where I think we really have that kid who's buying product to play at the high school level. We've been working on what the right assortments there and really getting behind footwear for us as an initiative particularly in basketball.

And then in the mall channel, whether it's Finish Line or Foot Locker – and I described what we're doing with Champs Sports through Foot Locker with The ARMOURY series. It's going to be a really neat opportunity for us I think to change the way that the consumer is looking at the brand and the way that they see us is that it's breaking through and having people see you as a basketball brand. Again, it's taken a lot of time and the chance for us to, I think, really differentiate ourselves from the brand that maybe people have seen us as to the brand that we see ourselves and the brand we're going to be. So, Steph's a big part of that.

Camilo R. Lyon
Canaccord Genuity, Inc.
Q

Great. Thanks a lot and all the best with the back half, guys.

Kevin A. Plank
Chairman & Chief Executive Officer
A

Okay. Great. Thank you.

Operator: Thank you. And our next question comes from Scott Krasik of Buckingham Research. Your line is now open.

Scott D. Krasik
The Buckingham Research Group, Inc.
Q

Yeah. Hi, everyone. Thanks for taking my questions. Just first, can you give a rough mix of your international sales by region; EMEA, Asia, South America, Brad? And then, outside of partner stores, what's the strategy at this point on opening owned retail? Thanks.

Bradley James Dickerson
Chief Operating, Financial & Accounting Officer
A

Sure. On the mix of international, roughly, at this point in time, you're going to look at EMEA being about half of the international business and then the other half broken up fairly evenly between the Asia Pacific countries and Latin America for the most part.

Scott D. Krasik
The Buckingham Research Group, Inc.
Q

And then owned retail?

Bradley James Dickerson
Chief Operating, Financial & Accounting Officer

A

Owned retail by region?

Scott D. Krasik
The Buckingham Research Group, Inc.

Q

Yeah, going forward.

Bradley James Dickerson
Chief Operating, Financial & Accounting Officer

A

Yeah. And I think Kevin could take this one too, but owned retail, right now, for us, outside of North America, a large majority of the owned retail for us is going to be in China and Latin America. In Europe, we really don't have too much owned retail yet. We'll be starting to get going in there in the next year to two. But you're looking at mainly Latin America and China with owned retail.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Let me use this as an opportunity to just talk to you about international for a second. Let me take a minute to do that. I sort of let footwear get away, so hopefully, when somebody asks another question about that, we can circle back on footwear.

But international – as I'm sitting here in Munich, opening this new office and cutting the ribbon this afternoon, first of all, what Charlie has done for our international business in really helping us accelerate and think about ourselves as a global brand, but more importantly beginning to act like a global brand, we're [ph] fashioning (39:35) a way of doing that. This will be our seventeenth office that we've opened up. I think our fifth or sixth this year.

In a way that relates to our brand [audio gap] (39:45) incredibly authentic. And if you were here, it basically – it feels like Baltimore and Munich. And beginning, of course, with I think the aesthetic, the way the place looks but the team, the people, the energy – just incredibly, incredibly proud. And you're seeing that at retail, too, as we went and walked stores. We saw three of the largest sport stores and retailers that are here in Germany and throughout Europe over the last couple of days. And the excitement we have from the very tops of these organizations and the belief they have that Under Armour can penetrate where we are very, very – we are very young and we are just getting started here.

And while we've been doing business and selling stuff, probably for the last 8 or 9 or close to 10 years now, we're really beginning to do business. And I think it's reflected obviously in our revenues. I mean 93% revenue growth in the second quarter alone, 83% revenue growth in international year-to-date, 94% growth in 2014. So, that idea of coming close to doubling, and the plans we talk about is growing by about 50% a year in international. And it's something I think that we get really excited that is incredibly realistic to happen.

A number of things that we have from a product standpoint, we remain positioned really in a premium way, the way the consumer sees us. And so, I think that's the way the retailers want us as well. We are a full-priced brand, basically, everywhere we do business, and that's no different abroad. We learned a lot of this, about how our brand translates, through Japan. And learning that Under Armour moves outside of North America, and we're just seeing that reinforced especially here in Europe. We're doing a lot of that around some strategic accounts in core markets with premium shop-in-shop investments that we can have. And that's been a real positive for us with the right marquee retailers.

From a retail standpoint as well, we've opened 18 Brand House stores in the second quarter in places like Chile, China, Taiwan, Malaysia, the Philippines. We're targeting more than 100 additional global Brand House stores opening in 2015, built off of a base of 73 in 2014, three-quarters of which are going to be located in Asia; 85% of those, that'll be doors where we'll be leveraging distributor partners that'll be opening those up.

And just some perspective, the majority of those stores are obviously, I guess, going to be in China. I guess that would be obvious. But just for some perspective, in the month of September alone, we're going to be opening roughly one store per day in the month of September. So, it's going to be a big month for us, and it's something we've been perfecting for the last five and six years there and really globally with Susie McCabe and Henry and our retail team of really becoming expert in how to open and translate our store and have a consistent message for the brand everywhere we show up.

So, not to be lost in all the physical manifestation of the brand that we're putting at retail is I think some of the success that we're seeing in e-commerce. In the second quarter alone, we launched new sites in Thailand, Austria, Ireland, Belgium, Portugal; and I think we've also been working on translating our sites as well and making sure they're open. The new markets continues to be a real big opportunity for us.

One thing I don't want to get lost in this message is it's not all roses either. This going global is not an easy thing. It's a slog. It's an investment. It's something we're continuing to get better. So, while we're pleased with the results that we're seeing, we still see that there's a tremendous amount of meat left on the bone with opportunity for us to improve, is that our fulfillment rates are not where they need to be. The wholesale partners have been incredibly patient with us as we get this settled and organized. But things like Brad mentioned with our new SAP upgrades and implementations are going to make a big difference with systems and processes. And this is part of the shift to becoming a global brand.

So, across the world, in EMEA as I mentioned, having spent the last couple days here in Europe, a lot excitement, a lot of energy, of course, driven in part by our sports marketing assets, the success we've seen there; but I think really it's the teams in the ground and it's the energy and it's the culture of the brand that's – it's really – it's leading the way.

Asia, a lot of incredibly exciting things happening there. Japan continues to be a stalwart for us in leading. But as I mentioned, things like China where all the stores were opening up and what we're doing in September, we're going to drive a lot of energy from Stephen Curry tour that we'll be taking him through for about seven days over there, between Japan, obviously, three stops in China, and then a few other stops as well. So, it'll be very exciting.

And then Latin America, I think energy is still building around Brazil, especially with the Olympics coming back and things we have there. We opened our first Brand House in São Paolo, the Morumbi Shopping Mall, and it's doing very, very well.

And really in every place that we've opened stores, I think we're outperforming, so. We haven't seen any surprises to the down side. There's tremendous amount of heat and energy to the brand. I'm living and feeling that today, and excited for about 350 to 400 of our closest friends and media partners are going to come over and help us cut a ribbon this afternoon. So, a lot of energy about Under Armour being here in Germany, and really every place we're opening offices and stores around the world, so. It's a good story. It's good news. But as I said, there's still room for us to improve, and you'll see us viciously go after that.

Scott D. Krasik
The Buckingham Research Group, Inc.

Q

Well, that's great. Thanks and good luck.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks, Scott.

Operator: Thank you. And our next question comes from Omar Saad of Evercore ISI. Your line is now open.

Omar Saad
Evercore ISI

Q

Good morning, guys. Congrats, another great quarter.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks, Omar.

Omar Saad
Evercore ISI

Q

Two questions: First one on the sports category alignment, Kevin, that you mentioned. Could you talk about the different – the way you're going to reorganize the company's org structure, what are the different key sport categories you're going to be focused on? And is it going to be kind of soup to nuts designer, design teams for each of the sports with P&L responsibility, manager's for each of the sport categories? Are you even down to the innovation levels, will that be sport-specific? Marketing, et cetera? Help us understand how that's going to – how the organizational structure's going to change. And then I've got one more follow-up.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Great. So, great question, Omar, and one we're anticipating. So, we've been talking about this for years. We've tried implementing it for years, and then we sort of got to this point where it's hard; it's not easy to change things. We've not been end-use driven in the past. We are basically – we've got an apparel team, we have a footwear team, we have an accessory team. And we think that, that obviously has worked in getting us started, but we're at the point where we're reaching the size and, frankly, the scale to be able to afford and, more importantly, not be able to not afford to go after really addressing category management.

And the thing we used with the sport of golf which really got us excited several years ago when we implemented this. And we identified a leader and they really took the bull by the horns and started with product and organizing everything from the way that we showed up in our sporting goods and our wholesale partners, the way we showed up on the green grass golf course and also given the same control over to how we're going to spend the marketing dollars. And that meant in addition to the way we showed up with things like POP and marketing, all the way to the assets that we signed. And so, it was a great story that led us to getting us to Jordan Spieth.

The thing for all of this and as we're going to think about category management it's going to come down to leadership. And what we wanted was accountability. And where golf started is at – I remember after a golf tournament several years ago, I'm sitting there on a Sunday and I'm watching and not feeling great about the way that one of our golfers was outfitted, and I write an e-mail and say this isn't working well – and I think I had 18 people CC'd on the e-mail – and saying this is ridiculous. We should get this to much more consistent manner where we can flow the information in a better way that would be more effective and ultimately is going to better serve the end-use consumer and the athlete.

So, I used that theme of thinking bigger and that's where us hiring Terdema Ussery, who's going to join us and has great experience in this industry, is someone who knows everyone, who's got a five-star resume of leadership and success, and, frankly, a really great person. I think that just as importantly as anything is he's expertise and he's smart is the culture fit that's he's going to be at Under Armour. So, there's a lot to happen there, but I think we have to almost force the issue. And while we've been working through these pieces, we're going to give you a lot more color at Investor Day as well that I'll tell you a little more specific how we're thinking about it.

But ultimately, the idea is we're not just going to pull the plug and eliminate our apparel and our footwear groups. There's going to be a bit of transition there. The first way we're going to start though is identifying the category leadership across – it's roughly nine different categories that we have right now that we've identified, where we want a true general manager to run each of these that will have both, in some instances, clear P&L responsibility, and other instances, a bit of virtual P&L responsibility.

But the most important thing is we're going to create accountability across each of these divisions where, hopefully, it'll drive and prevent us from things that may be perceived as inauthentic and making sure that we preserve the Under Armour [ph] leg (49:11).

But again, I use that example of golf. In just the sport of golf, in the last two years, our revenue has more than doubled. We're seeing key category growth throughout the rest of the year. It's things like, on our website, it's our Playoff Polos, the number one item at our Brand House and on our e-commerce site. The business is basically up everywhere. We have our key asset, which is the one thing which led us the ability to find the right asset with Jordan really leading the way out there, it's been an absolute kill and home run for us, too.

And it also allows us to launch new categories, like, we'll have an authentic golf shoe coming out, and you're seeing Jordan wearing our golf glove out there on the course. So, all these things from the right asset, from the right marketing, from the right positioning, being in the right retail distribution, it's all led us to get this. So, we're excited what we've seen. The success in golf is something we'll hopefully see us translate through in things like basketball and running and really the obvious categories that you'd imagine we'd be looking for sport end use, in global football, of course, and things like that.

So, we want to win. We think that the opportunity for us to do that is not defined by what anybody else has done. And we carved a bit of our own legs, but still the same time, there's a lot of good lessons to learn from other people that have done this before us too, so. I think we're going to take the best of all worlds, and we're going to do what's best for the Under Armour brand.

Omar Saad
Evercore ISI

Q

Very helpful. Thanks, Kevin. And then a quick question on The ARMOURY concept. I haven't been to it, but I've seen a couple of pictures. Is it more of shop-in-shop? It almost looks like a store, stand-alone store. Can you help us understand the dynamics there, what it is? And obviously, there's, I think, 400-plus Champs locations throughout the country? How you're thinking about the rollout of it, at least what the plans are at this point in time?

Kevin A. Plank
Chairman & Chief Executive Officer

A

Yeah. I think we've been highly successful in sporting goods. The mall has been different. I think Champs is a great – it's sort of a – it's a bit of step from sporting goods into the mall. And because they play that bit of a tweener roll. But Champs and Foot Locker as a whole has been an amazing partner for us and something I think where we can translate our existing consumer and help get them to – used to thinking about us in a mall environment.

We still see ourselves as a holistic, head-to-toe brand. And our philosophy remains that we're going to go where our consumers want and, frankly, where they expect us. And so, what we're looking for is further ways that we can build relationships with our wholesale partners to elevate the product story for the best Under Armour. We're only in roughly 25% of the 3,400 global footing stores today. But obviously, we're working with their team and aligning with that.

The ARMOURY at Champs is a great example of how we can grow our business and the relationship together. We're testing a handful of these premium shop-in-shops over the next couple of years, starting in our own backyard in Maryland. In the early reads that we've seen of this thing, the first several weeks, they're very, very encouraging.

The merchandising is going to consist of a mixture of in-line product, mall-specific product, in addition to some product not found elsewhere in the mall, too. So, things like that. We're putting out highlight cleats into the mall channel or into The ARMOURY. And it's getting just – it's a deeper breadth of sort of the Under Armour experience in a mall environment. So, I think it's exciting. I encourage you, if you get a chance – and we can put out a listing, and Tom and the team can let you know where we got some of those to go see one for yourself as well.

Omar Saad
Evercore ISI

Q

Thanks. Thanks, Kevin. Good luck for the rest of the year.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks, Omar.

Thomas D. Shaw
Director-Investor Relations

A

Operator, we have time for one more question.

Operator: Thank you. And our last question will come from Randy Konik of Jefferies. Your line is now open.

Randal J. Konik
Jefferies LLC

Q

Yeah. Thanks a lot. So, I guess, Kevin, just wanted to kind of go back to international there, that you're in Germany. So, as you go along this journey of globalizing the business and the brand, what have you kind of taken away over the last few years that's changed about the, I guess, the perception of the brand from an international standpoint? How do you think you have to market differently or the same from the United States market? Or kind of just curious, really talked about the brand evolution. What do you think needs to kind of change there from an international standpoint? Thanks.

Kevin A. Plank
Chairman & Chief Executive Officer

A

I think we've been doing it. It's all the way back to 1998 the first time that we went outside the United States and that was in Japan. The first partnership deal that I signed was with NFL Europe League. So, we're no stranger to international business. It's becoming good at it, more importantly. I think in a lot of places, particularly here in Europe, continuity is an incredibly important lesson and attribute of any brand. Consistency is very, very important; doing things the same way. I mean, it's a continent that's defined by history.

And brands have sort of come in, lived today and are gone tomorrow. I think everyone's seen a lot of that. So, a lot of it's a bit of questioning. They're waiting you out and wondering are you going to make it; are you going to be there. And what we've seen is that the brand is – it's taken a while. It doesn't happen on the first handshake. It doesn't happen on the first introduction. We came over to Europe for the first time back at the end of 2005 and in 2006. And it's been a slog. We weren't really understanding completely what we had going on. At the same time, we were also organizing ourselves in North America.

The thing we think about with Brad and my job is and our entire executive team's job, it's defining and deciding how to deploy the resources of time, people and money. And there's only so much of anyone of them. And we're torn with the fact that it was always international was such a small part of our business, and so U.S. and North America would usually dominate the amount of time we spent.

So, as we've grown, you've seen us going all the way back to 2009 and 2010, I think we fielded a lot of questions of why are you pouring this money into Europe, why are you pouring this money and where is the return going to come. And so, we had this long story of long-term investments in things like women's, long-term investments in things like footwear, long-term investments in something like international.

And this year and we've said it – I don't know if it's a big-enough comment, but we're going to be profitable in Europe this year. And that was something if you went back five years, you may have fielded questions on why not throw in the towel? Can you really be successful there? Why not just focus on North America? So, we're now looking at, A, our profitability, and it's been one asset at a time, and it's been things from joining EPL football with people in places like Tottenham Hotspur and then finding ways to make investments.

The recent announcement we had with the São Paulo Futebol Clube down in Brazil, it's not an immediate return for us. I've always said I don't really see us as a licensed jersey manufacturer. I don't like that idea of growing sport by simply selling fan gear. We want to be on the authentic athlete. We want to be on the pitch, on the court, on the field. But there's ways for us to get in, and so finding that resource that we can splinter off to make an investment in the market that's very new for us like Brazil, it's a big deal. And so, I think we're very patiently doing that around the globe where we're finding assets that make sense, and especially where we can reinforce it in markets that we can create an ROI that's sooner than later.

So, running something global, and we've said that a long time, but really understanding what it means to be a global company, that takes time and it takes experience and it takes maturity and it takes patience and many of the things that maybe you would characterize us as not having in the first few years as a company, but I think that we've been developing that skill set and, most importantly, been developing that leadership team.

So, Terdema's a great example of that coming onboard. And I think you're seeing it filled out throughout our company and something that will only continue to get bigger and better for us as a brand, so. We're learning a lot of lessons. As I said, there are mistakes in there, believe me. But when it comes through with, I think, the performance of the 90%-plus revenue growth that we saw this quarter and is reflective of I think what you're seeing happening.

One thing I can tell you is that there's a tremendous pull, there's a tremendous demand for the brand right now. It's a matter of our execution. There's a lot of places that we can improve, we can enhance, we can get better. I called out supply chain specifically is that it's difficult figuring out how to move products that – duty conscious and being careful and being able to make money and not getting brushed on margin and learning how to manufacture locally.

And so, we've been learning all these lessons. The good news, this isn't something we've been doing for the last three or six months. This is something we've been doing for really the last six to ten years. So, we're certainly not claiming to be experts right now, but we feel great about our trajectory. We feel great about our team. We remain humble and hungry, and we got a shot. The mission here is to be the next great global brand, and you're going to see us fight, crawl and scratch and do everything we can to make that happen. So, we'll keep running hard for you. That's for sure.

Randal J. Konik
Jefferies LLC

Q

That's very helpful. Can I just ask one more question, then. As it relates to the Connected Fitness, do you ever – in terms of the long-term vision, is it something where over time you say we have this 100-plus million users and we can see that person A runs consistently at 5:00 in the morning, 10 miles a day, and person B runs or doesn't run or what have you and over time you can kind of tailor your marketing – customize marketing to these people whether it'd be your footwear or apparel or what have you. How do you kind of think about leveraging this database from a marketing standpoint to help further drive more connectedness towards the brand, but also towards specific kind of categories to help accelerate those?

Kevin A. Plank
Chairman & Chief Executive Officer

A

Yeah. When we first did the – I don't think I answered that when I did my Connected Fitness either, sort of the way that we're thinking about measurement of growth and things like that. When we made the announcement at what we called Digital Day a few days past, following our 2014 earnings call, we told you there were 120 million people roughly on the platform. And then it was about a month or so later, I did a talking head show and we said 130 million, and now, today, we're telling you it's over 140 million people.

We want to be careful to sort of quantifying these things in terms of the number of users we have. Our next job is really figuring out how to make them good quality users as well is that I take 40 million hyper engaged people that really we're getting benefiting from the brand and using our apps and our ecosystem, using that as a learning place that we could grow that out to a broader audience.

At the same time, the scale that we're growing is nothing we want to ignore. But we think the definition of success is not just the total top line number of users. However, growing north of 30% and seeing that consistently happen, that is going to be something that's positive. But what I think you'll see from us – and again, we're going to go deeper on our own Investor Day into what the story of Connected Fitness means for the Under Armour brand is that there's a higher level of engagement that we're going to be able to drive with that.

And without doubt, our Gear Tracker site alone which is something that's exclusive to the MapMyFitness platform, there's more than 400,000 people that are actively tracking products in whether it's a pair of shoes that they wear or whatever item that they use. I think it's close to 2,000 people a day are signing up for Gear Tracker.

So, people are interested in this idea of the Internet of Things that that theory being that eventually everything that we have is going to have a chip in it. So, a billion connected things in 2010, and I think the projection is by 2020, it's going to be over 25 billion or 30 billion connected things in the world.

So, we obviously want to use that to make ourselves smart and to honestly to help enrich and improve the lives of our consumer. So, we think we're going to have the ability to do that. We think getting smart in everything we do. Again, the thing I'm probably most proud of with these acquisitions is, of course, the community we've built and the team we've built, but also I think the level of engagement that we're creating with the consumer, of giving them a reason to think about themselves holistically.

This idea of approaching health and arming people with the ability to make better decisions for themselves is a pretty powerful, powerful thing that I think who's going to own that information or who's going to help give you that and organize that information for you. Should it be a healthcare provider? Should it be a drug store? Should it be a health insurance company? Or should it be a sports brand that you trust?

And so, we think we have a great connection with the athlete. We think that we can test and prototype this with – at the highest levels, with people like the University of Notre Dame football team. And if it's good enough for them we think it's – and some of other marquee athletes – it should be good enough for the consumer, so. Building that trust is going to be paramount in doing this. And yes, we think we're going to be able to sell more shirts and shoes ultimately, but we think we're going to able to continue to transform what the Under Armour brand is, and we'll continue to stay nimble to do that.

Randal J. Konik
Jefferies LLC

Q

Thanks so much.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks very much for your time.

Thomas D. Shaw
Director-Investor Relations

A

And we have a few closing comments from Kevin,

Kevin A. Plank
Chairman & Chief Executive Officer

With that, I think we've talked a lot today. I wish I could have gone a little deeper into footwear; but regardless, I think we remain very excited about the assets that we have today, the team that we've assembled, and that begins, of course, with the internal leadership team that we have. I think the consumer base that we're growing. And then, of course, the assets that we have in our athletes' stable. So, we're very proud of what Jordan, what Steph, what Misty, but, frankly, all of our athletes have done, and the best news of all is that we do believe they're all just getting started, just as the Under Armour brand.

So with that, I want to greet you all a good morning and have a wonderful day. Thank you all very much. Cheers.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Have a good day everyone.