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**VF Corp.** (VFC)

Q2 2020 Earnings Call

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VF Corp.*

**Scott A. Roe**

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**Steven E. Rendle**

*Chairman, President & Chief Executive Officer, VF Corp.*

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## OTHER PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings and welcome to the VF Corporation Second Quarter Fiscal 2020 Earnings Conference call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Joe Alkire, Vice President of Investor Relations. Thank you, sir. You may begin.

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### Joe Alkire

*Vice President, Corporate Development, Investor Relations & Treasury, VF Corp.*

Good morning, and welcome to VF Corporation's second quarter fiscal 2020 earnings call. Participants on today's call will make forward-looking statements. These statements are based on current expectations and are subject to uncertainties that could cause actual results to differ materially. These uncertainties are detailed in documents filed regularly with the SEC.

Unless otherwise noted, amounts referred to on today's call will be on an adjusted constant dollar basis, which we defined in the press release that was issued this morning. We use adjusted constant dollar amounts as lead numbers in our discussion because we believe they more accurately represent the true operational performance and underlying results of our business.

You may also hear us refer to reported amounts which are in accordance with US GAAP. Reconciliations of GAAP measures to adjusted amounts can be found in the supplemental financial tables included in the press release, which identify and quantify all excluded items and provide management's view of why this information is useful to investors.

During the first quarter of fiscal 2020, the company completed the spin-off of its Jeans business which included the Wrangler, Lee and Rock & Republic brands, as well as the VF Outlet business into an independent, publicly traded company under the name Kontoor Brands.

Accordingly, the company has removed the assets and liabilities of the Jeans business as of the date noted above and included the operating results of this business in discontinued operations for all periods presented. Unless otherwise noted, results presented on today's call are based on continuing operations.

Joining me on today's call will be VF's Chairman, President and Chief Executive Officer, Steve Rendle; and Chief Financial Officer, Scott Roe. Following our prepared remarks, we'll open the call for questions.

Steve?

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### Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

Thank you, Joe, and good morning, everyone. I'm pleased with the strength and quality of our second quarter results driven by our largest brands in our international and D2C platforms. Our results bit of both the second quarter and first half of the year were right in line with our expectations. And we delivered these results while

investing more behind our growth priorities and despite absorbing the impact of a more uncertain geopolitical and macroeconomic environment.

We're steadfast in our commitment to continue to evolve and transform VF into a more consumer-minded and retail-centric enterprise and our results demonstrate the power, consistency and resiliency of our diversified value-creation model.

Looking in our second quarter in more detail. Revenue increased 7%, or 8% on an organic basis. Growth was driven by our two largest brands, Vans and The North Face, which grew 16% and 10%, respectively, as the strong momentum for both brands continued.

The strength of our Vans brand was fueled by a strong back-to-school season. The brand's growth and our business overall remains well-balanced and diversified across geographies, channels and product categories.

While the core heritage business continues to generate strong double-digit growth, we are particularly encouraged by almost [ph] 30% (00:03:42) growth in Progression Footwear, driven in part by the new ComfyCush franchise and continued momentum in apparel and accessories which grew almost 20%.

Based on our second quarter performance and our increased visibility to the full year, we are again increasing our growth outlook for the Vans brand. We now expect 13% to 14% growth for the full year, slightly ahead of the brand's long-term growth target.

Similarly, momentum in The North Face continued in the second quarter as the brand achieved double-digit growth, driven by strong back-to-school results and strength across all regions. The brand's Mountain Lifestyle and Urban Exploration product territories are performing well as the brand executes against its strategy to attract new consumers and capitalize on growth opportunities beyond core Mountain Sports.

On October 1, The North Face launched FUTURELIGHT. And nearly 4 weeks in, demand and sell-through have been stronger than expected. While the financial impact of FUTURELIGHT in fiscal 2020 will be somewhat limited, the disruptive innovation is casting a strong halo for the brand.

We're looking forward to the second half of the year when the investments in FUTURELIGHT, specifically demand creation, come to life and consumers have the opportunity to experience a broader product assortment across the portfolio.

Based on our second quarter performance and our increased visibility to the full year, we are again increasing our growth outlook for The North Face brand. We now expect 9% to 10% growth for the full year, slightly ahead of the brand's long-term growth target. In line with expectations, Timberland and Dickies were up 1% and down 3%, respectively.

Similar to last quarter, Timberland's results across the globe were mixed as solid revenue growth in US and APAC were offset by softness in EMEA. Notably, the planned business model changes in South America negatively impacted global revenue growth by 1%. For the full year, we continue to expect low-single digit growth for the global Timberland brand, including sequential improvement in Europe.

The performance of the Dickies brand in the second quarter was impacted by the timing of its shipments in the US mass channel compared to a year ago. Excluding the timing issue, revenue increased 6% globally, driven by solid

growth in lifestyle, China, D2C and digital wholesale, all key growth drivers for the brand over the next 5 years. For the full year, we continue to expect mid-single digit growth for the Dickies brand globally.

Looking at our growth platforms, international increased 8%, including: nearly 25% growth in China; 9% growth in non-US Americas; and 5% growth in Europe, with strength from the GAS region, Italy and France. Direct-to-consumer increased 12%, including a 9% total comp and nearly 20% growth in digital.

Our fundamentals remained strong as gross margin, a key driver of our value-creation model, reached 53.1%, providing us the fuel to continue to drive investment and the capabilities required to sustain our growth momentum. And lastly, adjusted EPS increased 8% in the second quarter to \$1.26.

To briefly recap our first half results: revenue increased 9%; gross margin expanded by 100 basis points to 53.6%; and EPS increased 18% versus the prior year. The quality and fundamentals of our business are sound. We're executing well, and our transformation is fueling broad-based growth across the portfolio as we head into the second half of the year.

We're confident in the trajectory of our business and in the updated outlook provided today. However, the environment has become more uncertain over the past several months. Scott will cover the details in a moment, but several factors, namely FX, tariffs and the ongoing disruption in Hong Kong, have largely offset the underlying operational strength of our business since we provided our last outlook in July. While all of the items just mentioned are small individually, collectively, they're weighing on our opportunities for upside performance for the remainder of fiscal 2020.

Regarding business conditions across the globe, the US consumer and retail environment remains relatively strong. Unemployment is low, and we expect a healthy fall holiday season. In contrast, the industrial and manufacturing sectors have weakened somewhat over the past few months, resulting in more tempered growth expectations across the more cyclical parts of our Work portfolio.

In EMEA, uncertainty related to Brexit continues to impact consumer confidence, resulting in a slight deceleration in our UK market. Across the rest of Europe, performance has been generally solid as we head into fall holiday.

In APAC, despite the rhetoric, our brands continue to perform very well in China. To-date, we've not experienced a meaningful change in consumer behavior as a result of trade tension. Further, the situation in Hong Kong has modestly impacted our regional performance. We will continue to evaluate all aspects of our business as events continue to unfold.

Turning to our Denver relocation, I'm pleased to report that our move at this point is essentially complete. Collectively, we now have approximately 800 associates who are living and working in the Denver metro area. And in summer 2020, we're excited to have our Icebreaker North American business and our Smartwool business from Steamboat Springs join the rest of us here in Denver. Been nearly 5 months since the move began, and the progress and collaboration I've seen to-date across our brands and corporate leadership team has been amazing.

Finally, as many of you're aware, VF hosted an Investor Day in Beaver Creek, Colorado, in late-September. We shared information about our evolved integrated business strategy, individual brand strategies, regional overviews and our global supply chain and digital technology organizations.

The theme of our Investor Day was THE POWER of AND, which emphasizes the opportunities we see ahead when we strike the balance between working with a deep sense of purpose, while also remaining sharply focused on delivering strong business results and top quartile returns to our shareholders.

We also reinforced our continued focus on transforming to a more consumer-minded, retail-centric and hyper-digital enterprise. If you were not able to attend, I encourage you to listen to the webcast.

To capture the spirit of our evolution and our focus on always becoming a better version of ourselves, at the Investor Day event, we also introduced a redesigned logo and branding that honors our 120-year history, while also conveying the energy, confidence and optimism we have for our future.

Our evolved logo features a new tagline that clearly communicates the type of company we are and will continue to be: purpose-led, performance-driven. This marks our first logo update in 21 years. But it's important to note that our new corporate brand is about much more than just an updated design. It's about elevating how we position our company and engage with our associates and outside stakeholders.

As we move forward, our communication will become sharper, more purposeful and more consistent around the world. We believe the new logo and branding sets a powerful tone for enhanced communication and positioning.

So, in summary, halfway through the year, our business is performing right in line with our expectations. We remain committed to investing in our brands for the long-term. And we remain confident in our ability to deliver our outlook and another year of top quartile returns for our shareholders.

And with that, I'll turn it over to Scott.

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## Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

Thanks, Steve. Our second quarter and first half results were strong and right in line with our expectations. The fundamentals of our business are solid, highlighted by year-to-date revenue growth of 9%, 100 basis points of gross margin expansion, and 18% EPS growth. We are intensely focused on executing against our strategic objectives and driving our key growth engines and platforms as we head into the second half of the year.

As Steve mentioned in his opening remarks, the environment has become more uncertain over the past 90 days. While it's impossible to predict changes in consumer or business conditions, we believe our diversified portfolio and TSR algorithm give us the capacity to consistently deliver top quartile returns.

For those of you that joined us at the Investor Day last month, optionality and portfolio resiliency were key themes throughout our presentation and further support our ability to deliver against our long-term commitments.

Before getting into our second quarter results, I should point out that our reported GAAP figures include the impact of recent Swiss tax legislation, which positively impacted our second quarter EPS by \$0.41.

Certain provisions of the recently approved Swiss tax reform were enacted during the most recent quarter, resulting in adjustments to deferred tax positions of approximately \$164 million for the quarter and the first half of fiscal 2020. Our comments going forward will focus on adjusted results, excluding this one-time benefit.

So now let's recap our second quarter results. Revenue increased 8% organically, led by our largest brands across our strategic growth platforms. Our Big 4 brands grew 9% collectively, driven by mid-teen D2C growth, including 20% growth in digital and double-digit comp growth.

Wholesale increased at a high-single digit rate, and our Big 4 brands generated balanced growth across all geographic regions.

Vans' delivered another strong quarter with 16% growth, driven by a strong back-to-school season. Growth remains well-balanced across channels, geographic regions and product categories. Based on Vans' 19% growth in the first half, as well as our increased visibility into the full year, we are again increasing our outlook to a range of 13% to 14%, slightly above the brand's long-term commitment.

The North Face delivered another quarter of double-digit growth, with balanced strength across regions and channels. And as Steve covered earlier, the successful FUTURELIGHT launch at the beginning of this month has generated strong brand heat globally, which further supports our bullish outlook for the brand, heading back into the back half of the year and into fiscal 2021.

Based on TNF's 10% growth in the first half and our increased visibility into the full year, we are again increasing our outlook to a range of 9% to 10%, slightly above the brand's long-term commitment.

The momentum we have in our two largest brands is strong. And, as a reminder, 80% of our growth over the next 5 years is expected to come from Vans and The North Face, giving us high confidence in our ability to meet or exceed our commitments.

Timberland performed in line with expectations, with low-single digit growth in the quarter. Strength in North America and Asia was partially offset by softness in Europe. We continue to expect low-single digit growth for Timberland this year, including slightly stronger growth in the second half, as the brand's European business begins to improve.

Dickies revenue was impacted this quarter by the timing of shipments in North America. Excluding this timing, global brand revenue increased 6%, led by 22% growth in Asia and 13% global D2C growth. The brand's key growth drivers outlined last month at the Investor Day, work lifestyle apparel, D2C, China and digital, are all performing well and we have full confidence in our 5% to 6% target for fiscal 2020.

Our D2C business grew 12%, driven by 18% growth in digital and a 9% total comp. Wholesale also performed well, with 6% growth, led by double-digit growth in The North Face and Vans and 21% growth with our digital wholesale partners around the globe. Our ongoing transformation and hyper-digital strategic focus continues to fuel broad-based growth across the portfolio in both the D2C and wholesale channels.

Moving on to our performance by geographic region. Revenue increased 8%, both in the US and internationally. Outside of the US, performance was balanced, with 16% growth in Asia, 9% growth in non-US Americas, and 5% growth in Europe. China remained particularly strong, with 24% growth, including balanced double-digit growth across channels and at each of our Big 4 brands.

Turning now to profitability. Gross margin expanded by 90 basis points this quarter to 53.1%, driven primarily by continued favorable mix shift towards higher-margin businesses and the timing of foreign currency transaction gains. Our gross margin for the first half was up by 100 basis points.



Operating margin expanded by 40 basis points to 17.9%, including 10% investment dollar growth in our strategic priorities including: demand and product creation, D2C, technology, and supply chain. Consistent with the earnings algorithm we laid out at our Investor Day for both the second quarter and the first half, we were able to use our structural gross margin expansion to accelerate investment, while at the same time delivering double-digit operating earnings growth. And that's our model.

EPS increased 8% compared to the prior year, as 10% operating earnings growth and lower interest expense were slightly offset by a higher tax rate in the quarter. For the first half, EPS increased 18%, including low-teen operating earnings growth, in line with our internal plans and ahead of our long-range target of 10% to 12%.

Turning to the balance sheet. Inventories were up 10% this quarter, slightly ahead of our forward revenue outlook as we enter the key holiday season. Our owned inventory as well as inventory levels at our retail partners remain in good shape. We expect inventory growth to be more in line with our forward revenue growth expectations as we exit fall holiday season and enter fiscal 2021.

Adjusted leverage remains below targeted levels at just under 2 times, so we have significant capacity and are maintaining dry powder to pursue our M&A agenda. As you likely saw in our release, we've raised our quarterly dividend by \$0.05 to \$0.48 per share, representing 12% growth. And as we covered with you in Beaver Creek, we're committed to double-digit dividend growth as a key component of our balanced, diversified TSR model.

So moving now to our updated fiscal 2020 outlook. Based on our second quarter and first half performance and our increased visibility into the full year, our fiscal 2020 outlook now includes the following.

We continue to expect revenue to approximate \$11.8 billion, representing reported growth of approximately 6%. On an organic constant dollar basis, this now represents more than 8% growth as unfavorable foreign currency rates have negatively impacted our revenue outlook by approximately \$60 million, relative to the outlook we provided in July.

Excluding the impact of FX, the increase in our underlying operational outlook is largely driven by continued strength at Vans and The North Face. On a constant dollar basis, we are raising our outlook for Vans to 13% to 14%, slightly ahead of the long-range growth target for the brand as broad-based momentum continues. We're also raising our outlook for The North Face to 9% to 10%, again, slightly ahead of the long-range growth target for the brand.

We now expect 1% to 2% growth in Timberland versus our prior expectation of 1% to 3%. And our outlook for the Dickies brand remains solid at 5% to 6% growth, which compares to our prior expectation of 5% to 7% growth.

We now expect the growth of our strategic platforms, international and D2C to be at the high end of our previously communicated ranges. International is expected to increase between 8% and 9%. And D2C is expected to increase between 12% and 13%, including about 25% growth in digital.

Moving down the P&L, we are maintaining our gross margin target of 54.1%, which implies about 80 basis points of expansion for the full year, including about 50 basis points of expansion in the back half of the year driven primarily by mix.

Relative to the first half, we expect a smaller benefit from FX transaction in the second half compared to the prior year. We continue to expect operating margin for the year to be 13.8%, which implies 90 basis points of



expansion for the full year, including SG&A leverage for the second half of fiscal 2020 which we anticipate will be most pronounced in the fourth quarter.

EPS is still expected to be in the range of \$3.32 to \$3.37, representing 16% to 18% reported growth. On an organic constant dollar basis, EPS growth is now expected to exceed 20% as unfavorable FX rates have negatively impacted our EPS outlook by about \$0.03, relative to the outlook we provided in July.

I'd like to take a moment and address a few other items impacting our full-year 2020 outlook and particularly our second half. We talked earlier about an increasingly uncertain environment versus 90 days ago. More specifically, FX, the ongoing disruption in Hong Kong and incremental tariffs have negatively impacted our fiscal 2020 outlook by about \$0.07, relative to the outlook we provided in July. While none of these items, just mentioned, are material in isolation, collectively, they are impacting our fiscal 2020 EPS growth by about 2 percentage points relative to the prior outlook.

As further testament to the themes of optionality and portfolio resiliency, we are reaffirming our fiscal 2020 EPS guidance of \$3.32 to \$3.37 despite these incremental headwinds. While we're not immune to geopolitical and macro factors, we remain confident in the underlying strength and quality of our business and in our ability to deliver on our growth and TSR commitments.

So, in summary, at the midpoint of fiscal 2020, we're pleased with the performance of our portfolio. Our fundamentals are strong and our core growth engines and platforms are well-positioned as we head into the fall holiday season.

We are purposefully investing to sustain and accelerate our growth momentum. And our balance sheet is well-positioned to continue reinvesting in our business, capitalizing on the M&A opportunities, and pursuing other capital allocation priorities to further enhance the strength of VF's organic plan.

And now, I'd like to turn the call back to the operator and open up for your questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. Ladies and gentlemen, at this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Michael Binetti with Credit Suisse. Please proceed with your question.

**Michael Binetti**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hey, guys. Good morning. Thanks for taking our questions here.

**Steven E. Rendle**

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Hey. Michael.

**Michael Binetti**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Have a couple for you on the brands. On Vans, obviously, that's [indiscernible] (00:23:58) given how much of the growth it's driven. Obviously, we've all been watching the deceleration, you guys have spoken to it, and the glide path down there relative to how you guys are thinking about it. And I know you said 2Q was right in line with your internal plan. If you get that slowdown in the US and EU, obviously, the compares are probably the reason why. But anything here unusual to call out that gives you confidence that we don't continue to decelerate further or break away from the plan in any way in 2H and into 2020 for Vans?

And then on North Face, you noted that you're forecasting revenue growth now above the long-term targets slightly this year. So, I guess, it begs the question why does North Face slow from here, given the work you've done to rebase that brand, the consumer study, and then FUTURELIGHT being the first big innovation platform you guys have had in several years? Maybe you could talk to us about the implied slowdown there for the second half? Thanks.

**Scott A. Roe**

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. Michael, it's Scott here. First of all, on the Vans question, yeah, we're in line. Actually, we're tracking modestly better. And I'll remind you that, both for Vans and The North Face, we've increased our guidance based on the strength today and what we can see on a go-forward basis. So I'd say in line and slightly even better on both of those brands from an expectation standpoint.

Also, one thing just to remember as it relates to both Timberland and Vans in the second half, we did some structural changes in our CASA business, exiting some unprofitable markets and now have a modest drag in the second half, I think something like a half – somewhere between 0.5 to 1 point of growth impact in the second half on both of those brands.

**Steven E. Rendle**

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Yeah. Then, Michael, on your question on North Face. We've reconfirmed or actually increased our guidance to 9% to 10%. And, yes, we've been tracking couple of digits. We remain extremely confident in the strategy that

Arne laid out in our Investor Day. The launch of FUTURELIGHT and the halo that that's casting over the brand as an innovation platform, but more importantly just bringing the brand in front of our consumers through the increased marketing.

We continue to be very, very confident in the long-term growth prospects of North Face. I guess, I wouldn't characterize it we're seeing a slowdown. We're seeing a continued improvement. We've talked about we're early in our journey. A lot of work has been done and there's a lot more work to be done to put this brand in a really solid position. But we couldn't be more confident to where we are today with the results we've seen today.

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Michael Binetti

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. And if I could just follow up one, Scott. Any help you can help us think about 3Q versus 4Q as far as where you've left the embedded guidance for the second half of the year? Any help on cadence would be helpful. Thanks, guys.

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Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. I guess two things, Michael, I'd point out. So we talked about the gross margin, about 50 bps expansion in the second half. And that is more structural. It's from mix. So you can expect that on a fairly linear basis. And we also talked about some SG&A leverage in the second half, I know near and dear to your heart, particularly in the fourth quarter – I do listen to you, Michael – particularly in the fourth quarter because, remember, we're up against some pretty big investments that we did last year in terms of incremental investments in Q4 of last year. This year, those are more evenly spread throughout the year. So on a quarter-by-quarter basis, you'll see a relatively larger profit increase in the fourth quarter compared to the third quarter.

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Michael Binetti

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Thanks a lot for all the help, guys. Have a good one.

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Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah.

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Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Thanks, Michael.

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Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

See you, Michael.

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**Operator:** Thank you. Our next question is from Jay Sole with UBS. Please proceed with your question. Jay, your line is live. You may proceed with your question.

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Jay Sole

*Analyst, UBS Securities LLC*

Q

Hi, sorry about that. Scott, I just wanted to ask you about the strategic investments that you made in fiscal 2020 that impacted the operating margin that you show in the operating margin bridge in the slide deck. What impact did that have in terms of basis points? Was it the entire 70 basis point impact on margins that it shows in the slide or was it only a piece of that? And then maybe you can tell us a little bit more what those investments were?

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. First of all, you're accurate in the way you characterized that, that it is – that is the entire amount. So it's the same things that we've been talking about, Jay. It's D2C and digital, it's demand creation, it's our innovation agendas. It's the same things that we just highlighted in Beaver Creek that we believe are creating a meaningful point of difference for our brands. And these platforms are powerful, and we intend to continue to invest in those things.

Jay Sole

*Analyst, UBS Securities LLC*

Q

Okay, got it. And maybe when you talk about tariffs, it sounds like it's a \$0.02, \$0.03 impact. Is that sort of pre-mitigation? Do you expect to be able to work that number lower as we go through the year as you work on ways to sort of offset the tariffs? Or was that sort of post everything that you plan on doing?

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

No. I mean, that's the gross amount. But, remember, as we look forward, we talked about, for example, some of the mitigating actions. We've said about 7% of our US sourcing came from China this year. We expect that to be more like 4% next year. So the tariffs came mid-year, so there's a knock-on effect. On the other hand, we're mitigating the impact, as you look, going forward. So that's a long way of saying, as we look forward, unless there is another tweet or another series of tariffs that come in, you shouldn't expect much from an ongoing basis relative to tariffs.

Jay Sole

*Analyst, UBS Securities LLC*

Q

Okay. And then maybe last one for me. The 30 basis points of leverage in the quarter within gross margin is a nice number. And at the Investor Day last month you talked about maybe 3% to 4% of that total shareholder return coming from margin expansion. But that was mostly, sounded like, mix. So what's sort of the level of sales growth? Obviously, you had 9% comp in the quarter. What's the level of sales growth you need to continue to [ph] deliver (00:30:27) the leverage on fixed costs to continue to drive gross margin on top of what you'll get from mix?

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. Well, we just laid out a long-term algorithm, right? So it's 7% to 8%. And so, that's our expectation, first of all. And we also said implied in that is some maybe modest leverage. But essentially our operating margin expansion comes from that structural gross margin advantage that we have. And that's really the engine that allows us to reinvest. So, again, no change in the way we look at it.

I would say this though, there is optionality in the model. I spoke a lot about that in our Investor Day. So should we see a fundamentally different environment, which we don't today, by the way. But should we see a fundamentally different environment, there are levers we can pull to modulate expenses and meet the commitments that we've made from an earnings standpoint.

Jay Sole

*Analyst, UBS Securities LLC*

Okay, got it. Thank you so much.

Q

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

Yeah.

A

**Operator:** Thank you. The next question is from Sam Poser with Susquehanna. Please proceed with your question.

Sam Poser

*Analyst, Susquehanna Financial Group LLLP*

Good morning. Thank you. Thank you for taking my question. I really want to get some more color on the Dickies brand, the Work category, and then smaller brands that you spoke of in some detail at the Investor Day. If you could give us some color on sort of momentum on those smaller bands and then a little more color on this timing issue of the Work business?

Q

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

Yeah. Maybe I'll start, Sam, just on the numbers side of this. So, first of all, I'm going to talk about Dickies, which is the largest portion of the Work, I guess, about 40% or so. And, remember, last quarter we talked about the first half would be impacted by a couple of factors, one of which we talked about last quarter which was the reset in Japan. And then, the other is timing of a particular large North American customer of ours.

A

But what we mean by that is a year ago we had a very large floor set to obviously get the [ph] pipe fill (00:32:43). That makes the comp in this particular quarter pretty tough. Interestingly, if you exclude that customer, the Dickies brand grew about 6% in the quarter. But, more importantly, as we look at the full year, we just talked about an outlook of 5% to 6%, which is in line with our long-term expectations. And that's even despite some modest pressures on the more cyclical part of the Work business.

So, remember, Dickies has a unique aspect to it too with that work lifestyle. And as we look at the second half of the year, the international business, you don't have the impact or the mitigation of the Japan reset. That's behind us in the second half. And we see significant growth, particularly in China and also in Europe, in the lifestyle business. And that was over 20% in Q2, and we expect that to continue to accelerate throughout the balance of the year.

A little shape on the rest of the Work portfolio which, again, if we say overall we got about 40% exposure to the more cyclical part of the business, relatively more of that sits in this more traditional Work businesses. And we have seen some modest slowdown. But even with that, we grew about 3% in the first half and we expect similar – actually slightly better in the second half, primarily due to the acceleration of the Timberland PRO business in the second half.

So hopefully that gives you a little insight into what's going on, on the number side of it, Sam?

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Yeah. And, Sam, let me [ph] stab (00:34:24) really quickly on Dickies and I'll answer your question on the emerging brands. We are really confident in the Dickies brand. What we see is greater mixing towards that work lifestyle piece that Denny spoke a lot about in our Investor Day.

I mean that will really come to life, first and foremost, in China and we've seen that have a really strong impact in our growth there. And we'll be able to represent that very well to our own digital platforms, our D2C platforms, and we'll watch that really expand across the globe and have a long-term impact on how this brand evolves beyond that traditional Work environment.

On the emerging brands, we're excited to share those brands with everybody at our Investor Day. We committed to those brands, growing low-double digits and performance that we've seen to-date is in line with those commitments. Our plan is not to share those brands on a quarter-by-quarter basis, but periodically give you an update and insight into how we're doing. But I'd tell you, we remain very confident and we believe that sitting inside those emerging brands is a breakout opportunity, and hence our excitement to share those with you when we were together at Beaver Creek.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

And just to add on to that, from a numbers standpoint, as we said in Beaver Creek, those brands don't make a big impact in the short-term, but they have a strategic relevance that Steve and the team unpacked and there we believe can be The North Face and Vans of tomorrow. That really as we think about managing both the longer-term and the shorter-term, that's where these become relatively more impactful.

Sam Poser

*Analyst, Susquehanna Financial Group LLLP*

Q

Thank you, guys, very much. Continue the success.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Yeah. Thanks, Sam.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Thanks, Sam.

**Operator:** Thank you. Our next question is from Erinn Murphy with Piper Jaffray. Please proceed with your question.

Erinn E. Murphy

*Analyst, Piper Jaffray & Co.*

Q

Great. Thanks. Good morning. I guess, I wanted to start the conversation just a little higher level, Steve, with what you were referencing on the global consumer. It sounded like you said the US consumer – you still feel relatively okay about the consumer going into holiday. Can just expound upon that? What are you seeing currently with how

retailers are interacting with vendors, anything from the promotional landscape? And then really stepping across the pond, how do you feel about the European consumer into holiday? That would be helpful. Thank you.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Sure. Yeah, in my remarks, Erinn, I definitely did say that we don't see any significant changes in consumer behavior with our brands. And our D2C results, from a traffic conversion, both in-store and online, continue to support that. That said we're paying attention. There's a lot of rhetoric in the marketplace that could change how consumers are thinking. But I think that's why we're spending the time really putting our brands into positive light in front of our consumers and really inviting them to be part of our purpose-led journey.

So really no change there. And as we look at our wholesale partners, no change in behavior there. Our retailers are well set for this fall holiday season. And as we head now into the cold part of the season, we're confident in our ability to deliver with our partners. As we jump across the pond, as you would say, we see strength in our German, Austria, Swiss, French, Italian marketplaces. There is a little bit of softness in our UK business. We have seen a slight reduction in traffic.

We think this is kind of a point in time and is – as the rhetoric there starts to settle and there truly is a path forward, we're very well-positioned. London is a very critical market where our brands come to life with flagship store environments. And we think, as we mentioned in Beaver Creek, we'll be opening a new Timberland flagship there along with a Van's flagship. So, long-term, we feel good about our opportunities in Europe. We just need to navigate some of these interesting times in the UK.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. Erinn, just to put some numbers on it, too. Just a reminder, you may have seen it, but we did take up our Europe or our EMEA guidance, even despite what Steve mentioned relative to Brexit. And while we are on the international train, we also took up Asia, despite what's going on in Hong Kong and China. So we do see strength in the international markets.

Erinn E. Murphy

*Analyst, Piper Jaffray & Co.*

Q

So maybe, Scott, just to that end, can you just share a little bit more about what you're specifically seeing in Hong Kong? I mean, there's obviously been, even with relation to some of your brands, I think Vans in particular, a little bit of negative press there. Can you just share kind of what you saw during the quarter? And to your point, China overall was still relatively resilient. So any help on kind of flow between the two? Thank you.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. And maybe Steve and I'll both talk a little bit about this. But relative to the impact, there has been an impact, as we pointed out. But keep in mind, the Hong Kong market, specifically the city of Hong Kong, is relatively small as a part of our total China business. And we see really strong elements elsewhere in China. But Hong Kong, specifically, is definitely impacted. It's just not large enough to have a huge impact on overall VF.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A



And I think the results that we see in China are largely offsetting what we see going on in Hong Kong today. And you bring up Vans and what we've seen going on there. I think just important to note that our Vans brand remains very committed around their purpose of really enabling creative self-expression. And the Custom Culture competition is really about supporting individual artists and really operating in a very apolitical way.

And we remain and our Vans brand remains very committed to driving that purpose forward; and doing it in a way that really doesn't bring politics in, but really focuses on the individual artist and that sense of creative self-expression. And we're navigating that very well and, if anything, just an even stronger commitment coming across all of the regions .

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Erinn E. Murphy

*Analyst, Piper Jaffray & Co.*

Q

And then just one more for me just on Vans. Can you talk about how you see the potential incremental opportunity, given that skateboarding is now an Olympic sport? Is that something you guys are going to be kind of playing into as we go into the Japan 2020?

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Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

For sure. I think that's why you hear Doug speak so confidently about why skateboarding is that true authentic expression of brand's creative self-expression. And how they will activate around the Olympic Games, it will be a very, very important part of that time – point in time.

I would also tell you, Erinn, climbing is a part of the Japan Olympics. And our North Face brand is a key sponsor of a number of different countries around the globe's climbing team. And you'll see us very well represented there as well.

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Erinn E. Murphy

*Analyst, Piper Jaffray & Co.*

Q

Great. Thank you so much.

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**Operator:** Thank you. Our next question is from Matthew Boss with JPMorgan. Please proceed with your question.

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Matthew R. Boss

*Analyst, JPMorgan Securities LLC*

Q

Great. Thanks. So maybe at The North Face brand, on FUTURELIGHT, how best to think about the phasing of shipments that we'll see from here? And on profitability of the brand, any structural impediment to returning to prior peak operating margins at The North Face, which I think would equate to close to 500 basis points of opportunity.

---

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

So, Matt, I will take the FUTURELIGHT. And then I'll happily let Scott handle that second part of your question. So FUTURELIGHT phasing, we are about 4 weeks into the launch. And, to-date, sell-through is strong and actually ahead of expectations. And I mentioned earlier, the FUTURELIGHT advertising is casting a really strong halo

over the brand and we're seeing strong response, especially in these core markets of North America and Europe, where these more premium mountaineering ski silhouettes come to life.

Phasing, we're really now into that point in time. Third quarter and how it carries into fourth quarter is where the phasing of those deliveries are at their strongest. And you see us very well assorted in our own stores and very well assorted across the globe in those key specialty retailers.

So we're right now in the heat of this launch, and what you see at retail and online is the full representation. But I think it's really important to remind everybody that this is a very limited launch in our Summit Series, Steep Series and Flight Series. So that's not a very large number of styles. You'll see that grow as we move into spring 2020 and another leap forward as we move into fall 2020 as the brand begins to replace current waterproof breathable technologies with the FUTURELIGHT platform.

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**Scott A. Roe**

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

And, Matt, relative to the operating margin. Just like we reminded you from the top line standpoint, remember, that Vans and The North Face are really outsized drivers from both the top and bottom line standpoint. That's true in Outdoor as well. There is no structural reason why we can't continue to see operating margin expand. We're going to approach the mid-teens earnings growth in the Outdoor sector this year, and that's continued progress along the path that we see.

We don't see any reason why we can't return to, I'll call it, more historical-type operating margins in the Outdoor sector. You're probably looking at the quarter and where the growth is not quite as strong as what we expect for the full year. Couple things to remember. Number one, we already had a big marketing campaign embedded relative to FUTURELIGHT, because this is a really big idea and an opportunity for the brand and creates a halo. And then, we talked a quarter ago about putting more even more money to work. And so, that is spread through the balance of the year, but certainly is impacting profitability in the current quarter.

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**Matthew R. Boss**

*Analyst, JPMorgan Securities LLC*

Q

Great. And then maybe on Vans, any shifts in demand with later back-to-school timing this year? We've heard that from some others out there. How would you rank opportunities to further broaden the reach of the brand from here? And maybe as a microcosm, just any learnings from the recent success of the ACE pro launch, which I know was at a \$100 price point, a little bit higher than some of your other launches?

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**Steven E. Rendle**

*Chairman, President & Chief Executive Officer, VF Corp.*

A

So I don't think there's anything from a phasing standpoint that we would call out specifically. I'll take the last part of your question, and remind me of the middle. But on the ACE launch, I think, key learnings there, at that AUR, that's a higher than normal price point. And I think as you know personally, that product in a couple [indiscernible] (00:46:42) sold out almost immediately.

So we know that there is significant demand for innovative product beyond those core heritage styles. And that's why the progression part of the Vans go-forward strategy is so important is being able to push new ideas, new price points, higher AURs as a way of driving this brand long-term. So really, really important and very strong validation based on that particular platform.

And I'm sorry, the middle part of the question?

Matthew R. Boss

*Analyst, JPMorgan Securities LLC*

Q

You kind of just answered it. It was opportunities to further broaden the reach of the brand.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Okay. No, it really is around the Progression Footwear, it's about apparel and accessories. They continue to drive very, very strong growth and are important part to expanding the [indiscernible] (00:47:40) and the opportunities for consumers to participate in the brand.

Matthew R. Boss

*Analyst, JPMorgan Securities LLC*

Q

Great color. Best of luck.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Thanks, Matt.

**Operator:** Thank you. Our next question is from Laurent Vasilescu with Macquarie Group. Please proceed with your question.

Laurent Vasilescu

*Analyst, Macquarie Capital (USA), Inc.*

Q

Good morning. Thanks for taking my question. Scott, I wanted to follow-up on the timing shifts between quarters. Dickies was down 4%, but excluding the timing was up 6%. Is \$25 million the right number to think about for the timing shift and were there any timing shifts for the other big brands that we should consider?

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. So I'll have to go back and think about your math. Knowing you, you're probably in the ballpark, but let's confirm that number offline. I guess the bigger – let me answer the second part. No other big timing shifts really. Although if we look – listen, our first quarter, we had 86% EPS growth, right? And so, for the first half, 18%.

So, of course, there's some timing shift that we saw between Q1 and Q2. I think the bigger picture here is, don't get too isolated on any particular quarter, right? Our first half, we grew 9% on the top line, 18% on the bottom line. We've got a similar top line implied in our guidance for the second half and actually accelerating from an earnings standpoint. So as we look at it, yeah, a little bit of quarter-to-quarter noise. But if you zoom out and look at the big picture, this is a very solid year and actually ahead of the guidance that we just laid out in Beaver Creek.

Laurent Vasilescu

*Analyst, Macquarie Capital (USA), Inc.*

Q

Okay. Very helpful. Thank you. And then I wanted to follow-up on M&A. I think in the prepared remarks you talked about dry powder to pursue your M&A agenda. Can you remind us how much leverage you're willing to take on to

maintain your credit rating? How much time you would want to get back to want to just under 2 times, if that's the target longer-term? And would you be willing to issue equity for the right-sized deal?

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Okay. So, first of all, our current rating, debt to EBITDA is 2 times is what our target is. We're a little south of that right now. So, obviously, even at that, there's capacity. We've shown our willingness to lever up as long as there's a glide path. There's no absolute number. It depends on the asset, it depends on the circumstances. But I think it's fair to say within a couple year period, more or less, as long as we could get back to a reasonable leverage rate in general, other rating agencies have gone with us on that. We've got history that shows that. I think we have a lot of credibility that they would stay with us.

We've also said we're willing to take a one step downgrade. At BBB+, still investment-grade, still access to CP, but obviously more capacity. That takes you about 0.5 turn up in terms of debt capacity. And then, finally, the last element is, yeah, we're willing to issue equity for the right deal. So put that all together, and it says we could do a really big deal.

Laurent Vasilescu

*Analyst, Macquarie Capital (USA), Inc.*

Q

Very helpful. Thank you very much, guys, and best of luck.

**Operator:** Thank you. Our next question is from Bob Drbul with Guggenheim Securities. Please proceed with your question.

Robert Drbul

*Analyst, Guggenheim Securities LLC*

Q

Hi, guys. Good morning.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Good morning.

Robert Drbul

*Analyst, Guggenheim Securities LLC*

Q

Just wondering if I could ask a couple of questions on Timberland. When you look at like the regional performances and the differences, especially Americas versus Europe, can you just help us understand that a little bit better, especially the wholesale piece? And is the European weakness all UK in Timberland?

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Sure. So Timberland North America, the performance we see there is our classic business stabilized a number of quarters ago, and we've seen a good performance with that being at baseline foundation.

But where we're seeing improvement is on a number of those diversification vectors, specifically some of the newer footwear, where we're bringing a little bit more of a contemporary styling. But we're also seeing really good sell-through in our apparel category, both here in North America but also in Europe.

So the focus there, Bob, just continues to put the proper diversification tools in place for this brand to move beyond the heritage footwear, to move beyond the brown shoe classification and really start to unlock some of these more lifestyle elements. Starting within footwear, getting to that younger consumer with more than just boots, but starting to elevate our presence with apparel. And we're really pleased with what we see going on in apparel category.

In Europe, yes, the UK is part of our issue, but it's really the – the men's footwear business last year, with some of the weather conditions that we endured, slowed down. And it's a significant part of the business, and that's what you see impacting our results. But there as well, women's footwear, apparel are doing well. And the product enhancements that Martino represented in Beaver Creek, as those start to come online, we see line of sight through our order book for spring 2020.

We're confident we're working on the right things. It will just take us time to get these products to the marketplace to get that consumer response. And as we start to see that sell-through come across the men's footwear, we're confident that the plan we have in place will drive our long-term growth projections.

Robert Drbul

*Analyst, Guggenheim Securities LLC*

Q

Got it. And if I could just ask on the inventory – took inventory up 10%. And I think you said your owned inventory and partners are in good shape. But in terms of, as you look forward, is there a big front-load on the inventory side? Are there any pockets within your inventory that you are concerned about? Or just trying to understand that number a little bit better. Thanks.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah, Bob. The short answer is, we're not concerned about inventory. We did build up a little bit coming into our largest season from a service standpoint. That's been a priority. As you think about in particular our largest brand, Vans, we have been chasing this for a long time. And, frankly, our service hasn't been at the level that our partners or we expect.

So bringing that back to normal puts a little bit of pressure as well as being ready for what we think is going to be a good fall/winter season, right? This is when we make hay from a North Face in particular standpoint. So, yeah, it's a little bit up relative to the growth rate going forward. But, importantly, when you look at the quality of the inventory and we look at where we expect to end this year, we don't see any issues from an inventory standpoint.

As it relates to inventories at retail, we told you coming into the season, everybody was in pretty good shape. We read the same things you do. I know there are pockets of issues out there. All I can say is, as it relates to our brands and our partners, we don't see particular issues. Now, it is worth noting as we think about the fall, did get off to a bit of a slow start in the US. Importantly though, we've seen that starting to reverse. And we've seen that in the most recent month, we've seen improvement from a retail activity and from a sell-through standpoint.

Robert Drbul

*Analyst, Guggenheim Securities LLC*

Q

Okay. Thanks, Scott.

**Operator:** Thank you. Our next question comes from Jonathan Komp with Baird. Pleased proceed with your question.

Jonathan R. Komp

*Analyst, Robert W. Baird & Co., Inc.*

Q

Yeah, hi. Thank you. Maybe just a bigger picture question related to some of the incremental pressures that you called out relative to 90 days ago, the \$0.07 of tariffs in Hong Kong and some of the other uncertainties. Just curious maybe how you've embedded those assumptions going forward. Like, have you made assumptions that those factors continue? And barring any changes in the environment, would you still be set up to pretty healthily deliver on what you've laid out going forward?

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. We don't try to get in the prediction business, Jonathan. I mean we look at the most recent trends, what we know and we try to factor in what's in front of us. I think I mentioned earlier in the call, for example, we're not expecting more tariffs. But with the tariffs that we know about, we've factored those in as well as, on a go-forward basis, mitigating actions.

I think the important thing to remember on that \$0.07 and with the point we were making is not that we're in a different place. We actually don't believe we're in a fundamentally different place. You heard Steve mention how we see the consumer, the overall environment. The point there was by reiterating our guidance and absorbing that \$0.07, we've really operationally absorbed that and strengthened our operational guide by holding our reported guide at \$3.30 – from \$3.32 to \$3.37. That was the point that we were trying to make, not that we're in a fundamentally different place, because we're not.

Jonathan R. Komp

*Analyst, Robert W. Baird & Co., Inc.*

Q

Okay, great. And maybe just one more kind of near-term follow-up. When you think about the next couple of quarters, certainly looks like there is diverging trends maybe across categories, some maybe heavier on inventory; some of your categories, not so much. And then even just varying impacts from tariffs and the other pieces. How do you think about some of the divergences between kind of the winners and losers as you look forward to the holiday? And any thoughts there would be appreciated?

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Just some clarity on the winners and losers. Is that a brand question or is that retailer question? Just some context...

Jonathan R. Komp

*Analyst, Robert W. Baird & Co., Inc.*

Q

Yeah. It could be both, frankly. But, certainly, there are some pockets where inventory seems heavier and certain brands and retailers seem [indiscernible] (00:58:34) positioned than maybe your portfolio. So I'm just curious how you're viewing that within the context of your brands and if there's any, I mean, spillover impact potentially if there's other pockets of weaknesses?

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Sure. I think what we see are the strong brands continue to get stronger. Those brands are bringing innovative products, driving really powerful brand experiences, they're inviting consumers to be part of those moments. Those are the winners. And our portfolio we feel is very well-positioned. The work we've been doing over the last 2.5 years to put ourselves in this place, very well-positioned to compete with that kind of consumer behavior.

From a retailer standpoint, again, the work that we've been doing over the last 2.5 years has really positioned us away from those parts of the market, what we call the kind of the middle of that hourglass, where there is quite a bit of tension in the system and some lack of differentiation. We're positioned through our own stores, our own digital platforms, our key accounts across the globe, really, in those pockets of the market where retail is succeeding.

And our focus on becoming a more consumer-minded, retail-centric provider of products and experiences, not just for ourselves, but for our wholesale partners as well, is to be that better partner that's able to deliver the proper amount of product at the right time for that particular moment in the year and in a way that helps drive positive margins for both ourselves and our key accounts is a big part of our go-forward strategy. And you see that working today in this shift in our portfolio.

Jonathan R. Komp

*Analyst, Robert W. Baird & Co., Inc.*

Q

Okay, great. That's very helpful to hear. Thank you.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Thank you.

**Operator:** Thank you. Our final question comes from the line of Dana Telsey with Telsey Advisory Group. Please proceed with your question.

Dana Lauren Telsey

*Analyst, Telsey Advisory Group LLC*

Q

Good morning, everyone. As you think about the wholesale and direct-to-consumer channels, how do you think about them by brand and what you're seeing for the back half of the year? And on direct-to-consumer, with the 9% comp you had, what are you seeing from full-line and factory stores? And where do you see the base of factory stores today and where it's going? Thank you.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Okay. So wholesale D2C by brand, I think a big part of our go-forward strategy and the work we've been doing is really to increase the level of our direct-to-consumer presence as we move from a low-30% as we trend now towards a 40% of our revenue coming from our own stores. These are really important shifts. This is a place where we're able to have that strong representation of our brand in very authentic environments.

And across our portfolio, as we evolve our portfolio, it really is with brands that have the ability and the permission to operate in a direct manner. But we take those learnings into our wholesale partners as well. And we talk a lot



about key accounts and where we're able to collaboratively represent our brands within their environments, consistent with what we're doing in our own stores. So that mix and focus on D2C helps us be a better wholesale partner as well.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Yeah. Just a reminder, Dana. Also, outlets for us is not a growth strategy. It's about a third of our owned fleet. But when you consider partner doors and actual consumer-facing, mono-branded stores, it falls to more like 20%. So only about a fifth of our consumer-facing retail points of sale are outlet. And we're going to continue to think of it from that standpoint. So we're probably not the best to answer the overall outlet environment because we don't play in it in a meaningful way.

Dana Lauren Telsey

*Analyst, Telsey Advisory Group LLC*

Q

Thank you.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

A

Thank you, Dana.

Scott A. Roe

*Chief Financial Officer & Executive Vice President, VF Corp.*

A

Thank you.

**Operator:** Thank you. We have reached the end of our question-and-answer session. So I'd like to pass the floor back over to Mr. Rendle for any additional concluding comments.

Steven E. Rendle

*Chairman, President & Chief Executive Officer, VF Corp.*

Great. Thank you. Hey, everybody, thank you for joining us this morning. We're pleased with the strength and quality of our second quarter results. Our underlying business is strong and our first half was right in line with our plan, up 9% and 18% in earnings. And our reaffirmation of our full year, I think, is just another data point of our commitment and really our confidence in our ability to deliver against our long-range plan.

We are very committed to continue to evolve, not only our portfolio, but how we operate as a more consumer-minded, retail-centric, hyper-digital enterprise, putting ourselves, our brands in a much more powerful position to connect with our consumers and drive really how businesses like ours operate forward into the coming years. So look forward to talking with you all in the coming quarters, and thank you for joining us.

**Operator:** Ladies and gentlemen, this does conclude today's teleconference. Again, we thank you for your participation, and you may disconnect your lines at this time.

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