



Under Armour (UAA) 2Q17 Results: Company Lowers Outlook, Announces Restructuring Plan to Increase Digital Capability and Speed to Market

Figure 1. Under Armour 2Q17 Key Metrics

	2Q17	2Q16	YoY Change
Revenues (USD Bil.)	\$1.09	\$1.00	8.7%
Gross Margin	45.8%	47.7%	(195) bps
SG&A/Sales	46.2%	45.8%	40 bps
Operating Margin	(0.4)%	1.9%	(240) bps
Adjusted EPS (USD)	\$(0.03)	\$(0.12)	NM

Source: Company reports/FGRT

- Under Armour reported 2Q17 adjusted EPS of **\$(0.03)**, versus consensus expectations of **\$(0.06)**. Total revenues were **\$1.09 billion**, ahead of the **\$1.08 billion** consensus estimate, and were up **8.7%** year over year.
- Wholesale revenues were up **3%**, to **\$655 million**, reflecting strength in the company's International business that was partially offset by a **0.3%** decrease in its North American business. By product type, apparel revenues increased by **11%**, to **\$681 million**, driven by men's and women's training apparel and golf apparel. Footwear revenues were down **2%**, to **\$237 million**, following a **58%** increase in the second quarter of last year.
- The company lowered its FY17 revenue guidance to **9%–11%** from **11%–12%** previously. Under Armour now expects full-year revenues of **\$5.25–\$5.36 billion**, versus consensus of **\$5.34 billion**. The company expects FY17 EPS of **\$0.37–\$0.40**, below the **\$0.42** consensus estimate. Under Armour unveiled a restructuring plan to cut costs.

2Q17 Results

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By product type, apparel revenues increased by **11%**, to **\$681 million**, driven by strength in the training and golf subcategories. Footwear revenues were down **2%**, to **\$237 million**, against a tough comparative (footwear revenues were up **58%** in the year-ago quarter, driven by basketball shoe sales). Accessories revenues were up **22%**, to **\$123 million**, with strength seen in the men's and women's training and youth subcategories.

North American revenues were down **0.3%**, as a promotional retail environment continued to temper results. International revenues reflected continued strong momentum and were up **57%**, representing **22%** of total revenues in the quarter. Within the International business, revenues were up **57%** in the EMEA region, **89%** in the Asia-Pacific region and **10%** in Latin America.



FLASH REPORT

Restructuring Plan

Under Armour said it plans to close stores and cut jobs as it looks to revitalize its business amid tough competition in the North American athletic apparel market. Management plans to increase its speed in getting products to market and expand the company's digital capabilities. Under Armour said its five fastest-growing category opportunities are men's training, women's, running, basketball and lifestyle. The company said it closed 33 factory outlets and 23 Under Armour branded stores in the 12 months ended June 30.

FY17 Outlook

The company lowered its FY17 revenue guidance to 9%–11% from 11%–12% previously. It now expects full-year revenues to reach \$5.25–\$5.36 billion, versus consensus of \$5.34 billion. Under Armour expects FY17 EPS of \$0.37–\$0.40, excluding any impacts from restructuring, compared with the \$0.42 consensus estimate. The company expects pretax charges of up to \$130 million for FY17 related to store closures and severance costs.



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