

26-Jul-2016

Under Armour, Inc. (UA)

Q2 2016 Earnings Call

CORPORATE PARTICIPANTS

Carrie Gillard

Director, Investor Relations, Under Armour, Inc.

Kevin A. Plank

Chairman & Chief Executive Officer

Chip Molloy

Chief Financial Officer

David Bergman

Senior Vice President, Corporate Finance, Under Armour, Inc.

OTHER PARTICIPANTS

Omar Saad

Evercore ISI

Matthew McClintock

Barclays Capital, Inc.

Camilo Lyon

Canaccord Genuity, Inc.

Matthew Robert Boss

JPMorgan Securities LLC

Lindsay Drucker Mann

Goldman Sachs & Co.

Robert F. Ohmes

Bank of America Merrill Lynch

Kate McShane

Citigroup Global Markets, Inc. (Broker)

Michael Binetti

UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Under Armour Incorporated Second 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]

I would now like to introduce your host for this conference call to Ms. Carrie Gillard. You may begin.

Carrie Gillard

Director, Investor Relations, Under Armour, Inc.

Thanks and good morning to everyone joining us on today's second quarter conference call. During the course of this call we'll be making projections or other forward-looking statements regarding future events for the future financial performance of the company. We wish to caution that such statements are subject to risks and uncertainties that could cause actual events or results to differ materially. These risks and uncertainties are described in our press release and in the risk factors section of our filings with the SEC. The 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 unanticipated events.

In addition, as required by Regulation G, we need to make you aware that during the call we will reference certain non-GAAP financial information. We provide a reconciliation of non-GAAP financial information in our earnings release and in the electronic version of portions of the script from today's call, both of which are available on our website at uabiz.com.

Joining us on today's call will be Kevin Plank, Chairman and CEO; followed by Chip Molloy, our CFO, who'll discuss the company's financial performance for the second quarter and provide an update to our 2016 outlook. After the prepared remarks, Kevin and Chip, along with our Senior Vice President of Corporate Finance, Dave Bergman, will be available for a Q&A session that will end at approximately 9:30 a.m. Finally, a replay of this teleconference will be available at our website at approximately 11:00 a.m. Eastern Time today.

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

Kevin A. Plank

Chairman & Chief Executive Officer

Thank you, Carrie, and first of all, congratulations on your new role. Most of you already know Carrie who's been part of our IR team here at Under Armour for over four years. I'm excited that she has taken this leadership role and I'm pleased to introduce you to those in the UA investment community who you have not yet met. That'll change quickly.

Carrie is the best person to both tell the Under Armour story and keep our strong shareholder base informed on our business. Congratulations again, Carrie, on this new role for you.

Now, good morning, everyone. Under Armour is a growth company. The dictionary defines opportunity as a chance for advancement or success and the business of sports provides us with abundant moments where our brand can stand apart among our consumers. But there are times, like now, when this power of sport reaches monumental level, and we find ourselves right now in the midst of a 60-day period where sport transcends its normal place in the conversation.

Starting back in June with the NBA Finals, the Copa America and the Euro Champs in global football, the U.S. and British Open in golf, the MLB All-Star Game and Wimbledon, and in a few weeks we'll have the global spectacle of the Summer Olympics. Each of those moments provides opportunities for our consumers to experience the emotion and thrill of sports and for the apparel and footwear we make to shine on a global stage. Whether it's Stephen Curry receiving his second MVP and being named the first unanimous MVP in the NBA; Andy Murray taking the Wimbledon crowd in front of the home crowd in London; or Michael Phelps in the U.S. gymnastics team preparing for the Olympic spotlight in Rio next month, these athletes have helped Under Armour achieve a new level of awareness and demand.

So, as we grow within both our core apparel and footwear businesses, we have steadily and strategically expanded our distribution to reach more athletes who are demanding our brand. We remain focused on helping the world's elite athletes perform at their very best. But our mission is broader, to make all athletes better. So this morning, I want to talk about some of the strategic steps we are taking to reach more athletes in three key areas; channels, categories, and geographies.

Our second quarter results are strong evidence that demand for Under Armour has never been higher. Total revenues grew 28% with our apparel business up over 19%, footwear up 58%, and international up 68%.

Chip is going to take you through the key drivers of those growth numbers in a bit, but I want to map out some of the opportunities we're executing against to widen the playing field in terms of access to our brand.

We have built our business over the past 20 years through great retail partnerships within the sporting goods channel with partners like Dick's Sporting Goods and Academy, and in department stores and malls with partners like Macy's, Foot Locker, Champs and Finish Line. The authenticity we've gained with consumers through those

partnerships has helped us become who we are today and positioned us to bring Under Armour to an even broader set of consumers. What you'll be seeing over the next 12 months to 18 months in terms of expanding that consumer access is part of a measured effort to widen the playing field, with each element having been in the works for at least 18 months and in some cases even much longer.

The first adjacency is UAS, Under Armour Sportswear. The first products from the line will be available this September. UAS is not just a category play or a distribution play, it's about bringing a new consumer into the Under Armour brand. UAS will bring a young, fresh and modern voice to sportswear and reflects the insights we've gained as a performance brand now applied to the everyday wardrobe. This is not about being on trend or capturing the athleisure market. Consumers have the expectation that performance product is not just functional but is fully executed through fit and style. We don't believe that Under Armour technology should be exclusively for on field. We don't see it as an either/or thing. UAS is forged from the field and built for life.

Last month, we announced the hiring of Tim Coppens as Executive Creative Director of UAS. Tim's reputation in the fashion world is compelling with his existing line already carried in premium retail like Barneys. UAS will have a narrow range of distribution available in new premium retail as well as a limited range of boutique doors. But UAS is a business that's built for the mobile native consumer. So while we're partnering with select, high-end wholesale partners to showcase a best-in-class expression of the collection, the launch of UAS is predominantly a DTC offering. This initiative represents an ambitious step for our brand and provides a great amount of daylight between it and our existing product range.

The next step in our strategy to reach new consumers is the partnership we're announcing today that will bring the Under Armour brand to Kohl's starting in 2017. One of the top retailers of activewear in the U.S., Kohl's has a large and loyal consumer base, the majority of which are women shoppers. This decision to reach new consumer through Kohl's is not a channel consideration but a consumer consideration. We want to reach our consumer where they expect to find Under Armour product, and we'll continue to partner with the retailers that provide us the opportunity to showcase the Under Armour brand.

Great brands are iconic and inspirational storytellers, especially where product meets the consumer. For Under Armour, an important piece of that story is the retail experience we create and drive with our own brand houses. Now, I am incredibly excited to announce today the newest location, the former FAO Schwarz space on Fifth Avenue at the base of the GM Building in New York City. The approximately 53,000 square foot space is one of the most recognized and high-traffic areas in all of New York, and our plan is to build the most breathtaking and exciting consumer experience ever conceived at retail.

So, in addition to using landmark retail space to help tell the Under Armour story, we are equally focused on creating the best mobile shopping experience as the consumer continues to move to device-based purchasing. Last month we introduced the UA Shop app. It's a way to better navigate shopping for our products through our Connected Fitness platform. With consumers spending 85% of their time on mobile devices in an app, we want to better use the new oil that is data to refine and recommend products based on your activities. We believe this will help drive more frequent shopping, bigger baskets and better conversion throughout the platform.

Shifting the growth story now from distribution to categories, we've been capturing new basketball consumers almost by the hour with our signature Stephen Curry footwear. Sales of Curry footwear have been extremely strong, and with the Curry 3 coming this fall, we are anticipating our business will continue to post incredible growth. Many of these new UA consumers are finding the brand in Foot Locker doors, especially at Kids Foot Locker, not surprising given Stephen's growing popularity with the younger generation. So while the numbers he

is putting up for Under Armour are record setting, we continue to be blown away by what Stephen has accomplished and incredibly excited for what is to come for both of us as a result.

The third area of powerful growth is in our geographies and specifically in greater China. Our team continues to drive great revenue increases, especially in eCommerce, with year-to-date revenues up 157%. Our growth is driven by consistently being viewed as performance by the Chinese consumer, who actually refers to us as the professional brand. We're accomplishing this through premium brand houses and a full-price business model focused on basketball, running and training. Amid increasing support for sport by the government, the Chinese consumer is getting more serious about training. Our women's business in China continues to over deliver against our plan, with women's apparel currently 34% of total apparel revenues, up from 24% just last year and our men's and women's running businesses combined has more than doubled compared to last year.

And not surprisingly, Stephen Curry's growing global awareness continues to help drive our business in greater China. The social media impressions for Stephen during the NBA playoff reached over 2.7 million during that time. It helped drive extremely high sell-through rates in the Curry 2 throughout the first six months, making it our top-selling item in China year-to-date.

This is a great example of what the opportunity and what the future looks like for UA in greater China, great product and great marketing that is laser-focused on the consumer combined with the hottest athlete in the NBA. We're planning our second tour of China with Stephen later this summer and remain incredibly bullish about the future for both Stephen and our brand.

One of the key vehicles for our dialogue with consumers is our Connected Fitness platform, and we continue to make great strides in delivering insights that make athletes better. With a growing community that's now over 175 million registered users, with continuing over 100,000 users signing up each and every day, we are learning more about our consumer every single day.

Mike Lee, the founder of MyFitnessPal, who joined us in early 2015, is now leading our strategic vision for the Connected Fitness business, and our team is becoming more knowledgeable every day about our consumer. With areas like sales, merchandising and product innovation now utilizing single view of the consumer, we are just getting started at implementing these powerful insights to drive every aspect of our business.

Some small but important wins for the brand have been our ability to, number one, quickly tailor our communications and content to our consumer based on their activities, giving us the opportunity to tweak our product mix and to get it more precise to the consumer showing up at our stores.

Secondly, utilizing the data to create a heat map of run activity around a consumer's location, just a drop of what's to come in terms of personalization.

I mentioned up front that this 60-day window of global sports activity culminates next month with the Olympics in Rio. Our presence will be significantly higher than it was in London in 2012, with four times as many athletes representing national governing bodies from more than 30 different countries competing in Under Armour apparel or footwear, and in some cases, utilizing our great Connected Fitness platform to measure their performance.

In addition, we sponsored some of the visible icons in Rio like Michael Phelps, recent Wimbledon champ, Andy Murray, and the U.S. gymnastics team. We also have a great story in Olympic gold medal winner, Natasha Hastings, who will be running the 400 this summer in Under Armour footwear.

In Europe, we're making some great strides in Global Football as well with Tottenham Hotspur qualifying for Champions League play this coming season, and our new signing, Southampton, who'll be playing Europa League football in their first season in UA kit next month.

We also announced that one of England's storied clubs, Aston Villa, will be wearing Under Armour when the season kicks off in August, and we will have another high-profile player, Granit Xhaka, in our boots when the EPL season starts. In one of the largest transfers in club history, he joined Arsenal Football Club and last month went on to lead his national team, Switzerland, to the round of 16 at Euro this year.

The great news is that our marketing efforts are paying off in the UK, where revenues more than doubled in Q2 year over year. I should add, the UK is far and away our largest market in Europe, so we're driving awareness to the places that move the needle for our business.

Driving brand awareness where we can benefit most is a key initiative for us, and here in North America we've been most challenged from a regional standpoint on the West Coast. That's critical for us because if California were a country, it would have the sixth largest GDP in the world with roughly 12% of the United States population.

We recently signed two sports marketing deals with great iconic brands in key North American geographies, specifically Los Angeles and the Bay Area. Bringing both the UCLA and Cal Berkeley athletic programs into the Under Armour family raises the profile in California that we already have through great partners in sporting goods, mall, as well as existing and even new department store partners like Kohl's, which has over a 100 stores in California. This is a great example of how we are thinking all the way through, all the assets that we could bring to bear to get after the opportunity in that very, very key market.

When we add Cal Berkeley to the existing assets that we already have in the San Francisco area like Stephen Curry, Buster Posey and one of our Connected Fitness offices with over a 100 employees and growing, you can see how we're planning for the long runway of growth that exists for the Under Armour brand.

And in UCLA, we are partnering with one of the most recognizable brands in college sports, not only the alma mater of the great Jackie Robinson, but the school with more championships than any other in the history of NCAA. UCLA has won a total of 113 national team championships, including 11 in basketball, more than any other school.

So, as you've heard me say consistently for over 10 years now as a public company, Under Armour is a growth company. Now more than ever, we appreciate the challenge of growth and believe we are well-positioned to continue to expand our access to more consumers around the world, and that's what makes us extremely proud of our record of 25 consecutive quarters of 20% plus revenue growth.

Fortunately, our formula is well defined. We will maintain our long-term vision of making all athletes better and continually approve on our execution of strategy around channels, categories and geographies.

With that, I'll pass it over to Chip. Chip?

Chip Molloy
Chief Financial Officer

Thanks, Kevin. I would now like to spend some time on reviewing our second quarter 2016 financial results, followed by our updated outlook for the remainder of the year. Our revenues for the second quarter of 2016

increased 28% to \$1 billion. As we continue to navigate through the changing dynamics of the retail landscape, the consistent growth across our diverse product lines and channels delivered another quarter of strong results.

During the second quarter, our wholesale revenues grew 27% to \$635 million. Our direct-to-consumer revenues grew 28% to \$321 million, representing approximately 32% of total revenues for the quarter. During the quarter, licensing revenues grew 16% to \$21 million, and Connected Fitness revenues grew 73% to \$23 million.

On the product category front, apparel revenues grew 19% to \$613 million compared to \$515 million in the prior year's quarter, led by many of the same factors as the first quarter, as we continue to see new innovation platforms like Micro Fit gain momentum in key categories like running as well as continued growth in men's training, women's training and golf.

Second quarter footwear revenues increased 58% to \$243 million from \$154 million in the prior year's quarter. Our basketball category, led by the Curry signature basketball line posted another quarter of strong growth. Beyond basketball, we continue to make strong gains in our running and cleated products within our golf and team sports categories, as we remain focused on providing premium, pinnacle products for our customers in more styles and price points than ever before.

Our accessories revenues during the second quarter increased 21% to \$101 million from \$83 million in the prior year's quarter, primarily driven by our new lines of bags and headwear. On a regional basis, North American revenues in the second quarter increased 22% to \$827 million compared to \$681 million during the same period last year.

Within our direct-to-consumer channel, our North American store count at the end of the quarter included 160 company-owned stores, comprised of 146 Factory House stores and 14 Brand House stores.

International revenues increased 68% to \$150 million in the second quarter to reach 15% of total revenues. On a currency-neutral basis, international revenues increased 72%. Within our international wholesale business, the store count at the end of the quarter included 239 partner stores. Within our direct-to-consumer business, our company-owned international store count at the end of the quarter included 52 stores, comprised of 26 Factory House stores and 26 Brand House stores.

Looking at our international regions, starting with the EMEA, we continue to grow our presence within key sporting goods accounts and expand our direct-to-consumer business with second quarter openings of new Factory House stores in the UK, Germany and the Netherlands. In the Asia-Pacific region, we now have more than 230 stores comprised of both owned and partner stores, as we look to continue to drive our premium positioning as the performance brand in the market. And in Latin America, we remain focused on building and expanding our distribution.

Moving on to margins, second quarter gross margins decreased 70 basis points to 47.7% compared to 48.4% in the prior year's period. Sales mix negatively impacted the second quarter by approximately 130 basis points, primarily driven by the continued strength of our footwear and international growth. Partially offsetting this negative impact were continued favorable product margins, benefiting gross margin by approximately 50 basis points.

Selling, general and administrative expenses grew 32% to \$458 million, which includes the previously-announced impairment related to the Sports Authority liquidation compared to \$347 million during the second quarter of last year. In addition to the impairment, growth was predominantly driven by investments in our direct-to-consumer

businesses, both retail and eCommerce and overall head count to support our growth and strategic initiatives, such as product creation, innovation and sport category management. Marketing expenses grew 20% for the quarter.

Operating income for the second quarter decreased 39% to \$19 million compared with \$32 million in the prior-year period. The decrease was primarily driven by the \$23 million impairment related to the Sports Authority liquidation.

Interest expense for the second quarter increased to approximately \$6 million compared to \$4 million in the prior-year's period. Within other income and expense, we recorded a loss of \$3 million versus a slight gain in the prior-year period. This loss was primarily driven by foreign currency exchange rates. In addition, the company tax rate in the second quarter was 40.5% compared to 46.7% in the prior year, largely due to a one-time tax benefit related to our prior period acquisitions.

Our second quarter net income decreased 58% to \$6 million compared to \$15 million in the prior-year period.

In the second quarter, we completed a \$59 million one-time stock dividend to our Class C shareholders related to our shareholder litigation, which resulted in a different earnings per share calculation for the quarter for our Class A and B stock as compared to our Class C stock. The dividend was allocated only to our Class C shareholders, resulting in a different numerator when calculating EPS for the Class C stock. Our earnings release included a non-GAAP presentation of EPS backing out the impact of the dividend. This is a one-time event and will only cause a difference in earnings per share for the three classes of stock for this quarter and year-end.

On the balance sheet, total cash and cash equivalents for the quarter was \$121 million compared with \$171 million at June 30, 2015. Inventory for the quarter increased 30% to \$1.1 billion compared to \$837 million at June 30, 2015. As we noted last quarter, we are beginning to anniversary the strategic inventory investments that we implemented in the second quarter of last year and expect the growth in inventory to remain relatively in line with sales throughout the remainder of the year. Total debt increased to \$1.2 billion as compared to \$712 million at June 30, 2015.

During the quarter we completed our first public bond offering of a \$600 million investment-grade notes, which was well received in the market. The net proceeds were used to pay down outstanding revolver borrowings.

Looking at our cash flows, our investment in capital expenditures was \$149 million for the second quarter compared to \$93 million in the prior year's period. We continue to expect to spend between \$450 and \$475 million for the full year, including investments in our global offices around the world, including our headquarters in Baltimore, our distribution centers, our SAP platform and global direct-to-consumer.

Now moving on to our guidance for the remainder of 2016. Based on our current visibility, we continue to expect 2016 net revenues of approximately \$4.925 billion, representing growth of 24%, and operating income in the range of approximately \$440 million to \$445 million, representing growth of 8% to 9%.

Gross margins for the full year are expected to be down slightly compared to last year, and based on our outlook of \$4.925 billion in revenues, SG&A is still expected to grow approximately 28%, as we remain focused on making the right investments today to drive our long-term global success.

Below the operating line, we expect interest expense to increase to approximately \$32 million in 2016. In addition, we now expect a full-year tax rate of approximately 36.5% and fully-diluted weighted average shares outstanding of approximately 448 million.

For the third quarter, we expect revenues to grow approximately 20% as we begin to lap our strategies to better service our customers and as we navigate through the impact of the Sports Authority liquidation. In addition, we expect our gross margin percentage to decline slightly compared to the prior year. For the third quarter, we expect operating income in the range of \$180 million to \$185 million, representing 5% to 8% growth versus the prior year.

We'd now like to open the call for your questions. Similar to our last earnings quarter, Dave Bergman, our SVP of Corporate Finance, will be joining us this morning to provide additional assistance with your questions. We ask that you limit your questions to two per person, so we can get to as many of you as possible.

Operator?

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Omar Saad with Evercore ISI.

Omar Saad
Evercore ISI

Q

Thanks. Good morning, guys.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Hi, Omar.

Omar Saad
Evercore ISI

Q

Quick technical question. On the Kohl's announcement, I know you said 2017. Any of this – is that – do any of the shipments come this year or does it really all start – the shipments start next year? I just wanted to make sure we're understanding the timing of when that rolls out.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Some of that'll be a little bit of mix, but we're looking to be set by the time they start their first quarter. So, you'll see nothing out of the ordinary or extraordinary, but this is a 2017 initiative for the brand.

Omar Saad
Evercore ISI

Q

Okay. Cool. Thanks. And then on the Sportswear piece, I thought it was an interesting hire as well for that. Can you let talk a little bit about the styling, the aesthetic? You kind of mentioned, Kevin, there's a big amount of daylight between what the Sportswear is going to be and the kind of current offering. Help us think through how that product is going to look and feel and be different than the rest of the offering? What are the key kind of value-added components to it?

Kevin A. Plank
Chairman & Chief Executive Officer

A

Sure. Well first off, it began with the consumer. I think people are asking and trying to figure out how to wear the brand beyond the pitch, the field, the court. We've just seen that over and over and over again. And when we look at the market opportunity, our two competitors claim that their sportswear businesses are somewhere between 20% to 30%, so the aggregate number there is roughly \$50 billion, so we assume there's about a \$15 billion market opportunity that today Under Armour is playing just a few percentage points for overall growth. So, we think there's a massive opportunity, there's massive appetite for those in our space to really be effective in sportswear.

We also recognize that I think there's a shift that's happening in the consumer workplace right now, and I don't know how many people in the call have people in their offices that are wearing suits and ties. And so there's this massive shift to casual and comfortable, and I think what we've done to establish our brand is that our shirts aren't just – they don't just look great, but they actually do something.

And so whether that's wicking, moisture management, stretch, washability, all the things that I think more practical than the way we frankly have dressed ourselves to this date. So I think our taking advantage of that opportunity and that shift is very, very important for us.

And the way we want to do it is a couple of ways because what UA Sportswear is meant to be is more like a flag in the ground that's placed out there, and we think there's frankly a little bit of room for us to fill in over time between where we're going with that flag and where we are today.

And so it'll be a bit of an evolution. You'll see that, number one, through things that are branded UAS or Sportswear, and you'll also see us being more aggressive with some lines that we have in some of our more proactive and aggressive retailers as well. So, the lines you'll see us at Foot Locker and things that are more street-ready wear, as well as things we'll be doing in our traditional sporting goods distribution.

So we see styling in the company being more important. Of course we're not going to give up on what we've done to establish ourselves as authentic and on-field, on-court, et cetera, but we do see there's an opportunity for us, for kids not just to wear us when they're playing sports, but to wear us to school, out at night and other wearing occasions.

So, getting Tim Coppens on board is a big deal. He is a big deal, and with it we're creating this – we're moving to the sport category focus. We actually have nine or 10 divisions now. Sportswear is going to be one of them, and very important to us, headed by a guy named Ben Pruess, who is an industry veteran and someone who knows how to do it.

And this is also answering just the signature athlete lines that we've had. All of a sudden, we woke up one day and we recognized that we had athletes like Stephen and Jordan and Cam and Tom and all these household names, and what are we really doing to leverage this? So we think there's a bigger opportunity on the signature side. We think there's a specific opportunity in sportswear that we can play in, and we think, A, we can take market share as well as the ability for us to grow that what we think is somewhere about a \$15 billion pie today, as we think about it, at least.

So we think there's – we're really excited about it and frankly I'm sitting here wearing Under Armour Sportswear today, and I think I look great. Working on it.

Omar Saad
Evercore ISI

Q

Do you think the logo will be a big part of it, Kevin, or is it really more about the materials, the technical performance with a street look?

Kevin A. Plank
Chairman & Chief Executive Officer

A

I think the story is going to be the biggest part of it, meaning that everything does something. So we're not just going to start making stylish clothes, they have to be stylish clothes that do something. You'll see some of the features, whether it's a button-down that actually has a sleeve that has a spandex in it or elastic in it, so you can pull your sleeves up without having to fold them, a bit more ready-wear, wash-ability, but everything will have the Under Armour DNA in it. That's most important. Whether it is stain resistance, or waterproof or some of the other things you'd expect from us. A little more stylish.

You'll see the branding, and I think, what I'd challenge the team to do is, lean on the brand when you need to. And the first reaction is that, we don't need the branding anywhere, but I think the consumer – again, this will be a journey, and as we get there, you'll see the brand.

But the UAS will have its own unique distinctive brand, and from time-to-time, particularly in things like the footwear, you'll see some more starting use of the logo. But the logo will be on every piece just whether it's on the inside of the collar or the outside of the collar is bit of a question.

Omar Saad
Evercore ISI

Q

Great. Thanks. That's really helpful.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks, Omar.

Operator: Our next question comes from Matt McClintock with Barclays.

Matthew McClintock
Barclays Capital, Inc.

Q

Hi. Yes. Good morning, everyone. Kevin, just a follow-up on Kohl's; I was wondering if you can maybe discuss your product segmentation strategy as you think about entering new channels such as Kohl's? And thinking about addressing the women's category more broadly, what other distribution points or channels or other ways can you reach women that you're currently not in today? Thank you.

Kevin A. Plank
Chairman & Chief Executive Officer

A

So, women is a great – it's a great segue for that. But I want to be clear, as we talk about Kohl's, first and foremost, we have an amazing distribution group of partners that have enabled us to get to this point. And I think we've been incredibly prudent with the way that we've rolled out our distribution. It has been thoughtful, it has been patient, it has been 20 years in the making. And I want everyone to know that, first of all, Kohl's is – there's nothing reactionary about Kohl's. This is a proactive move for us that has been in the work for the last several

years. And you're right, the thing that allows us to be in this position is that we have built a merchandising expertise in the building that frankly, really just a couple of years ago we didn't exactly have, not specifically.

The goal and the role of merchandising when we brought Kevin Eskridge, who heads up our merchandising now back from China and gave him that task for us more than a year ago, it has us really in this position that we think we're ready for it in 2017. And so we're very thoughtful about our existing distribution, because the differentiation in the lines is critical. Number one, as we become more expert at differentiating within channels, so differentiating our existing retailers as well as between within their own partners, as well as we look at between the mall, between department stores and between sporting goods. And so we think Kohl's is a great evolution for us. We think that the female consumer that she's there, she's shopping and she's buying. We think there's a big opportunity.

But at the end of the day we think, again, as I said in my comments, this is a consumer decision. It's not really a channel decision. We believe that there's a massive opportunity with the consumer that's walking into those stores and looking for the Under Armour brand. And frankly they just haven't been able to find it. And so we think we'll continue to have the elevated product in there.

The goal is that from a price point standpoint we continue to – we'll, of course, be aggressive, but we think that there's a consumer that's looking for our brand and we think there's a great market opportunity. And we don't anticipate a big impact to the balance of our other businesses because of the merchandising time and effort and energy that we put in. So, we think we're ready for this moment and we're incredibly excited about it, but again, this is just another part – one of the single chapters in our larger growth story.

Matthew McClintock

Barclays Capital, Inc.

Q

Thank you very much.

Operator: Our next question comes from Camilo Lyon with Canaccord Genuity.

Camilo Lyon

Canaccord Genuity, Inc.

Q

Good morning, guys. How are you?

Kevin A. Plank

Chairman & Chief Executive Officer

A

Good, thanks, Camilo.

Camilo Lyon

Canaccord Genuity, Inc.

Q

So, following up on the Kohl's topic, Kevin, I wanted to get your sense to, does this expansion into Kohl's allow you to expand your product offering in pre-existing department store relationships? Previously you've been pretty measured in how you've assorted those stores like at Macy's and Belk and some of the other, Lord & Taylor sort of relationships. So I'm curious to know all the segmentation work that you've done for Kohl's, does this offer an opportunity to equally expand your presence in your pre-existing relationships?

Kevin A. Plank

Chairman & Chief Executive Officer

A

Well, I think one thing we have done in the last year is we've added over 200 women shops within our existing department store distribution. So I don't know if it's new doors as much as it is new opportunity. When we give door counts 11,000 in North America, I think a lot of times the saturation level is a bit misunderstood with how we fare against, say, our competition. So we do believe, when we talk about North America, we're bullish on North America. We continue to see opportunity and expansion within existing doors and that's a story that we see, of course, in apparel. But frankly, when we look at things like footwear, we're barely scratching the surface there. So we see really great, great opportunity for us.

And as we think about distribution for us, across all of our channels, all of our partners, all of our – everywhere we do business, our job is to be important as an iconic brand. And when I say that, that really speaks I think, talking about the things we're opening in the future, and again this won't be for a couple of years, but taking over the space, the old FAO Schwarz space at Fifth Avenue, I think it's definitive of the brand that we expect to be for consumers, creating environments that are unique and unlike anything else that anyone has ever seen or experienced before.

So I think as we think about what defines the brand, our job is to be iconic, and the consumer's going to have places where they choose to interact with our brand, where they choose to purchase our brand. Our job is to meet them at that transaction. And one thing we know is certain, particularly we've learned over the last 12 months or even shorter than that is that moment in time, that place will always be shifting. And so we need to be ready for that. We need to be prepared for that.

We certainly don't want to limit the opportunity that we have, and we feel pretty good about the way that we're set up with some of the new announcements that we're making today. And be it a Kohl's or be it talking about something like Fifth Avenue and frankly, not to be forgotten, this is the continued double down that we continue to do in our existing distribution from sporting goods to the mall to department stores.

Camilo Lyon

Canaccord Genuity, Inc.

Q

Great. And then just to understand a little bit about the pace, can you just talk about – are you going to be in all doors in Q1, or is there going to be more of a measured rollout? And I'm assuming that it's apparel then footwear, so is there any sort of margin implication as we should think about that new department store channel coming online?

Kevin A. Plank

Chairman & Chief Executive Officer

A

We'll be in about 600 doors or so to kick things off, and then beyond that...

Chip Molloy

Chief Financial Officer

A

Yeah.

Kevin A. Plank

Chairman & Chief Executive Officer

A

You're not going to see any margin implications.

Chip Molloy

Chief Financial Officer

A

You shouldn't see any margin because the mix is generally going to be in line with the mix of the company.

Camilo Lyon

Canaccord Genuity, Inc.

Q

Understand. All the best, guys. Thanks.

Kevin A. Plank

Chairman & Chief Executive Officer

A

Thanks very much.

Chip Molloy

Chief Financial Officer

A

Thank you.

Operator: Our next question comes from Matthew Boss with JPMorgan.

Matthew Robert Boss

JPMorgan Securities LLC

Q

Thanks, guys. Kevin, can you talk about athletic inventory in the channel today? It sounds like inventory for you guys will be in line with sales by the end of this quarter. Nike expects to be clean by August. I guess are you comfortable with the promotional backdrop you see out there today? And then larger picture, what would you say to those calling for a top in the athletic cycle out there?

Kevin A. Plank

Chairman & Chief Executive Officer

A

Yeah, I'm not going to say I'm comfortable with the promotion out there in the market today, but I don't know if that's different than what we've seen in the last several years either. I mean when you look at holiday these days, it's an incredibly – it is promotional environment out there.

And so what we all have found is the barbell effect continues to really accentuate itself with either going to one or two extremes; either, A, the consumer chasing price, and you'll see that with obviously some of the digital pure plays out there, or you'll see it with – or people finding that at retail or they're chasing premium, they're chasing brand. And so we of course expect to be on the right side of that barbell, and I think we've continued to define that for the consumer as to where they find us.

I don't think it's a top out, I think there's a shift happening. I think the way the people are dressing is changing, and it's altering. And so I don't know if it'll be as extreme as just women's buying black tights and whether people can make a career out of that, and obviously there have been a lot of people jumping in the boat on women's, specifically in the athleisure trend.

But the good news is that we're not grounded in trend, we're grounded in sport. That'll keep us here, and the trends will come and go. But we're also watching our core base continue to grow for us as well.

We see women's as a burgeoning opportunity for us, and one thing I just want to be clear about our women's business, I think people look and say, are we taking enough advance? Are we taking the opportunity? We've done some great things in the women's space, beginning with the fact that this year we're going to hit a massive milestone.

We have a billion dollar women's business. Just our women's business alone, a \$1 billion this year, and to be clear, that is primarily women's apparel. So, just a few things about our women's is as I mentioned going to the sport category, women's is going to be specifically one of those sport categories, and of course they'll be involved across the other nine categories directly. But we need a driver for that. We want a leader for that, so we hired industry veteran Pam Catlett, who has been here about six months and really doing a terrific job just coordinating the pieces and applying merchandising and marketing and product and sales and really getting everybody on one page is, because what we recognize is that we are competing against people that are only in the women's space, there's a bigger opportunity for us there.

And so we feel like we're incredibly well-positioned right now, and I mentioned apparel, but I'd be remiss if I just didn't give you a sort of climb into the women's conversation here. Just talking about women's footwear, so much of our business is that we are a young business. While we turned 20 this year, and we're incredibly proud of that milestone as a company, we are really just getting started when you look at the things that we're doing.

I mean women's footwear is a great example, and I say this and I'm not proud of it but just – not even two years ago, the same person who handled women's for us also handled our outlet merchandising supply as well as our Youth. It was one person. She was incredible, and she did an amazing herculean job, but if you look at any of our competitors, there's probably 60, 80 to 100 people that would have those three collective jobs.

So since that time, we've actually split them off. Our women's today, we've got roughly half a dozen people in our women's footwear team, and the fact is we need about 20. And so we're in investment mode, but what you'll see is that first line from that women's footwear team will be delivering in spring of 2017.

And so, I don't know if people have seen the best stroke from Under Armour yet from a women's standpoint, but what we can tell you is we're incredibly proud of the points we put on the board. And that's echoed by the sheer size and scale of that billion dollar women's business. But what you will see is you'll see a continued concerted effort for us to be premium and for us to be number one in women's. And we're proud of what we've done, but there's meat on the bone and we expect to go attack it.

Matthew Robert Boss

JPMorgan Securities LLC

Q

Great. And then just a follow up; on gross margins, your guidance for this year implies material expansion in the fourth quarter. Could you just walk through some of the drivers of the inflection in the fourth quarter? And then as we move to next year, is it fair to think about a return to expansion of gross margin? Any help on the near term and multiyear puts and takes on gross margin would help.

Chip Molloy

Chief Financial Officer

A

Hey, Matthew. This is Chip. So I'd think about it more in the medium to long-term is we are going have a headwind called mix in front of us. As we continue to outgrow our business in footwear and we continue to grow internationally at an accelerated pace, that is a headwind. On the flip side, it's our job to improve the cost side of the house and bring product to the table so that we can offset that headwind. So I think in the longer term, that's our job, and we're probably looking at a push. In the near term, as it relates to this year, we are looking at some

meaningful impact in Q4. We have less of a mix challenge as the year progresses, and we will see notable improvements in the actual product margins in Q4 and anniversary a negative number last year.

Matthew Robert Boss

JPMorgan Securities LLC

Q

Great. Best of luck, guys.

Operator: Our next question comes from Lindsay Drucker Mann with Goldman Sachs.

Lindsay Drucker Mann

Goldman Sachs & Co.

Q

Thanks. Good morning, guys. I wanted to ask about the North American wholesale business. And maybe you could give us an update on how you're thinking now that we've moved a little bit further in the year, how the Sports Authority dynamic is going to affect your sales for the year. If there was any change to your thinking on actual dollar impact, reverse cannibalization and the timing of that?

And my second question is on looking at North American operating profit for the quarter, which was relatively flat despite pretty good sales growth, and how we should be thinking about incremental margins for that division across the year?

Chip Molloy

Chief Financial Officer

A

It's Chip. On the TSA side, so the TSA, we did ship product in the first quarter and the second quarter to TSA. It is in fact predominantly in the back half of the year. It is about 300 basis points to 400 basis points of our growth in the back half of the year without shipping to TSA. We have made up some of that, but not all of it.

And then as it relates to North America, when you're looking at the segment, there have been some costs that have moved from Connected Fitness. There were head count costs on the marketing side of the house for Connected Fitness that are more for the overall North America segment or all-in segment, and those costs have shifted – approximately \$5 million have shifted from Connected Fitness to North America. So that's why that segment looks that way.

Lindsay Drucker Mann

Goldman Sachs & Co.

Q

That's an annualized number for Connected Fitness?

Chip Molloy

Chief Financial Officer

A

Two, Dave?

David Bergman

Senior Vice President, Corporate Finance, Under Armour, Inc.

A

That was Q2. The \$5 million relates to the Q2 impact this year versus last year.

Chip Molloy

Chief Financial Officer

A

Right.

Lindsay Drucker Mann

Goldman Sachs & Co.

Q

Okay. And how should we be thinking about the margin drivers for North America for the second half of the year?

David Bergman

Senior Vice President, Corporate Finance, Under Armour, Inc.

A

Well, for the second half of the year, the margin drivers I would go just at the corporate level, since North America is predominantly our business. So in the back half of the year, you're going to look at the third quarter, we're probably going to be slightly down again. And then in the fourth quarter, we'll see some material impact. Mix is a challenge throughout the year, with – once again, with footwear growing at 2x apparel, you have higher margins there. That's going to be a challenge. But then, on the product side, we're going to see improvements on the product side, which should help the margins product cost side, especially in Q4.

Lindsay Drucker Mann

Goldman Sachs & Co.

Q

Great. Thanks, guys.

Operator: Our next question comes from Robby Ohmes with Bank of America.

Robert F. Ohmes

Bank of America Merrill Lynch

Q

Good morning, guys.

Kevin A. Plank

Chairman & Chief Executive Officer

A

Good morning, Robbie.

Chip Molloy

Chief Financial Officer

A

Good morning.

Robert F. Ohmes

Bank of America Merrill Lynch

Q

Kevin, I was hoping you could talk a little more about China. It sounds like things couldn't be going better for the brand. Can you guys talk about the outlook for store growth and maybe accelerating it?

Kevin A. Plank

Chairman & Chief Executive Officer

A

Yes, of course. So China, as we think about the opportunities we have, we've got about – opening over 150 owned partner stores in 2016 as we look at it. The majority of those are actually going to be in China. So we feel like we found a really – it's an interesting model. And as you look at the way they do it in China, you're either, A, going with a partner or you're effectively – you're running space like a landlord in a larger department store. So China, for us, is something – just recounting some of the history, we spent a long time trying to figure it out. We

started manufacturing there in 2000 and we started selling there in 2010, where we did \$1 million, \$1.2 million or \$1.3 million out of one store. By 2012, that was \$3 million, and then we really amplified it by, I think, bringing in great senior leadership and really defining a point of view for ourselves in the market. And from \$3 million in 2012 to \$7 million in 2013, to \$30 million in 2014, to \$80 million in 2015 to this year, we're looking at north of \$150 million business. And so, really, we're seeing that inflection point for the brand in China.

We have great leadership on the ground over there. We have seasoned leadership on the ground. Our office, our headquarters in Shanghai. And we think there's a really good momentum. We're going to be following up on some of that momentum at the end of next month or the beginning of September with another Stephen Curry tour that we'll be taking through Asia. And really, it's a bigger story than just Stephen. I mean, again, as I said in my comments, Under Armour is known as the professional brand in China. So grounding ourselves in authenticity is one of the formulas in any market we've gone to around the world. We found where it really is required for us to win. It's beginning with that authentic approach, having the consumers see us there, start really at the tip of the spear, and then, really creating a bit of that trickle down.

So, I think we're getting some of that net effect, and then you add in some of the star power with some of our global superstars, and whether it's this month being able to highlight Michael Phelps, whether it is what we're doing with Jordan or Stephen, but the brand is definitely known in China. We're not as famous as we will be, but we're definitely proud, I think, of the inroads that we've made and big opportunity in putting stores behind it, putting distribution.

And the other thing is our eCommerce over there. Our eCommerce in China has basically exploded for us as well. And so this is not just a bricks-and-mortar story. And frankly, China may actually end up being the palette that we're able to write the script of what is that balance. Because I think, one of the questions that everybody is having in this space right now is, where – some of our competitors specifically, they talk about the power of their growth in terms of the number of retail stores. I think that's one indicator for it, but I'm not sure that all the retail stores that are open today are going to be open in the future.

And so, I know the best ones will survive, and we think that eCommerce can be a great supplement to that. And so, we're pretty bullish on China, and I'm looking forward to that second Stephen Curry tour in a few weeks.

Robert F. Ohmes
Bank of America Merrill Lynch

Q

That sounds great. Thanks very much.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks, Robby.

Operator: The next question comes from Kate McShane with Citi Research.

Kate McShane
Citigroup Global Markets, Inc. (Broker)

Q

Hi. Thanks for taking my question. I had a question about the New York City store, just in terms of when it opens, and also just since it is a fairly expensive real estate and there'll be remodeling, how long will you be paying rent and investing in the building before the store opens?

Kevin A. Plank

Chairman & Chief Executive Officer

A

So thanks, Kate. We expect to be in somewhere around 2019, end of 2018, beginning to the middle. So it's a little unclear, but we've been open with the landlord. But probably by the middle of 2019 at the latest, in doing that they've got – someone else is going to go and use the space as temporary space for a period of time and then we'll be taking over.

So again, I think that, that space for me, it solves lots of things for the brand. Number one, I think it's a flag in the ground for, first and foremost, our product teams. Putting out there for our teams of telling them the way, and telling every designer and putting the world on notice and every designer and every builder and every product manager that once we build the greatest product for the corner of Main and Main of beyond the United States, but really the world. And so, being there at the mouth of Central Park, on the opening of Fifth Avenue, we think it's a great platform for the brand. We're really going to be able to define ourselves of the company that we expect to be. So there's going to be a lot of imagineering that's going to happen as we look at this, experiential. It's going to be at the pinnacle of what we're going to try to create here, and really, how we drive retail. And we think, as we continue to add retail stores, we finished the year with some 400, again, opening over 150 this year, we think that as we, it is, whether we like it or not, we are retailers at some level, and we never want that to be competitive with our existing wholesale distribution base, but we think the more excellent we become as retailers, the better wholesale will be as well, and that'll end up being a net effect for all of us.

And again, driving the idea of iconic, what I said is I made some bold statements in my written remarks about how big I think this idea of the store can be, but effectively, the goal that we have to build the greater – the single greatest retail store in the world. And we know that's a big statement with a big company. But I think that, that's opportunity that we have and I expect to put together an incredible team of people that'll help us think through what that means, and I think it'll really position the brand, again, in the iconic place where we believe that we belong.

Kate McShane

Citigroup Global Markets, Inc. (Broker)

Q

Okay, that's helpful. Thank you. And then my one quick follow up question is just with regards to your long-range guidance. How does Kohl's fit into that? Was that already kind of figured into your long-range guidance, the revenue growth that you gave in September? Or can we be expecting an updated figure over time?

Chip Molloy

Chief Financial Officer

A

This is Chip. So long-range guidance was given last year in 2015 and as we said, 25% top line, 23% bottom line growth. As part of that, there's always going to be things that are going to go in that long-range guidance, points of distribution expansion overseas, et cetera, so I would suggest that Kohl's would be part of that long-range guidance.

Kate McShane

Citigroup Global Markets, Inc. (Broker)

Q

Thank you.

Carrie Gillard

Director, Investor Relations, Under Armour, Inc.

A

Operator, we have time for one more question.

Operator: Our next question comes from Michael Binetti with UBS.

Michael Binetti

UBS Securities LLC

Q

Hey, guys. Good morning. Congrats on a very tough quarter. One quick modeling question, could you – Chip, would you mind helping us think about how FX will impact the gross margins in each of the next two quarters, just so we can kind of compare it where we were in the first half?

Chip Molloy

Chief Financial Officer

A

Yes, sure. Hold on just a second on the FX side. So FX in the last – back half of the year is going to be slightly negative for the back half of the year, a little bit more in Q3 and Q4.

Michael Binetti

UBS Securities LLC

Q

Okay. And then, Kevin, obviously, it is a very tough quarter for U.S. athletic retail with the Sports Authority bankruptcy. It sounds like you guys have figured a plan to kind of plug that hole in distribution. But if we look at the guidance for revenue to decelerate to 20% here in the third quarter, you called out we're lapping some fulfillment strategy we put in last year and then the Sports Authority thing, again, sounds like you have a plan.

But then you're going to be launching big retailers like Kohl's that'll get into 2017. As we just kind of think about the cadence or how our models now start to transition in 2017, should we look at that slowdown to 20% heading off to a growth rate closer to the 25% long-term growth rate that you guys have outlined, as we get into the first half of next year? Or any other color you can help us try to think about the shape of – because I know next time we hear from you, on the third quarter call, you guys traditionally like to give us the 2017 numbers, so just trying to think about our model for a little bit longer term here?

Kevin A. Plank

Chairman & Chief Executive Officer

A

Yes, no. I think we're going to have a much better picture in 90 days, to be clear, to give you guys, and we want to be as close as possible to that. But I think the first thing that – when you just look at the strength of the brand is that, we're not – the hardest thing is accepting a question that says, tell us about decelerating revenues. And we're still projecting; we're 25 quarters north of 20% in a row. Over six years of doing that, we see that trend continuing for us, number one. We do continue to see it to project 25% plus growth for the full year. So I just kind of want to level set that.

And if I can really just sort of think about how we're looking at the world these days, I think this quarter, it really is – it's illustrative, I think, of the brand that we built. With 28% top-line growth, and if you look at how it's coming for other brands in this market, we're incredibly proud of the ability to put that number up. 58% footwear growth, 68% international growth, 19% apparel growth, launching Under Armour Sportswear this quarter, expanding meaningful distribution by having built out a merchandising punches that puts us in position to do that, creating statement retail and signing something as ambitious as Fifth Avenue that I think will elevate the entire industry in addition to our own brand, and you will see people look and get worried and concerned about what we're going to build there without question.

All the way down to the athletes we've signed and without beating them over the heads of all the first names from Jordan and Lindsey and Misty, to Andy Murray's win at Wimbledon recently and then, anchored by the Cal and UCLA signing. So, I think that we're firing on all cylinders as a company right now. I think that regardless of what the tape looks like outside, we still expect to be the rising tide that's with all the other boats, and we expect to be one of the highest boats in the room.

So from a record standpoint, this is a growth company. There's a reason why I typically start my scripts with that and end my scripts with that, is that we think growth is incredibly important. We have an opportunity to put ourselves and really separate ourselves from many into a very exclusive company that puts Under Armour, I think, in the stratosphere of where we belong. But look, it's not God-given. We got to go to work every day. Hopefully, you see and feel that from our brand. We got an unbelievably committed team that's doing that each and every day here in Baltimore and in our 26 offices all over the world. And the global expansion that we've been able to enjoy, something we're really excited about. We expect to be a global brand. We're proud of what we've done in North America, we're proud of what we've done in apparel, but things like footwear, things like women's, things like global and international are all going to be the hallmarks of what are we defining for Under Armour going forward, so we're just getting started.

Michael Binetti
UBS Securities LLC

Q

If I could sneak one in, since you're talking a little bit longer term, I know, a couple of years ago, you laid out a big mapping exercise that you did in North America that showed where the opportunities were regionally. It seems like a lot of the moves you've made on the West Coast lately between UCLA and Berkeley, and obviously, Golden State, can go a long way shoring up maybe productivity on the West Coast versus the East Coast. I think sportswear is a much important category on the West Coast. Have you guys – is there – I mean, can you help us think about how big of an opportunity that is, if I'm still right that that's an opportunity from the mapping analysis we saw a few years ago. Seems like kind of the marketing assets are moving in the right direction for a pretty meaningful opportunity there for you?

Kevin A. Plank
Chairman & Chief Executive Officer

A

Yes, of course. So, we think there's a big opportunity. One of the challenges that we had being primarily a sporting goods wholesale account, there wasn't a large sporting goods presence in the West Coast. The exception is Sports Authority, which had 63 doors that went away. And so, one of the things, frankly that, even we see in Kohl's is that they've got over 100 doors in the State of California.

So we look at California as an opportunity for us. Again, it is the world's sixth largest economy, and something that we don't feel that we had been aggressive enough on. And so that's why you saw us make two very bold bets in terms of a new partnership with Cal and a new partnership with UCLA.

And so those are about as certain as things get when you talk about investing in – really in the community. And so, Northern and Southern California in one fell swoop, backed up, of course, with what Stephen Curry is doing there. And then, one of our key Connected Fitness officers, where Mike Lee, the Head of Connected Fitness is based out of in San Francisco as well. And we've got a new 50,000 square-foot office being built there right now also.

So we're in the State of California. We do think it's an opportunity for us, but we think it's also – that is a top market globally and something we think is also a bit of a leaping board for us as we look to Asia and other markets abroad, too. So, we like the opportunity, but again, many of these deals that we made recently were

really the deal about geography as much as anything else, and we feel like we accomplished that point. So, now we have to prove it out and there's work to be done. So you'll watch our team run hard.

Michael Binetti
UBS Securities LLC

Q

Thanks, guys. Great quarter.

Kevin A. Plank
Chairman & Chief Executive Officer

A

Thanks very much. Appreciate it.

Chip Molloy
Chief Financial Officer

A

Thank you.

Operator: Ladies and gentlemen, that concludes today's Q&A portion. I'd like to turn the call back over to Carrie Gillard for closing remarks.

Carrie Gillard

Director, Investor Relations, Under Armour, Inc.

Thanks for joining us on our call today. We look forward to reporting to you our third quarter 2016 results, which tentatively have been scheduled for Tuesday, October 25, at 8:30 a.m. Eastern Time. Thanks again, and good-bye.

Operator: Ladies and gentlemen, this does conclude today's presentation. You may now disconnect and have a wonderful day.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2016 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.