



## (VFC) 2Q16 RESULTS: LOWERS FULL-YEAR GUIDANCE, NOTING CHALLENGING ENVIRONMENT IN THE US

- VF Corporation reported 2Q16 EPS of \$0.35, beating the consensus estimate by a penny and representing a 9.8% decrease from EPS of \$0.39 in the year-ago quarter.
- The company reported revenues of \$2.45 billion, up 1% in currency-neutral terms. Revenues were driven by positive results from the Outdoor & Action Sports, Jeanswear and Imagewear segments and the direct-to-consumer and international businesses. Outdoor & Action Sports revenues grew by 2% during the quarter. Within the segment, revenue for The North Face brand was up 2% and revenue for the Vans brand was up 4% (6% in currency-neutral terms).
- The company lowered its FY16 revenue guidance from mid-single-digit growth to 3%–4% growth, not including the Contemporary Brands coalition.

	2Q16	1Q15	YoY Change
Revenues (USD Bil.)	\$2.45	\$2.43	0.8%
Gross Margin	48.1%	48.0%	10 bps
SG&A/Sales	39.5%	39.0%	50 bps
Operating Margin	8.6%	9.0%	(44) bps
EPS	\$0.35	\$0.39	(9.8)%

*Source: Company reports*

### 2Q16 RESULTS

VF Corporation reported 2Q16 revenues of \$2.45 billion, an increase of 1% year over year on a currency-neutral basis.

Revenues for the Outdoor & Action Sports segment rose by 2% in currency-neutral terms. The company said its fastest-growing brands within the segment were The North Face, with revenues up 2%, and Vans, with revenues up 4% (6% in currency-neutral terms). This growth offset a 7% decline in Timberland revenues during the quarter.

Jeanswear revenues grew by 3% (6% in currency-neutral terms), to \$629 million. Within Jeanswear, Wrangler revenues were up 2% (4% in currency-neutral terms) and Lee revenues were up 8% (10% in currency-neutral terms).

Imagewear revenues grew by 3%, to \$255 million, due to a mid-teens percentage rate increase in the Licensed Sports Group business. This was partially offset by a high-single-digit decline in the workwear business.

Sportswear revenues declined by 19%, to \$115 million, including a 20% decrease in Nautica revenues and a mid-teens decrease in the Kipling brand's North American business. The category decline reflects ongoing challenges in the US department store and outlet channels, as well as general category demand.

International revenue was up 5% (7% on a currency-neutral basis).



The company's e-commerce revenues increased by nearly 30%. Direct-to-consumer revenues were up 6% due to a low-double-digit increase in the Outdoor & Action Sports business, which was offset by a mid-teens decline in Sportswear.

On June 30, 2016, VF announced that it plans to sell its Contemporary Brands businesses to Delta Galil Industries for \$120 million. The sale is expected to occur in the third quarter of 2016.

#### 2016 OUTLOOK

VF lowered its FY16 revenue guidance to 3%–4% growth from mid-single-digit growth previously. The estimate does not include the Contemporary Brands coalition. Jeanswear revenues are still expected to grow at a mid-single-digit (currency-neutral) rate and Imagewear is still expected to grow at a low single-digit rate. The company lowered its Sportswear revenue guidance to a low-double-digit decline from a slight decline previously.

The company expects its gross margin to improve by approximately 50 basis points, to 48.7%, including about 70 basis points due to foreign exchange. The company forecasted an operating margin of 14.5% for the full year.

VF expects FY16 EPS to increase by 5% (11% in currency-neutral terms), to \$3.20, compared to an adjusted EPS of \$3.04 in FY15.

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