



## VF Corporation (VFC) 2Q17 Results: Beats Consensus Estimates and Raises Guidance

**Figure 1. VF Corporation 2Q17 Key Metrics**

	2Q17	2Q16	YoY Change
Revenues from Cont. Ops. (USD Bil.)	\$2.36	\$2.32	1.7%
Gross Margin	49.7%	48.9%	77 bps
SG&A/Sales	42.6%	40.5%	203 bps
Operating Margin	7.1%	8.4%	(126) bps
EPS from Cont. Ops. (USD)	\$0.29	\$0.32	(11.3)%

Source: Company reports/FGRT

- **VF Corporation reported 2Q17 EPS of \$0.29, above the \$0.28 consensus estimate. Revenues were \$2.36 billion, up 1.7% year over year and above the \$2.29 billion consensus estimate. Sales increased by 3% on a constant-currency basis in the quarter.**
- **Separately, the company announced the retirement of Executive Chairman Eric C. Wiseman, effective October 28. As part of a planned succession, Wiseman will be succeeded upon retirement by President and CEO Steven E. Rendle.**
- **The company also raised its full-year revenue guidance to \$11.65 billion (from up by low single digits previously) and its EPS guidance to \$2.94, up from \$2.89–\$2.94 previously.**

### 2Q17 Results

VF Corporation reported 2Q17 revenues from continuing operations of \$2.36 billion, up 1.7% year over year and above the \$2.29 billion consensus estimate. Total sales increased by 3% year over year on a constant-currency basis.

Changes in foreign currency negatively affected operating margin by about 70 basis points in the quarter.

EPS from continuing operations was \$0.29, beating the \$0.28 consensus estimate. GAAP EPS was \$0.27, compared with \$0.12 a year ago.

Management commented that results were consistent with expectations, driven by strong performance from the company's largest global brands, its international and direct-to-consumer platforms, and its growing workwear businesses. Based on the strength of the first half of 2017 and raised expectations for the second half of the year, the company is making growth-focused investments in its largest brands and platforms.

### Additional Details From the Quarter

#### Coalition Revenues:

- Revenues from **Outdoor & Action Sports** increased by 4% and were up 5% on a currency-neutral basis.
- Revenues from **Jeanswear** decreased by 5% and were down 4% on a currency-neutral basis.
- Revenues from **Imagewear** increased by 11% and were up 12% on a currency-neutral basis.



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- Revenues from **Sportswear** decreased by 1% and were down 1% on a currency-neutral basis.
- Other revenues decreased by 2% and were down 2% on a currency-neutral basis.

Revenues for the Top Five Brands:

- Revenues from **Vans** increased by 8% and were up 9% on a currency-neutral basis.
- Revenues from **The North Face** increased by 5% and were up 6% on a currency-neutral basis.
- Revenues from **Timberland** increased by 2% and were up 3% on a currency-neutral basis.
- Revenues from **Wrangler** decreased by 2% and were down 2% on a currency-neutral basis.
- Revenues from **Lee** decreased by 7% and were down 6% on a currency-neutral basis.

Revenue Growth by Geography:

- Revenues from the **Americas** increased by 5% and were up 7% on a currency-neutral basis, including US growth of 1% (up 1% on a currency-neutral basis).
- Revenues from **EMEA** increased by 1% and were up 4% on a currency-neutral basis.
- Revenues from **APAC** increased by 7% and were up 9% on a currency-neutral basis, including China growth of 13% (up 18% on a currency-neutral basis).
- Total **International** revenues increased by 4% and were up 6% on a currency-neutral basis.

Other Channels:

- Revenues from **Wholesale** decreased by 3% and were down 2% on a currency-neutral basis.
- Revenues from **Direct-to Consumer** increased by 13% and were up 14% on a currency-neutral basis.

**Discontinued Operations**

The adjustments for discontinued operations included the following:

- On April 28, 2017, the company completed the sale of its Licensed Sports Group (LSG) business, including the Majestic brand.
- On August 26, 2016, the company completed the sale of its Contemporary Brands businesses, which included the 7 For All Mankind, Splendid and Ella Moss brands.

**Raises Guidance**

The company raised its 2017 revenue guidance by 2%, to \$11.65 billion, due to the following coalition performance projections:

- **Outdoor & Action Sports**—Revenue is now expected to increase by approximately 5% (and by 6%–7% on a currency-neutral basis) versus the previous expectation of a mid-single-digit percentage increase.
- **Jeanswear**—Revenue is still expected to be flat year over year.



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- **Imagewear**—Revenue is now expected to increase at a mid-single-digit percentage rate versus the prior expectation of a low-single-digit percentage increase.
- **Sportswear**—Revenue is still expected to decline at a high-single-digit percentage rate.
- **Direct-to-Consumer**—Revenue is now expected to increase in the range of 10%–11% versus the previous expectation of a high-single-digit increase.
- **Digital**—Revenue is now expected to increase by more than 25%.

EPS is now expected to be \$2.94, compared with the prior outlook range of \$2.89–\$2.94. The updated EPS outlook includes about an \$0.08 per share (\$40 million pretax) impact from additional investments to drive growth.



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