27-Apr-2017

Under Armour, Inc. (UA)

Q1 2017 Earnings Call

CORPORATE PARTICIPANTS

Lance Allega
Vice President-Investor Relations, Under Armour, Inc.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

David Bergman
Chief Financial Officer, Under Armour, Inc.

OTHER PARTICIPANTS

Robert Drbul
Analyst, Guggenheim Securities LLC

Kate McShane
Analyst, Citigroup Global Markets, Inc.

Matthew McClintock
Analyst, Barclays Capital, Inc.

Michael Binetti
Analyst, UBS Securities LLC

Randal J. Konik
Analyst, Jefferies LLC

Andrew S. Burns
Analyst, D. A. Davidson & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Under Armour, Incorporated, First 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, this conference call is being recorded. I would now like to introduce your host for today's conference, Mr. Lance Allega. Sir, you may begin.

Lance Allega
Vice President-Investor Relations, Under Armour, Inc.

Thank you, operator. Good morning, everyone; thank you for joining us on today's call to discuss Under Armour's first quarter 2017 results. I'd like to remind everyone that participants will make forward-looking statements. These statements are based on current expectations and are subject to certain uncertainties that could cause actual results to differ materially. These uncertainties are detailed in this morning's press release and documents filed regularly with the SEC.

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 an anticipated event. Additionally, we may reference certain non-GAAP financial information. We provide a reconciliation of non-GAAP financial information in our earnings release and the electronic version of the portions of the script today from today's call which will be available at uabiz.com.

Joining us on today's call will be Under Armour's chairman and CEO, Kevin Plank; and Dave Bergman, our CFO. Following our prepared remarks we'll open the call to questions.

And with that I'd like to turn it over to Kevin.

Kevin A. Plank

Chairman & Chief Executive Officer, Under Armour, Inc.

Thanks, Lance. Good morning, everyone, and thank you for joining us today. 2017 is a year we're empowering Under Armour to become a single, more agile, stronger and smarter company. Our first quarter marks a good start to this journey.

In January we detailed some of the challenges we're facing in North America as well as what we feel are our competitive advantages to manage through this rapidly changing environment. We talked about the imbalance caused by extreme growth, due to more than doubling our size over the past three years. We spoke to the unique strength of our brand, unparalleled ability to connect with global athletes and our tremendous portfolio of growth drivers.

That said, our strategy is about more than this quarter or the next, and while parts of the broader environment remain uneven, we feel very good about the evolution of our brand strength, relationships with consumers around the world and our ability to gain share in key markets and categories.

Whether analyzing the next 3, 5 or 10 years by product type, gender, category, channel or geography, we are underpenetrated comparatively by any measure, market share, mind share and potential. So now, as the third-largest athletic brand in the world with more than $15 billion ahead of us to second place and another $15 billion ahead of that to first place, the fact remains that we have significant and scalable opportunities before us.

To build on commentary from our last call, the road to the first $5 billion was much different than we expect the road to the next $5 billion to be.

Yet we can't talk about results or opportunity without considering the need for balance. With a shifting terrain we are hyper-focused on balancing external marketplace growth with internal operational excellence, working both in concert to embolden the strength of our brand. By balancing investments and innovation, consumer connectivity and experiences with the appropriate operational discipline, we are on a long-term path to ensure more consistent returns to shareholders.

The core of our strategy, though, remains aspirational great product with a relentless pursuit of innovation and the creation of compelling experiences for our consumers. We have one of the most unique brand communities on the planet, a relationship we cherish and never take for granted, particularly our relationship with kids, the youth of this generation. We aspire to be a brand that is both trusted and desired. This consumer-led approach continues to take shape by the transformation toward Category Management.

That said, I'd like to take a few minutes to highlight how we're progressing against that goal. Eighteen months ago we made the decision to reset the company around key sport categories. This decision was driven by our extreme growth, changing consumer behavior and the immense opportunity to address the unmet needs of our consumers. From men's and women's training, running, basketball and global football to outdoor, team sports, youth and lifestyle sportswear, this evolution is well underway.

2016 and 2017 have a high focus on leveraging and empowering our team structurally. With our move into Category Management, we're working to enhance our product creation, supply chain and speed-to-market processes and functionally how we will bring products to market in the future via merchandising, demand creation and our overall distribution strategy.

By emphasizing a clear go-to-market capability, we'll take a better approach to driving the core basics that our business was built on while also emphasizing elevated product across all categories with innovation and experiences that inspires consumers. The purpose of this structure is to drive authenticity within each sport category, getting us as close as possible to the consumer as efficiently and effectively as possible.

So how's it working? So let's touch on a few highlights. I'm going to go ahead and start with our smallest category, yet potentially one of our largest long-term growth opportunities, our sportswear business. In only 24 months, we've gone from an idea to a fully dedicated team of product designers headquartered in New York City who have set up the backbone of this key growth driver, built on leadership.

There's two ways we're approaching this. First, with the launch of our UAS collection last fall and the second line this past quarter, we began to interpret and authenticate the Under Armour brand within fashion. This top-of-the-pyramid approach that is pinnacle, premium product, blends the intersection of our brand's core sport and performance elements with a unique personal style and creative expression. Understanding this is a longer-term strategic position, we are hitting the benchmarks we set for ourselves to make lifestyle a core competency of our brand and the halo impression that will have access across all categories that we do business in today.

Secondly, it's emphasizing lifestyle throughout our product line and influencing styles, silhouettes and distribution we already serve. One example is we've taken lessons from UAS' quick-to-market strategy to create the Unstoppable lifestyle collection which is due out later this year. This will represent our first complete better-level men's and women's sport fashion expression.

Turning to basketball, it's a global category that continues to post consistent growth as the brand gains more visibility, authenticity and performance around the world. Some of this hard work certainly paid off in the first quarter with 11 women's and 12 men's teams making the NCAA Tournament for Under Armour, which is a record for the company; and most exciting, our brand's first ever NCAA National Championship in basketball as the University of South Carolina women's team took home the title. And the men's team made South Carolina's and Under Armour's first Final Four.

Yet our success in basketball hasn't been without its learning. In spring 2015, we debuted our first signature basketball shoe with Stephen Curry, the Curry 1, who has since become a two-time NBA MVP and global icon. The limited launch of the Curry 1 was a strong success and set us up well to realize even greater growth with Curry 2, which included a much broader spectrum of distribution, color and launches.

Lockstep with other franchises like Drive, Lightning and Jet, our performance offering has continued to evolve nicely, mixing speed, support, balance and style with the NBA's run and gun position-less style of play.

As we launched the Curry 3 late last year, our expectations continued to run high. And while the Curry 3 plays very well on-court for Stephen Curry and our athletes, a sluggish signature market and a warm consumer reception has led to softer-than-expected results. This has created an inventory imbalance that we're working through, one that, yes, is baked into our full-year outlook, which hasn't changed, and most importantly, yielded lessons we're applying ahead with the Curry 4 and beyond.

Not only for the Curry 4 but moving forward, we have retooled our test, learn, scale approach in this business to be sharper, sharper with respect to the number of color offerings, scarcity, exclusive and cadence of launches to drive more consistent engagement and results. And sharper with our basketball portfolio composition to target balanced growth across all assortments to address players at all levels.

One of the highlights for UA is the strong grassroots systems that we've built across AAU and our high school teams, where athletes are competing and winning championships. We're incredibly proud of our basketball business and see tremendous runway ahead as we continue to take market and mind share with this key consumer.

Another area we remain incredibly bullish on is our overall women's business. We reached $1 billion in revenue in 2016, a huge milestone for our brand, and our confidence continues to build. And of course, it starts with great product. Our women's team has been working relentlessly, thinking differently to elevate style and performance as we continue to earn her trust and greater closet share beyond key core items.

A great example is the Misty Inspired collection that launched in the first quarter, designed purposely to elevate style, silhouettes and layering pieces that can be worn anywhere. We're seeing strong demand for the entire collection and have gained valuable insight into how we market this collection and engage her into our brand even more deeply.

Across our whole women's business, we're proud of the foundation we've laid but really feel we're just getting started, identifying her unique UA voice. As we continue to learn, engage and drive insights, we see an incredible amount of runway for this business. But there is work to be done.

In addition to success from moves toward Category Management, we've made progress against operational goals as well. This quarter marked the completion and go-live of our work with SAP to build what we call the single view of the consumer. This system combines global point-of-sale, e-commerce and transactional information with our Connected Fitness business. As we make the transition from data collection to data analytics and reporting, we are now equipped with real-time information on over 200 million users.

This empowers our teams to leverage our speed to create, drive and accelerate value for our consumers through new personalized products, services and experiences. So what used to take weeks or even months for us to get information on new product performance, trending workouts and demographics, now takes seconds with the speed and analytical horsepower provided by this incredible consumer insights engine.

Two first quarter examples of utilizing single view of the consumer include our Athlete Recovery Sleepwear, launched with Tom Brady, and the Project Rock collection, a collaboration with Dwayne Johnson. Two launches for us that drove incredible demand and that we are currently working to replenish, except where we are building scarcity.

Using UA's SVOC [single view of the consumer], we're able to instantaneously analyze consumer purchase behavior including gender, ages and workout frequency among other attributes. These insights will now be integrated in a next-gen product development, helping drive discussions around product planning, assortments, future marketing and ultimately a better and more premium experience for our consumers.

Next up, and only a few months out, is an upgrade of our entire enterprise resource planning system that we've been investing heavily in since 2015, specifically, SAP's FMS, or Fashion Management Solution. FMS will allow us to manage all of our processes across one data landscape with the ability to analyze large information volumes, ultimately ensuring greater operational efficiency, better inventory planning and greater speed to market.

This has been no easy effort, and I take great pride in calling out and thanking the hundreds of global teammates that have been working tirelessly, living, breathing, testing and retesting again and again to ensure that we're optimally aligned for this game-changing evolutionary step for Under Armour.

Once combined, Category Management, Connected Fitness and our SAP capabilities will become a powerful instrument to further address the rapidly changing consumer environment. From insight-driven product creation to purchase through end use, this data-fueled ecosystem creates one of the most powerful and unique consumer connections in our industry, a true two-way consumer-led conversation that will directly integrate and strategically influence our go-to-market strategy. This highly sophisticated engine represents a critical asset and competitive advantage as we work toward becoming a $10 billion business.

So what does Q1 tell us about Under Armour? It tells us that we're stable and staying healthy even as segments of our wholesale business in North America fight through uneven terrain. It tells us that we are actively managing our growth, that our inventory levels are appropriate, and that we have a strong innovation agenda. It demonstrates meaningful progress against our move toward Category Management, a structure strengthened by vital systems upgrades. And it confirms that we're in a good position to invest in growth opportunities, both short and long term, while driving to become even more efficient and effective across our business.

With a start to the year where we did what we said we would do, we're tracking well against our targets. As we look to the future, we will continue to make the best long-term decisions for our brand, teammates, communities, and of course our shareholders. And we're going to do it while adding more than $0.5 billion in revenue in 2017, implementing new SAP systems, standing up our Category Management structure and keeping an energized flow of exciting product and experiences coming for our consumers.

We know we've got hard work ahead of us, and while we are certainly used to that, we respect the challenge and are pursuing it full force. And that's what I'd leave you with. Our team is hungry and humble with our heads down, engaging, empowering, editing and executing.

And with that, I'll turn the call over to Dave to take a deeper look at our results.

David Bergman

Chief Financial Officer, Under Armour, Inc.

Thanks, Kevin. We are pleased with our first quarter result which came in a little better than we expected due to some cadence and timing shifts, and we remain on track with our full-year outlook. So let's take a look at how we did.

Total revenue in the first quarter was up 7% to $1.1 billion. By product type, apparel revenue increased 7% to $715 million driven by strength in golf, team sports and training. By continuing to focus on improved assortments, newness and innovation, including premium apparel platforms like Threadborne and Athlete Recovery Sleepwear, we feel well-positioned to deliver a solid year.

In line with our expectations, revenue for our footwear business was up 2% to $270 million. Recall that we're lapping 64% growth in last year's first quarter which had significant strength in basketball sales. Some footwear standouts in the quarter included golf, women's training and running.

Additionally, we had less liquidation in the quarter as we're working to ensure appropriate-to-channel inventory and driving our premium position in the category. Hitting $1 billion in revenue in 2016 was a great accomplishment, and we expect another year of growth that outpaces the overall company.

Revenue for accessories increased 12% to $89 million in the quarter with solid results from men's training, youth and global football.

Looking at revenue by channel, our wholesale business was up 4% to $773 million, reflecting an uneven North American environment and the tough comp given the bankruptcies of several key partners in 2016.

Direct-to-consumer revenue grew 13% to $302 million, representing 27% of global revenue in the quarter. This growth was balanced across all three concepts, factory and brand houses and e-commerce.

Our licensing business grew 25% to $24 million in the first quarter driven by strength in our socks business and our licensed partner in Japan.

In addition, our Connected Fitness business was up 2% to $19 million.

On a regional basis, in line with our expectations, our North American business was down 1% to $871 million as the promotional environment we saw in the fourth quarter of last year carried into 2017. Accordingly, we continued to proactively manage our inventory while still protecting brand health with meaningfully less liquidation product in this year's mix as previously noted. Also important to note is that growth from new wholesale distribution in the quarter was not enough to offset the bankruptcies of 2016.

Our International business, which we define as everything outside the U.S. and Canada, continues to deliver strong top-line results, posting a 52% increase in revenue to reach $227 million, or 20% of total revenue in the quarter. Currency-neutral revenue was up 57%.

Looking down into geographies, EMEA revenues were up 55% to $103 million, driven by continued momentum in the UK and Germany with balanced strength across wholesale and DTC and increases in nearly every sport category.

Asia-Pacific revenues increased 60%, driven by strength in China and Australia as well as the first full quarter of contribution from South Korea which is now direct versus previously being through a license.

And finally, our Latin American business was up 30% with broad-based growth across distribution channels and categories.

Turning to margins, first quarter gross margin was down 70 basis points to 45.2% due to continued inventory management efforts, a regional mix that skewed heavier toward international and foreign currency impacts. These headwinds were partially offset by channel mix which included a lower mix of liquidations.

SG&A expenses increased 12% to $498 million driven by investments in our direct-to-consumer, international and footwear businesses. This increase was slightly better than planned due in part to some timing shifts including head count additions and demand creation expenses which have moved into future quarters based on execution needs.

First quarter operating income was $8 million. Interest expense in the quarter was up 73% to $8 million, and our tax rate in the first quarter approached 200% compared to 42% last year due to discrete items taken in certain foreign markets and the implementation of new accounting rules related to the tax treatment of equity compensation.

Combined, these were about $3.5 million with the biggest portion driven by discrete international items which are particularly impactful to our effective tax rate in periods such as the first quarter with lower consolidated pre-tax income levels.

Taking all this to the bottom-line, we had a net loss of $2 million in the first quarter or a $0.01 loss of diluted earnings per share compared to a $0.04 gain in the prior year.

Now turning to our balance sheet; cash and cash equivalents was up 10% to $172 million. Inventory was up 8% to $902 million while we focused on efforts to manage product flow with demand to ensure brand and channel health. Total debt was down 8% to $861 million. And finally, CapEx was down 28% to $65 million, demonstrating our disciplined approach to infrastructure investments.

With respect to our full-year 2017 outlook, there are no changes from the prior targets we gave on January 31st which were included in our press release this morning.

Next, I want to provide some color on the balance of the year. As we look to transition our new SAP platform early in the third quarter, we are proactively taking measures to ensure as little disruption as possible to our business operations and delivery of customer orders.

With some potential movement depending on how SAP timing flows through, we expect the revenue growth rate in the second quarter to be approximately 1 point higher than the first quarter. And in the second half of the year, we expect revenue to be up at a mid-teen percentage rate with by far the strongest comparison of 2017 being in the fourth quarter.

We expect first half gross margin to be down approximately 120 basis points due to the impact of changes in foreign currency, efforts to manage inventory and higher airfreight expense which more than offset the benefit to channel mix.

In line with revenue expectations, gross margin should also see its strongest comp in the fourth quarter of this year.

Turning to SG&A, the previously mentioned timing shifts of marketing and other expenses into future quarters combined with ongoing investments in our DTC, international and footwear businesses are expected to result in an operating loss of approximately $15 million to $20 million in the first half of 2017.

And finally, we expect a mid-teen effective tax rate in the second quarter due again to discrete international items.

To close, I've been with Under Armour for 12 years, and I've seen a constantly changing map versus terrain and have the greatest confidence in the team we have in place to meet these opportunities as we continue to position ourselves for the future. We are focused on financial and operational discipline that drives efficiency across the organization. We are working collaboratively to determine the balance between growth, share and scale and the right return on investment necessary to deliver consistent and profitable long-term growth.

We've already begun to identify specific opportunities to reduce complexity and drive towards a leaner, more responsive organization, and we look forward to sharing more details later this year.

With that, I will turn it back to the operator for your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question comes from the line of Bob Drbul of Guggenheim. Your line is now open.

Robert Drbul
Analyst, Guggenheim Securities LLC

Q

Hi. Good morning.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Morning.

Robert Drbul
Analyst, Guggenheim Securities LLC

Q

I guess the two questions that I have for you this morning, the first one is on the footwear with the 2% number this quarter, what have you learned [audio gap] (23:27) the optimism that you have going forward for a rebound in footwear? And the second question is you gave some detail on the expectation for the revenues to reaccelerate throughout the remainder of the year, especially the back half. Can you just discuss a little bit more the confidence that you have in that forecast as well?

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Hey, Bob. So number one, let me just begin with, as it regards to footwear is that we don't like it and we don't accept it. We believe in footwear and we believe what we've built in the infrastructure that's now in place.

And our footwear for the year is actually going to outpace the overall growth of the company for 2017, so we realize the base that we've put in place going back to 2016, crossing $1 billion and that's given us scale and it's given us the ability to invest.

So the infrastructure that we have from the global innovations [audio gap] (24:18) over the last 11 years we've been building locally where we [audio gap] (24:22) it all comes together at the Under Armour Lighthouse, as well as the new footwear building that we're putting up in Portland where our team can have a house that they can actually call a home.

So we understand that as we look at what's happening in the marketplace, number one, we're a performance brand, and we continue to see momentum in some of our on-field and on-court categories, things like cleated and things like running as well as what we're seeing in basketball. There's other momentum that we have in the marketplace, but we see and we understand the shift to lifestyle. The one thing we think is important though is that all the lifestyle that we'll introduce, whether it's apparel, whether it's footwear, are things that will build on the credibility we have because of our authentic athletic base.

But we've also seen some things in our lifestyle families like the 24/7, our Encounter product, and a new product we just unveiled called Threadborne Shift a couple weeks ago.

It's also important to note that the international demand for our footwear is very, very strong right now. It's a competitive landscape here in the U.S., and that's nothing we shy away from. But we understand that we can win, and we are doing that and we're doing it at premium price points.

So there's three things to really focus on for footwear right now. And first and foremost, it always comes back to product; innovation and building great, great product. And I want to tell you that our pipeline is full, and we understand the need and the key for beautifully designed product that also raises our technical game.

We also have some technical game that we can bring into that through beautiful delivered product, things like our new connected shoe which we launched v2 of this year at CES, and there's more innovation coming in the future where we believe leveraging the business that we have at Connected Fitness, we think that there is a real product opportunity there, and we've seen some things that really give us encouragement.

We're also doing some things from the personalization standpoint like UA Icon, which is going to be launching later this summer, which is a customization capability for consumers to go on to ua.com and be able to build their favorite Under Armour footwear and customize it to anything that they'd like on the shoe.

So a couple programs we really think are going to be differentiators for us, but we understand that this comes from driving product first and foremost. And for us that means building franchise, and this is sort of an ethos for the company this year is that Under Armour is officially out of acquisition mode and we're into activation mode.

We have franchises in footwear, things like Bandit and Gemini, Slingflex, Highlight, Curry and many more in the pipeline which has proven that we can sell product above $100, and that's a unique thing for any brand. So as we sit here as the third-largest brand in the world and we think about the competition we have in front as well as that are behind us, we understand that that's the key. With running styles approaching nearly 20 running styles above $100, we need to make sure that they all sell through, and that happens.

We also have to focus on, just thirdly, is our expanding access to consumers, and we're fortunate to be in that position that we have the distribution lever to be able to utilize this year, because that is what helps give us the critical volume to compete with the two companies in front of us versus worrying about the multiple companies behind us.

And again just to remind you, when we say expanding distribution, we are not going to any new distribution other than what's been commented on out there. We said a couple years ago that we had 11,000 points of distribution; we were targeting 13,000 points of distribution. We feel good about where we are right now. And we feel that this is going to give us a distribution lever that allows us to continue to push the critical volume so that we can continue to build product at the premium end of our business as well.

So Under Armour is focused on $100-plus footwear, and we feel like we're making great strides to get there. And I just want to reiterate again is that we do see the growth for the full year outpacing the overall company growth too.

David Bergman
Chief Financial Officer, Under Armour, Inc.

A

And, Bob, this is Dave. I'll jump in on the second part of your question relative to back half and Q4. Q4 and back half confidence comes really from product distribution and also pricing strategy. From a product perspective we have new offerings such as our Unstoppable lifestyle product. We have new running technology. We also have a lot of confidence in Reactor products, just as a few examples.

And also we learned a lot from last fall/winter, and so we broadened our fall/winter assortment with more layers such as lightweight fleece to be better prepared for any type of winter. We've revisited our auto-replenishment program. We also have more price and distribution levers that we're pulling, as Kevin mentioned, along with a better strategy to refresh our product on the floor more quickly.

So and you add it all up, we also have a smaller comp in Q4. And we're just definitely excited about what we can deliver in the back half and Q4 altogether.

Robert Drbul
Analyst, Guggenheim Securities LLC

Q

Thank you very much.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Thanks, Bob.

Operator: Thank you. And our next question comes from the line of Kate McShane of Citi Research. Your line is now open.

Kate McShane
Analyst, Citigroup Global Markets, Inc.

Q

Thanks. Good morning. Thanks for taking my question.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Hey.

Kate McShane
Analyst, Citigroup Global Markets, Inc.

Q

My first question is just on the North America market. I think there has been evidence of a high level of promotions in this market. How are you feeling about North America over the next few quarters from a promotional standpoint? And do you think we can return to inflation and price increases after a prolonged period of promotion?

David Bergman
Chief Financial Officer, Under Armour, Inc.

A

So, Kate, this is Dave. I'll start off with that one. North America being down 1%, simply put, we don't like it, and we don't really accept it. It was in line with our expectations, though. We expected the choppy promotional environment would carry over from Q4. We did anticipate that our new distribution wasn't going to be enough to offset the prior-year bankruptcies. But we are proactively managing our inventory and brand health in the marketplace. And that also included less liquidation this quarter.

So in general we did expect the lower growth in Q1 for North America. But it's not something that we're going to accept.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Kate, let me start underscoring that from David. But more importantly, like the promotional environment that exists out there, it's pervasive, it's something that's very real, and it's something that we need to be prepared for. And I think I feel really good about it.

In the back half of 2016 it's something that we knew we could have done a better job with, and it's the lessons learned that we are applying going forward. So that being said, it's just understanding the way that we've approached 2017. Because when we look at growth overall for our company, it's been a heck of a three years of going and doubling the business over that period of time and has us looking forward about what's next.

And so we really are focused this year on operational excellence and what we can do to being a better run company. And again we're going to do that while still adding more than $0.5 billion in revenue.

So we're definitely not going to stand still, and we certainly don't like going backwards. And so focusing on going forward is where we are. We have a lot of executional opportunities in the near term and also while building I think the bigger, better engine for the future. And as we do that I think there is a couple ways that we're looking to make that happen.

I mentioned in my script three real focuses we have at the company. First is structure, I think of having just the alignment of evolving from a small company to a mid-company to getting to a bigger-size business. Category management we believe is going to be a big difference of keeping us close to the consumer as well as giving P&L responsibility in a matrix approach that allows and drives real accountability for us.

Secondly, but probably it's the most important – it's absolutely the most important – is just great product, reinventing our core basics. That's one thing that I wanted people to know is it that is where my focus has been. As we have seen and looked at sort of where we are right now, when we made the calibration of saying 2017 for us is a year that we're going to change the growth outlook, it's so we have the ability to make the best decisions for our business.

And making sure that there's three ways we want to look to do that is reinventing our core basics, which means being productive. Is that we lived on a legacy business for a long time where our product would just sell. And we had these big [ph] T&M (32:05) volumes.

But now when you hear me emphasis the idea of go-to-market strategy, I think we're really being clear and deliberate about the products that we have in the marketplace with each and every product not just selling because it's heritage, but selling it because it's the best product out there. And I feel like we've addressed that and particularly in the back half of this year.

It also means getting behind some of the planned programs we had for energy and excitement this year, things like Project Rock and our new sleepwear line. And then also – I touched on this, but the new product that we're bringing to market. And listen, we get it. We understand what lifestyle is about, and we have a new product line called Unstoppable that will be hitting in toward the end of Q3 and into Q4 of this year too.

So we're chasing the opportunities, and I think probably more importantly a better way to say it is we're attacking those opportunities.

And third and finally is that we're editing. The reliance that we've had on that key item volume is something where we can't just put items into the marketplace and expect them to sell. The consumer expects more. But more importantly, our shift to lifestyle isn't about a new line or one collection or one drop. It's about truly evolving the entire company toward the space. And so you'll see that reflected – and this is nothing new. We've been in the lifestyle business for over two years, building it out, starting at the premium and evolving that throughout our product line.

As far as it goes with the promotional environment, that's the reality of where we are today. We don't feel like we control that. We feel like people are making decisions from all different angles, which are going to impact what's happening in the broader base.

So I think one thing that I just want to sort of underscore as you think about North America – maybe this is just a broader statement on where the [audio gap] (33:48). Under Armour is a performance company and we don't want to shy away from that. We know our foundation, but we also know that that foundation is what gives us the credibility because there is a lot of people that have now jumped into the athletic space in some way, shape or form. But as companies endured and as brands endures, Under Armour is a great brand and we expect to endure through this. And so we're going to play offense this year, but we'll be prepared for whatever the market brings us. And we feel pretty good about that.

Kate McShane
Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Kevin, if I could just follow up with one quick question that I think rolls into what you were saying, could you comment all about how you're thinking about segmentation, especially now that you're in Kohl's? And how you're feeling about the differentiation of product between what you're selling there in the mid tier versus your premium end customers?

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Yes. So as I mentioned a minute ago, we told you a while back that we had about 11,000 points of distribution, we were targeting roughly 13,000. So we've now hit that. As far as distribution goes, number one, it was important to me that when we announced expanded distribution that it was the same day that we announced being on Fifth Avenue and committing to building the greatest retail store in the world that will open in the middle of 2019.

So our commitment to being premium brand has never wavered or changed, but to compete at the levels where we want to run, we feel that we need to be the best and we feel like we need coverage and coverage is about some of the volumes that we can drive.

And again, where we talk about being in 13,000 points of distribution, it's important to remind people that some of our key competition has more than 23,000 points of contribution in North America alone.

So apples to apples, we feel very good about where we are. Now, that does lead to the question of segmentation strategy, which we told you, the beginning of 2016 was the first time that we really stood up merchandising for ourselves as a brand, and with that comes having clear segmentation between our product lines.

So I think that we're good today, but we understand what our customers want. And they want differentiation. And they expect it and they demand it. And frankly, that we have a brand that has the capability of doing it, and things like some of the investments we're making between systems and between some of the structural things in Category Management – we feel pretty good about our ability to do that.

As far as additional distribution or anything there goes, we are completely, as I said, out of acquisition mode and in activation mode. The goal that we have is making all of our existing partners better, and this means doing a better job in the stores where we are. So you're not going to hear of any additional big box opening happening in the United States for a very long period of time. We like the team that we have on the court. We like our distribution, and we think that we have a great, great opportunity there.

As far as our relationship, the kickoff and launch that we've had at Kohl's has exceeded our expectations to date, and they have been a very good partner. That being said, I want to reiterate that we have some amazing partners right now as well, and our goal that we have as a company is focusing that we don't have to – I don't believe we have to open any new distribution.

I don't think that we need new categories. I don't think that the platforms that we unveiled as a company – doesn't mean we won't have any new ones, but I'm really giving my team the ability to just relax and just focus on what we have right now and becoming excellent in every category, every sports marketing asset and the pieces we have and using 2017 as a year to get better at doing that.

Kate McShane
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: Thank you. And our next question comes from the line of Matt McClintock of Barclays. Your line is now open.

Matthew McClintock
Analyst, Barclays Capital, Inc.

Q

Hi. Yeah. Good morning, everyone. Kevin, the comment was made just a second ago that you're proactively managing the brand health, and I thought it would be helpful if maybe high level we could just get your assessment of where the brand health stands today overall? And then as a follow-up, I was just wondering if you could elaborate a little bit more on the innovation? You talked a lot about lifestyle and there has been a lot of discussion about that. But what changes to the innovation pipeline are you making? And maybe can you provide some visibility into innovation on the horizon in 2017 and maybe beyond? Thank you.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Yeah, thanks, Matt. So first of all, financially we did exactly what we said we're going to do this quarter, so I think anything as it relates to brand health from that standpoint is that we had a pretty good idea of where we were.

As far as our brand goes, and this is somebody with 21 years having been in this industry, I truthfully wouldn't change positions with anyone else in the world, with any other brand. I believe that our brand is positioned, I believe that our brand is strong, I believe that our brand demonstrates that we can take punches and I believe that our brand also demonstrates that it can throw them, too.

So you look at the bevy of assets that we've built and the things that we have as a company today. We've got international business that's growing more than 50%, which remains one of our largest opportunities as a company. As far as the base of partnerships we have here in the U.S., we've got more than 40 all-school collegiate deals where we outfit them head to toe. We're introducing ourselves to the State of California this year with the introduction of signings of Cal Berkeley and UCLA. We've added a new outfitting deal with Major League Baseball that goes through 2030 and declaring to build the greatest retail store in the world on Fifth Avenue that opens in 2019.

This brand is looking forward, and we expect to bring our consumers with us. And if you are starting a brand today or looking at who we had and the support that we had, I think a lot of these things have been misstated in terms of where and how people are aligned with our company – Tom Brady; Dwayne The Rock Johnson; Stephen Curry; Lindsey Vonn; Misty Copeland; Jordan Spieth; Anthony Joshua who will be fighting for the Heavyweight Championship of the World this weekend; as well as some that you've never heard of, like a boxer from Baltimore named Gervonta.

There is more people buying Under Armour this year than they did last year. We're adding and standing up new systems, our Category Management structure, an energized flow of exciting new product experiences for our consumers, and we're also adding $0.5 billion in revenue this year.

So I can't tell you exactly how other people feel, but I know how our athletes, our team, our partners, and I know how I feel about the future of the company. So I think we definitely have work to do, but I think the strength of the brand is something that's been built over the last 21 years. And I think as people continue to learn and hear our story, and as you start to hear our marketing and our voice tuned up throughout the balance of this year and amplified, we feel pretty good about where that would be.

On innovation, if you want me to keep riffing, I can give you sort of where we are and how we see it from a product standpoint is that anything that begins with brand health just comes back to product. It's where we've been focused. It's where we are right now.

So let me give you sort of innovation as we're seeing it in three buckets. The first would be apparel. So a big part of our marketing push this year has been around the platform of Threadborne. The Threadborne, it's not going away, and it's something we're going to continue to lean on. It is a ridiculously soft and beautiful performance fabric that fits into a number of different platforms for us and something that goes from apparel all the way through to footwear.

You're also going to hear about something called Reactor, which is an exclusive down insulation that allows your body to heat up, cool down depending on what's happening from external temperature side.

On the footwear side, I mentioned the connected shoe before, which is something that's pretty – we believe in that market, and we think there's a story. We think we're the ones to tell the story because we don't think it's been told yet, and that's on the come.

And then we also – I think we've got lifestyle and things like Slingflex, it's done well for $100. A product, again, I mentioned the Threadborne Shift.

And then it's also innovating around our core. Again, we've got this consumer, with the youth of this country, we believe we have great positioning with things like the Highlight cleat. We're looking forward to the Curry 4 and building those franchises.

And the third thing I'd say from a innovation standpoint – and this may not be innovation to others, but for us it's something that's a key growth driver of where we're going – is just the addition of lifestyle. Lifestyle and what makes us unique when we talk about innovation is ours won't just be product that just looks better. Everything does something. It will all fit the Under Armour DNA of being better, being best in class.

And so you'll see that happen through – I mentioned Unstoppable, the Inspired collection by Misty. We've got The Rock, more launches dropping, Supervent, a few surprises in store as well. So our differentiation we believe is something that's significant and we think that our credibility as an authentic athletic brand is something that gives us the right to be here and play here. And frankly, there will be few standing as all these different trends comes and go.

Matthew McClintock
Analyst, Barclays Capital, Inc.

Q

Great color, Kevin. Thank you.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Thank you.

Operator: Thank you. And our next question comes from the line of Michael Binetti of UBS. Your line is now open.

Michael Binetti
Analyst, UBS Securities LLC

Q

Hey. Good morning. Congrats on a nice quarter. I know it's a tough macro out there, guys. Just a quick modeling question and then maybe just a higher level question for Kevin. Can you talk to us a little bit more about the puts and takes on the gross margin as we head into the second quarter? It looks like the first half guide implies 2Q will be down about 180 basis points, obviously worse than the first quarter, but as compares get easier I would think the currency pointed out would start to diminish. Inventories look like they're in better shape. It seems like you took some pain in the first quarter there to clean it up. I know you said something about airfreight being a bit more of a headwind in 2Q, but maybe just give us a little bit more on the second quarter and what some of the headwinds are, get to a more significant 2Q compare versus 1Q?

David Bergman
Chief Financial Officer, Under Armour, Inc.

A

Hey, Michael. This is Dave. I'll take that one. When you think about Q2 gross margin, some of the inventory management promotional environment challenges we had in Q1 we're still expecting to persist into Q2. We also did mention that we're going to have a little bit higher airfreight. Some of that has to do with managing around our SAP go live.

We do expect some continued headwinds from the FX impacts, but also our international business is actually growing a little bit faster than we even planned even though we were excited about it to begin with. And as you know, that creates a little bit of a margin headwind also.

So when you add all of those up, it does make Q2's margin a little bit tougher, but then as you trend back into the back half of the year, we do expect and are planning on a little bit more of improved product costing benefits in the back half which we're excited to see. You will have less year-over-year impacts of promotions and discounts when you're comping that. And also we're expecting a beneficial mix of product, or actually with channel, when you think about DTC being up more and then also the fact that we've talked about liquidation being a smaller mix of our business.

So we've got some bigger favorability in the back half which should be able to for the most part offset the continued pressure on FX headwinds along with the footwear and international pressures that we always have with their high growth rates, so we feel pretty good about the back half.

Michael Binetti
Analyst, UBS Securities LLC

Q

Okay. I mean, Kevin, just at a higher level, you mentioned sportswear, the very first category up front there today. So maybe just tell us a little bit about – you're in the second round there – maybe how you see the evolution of that sportswear business going over the next few years as far as maybe how you see distribution growing and when you think it could be a more meaningful contributor on the total company revenue line? And then same question for Connected Fitness.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Okay. So let me begin with sportswear. So there's four categories or ways that we think about our overall brand positioning with the different categories we have. The first would be on-field – and think about them left to right. On-field would be pleated. Sport performance would be things you could wear with a pair of jeans, like basketball. All the way out to the right would be sportswear, which is what we launched this past fall with UAS, and sitting right in the middle, which is the meat of the business, which is more than a third for our two largest competitors of their business, is what we call sports lifestyle.

So today, we obviously want to get to the sport lifestyle category, but we thought we'd have a better opportunity of doing that by putting this flag all the way out there which was UAS. And so having time for that to curate and position ourselves at the high end of fashion, giving us the ability to attack the massive market of sports lifestyle from the top versus trying to simply evolve it from the field. We believe that's important, so having that positioning is something that we're very bullish on.

Sport lifestyle still remains again our largest opportunity, and frankly, by a mile. And we look at the different categories of where we can grow and so everything we've been doing to authenticate ourselves has put us in a position for sport lifestyle.

It's not a new category for us, but I think I keep coming back to saying what's going to make us different and unique is that some brands rely on their logo being cool or a good line. What makes Under Armour unique is that every product does something. And so that DNA is something that we'll carry through into every product we do, and again, where the emphasis is not just going to be on the fiber technology.

Like, we get it. We're not just blind and saying we're just looking at product through a performance lens, but we think there's a much bigger opportunity. We think authenticity and equity are really what drive us there, and again, it's not something which needs to be a new category for the business. It needs to be something that can really evolve into our overall total business.

So look, we've got the cool people. We have access to all the same color agencies that the rest of them do. We feel like we're driving there in a big way. So we understand the emphasis of getting the lifestyle, but it doesn't mean abandoning what we have in performance. So wrapping our arms around the fact that we are a deep performance company and getting ourselves to the next step.

Connected Fitness, Michael, your question there?

Michael Binetti
Analyst, UBS Securities LLC

Q

Yeah, just on how you see the evolution from here. Yeah.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

So I think it's a good opportunity for me just to sort of explain where we were when we made the acquisitions, the original vision that we had of becoming digital as a company, and what we think that pay off is for us.

So the Connected Fitness investment for us was always about having a better understanding of our consumer. And we viewed that through the lens though is that it would help us sell more shirts and shoes. To be clear, like that was the goal. And we believe that original vision is still very much intact.

The resources, community and team that Connected Fitness has given us has really – it's opened the aperture of the way that we believe consumers are going to expect an athletic brand to deliver for them in the future, like helping them make better decisions about how to improve their lives. Like it's not just going to be a cool logo or a nice shoe. It'll be all those things of course. And it'll be stylistically portrayed. But it also has to be in the context of how are you helping me live a healthier life.

So today just for perspective and a reminder, our Connected Fitness community, we have the number one app in the fitness store with just alone our MFP. Across the three or the four different apps that we have, we have over 200 million strong with more than 80,000 downloads occurring every single day, downloading one of our four apps and giving us the insight that we believe gets us much closer.

Now I mentioned we're just beginning to plug in some aspects of the SVOC program, the single view of the consumer, through some of our SAP go-lives. And we think the data that we'll have as a result of that is ultimately going to help us drive towards selling more shirts and shoes.

The information that we have with the holistic experience from fitness to activity to sleep and nutrition, we think gives us a purview, number one, that helps and is good for consumers and that we have great trust and respect of protecting that for them. But it also helps us be a better brand for them and help build better products that'll get them closer. And as you look at things like standing up Category Management, it's pretty powerful when we can see how many people went for a walk in Australia, or how many people are running, or what the average run trend was.

The last part I want to say is we also recognize that monetizing this is very important. We've been doing that. And again, understanding this is less than 2% of our total as a company. It doesn't mean that we like small numbers or accept them. So we recognize that we have today a pretty amazing ad platform in Connected Fitness and one that we want to drive forward. And so we're attacking that right now inside the existing businesses while utilizing this data.

The last thing I'll say about Connected Fitness, because when we get people looking at us and asking what the big plan there is, speaking now as the third-largest brand in the world with the two in front of us that are a long ways away, and the many behind us that are not too distant, we believe that Connected Fitness [audio gap] (49:55) differentiation for a potential quantum leap in our industry. And we think that's something that's only beginning to take hold and something that will play out over the next six months effectively, but through the next year and as we look to the future. And meanwhile, utilizing some of those resources just make us a better-connected company.

So we are bullish about our investment in digital and what this means and how this combines into not only the direct benefits for our consumer, but also how it ties back into our dot coms, our e-commerce, and giving us intelligence about our consumer and making us make better decisions, better products for them.

Michael Binetti
Analyst, UBS Securities LLC

Q

Thanks a lot, guys.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Thank you.

Operator: Thank you. And our next question comes from the line of Randy Konik of Jefferies. Your line is now open.

Randal J. Konik
Analyst, Jefferies LLC

Q

Yeah. Thanks a lot. I guess a question for Kevin. I just wanted to kind of get some perspective on how you think your marketing strategies will continue to evolve, or need to change or not change. We went from the football kids on the bus to now more athletes and you have Rock as well. So how do you think about – you have this huge community of fitness people with the MyFitnessPal, et cetera. How do you want to market digitally to them, showing them specific product or not?

And how do you think about the evolving message of the brand? Or to communicate some of the lifestyle offerings you plan to – you'll further bring to the market? How do you kind of try to want to change the marketing tactics with the consumer?

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Yeah. The kids on the bus is a good walk down memory lane. It is a great spot, and it was a different time, when people were just looking at the 30-second or the 60-second commercial that we ran during live broadcast.

Today it's changed very much. And I think that we've got some great amplifiers for us within the athletes that we have, the teams that we have, the partnerships that we signed recently. And it's really all-inclusive is that the understanding of what social means for us – and I don't think we've been a great social company to date. I don't think we've done a great job with our social media. And I think the understanding is that there's a couple ways for us to leverage our social media. One is that we have an incredible athlete community that's creating authentic content for us every single day. And simply as curators of our athlete community is something that I think that we can do to tell bigger bolder brand stories that keep us out there in the marketplace.

I think from a social media standpoint, you'll also see us get much better at what we do with telling product stories. The market is incredibly crowded now. The things that made Under Armour unique three or four or five years ago, everyone has their version of athletic something. Every company has gotten to their version of jumping on athleisure or jumping in and making their version of a tight. And so moving beyond just yarn differentiation of what makes our fiber or fabric better is no place for us to live.

And so I keep coming back and driving home this theme of, when you think about companies that last, and it's a difficult time for many retailers out there. As we look at it at Under Armour, like we understand the shifting landscape, we look at the investments that we've been making. We looked at 2017 and delivering what we said we're going to do. And we understand the focus that we have of making ourselves a better company by getting closer to Category Management and having the true insights that allow us to understand with that consumer wants and delivering for it.

Both – especially beginning with the product that delivers [audio gap] (53:20) for them, and the way that we communicate them is that Under Armour product, it's complex and what we've always done a good job [audio gap] (53:27) HeatGear was – you wore it for when it was hot and ColdGear for when it's cold. So we've got a lot more innovation. There's a much broader competitive set that we have now as well that we need to make sure we're explaining that product.

When I talk about our positioning for lifestyle, I think it's one that no other brand can have is that, it can be a beautiful sweater that's V-neck and comfortable and something that you could wear to the office or out to the club. We want to make that sweater, but we also think it's important that the sweater performs and maintains a DNA that's Under Armour. Now, we're not going to be blind to this. We just need to make beautiful products. We get it, but we also need to understand that the reason the consumer will buy our beautiful product is because of the DNA that makes us authentically Under Armour and authentically sport.

And so you'll continue to see us partner with whether it's the sleepwear line that we did with Tom Brady, the Project Rock collection that really begins to hit his consumer dead on and he's been a great partner for us – and also the reach that they have. Dwayne The Rock Johnson has over 80 million Instagram followers. And so when he gets behind something, it can move the needle. And so we actually have, amongst all of our athletes, we have a pretty powerful channel that you'll continue to see us activate. And you'll also continue to see them bring lifestyle more into what they're doing.

So that's a bit of a mixture question. Hopefully you got a bit of a mixture answer there between we expect to tell great stories about the products that we build, we expect them to be more relevant, more stylistic, more beautiful and still performing. And so I think we're just getting started on this journey, but we feel good about our bases and really where we're heading with it directionally.

Randal J. Konik
Analyst, Jefferies LLC

Q

And can I just follow up with one more item? I'm just intrigued by the amount of – these systems and implementation and it sounds pretty exciting. Can you just give us maybe some perspective on any type of measuring sticks or yardsticks you're trying to kind of work towards like we think the systems can help us reduce our inventory levels by some amount or the liquidation levels can continue to move lower, our design-to-market cycles can be reduced by some level of X. And I'm just curious what your thoughts are there. And then, you said these systems are going to also help with things like the implementation of Curry 4. Are you going to kind of – is the system – these systems going to allow you to use a different type of [indiscernible] (55:41) strategy, and so forth? Just curious there. Thanks.

David Bergman
Chief Financial Officer, Under Armour, Inc.

A

Randy, this is Dave. I'll take that. I mean, we're not going to give you specific numbers or percentages. But as Kevin mentioned, we're definitely investing in the one global instance of SAP across our business. So it really does enable us to simplify and automate our process and enable a more transparent supply chain.

The largest part of that implementation goes live in early Q3, but there will be stages after that, as well. It will definitely be creating capabilities to efficiently operate a value chain at scale. When you think about some of those future benefits you were mentioning, we'll definitely see some of that relative to revenue growth and speed to market. Definitely around inventory optimization. Also service-level improvements because there's a big supply chain component to that. And all that comes through on effective margin management, as well. So there's definitely a lot of exciting aspects that we'll see. I think you're going to see more of the meaningful improvements of that coming out in 2019 and beyond, but it's definitely a big play for us.

Randal J. Konik
Analyst, Jefferies LLC

Q

Thank you.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Thank you, Randy.

Operator: Thank you. And now we'll take our last question from the line of Andrew Burns of D. A. Davidson. Your line is now open.

Andrew S. Burns
Analyst, D. A. Davidson & Co.

Q

Good morning. Thanks for all the details on the sportswear and lifestyle game plan, including the Unstoppable collection. As a follow-up, I'm trying to better understand how quickly you can pivot the assortment to where you want it to be with your key wholesale partners, as well as in DTC. From a consumer's point of view as they shop your key wholesale partners and DTC in the upcoming holiday season, how visible will this assortment shift be and how do you expect to communicate the lifestyle and sportswear initiatives to consumers? Thanks.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

A

Thank you. So I believe in 80/20 rules and I still believe that the basis that we have is a foundation the people need. People need T-shirts and people need golf polos and people need quarter zips. But beyond that, there is a lifestyle component that we think that we can accelerate onto our brand.

The ability for us to effect that in Q1 and Q2; we looked at where we were in the first half of the year and frankly, the lessons learned coming out of the end of 2016 we said we think we can be better. And where we were able to effect once we had that information was really going after Q3 and Q4.

And it doesn't mean there needs to be a seismic shift, but it means some of the key items where – the Unstoppable collection was something that we drove hard, really from December last year to be able to deliver this year. So it's great practice for us of learning just how fast we can be as a company from a supply chain standpoint and understanding why we're not that fast everywhere. And so fast fashion and the way that they operate being close to consumer is something that we want to get a lot smarter about and something that we're continuing to drive.

We feel good about the collections that we have now. We feel good about the line that we have out on the floor. We're just saying we can be better, and better means a real sense of focus. And I guess if – when I started to feel and sort of look at the year and where we are, the one place that I've thrown myself into in the last several months and really looking at this year where I want to be going forward, it's just in the product. Any issue that anyone has with any company, you can write the greatest commercial, you can do anything that you want, but it just comes down to product.

And where we looked at 2017, and part of our alignment was, how do we get our product in line with being the kind of growth company that the market has become accustomed Under Armour being? We know how to do that. We haven't missed any trends in the marketplace. We could faster and we could be better. But again, this comes back to the foundations of what we're going to do going forward.

And so I think that people walk out and they're not sure if we understand what cool looks like and we can't do style, will the consumer wear us. I believe in the sport authenticity that we have. I believe the consumer likes us; I believe the consumer loves us. I believe we just have to tell them why they do, and most importantly we need to show them product that inspires them to want to love us. And so it is a – the consumer has a pretty short memory and they also have a really long, I think, affinity, though. So I think that we've established that to a point.

And where they might have gotten to know Under Armour as a tight shirt compression T-shirt company, we also then evolve to a full-scale athletic brand. Where they might have known us as just a North American company, I think we're doing a pretty good job evolving to being a true global brand. Where they might have known us as just a performance company and just that tight T-shirt, I think what you'll see is us continuing to evolve, moving into being a true company that could be worn in a lot more wearing occasions than just the gym, on the field, on the court or the pitch.

So we're pretty far down that road, and I think we feel pretty good about where we're going. We're not perfect. We don't think we're there yet. It all speaks into the guidance or the outlook that we provided for the year. So we're using 2017 as a year really to get better, and I think we've got a lot of seismic internal things that we're doing, meaning just make us a better company that will position us – because we haven't said the word being a $10 billion company in a while, and I want you to hear that. You're not hearing people talk about that, but I want you to know Under Armour's leaning forward, Under Armour is moving forward and we're moving on and ready to run.

Andrew S. Burns
Analyst, D. A. Davidson & Co.

Q

Thanks and good luck.

Kevin A. Plank
Chairman & Chief Executive Officer, Under Armour, Inc.

Thanks very much.

David Bergman
Chief Financial Officer, Under Armour, Inc.

Thanks, Andrew.

Lance Allega

Vice President-Investor Relations, Under Armour, Inc.

Thanks.

Operator: Thank you. Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.