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Under Armour, Inc. (UA)

Q3 2013 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Under Armour, Inc. Third 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] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Tom Shaw, Director of Investor Relations. You may begin.

Thomas D. Shaw
Director-Investor Relations, Under Armour, Inc.

Thanks, and good morning to everyone joining us on today's third quarter conference call.

During the course of this call, we'll be making projections or other forward-looking statements regarding future events or the future financial performance of the company. We wish to caution that such statements are subject to risk 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 event on which the statement is made or to reflect the occurrence of unanticipated events.

Joining us on today's call will be Kevin Plank, Chairman and CEO, followed by Brad Dickerson, our Chief Financial Officer, who will discuss the company's financial performance for the third quarter, provide an update to our 2013 outlook and introduce our preliminary 2014 outlook.

After the prepared remarks, Kevin and Brad 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 on 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, President & Chief Executive Officer, Under Armour, Inc.

Thanks, Tom, and good morning, everyone. From our very first day of existence, Under Armour has been about making athletes better. Executing against that promise in 1996 had its own set of challenges, but they are dwarfed by the complexities of running a global brand with over $2 billion in revenues.

Our consumers' expectations shift constantly higher and they count on their favorite brands to consistently take them someplace new. The company that we are building to deliver on that promise is in constant evolution. We are a different company every six months. Our consumer moves quickly, and fortunately, so does Under Armour.

Today, I want to discuss that evolution, how it's manifesting itself in product innovations like Speedform and ColdGear Infrared, with emerging athletes like Stephen Curry and Jordan Spieth, and new retail experiences in Shanghai and New York City, all key elements of our growth story, yet all of them have only become important Under Armour stories in the past few months.

So while this evolution is taking place throughout our organization, I want to talk today about four areas of our business where our focus is helping generate growth in 2013 and beyond. First, I will cover how we will be more integrated than ever when it comes to telling our brand stories, how we'll have our products, communications and retail presentations aligned unlike anything we've done in the past, aggressively bringing our consumers into retail at key points during the year.

The second area is around innovation and how when we innovate, not only do we win with consumers but we drive an industry-leading pricing model because wherever we show up, in regional sporting goods, urban department stores or our new retail experience in Shanghai, we are a premium brand. That premium status comes from our ability to innovate, and that innovation enables us to drive that pricing power.

Third, we are winning with America's youth as we continue to resonate at the highest level with our youngest consumer. Apparel continues to drive our youth numbers, but we have had solid momentum in footwear as well, a great indicator of a long-term equity we are building in our brand.

And fourth, our team is constantly evolving as well. I will talk to you today about some new additions to our senior leadership and some other moves we are making to become a more globally focused organization.

And most importantly, we are doing this as we grow our business at an industry leading pace. This was our 14th consecutive quarter with net revenue growth of 20% plus and our 16th consecutive quarter with apparel growth of 20% plus. Our core is strong and that gives us the firepower to grow in new geographies with new categories and new consumers.

So, the first topic, how can we better integrate our products, communications and the presentation of our brand to consumers? Clearly, it starts with product, and as I said in our last call, the pipeline of innovation at Under Armour has never been more robust. Our ColdGear Infrared just hit retail in Q3, and it's off to a great start.

This latest innovation utilizes ceramic thermo-conductive inner coating to absorb and retain body heat. This industry-leading technology provides warmth without the weight and enables us to bring our consumer apparel that exceeds their expectations around cold weather protection.

In footwear, our big story for 2014 is Speedform. We are bringing to Under Armour footwear what consumers have come to expect from our apparel, innovation around fit, and we're bringing that innovation to the world of footwear by not making these shoes in traditional footwear factories but in bra factories that understand the importance of fit.

With innovations like these, our challenge is to align our communications and how we show up at retail for maximum impact with our consumer. We started that effort this year with our three Brand Holidays, the third of which will hit next month with athletes like Olympian Lindsey Vonn, freeskier Bobby Brown, and the lock for PGA Rookie of the Year, Jordan Spieth, who will help us tell a great story around ColdGear Infrared. And no story about Under Armour in the outdoors would be complete without an appearance by our friends from Duck Dynasty.

In 2014, we'll take an even more integrated approach to our Brand Holidays, with greater focus on key products and a more extensive effort with our retail partners designed to drive traffic into their stores at key points throughout the year.

That greater integration will also be on display at our Brand House here in Baltimore, at our newest store in Tysons Corner that we announced earlier this week, and the next evolution of Under Armour retail, our store in Manhattan that we will open in spring of 2014.

Combined with our New York office that is opening early next year, this new retail space in SoHo will give us a meaningful presence in the city and enable us to bring a local Under Armour story to New Yorkers and the millions of tourists that make their way there as well.

Just a week ago, I was in Shanghai for the opening of the Under Armour Experience, a first of its kind retail theater featuring an immersive multidimensional video experience that combines the high energy of our brand with our commitment to telling authentic athlete stories.

The experience in Shanghai's brand-new Jing An Kerry Centre on Nanjing Road is connected to our branded store with a curated assortment of Under Armour's best apparel and footwear technologies. One of our big goals with this new retail experience is to help educate our Chinese consumer on what it's like to be an athlete.

In order to do that, we had to break the traditional model a bit. While most retail is more like 80% product and 20% storytelling, we flipped that and are really concentrating on storytelling as a primary focus of the store.

You enter through a red carpet through an illuminated hallway and are greeted by a video image of Michael Phelps who is your host and guest trainer. He leads you through a series of vignettes that define the will of an athlete, including a training session with NBA star Brandon Jennings, rooftop yoga in Shanghai, and the exhilaration of running out on the pitch before a match at White Hart Lane, the home of Tottenham Hotspur.

The second piece I wanted to cover was how our innovation agenda enables us to win with consumers and drive a powerful pricing model. Our strategy is fairly simple. Wherever it is that we show up as a brand, our goal is to be best-in-class. Whether it's at our national sporting goods partners or regional ones like Scheels and Dunham's Sports, our innovation agenda is what enables us to be the premium brand at that retail destination.

So when we have success with a ColdGear Infrared long-sleeve at $50 or a woven stretch capri at $55, it reinforces our promise to deliver that best-in-class innovation to our consumer. We saw great evidence of that in Q3 where our average selling price grew by 5% in apparel alone. We believe our ability to continually innovate for our consumer and the pricing power that comes along with it is a key element of our growth story and one that helps separate Under Armour from our competitors.

The third thing I wanted to cover was our success with the young athlete, or as we refer to them, Next. Our continued strong growth in youth is prime evidence of our ability to make that emotional connection with the young athlete both on and off the field of play. We are winning with youth in both boys and girls, and it's not just in our core apparel where we would expect to be strong.

Our youth footwear business is extremely strong and we anticipate that strength continuing in 2014. One great indicator is that in categories like basketball where we are performing very well in authentic distribution with a slightly older consumer and we are making great strides in the category with our youth consumer as well.

And like we laid out at our Investor Day this past June, our focus when it comes to Under Armour athletes is all about Next. So we partner with a great up-and-coming athlete like Stephen Curry of the Golden State Warriors, we're connecting with the hardcore athlete who knows he set the NBA record for 3-pointers made this past season and a 12-year-old kid in New York who remembers him dropping 50 on the Knicks on his last visit to the Garden. It's athletes like Stephen, Jordan Spieth, Bryce Harper, Cam Newton and Sloane Stephens, none of them over 25 years old, that help us connect with our young consumer and challenge us to raise our product development game up to their level.

The fourth and final piece for me today is about our team, a team that is evolving from within but also adding a new dimension to our leadership with experience from the outside. First, the internal piece. Kip Fulks, currently our COO, is adding the new title, President of Product. In this expanded role, he will now directly oversee the design and development of all products including apparel, as well as our supply chain and information technology areas.

Henry Stafford, who has served as Senior Vice President of Apparel since joining Under Armour, will take on the role of President of North America. In this newly created position, Henry will be responsible for our North American wholesale business, retail marketing, global retail and global e-commerce.

Working together, Kip and Henry will drive an integrated product and merchandising strategy that will ensure we remain focused on growing our core business here in North America while providing a foundation for the product merchandising and retail development to help Charlie Maurath drive our business outside of North America.

In addition to Kip and Henry's new responsibilities, we've elevated Matt Mirchin to the new position of Executive Vice President of Global Marketing. Matt, Kip and Henry all embody the Under Armour culture and I'm confident in their proven ability to lead.

In addition to these appointments from within, we're adding two new members to our senior leadership team. Susie McCabe is joining Under Armour as Senior Vice President of Global Retail. She comes to us from Ralph Lauren with extensive retail management experience. Also joining the team is Jason LaRose as Senior Vice President of Global E-Commerce. Jason joins Under Armour from Express and will oversee our online consumer experience and drive our web business strategy. In their new positions, both Susie and Jason will report to Henry.

So I'll now turn it over to our CFO, Brad Dickerson, but I want you to know that there are multiple other areas of our business where we are working with just as much intensity as the four areas I focused on today. We will continue to be a growth company in constant evolution on all fronts.

We will use our brand momentum here in the U.S. to fuel our global ambition. We will stake out a new position with today's athletic female and we will become a more digitally relevant brand for our consumer in the next 12 months, and there will be much more. As I said earlier, we are a growth company and one that is focused on our future, but delivering results now.

With that, let me turn it over to Brad. Brad?

Brad Dickerson

Chief Financial Officer, Under Armour, Inc.

Thanks, Kevin. I now would like to spend some time discussing our third-quarter financial results followed by our updated outlook for 2013 and preliminary thoughts on 2014. Our net revenues for the third quarter of 2013 increased 26% to $723 million. Apparel grew 26% to $561 million during the quarter from $445 million the prior year, representing the 16th straight quarter of at least 20% growth for our largest product category.

In Apparel, we continue to perform best when we deliver newness and innovation to the consumer, a powerful dynamic that helped drive average selling prices approximately 5% higher during the quarter. Apparel results benefited from new innovations like the recently introduced ColdGear Infrared technology, expanded platforms in areas such as Storm and Charged Cotton, and enhanced design and cost in both legacy and new offerings.

From a product category standpoint, while training remained our largest category and drove the majority of dollar growth, we experienced strong growth rates in our running, hunting and mountain categories across genders. We also continued to see momentum in our Women's Studio line as well as significant growth across our Youth business.

Our direct-to-consumer net revenues increased 34% for the quarter, representing approximately 25% of net revenues compared to approximately 24% in the prior period. In our retail business, we've opened six new Factory House stores during the third quarter increasing our North American Factory House store base to 112, up 17% from 96 locations at the end of last year's third quarter. We currently expect to open 4 additional Factory House stores during the remainder of the year, bringing our total door count to 116. We are also on track to expand 9 existing locations in 2013 as part of our effort to better service demand with our broader assortment in areas such as Footwear and Women's.

Looking at our full priced Brand House stores, we continue to see positive results at our store in Baltimore and will open our second location at Tysons Corner near Washington, DC in early November.

Our story in our E-Commerce business remains consistent year-to-date, strong results driven in part by positive trends in average order value, given our improved inventory positioning across the channel.

Third-quarter footwear net revenues increased 28% to $81 million from $63 million the prior year, representing just over 11% of net revenues. Running footwear remains the largest contributor to growth with continued expansion of UA Spine and improved penetration across wholesale. We also concluded successful football season with cleats led by our expanded Highlight line where we continue to take market share.

Our Accessories net revenues during the third quarter increased 18% to $64 million from $54 million in the prior year period, led by strong year-over-year gains in both headwear and bags.

International net revenues increased 38% to $44 million in the third quarter and represented 6% of total net revenues powered by strong growth in our Europe and Asia regions.

Moving on to margins, third quarter gross margins contracted 30 basis points to 48.4% compared with 48.7% in the prior year quarter. Two primary factors contributed to this decline during the quarter. First, we experienced a higher U.S. import duty exposure on certain products imported in prior periods which were identified and reserved for during the quarter, negatively impacting gross margins by approximately 90 basis points.

In addition, as expected, product costs were also impacted by the re-sourcing of fleece to more reliable but higher cost suppliers, negatively impacting gross margins by approximately 30 basis points. Partially offsetting these gross margin headwinds, ongoing supply chain enhancements contributed to lower apparel sales discounts and allowances and air freight expenses, benefiting gross margins by approximately 70 basis points.

Selling, general, and administrative expenses as a percentage of net revenues leveraged 120 basis points to 31.7% in the third quarter of 2013 from 32.9% in the prior year's period. Details around the four SG&A buckets are as follows:

First, marketing costs decreased to 10.3% of net revenues for the quarter from 11.4% in the prior period primarily driven by the planned timing of our global marketing campaign this year as well as overall expense leverage given our top line performance.

Second, selling costs increased to 8.1% of net revenues in the quarter from 7.9% in the prior period primarily driven by the growth in our direct-to-consumer business.

Third, product innovation and supply-chain costs decreased to 7.3% of net revenues for the quarter from 7.5% in the prior period primarily driven by a shift from a third-party distribution facility in California last year to a consolidated in-house facility this year. And finally, corporate services decreased modestly to 6% of net revenues for the quarter from 6.1% in the prior year period.

Operating income during the third quarter increased 33% to $121 million compared with $91 million the prior year period. Operating margin expanded 90 basis points during the quarter to 16.7%. Our third-quarter tax rate of 39.4% was unfavorable to the 36.1% rate in last year's period, primarily driven by a lapping of state tax for the last year and higher levels of investment – international investment this year. Our net income increased 27% to $73 million compared with $57 million in the prior year period. Third quarter diluted earnings per share increased 26% to $0.68 compared to $0.54 last year.

Now, moving over to the balance sheet. Total cash and cash equivalents at quarter end increased 19% to $186 million compared with $157 million at September 30, 2012. Long-term debt including current maturities decreased to $54 million at quarter end from $72 million at September 30, 2012. Inventory at quarter end increased 59% year-over-year to $497 million compared to $312 million at September 30, 2012. As previously discussed, the normalization of our fleece levels following last year's delivery challenges was a significant driver of our higher inventory growth rate during the third quarter. In addition, we have moved some capacity back to certain suppliers after last year's challenges. In an effort to help smooth capacity with our suppliers, we have brought in some products earlier than otherwise planned.

Our investment in capital expenditures was approximately $23 million in the third quarter. We currently expect 2013 capital expenditures of approximately $95 million ahead of our prior guidance of the high end of $85 million to $90 million with the incremental investment driven by international supply chain initiatives and domestic retail.

Now, moving on to our updated outlook for 2013. Our prior outlook called for 2013 net revenues of $2.23 billion to $2.25 billion, representing growth of 22% to 23%, and 2013 operating income of $258 million to $260 million representing growth of 24% to 25%.

Based on our current visibility, we are raising our net revenues outlook to approximately $2.26 billion, representing growth of 23%. We are also updating our operating income outlook to approximately $260 million, representing growth of 25%.

Below operating results, we continue to expect a full year effective tax rate of 40% to 41%, while our full year fully diluted share count is now expected to be approximately 108 million, which is at the low end of our prior range of 108 million to 109 million.

We have several additional updates pertaining to guidance for the balance of the year. First, on net revenues. As we have previously outlined, we continue to plan our business assuming comparable weather year-over-year. Due to significant shifts in the timing of shipments, we also expect minimal growth in both footwear and international during the fourth quarter.

Moving on to gross margins, we expect a year-over-year decline in the fourth quarter of approximately 50 basis points with the factors driving this decline consistent with those outlined in last quarter's call. The positive factors include ongoing supply chain improvements following last year's delivery challenges and lapping last year's excess disposition strategy at our Outlet stores. The negative factors include more expensive re-sourcing of key products and FX impacts on our licensing revenue stream from Japan and the impacts of the previously discussed change in our Canadian import duty methodology. While we have a lot of moving parts for the quarter, we still expect the full year gross margin rate to improve modestly from the 47.9% level in 2012.

Switching over to SG&A. In marketing, based on year-to-date [ph] setting (22:26) trends and leverage from higher revenues, we now expect the full year marketing expense rate will be closer to 10.8% compared to last year's 11.2% rate.

Looking at the other three SG&A buckets in aggregate, we expect expense deleverage during the fourth quarter given higher incentive compensation levels and ongoing investments to support our global growth initiatives.

Overall, although we now expect a slight increase in consolidated SG&A spending rate for the full year, we still expect to achieve a modest operating margin expansion from the 11.4% level achieved in 2012. As we indicated last quarter, we will remain opportunistic with any additional net revenues or gross margin upside to our plan during the fourth quarter by reinvesting in SG&A to help support our growth initiatives in future years. Thus, we expect more ability to improve our operating dollars in the event of better than plan results and not operating margin.

Finally, a little more color on inventory. The same factors that impacted the third quarter are expected to persist in the fourth quarter. However, we expect the inventory growth rate will ease sequentially in the fourth quarter but remain higher than sales growth.

Before we turn it over for Q&A, we'd also like to provide you with our preliminary outlook for 2014. Based on our current visibility, we anticipate 2014 net revenues and operating income to be at the lower end of our long-term growth target of 20% to 25%. I would emphasize that our focus will remain to drive higher operating income dollar growth balanced with making the right investments to drive our long-term global success.

We wanted to outline two preliminary factors to consider for 2014. For net revenues, we expect accelerated growth rates for footwear and international, with most significant growth impact for each expected to occur in the first and fourth quarters. For gross margins, we expect modest full year gains driven by ongoing supply chain efficiencies partially offset by a less favorable sales mix.

As has been our custom, as we finish up the current year and get more clarity on next year, we will provide more color on 2014 during our fourth quarter earnings call in January.

We'd now like to open the call for 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] The first question is from Matt McClintock of Barclays. Your line is open.

Matthew J. McClintock
Analyst, Barclays Capital, Inc.
Q

Hi. Yes, good morning, and thanks for taking my question.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Hi, Matt.

Matthew J. McClintock
Analyst, Barclays Capital, Inc.
Q

So, Kevin, I was just wondering if you could drill down more into the Women's business, the improvement to the product that you've made in the fall, what you're seeing there specifically, and then if we could actually extrapolate that into what you're doing with the Studio shop-in-shop and how you think about using that to potentially transform what traditionally hasn't been a place for women to shop, the sporting goods channel, to actually draw women to that channel? Thank you.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Great. So, I want to say this remains a tremendous opportunity we think for the brand, and as we stated all along, we believe that Women's has the potential to be larger than Men's, in fact, that it will be larger than Men's someday in the future. Women's today is nearly 30% of our Apparel business versus less than 16% when we were a public Company that we'll celebrate here in just another week or two, more than eight years ago. So in addition, we've also added more than $2 billion in revenues during that time. So we're very pleased I think with the trajectory that Women's has is outpacing our overall growth of the Company.

Our Women's business as we stated in Investor Day as well is something we anticipate to be a billion dollar business for us by 2016, and we're highlighting that with the emphasis around opening our New York office sometime the end of this year, early part of next year, led by Leanne Fremar who joined us from Theory within the past year. And we're seeing this team that Leanne is building out, and again, in addition to the other brand experts that we already had here, the momentum that we have and the ownership we believe we have with that female athlete, frankly making more beautiful product for her, taking her from beyond just on the athletic field and taking her to places that I don't think they'd expect the Under Armour consumer to be in the past.

We're also I think putting our money where our mouth is around Women's. You mentioned the shop-in-shops, and so you'll see a big emphasis on that. One thing that we've done differently in 2013 we think that paid really good dividends for us was our use of the Brand Holidays, and we've had three of them as I mentioned in my script, the first two that have already taken place, the third of which will happen in the next couple of weeks, and we're planning to commit at least one of those Brand Holidays exclusively to Women's in 2014 also. So, we want to make a big statement that we believe that Under Armour Women's is really alive and something that can be extremely important for us.

Now, probably one of the best vehicles we've seen our Women's product come to life has been the idea of Women's Studio. And I think it's really our commitment with number one, any of you that were here at Investor Day, you see it highlighted particularly in our own Brand House store. But really from the excitement we have in some of our key partners like Dick's Sporting Goods where we've built out this new Studio presence, and I think we've all gotten extremely excited about what it can mean and what it's done I think to the dimension that's been added to the brand, but also showing I think a different side of Under Armour than the female consumer has seen us before is that we're much more than compression shorts and sport bras, and I think we've demonstrated that with the range that we have as a product. And I can tell you it's – it only gets better and better.

We're also from a distribution standpoint, we talk about the department stores as being something that's important to us. We're in roughly 1,000 department stores today. The majority of that, the assortment, and I want to be clear, these are not full assortments we have there. The majority of that is Youth underwear and there's a Women's product.

So, we believe there's a lot of growth available for us there, and frankly it's a way for us to reach the female consumer where she shops. And so we're going to hit it at all levels, first and foremost in our core sporting goods partners, we're going to become more comprehensive in the way that we present ourselves there. We also have some initiatives that we stated of building out things like the Women's Studio Shops, like the Lux Shop that we have at Dick's, for instance.

And then we also are going to continue to emphasize I think the places where she's shopping. And again, as I mentioned, the department store business. So, Women's for us remains a tremendous opportunity and it continues to outpace our overall growth as a company as well.

Matthew J. McClintock
Analyst, Barclays Capital, Inc.
Q

Thanks a lot, Kevin.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Okay. Thank you.

Operator: Thank you. And the next question is from Eric Tracy of Janney Capital. Your line is open.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Eric?

Operator: Eric, please check to see if your line is open – or on mute. I'm sorry.

Eric B. Tracy
Analyst, Janney Montgomery Scott LLC
Q

Hello. Kevin, can you hear me?

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Yeah.

Eric B. Tracy
Analyst, Janney Montgomery Scott LLC
Q

All right. Sorry about that. So, we really want to dig in on the footwear piece here a bit, maybe just talk about sort of the evolution of Spine as we go into spring next year, the introduction of Speedform, sort of the cadence and how we should think about the distribution strategy there? It seems to be again we're at an inflection point and an acceleration, but just want to sort of gauge your thoughts, updated thoughts on footwear?

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Yeah, I think – I keep level setting I think with the expectations we laid out back in June at Investor Day. But one of the things we talked about was being a top three footwear brand in sporting goods, and we looked at where we're successful and where we're winning, and obviously the apparel sports base in any given sporting goods store, Under Armour has a significant impression. And unfortunately, we haven't represented that way on the footwear side.

And so we've got a couple of things. When Kip first took over the footwear business several years ago, one of the initiatives we had was building shoes across $100. And I think we saw success with things like Charge RC, we've seen success with the first price point we introduced Spine with, RC was at $120, Spine was at $100.

And I think we came to realize is that just picking some number isn't necessarily the right place for us to be, particularly in sporting goods, where you're really winning there is at $70, $80, and $90. And so we've changed that mindset a bit that we're very pleased I think with the premium product that we have. And things like Charge RC and things like Spine and in products that we have like Speedform, and I'll get to that in a second.

But we also have some products we're really excited about heading into the year with some wheelhouse price points like the $80 product that we have called Engage coming out. So we really want to emphasize and focus on winning where we're already being successful in the Apparel side which is in sporting goods.

We also believe there's a tremendous opportunity in the mall. You know, our key partners in Finish Line and Foot Locker that have been incredible partners for us and continue to give us great runway. So Speedform is going to be a critical component of what that means.

So, let me back up for a second and just talk about Spine. Spine continues to sell very well for us. The latest iteration that we have is called Vice, and we're about to launch a new even lighter sneaker and faster version in early 2014.

I mentioned Charge RC, so you'll see us coming back with new styles and colors and updates to that style that ranges somewhere between $110 and $120. And then what we have with Speedform that we introduced in a really small way just to get a taste of what we thought the product could do at $120 this year in specialty, and the product has been incredibly – we're incredibly pleased with it at this point. For instance, we made the cover of Competitor Magazine being labeled the best innovation in 2013.

We're coming back from a bit of a more commercial product that we have we're going to call Speedform Apollo, which will launch at $100 in a lot more volume in many more of the places where you'd expect to find Under Armour. The feedback we're seeing on the product has really, really been good, though, and something that we believe that we're in a position to do well.

You know, all of this that we say running, and I think we've been clear that we need to win in running. So we're – it's great not to just be talking about one style heading into a season, but being able to talk about $120 Charge RC, $100 Speedform, a $90 Spine, an $80 Engage, you know, you're seeing us begin to add some dimension to the brand, but at the same time, it's all underpinned by I think the authenticity that we're driving on field. You know, football for us included in – and I think people roll their eyes a little bit – but I can tell you the authenticity that we get from being as good as we are in grabbing market share in places like cleated has been extraordinary for us.

Football for us as a whole, we are up 28% in units and 42% in dollars with the Highlight cleat leading the way. When we enter a market with that type of innovation, we're seeing it cascade into many other products. When we're selling the Highlight cleat at $100, $110 or $120, what that does for us in some of our $70 and $80 price points as well, it really drives business and it moves market for us.

We're also seeing I think really nice progress in things like basketball. We recently announced Stephen Curry joining our roster of athletes, and something we're really excited about, again, broke the record in the NBA for three-pointers last year, and I think a tremendous competitor and somebody that really fits well with the character of our brand and frankly somebody I think like the DNA of all of our athletes, some of them really wanted to be with us. And so I think we're getting more presence on court, but I think we're doing it in a prudent way. We're not trying to buy loyalty. I think we're demonstrating we're earning it, whether it's on the football field or it's on the basketball court, some of the moves you're seeing us do in soccer with Tottenham Hotspur, Colo-Colo and others, you're seeing us show up I think in more relevant ways with our brand, and again, all these things underpin the success that we've had in apparel, but I think you're beginning to watch it move towards an area like footwear too.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc. **A**

And Eric, I just wanted to tie in to Kevin's comments and clarify my prepared remarks around the Q4 growth rate in footwear, and again just emphasize this is a timing issue. The fourth quarter actually is our lowest volume quarter for footwear, and this is really more around the timing of our baseball cleat shipment, and again, it's our lowest volume quarter. So, our year-to-date 2013 growth rate in footwear is around 25%. And again, we've called out the fact that footwear is going to be above the company growth rate in 2014, so the Q4 growth is just a timing issue.

Eric B. Tracy
Analyst, Janney Montgomery Scott LLC **Q**

No, that's fair. And then I guess, Brad, to follow on that, the footwear acceleration next year, understand that dynamic in terms of laying on gross margin, but the early sort of color on gross margin next year of modest gains, you know, given supply chain enhancements, given – now, pricing seems to be, again, whether it's within footwear or even apparel, a nice tailwind, some of these one-time sort of upfront costs should go away. Could you maybe just walk through again the gross margin dynamic next year? Where the potential is for upside, or is it purely just the mix on the footwear that should be the drag?

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.
A

Sure. And to be honest with you, right now on the gross margin side looking at the data we have and the data that we don't have yet, we have pretty clear visibility into spring, summer 2014 and don't have all the data points on fall, winter 2014 yet, so we're kind of using spring, summer 2014 as a proxy for our guidance for the full year of 2014. And if you kind of look at the front half of the year and the things that you have, you have a couple things working in your favor. A lot of the things you mentioned, some supply chain enhancements that we've been making along the way, and we would continue to expect to see some benefit from those going into next year and for the full year.

Some of the things working against us is the mix piece, so obviously if we're calling out things like footwear in international, those are two parts of our business that from a gross margin perspective, although both improving year-over-year within themselves, are still a drag on gross margins overall for the company. So that would be a big part of offsetting some of those supply chain enhancements that we'd make during the front half of the year.

So again, positives, supply chain side, again, positive there, working for us. The negatives on the gross margin side would be the businesses that are growing above the company growth rate I think for international.

Eric B. Tracy
Analyst, Janney Montgomery Scott LLC
Q

Okay, I appreciate it. Thanks, guys. Thanks a lot.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.
A

Yep.

Operator: Thank you. And the next question is from Evren Kopelman of Wells Fargo. Your line is open.

Evren D. Kopelman
Analyst, Wells Fargo Securities LLC
Q

Hi. Can you hear me?

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Hi, there. Yeah.

Evren D. Kopelman
Analyst, Wells Fargo Securities LLC
Q

Okay. I wanted to ask on the inventory – maybe taking both the inventory on your book and also thinking about the channel excluding the fleece and timing compare issue you mentioned, how do you feel about it, about the content of it? And thinking the second kind of interrelated question is how is the sell-through performance in the channel in the quarter? Maybe was there a difference in sporting goods versus department stores versus others in all the sales channels? Thanks.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.

A

Yeah, on inventory in general, and then sell-through from an inventory perspective, like I said, there are a couple big issues that are really driving back the year-over-year growth rate. We are absolutely comping a challenging service level of last year that we talked about last year, especially in the fleece business, so more normalization of our inventory levels on the fleece side.

If you remember, our inventory growth last year in Q3 was a minus 2%, you know, just kind of going back to some of the challenges we were having last year at this time. In addition to that, we kind of are in this, kind of in the middle of a period here of improvement relative to some supply chain things, specifically on the inventory side.

We talked a lot in our Investor Day about our three-year planning process and the benefits that's going to have specifically to the supply chain longer term. Those really probably, you know, the benefits of getting better visibility out there further from a capacity perspective probably won't start really coming into play for us until we get into 2015, maybe end of 2014 into 2015.

So in the meantime, we've talked about kind of re-sourcing some of our products through our existing suppliers and putting more capacity to our existing suppliers. So part of the byproduct of that was making sure with them, really working with them in managing their capacity and their low level loading of inventory and manufacturing, the ability to smooth that out and take some inventory in earlier, too.

So the impact of that's been a little bit more than we anticipated coming into the back half of this year, on top of, again, the comp issue that we are absolutely having the back half of last year to relative to our service levels. So those are really the two big things that are driving inventory.

As you look again into Q4 and into early next year, I would assume pretty similar stories. Again, I think if you looked at our growth rates in inventory, in Q4 of last year it was minus 2% and Q1 this year was flat year-over-year. So if you look at some of those challenges we were having on the supply chain side were definitely all in the back half of last year and in the beginning of this year, so we'll continue to have some of those comp issues and we'll continue to have this issue of level loading with our vendors too from a capacity perspective until the benefits of [ph] 3YP (40:21) start to kick in a three-year planning process.

On the sell through side, obviously we're posting really strong results here in the quarter. We've seen really good results in our direct-to-consumer business. Obviously, as I stated in my prepared remarks, on the wholesale side of the business we've absolutely had another strong quarter and anticipate a strong quarter in the fourth quarter.

Have we seen some impact to the much-publicized softness in retail? Absolutely. I think everybody sees some impact to that. We've seen a little bit of that as we got towards the end of the third quarter and the beginning here in the fourth quarter. But again, all that's kind of built into our guidance and we're working through that. It has impacted our business a little bit, but again, I think much, much less than it has probably other people in the space.

Operator: Thank you. And the next question is from Camilo Lyon of Canaccord Genuity. Your line is open

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.

Q

Thanks. Good morning, everyone. Kevin, I wanted to just touch on Youth, and in particular, Alter Ego. It seems like that's been a runaway success for you. I was curious to hear your thoughts on how you plan to expand the distribution. I know that you started going into your wholesale partners with the product this quarter. How do you see that broadening unfold? Do you think about the shop-in-shops dedicated to Youth category?

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.

A

So, first of all, Alter Ego for us has been a really great success in 2013. It's a business that in June of 2012 didn't exist. We ideated it, tested it, built the product and had it in store this year. We primarily were in market with just a couple of our key partners, only maybe two or three of our partners. So we're just starting to get in front of them on the production side where we can get the product out there. So within our existing distribution, there's a lot of runway I think for Alter Ego.

At the same time, as good of partners as Marvel and DC Comics have been for us with this process, we're also, we'll go after this cautiously optimistic about how many Batman and how many Superman T-shirts. First of all, there's a whole slate of characters that they have, and so we're making sure we spread that and we don't want to get caught holding the bag as trends move up and trends move down.

However, we believe in it. We think there's a – plenty of runway there. What we discovered I think as a company, though, is that not as much about just any one particular character as it is about the want and the desire and the need for newness and for novelty, and so we believe that we've invented this new category of novelty.

And so whether it is Batman, Superman, Iron Man or whoever else we use or whether it's a slogan, we know that the consumer is not looking for a basic white T-shirt with an Under Armour logo, a black Under Armour logo on the left chest, that we need to provide them a little bit more.

And that's frankly across-the-board what we've seen with our – all of our styles is that particularly in our direct-to-consumer business, when the consumer comes to us, they're not looking for the basics, but they're looking for the things that have a little more surface texture, have a little more interest, a little more technology, and frankly, higher price points, too.

So Under Armour is really getting de-commoditized I believe to some extent while we play with big volumes and big programs, and we can make some pretty wheelhouse programs and products. We think that the consumers continue to push us to add some more innovation, and luckily we've got an innovation pipeline that's really full.

Youth, as you mentioned, Camilo, it's been really just on a tear for us. Our Youth business as a whole continues to I think really lead the market as best we've seen.

Our product alone on the Youth side is up. It's outpacing by almost 2x our total company growth. We haven't found the top. The biggest challenge we have is finding appropriate distribution. Our own key partners have never exactly emphasized Youth departments and Youth sections in their stores, and I think because of the success that we've seen, we're testing that more and more and we're looking to be creative I think with some of their own floor space in some categories that are more a drag with them and saying how can we build out bigger Youth sections? So that's something I think you'll see come from us.

And as I mentioned in my own script where Youth – this is not a Youth apparel conversation, either. I think I made the statement of challenging somebody and go ahead and take a dozen 12 and under-year-olds and give them a $100 and tell them walk into a sporting goods store and buy one piece of apparel and one pair of shoes, and I think there's a really good chance that they'll walk out with a piece of Under Armour apparel on the top and based on what we're seeing in the last 6 and 12 months in footwear, there's about as good of a chance these days of them walking out with a pair of Under Armour shoes, too. So we're really resonating with that kid and we're looking forward to doing a great job growing up and growing old with them, too. So I think it has us positioned very, very well.

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.

Q

Great. Thanks for that color. And then, Brad, just quickly, you talked about assuming a similar weather pattern as last year. How do you view your ability to meet at-once orders should weather become more favorable, and how do you think of that as a source of upside? And then just finally on the gross margin, have you begun to realize the mix benefits in your direct-to-consumer business as you skew more towards made for versus excess?

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.

A

Yeah. First on the weather side, yes, absolutely, if weather is in our favor, there will be upside for us. But again, the part of AR business and the part of our business that is extremely weather dependent is much less than it maybe was five or six years ago. So a lot of our Q4 product is going to be in the fleece side, which is much more versatile and may be less dependent on weather than maybe how we looked five, six years ago. So would there be an upside for us if weather was cold? Yes. But let's just make sure we're prudent on how much upside there would be relative to that.

From an AR perspective, absolutely our AR fill rates are much better year-over-year. We were in the high 80%s last year in AR fill rates and now we're in the mid-90%s where we probably should be. So again, if the weather gets cold and somebody is looking for that product that's an AR style, we should be able to service that demand in the fourth quarter.

Relative to the gross margin and the realization of benefit for mix, yes, we're still seeing some of that benefit on the made for mix. It was definitely there in the third quarter also. It was being offset though by some other mix issues, specifically with the growth in footwear for us in the third quarter also. So yes, we're seeing consistent benefit in the made for mix and the margin upside of that is just a little bit muted in the third quarter because of some other things going on in mix.

Camilo R. Lyon
Analyst, Canaccord Genuity, Inc.

Q

Got it. Thanks, and good luck for the balance of the year.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.

A

Thanks.

Operator: Thank you. And the next question is from Michael Binetti of UBS. Your line is open.

Michael Binetti
Analyst, UBS Securities LLC

Q

Good morning, guys. Congrats on a nice quarter.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.

A

Hey, thanks, Michael.

Michael Binetti
Analyst, UBS Securities LLC

Q

So, Brad, since you mentioned it earlier on the international investments in the quarter, that was a big point of the conversation at the Analyst Day you guys had at headquarters this summer. Maybe you guys could talk a little bit about the plan for international as you look just into 2014 in the context of what you guys talked about at the Analyst Day in the headquarter, what some of the investments may look like. That was, you know, it was obviously a material component of how you guys guided operating margins as well. So maybe just a little bit more about how the near-term looks on that.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.

A

Yeah. Michael, let me take this and just do a sort of a big overall sentiment on international for us. So, first of all, I think we laid it out very well and it was great to have the ability to introduce Charlie to I think the investment community and get you to see the type of leadership that we have there.

So, we have a couple of basic rules here at Under Armour. One of them is that great ideas get funded, but only great ideas with great leaders get funded. And so, we're putting our money where our mouth is on that side as well in addition to the Women's, and what we see is that international has great dividends for us, but we know it's going to be an investment, it's going to take time.

And part of our restructuring was really built around that. You know, the movement that we did with Kip and with Henry was really to put some of our better leaders on our cash generators. And the philosophy that we're driving I think our corporate strategy with these days is this, this principle I had it in my script where I said our North American growth and cash creation are going to be the engine that feeds our global ambition. Because we have the success in North America, it allows us to make these longer-term investments.

And so we're going to be investing appropriately internationally. But we're going – we believe we've got some really good ideas and we believe we have some really good leadership. So let me work my way around the world and start with Latin America, which is what Charlie had been working on prior to coming to Under Armour, specifically for the last eight years, but not exclusively, of course.

Mexico, we're in a process of bringing back in our Mexican and making them – Mexican distributor into a subsidiary by the first quarter 2014. We just opened our first specialty store in Mexico City in the first week of October and it's doing very well. I think we're seeing that we're resonating with that consumer.

Brazil is obviously a big topic of conversation for everyone. The team that Charlie has assembled there is literally second to none. Unbelievable amount of experience, 50 years' experience that we have. That office is open now and will be beginning to probably look to move our product – we'll be in there by, in time for World Cup in 2014.

It's not a huge presence, but again, it'll give us traction. And I think you'll see an even bigger presence as we build up for the Olympics in 2016 also.

Chile is another office that's just opened in the past month. We announced the deal that we did with Colo-Colo, who's one of the largest soccer clubs in Chile as well, and again, with just a proven professional who is running our business there.

Moving across the pond to Europe, you know, it's a place where we've been in Europe really since 2006. We just opened a new office in Manchester to focus on the UK specifically. Our business with Tottenham Hotspur is something that I think it demonstrates our commitment to being a global brand and obviously showing up on the global stage of EPL is something that they're doing very well. And our kit is doing extremely well in that market also.

That being said, we still have – we have work to do in Europe. We're still resonating with that consumer and we believe we like our leadership, we like our team. We have good momentum. But we need to capitalize on it. We need to make Europe an absolute win and a positive for the company. And we see it. We believe that that tipping point as we sit here in year seven or eight of our existence there is something that is very, very close for us.

Moving to the other side of the globe to Asia, beginning in China, I talked about last week having been over there and done a tour from visiting our partners in Japan, who are doing extremely well, growing close to 30% on a meaningful business there. Again, they nearly crossed US$200 million last year, and continuing to grow.

China for us, where I spent time, we've got six stores open right now. Three of them are exclusively Under Armour stores. The Under Armour Experience that we opened in Shanghai is just a really cool environment. And again, I believe the first thing that we need to convince the consumer in any market, but particularly in China, is why walk by, you know, how do I compel you to walk by the four or five global brands you've heard of and the seven or eight local brands and convince you to walk into an Under Armour store or participate with our brand, and we believe that we're doing that with this new retail experience. So something very exciting, and we think there's a lot more things to come.

In other places, Taiwan and Hong Kong, opened our first store with a new partner in Taiwan recently. In Hong Kong, we opened with a distributor there called GigaSports, a retail chain there. And again, the product is doing extremely well. We just launched both websites recently.

So, we're balanced. It sounds like we're doing a lot. We really are, but we believe we have it in control. I think part of our shift is again this reorganization we just announced has as much to do with Under Armour transforming from being a North American company selling stuff in other parts of the world but truly being a global brand that's doing business in North America, in Latin America, in Asia and in Europe. And so we're very focused on making that happen. I think we're taking really good positive steps toward that direction.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.

A

And Michael, just on the magnitude of the investment, we'll be growing SG&A in Europe. To Kevin's points, I think most of the additional investment we're looking at from 2013 to 2014 and even starting in 2013 is just building up the foundation of the international business globally. So making sure that we have the right people, process and systems from an information technology perspective, supply chain and leadership. As Kevin mentioned, it's part of the additional investment this year and into next year.

And probably another big piece of the additional investment is going to be in that Latin America region as we bring Mexico in as a fully owned subsidiary and we open up fully owned subsidiaries in Brazil and Chile. So when you're looking at kind of year-over-year incremental investments, it's that international corporate group and it's Latin America that are really driving the investment in international for the most part.

Michael Binetti
Analyst, UBS Securities LLC
Q

Okay. Thanks a lot, guys.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Thank you.

Operator: Thank you. And the next question is from Kimberly Greenberger of Morgan Stanley. Your line is open.

Kimberly C. Greenberger
Analyst, Morgan Stanley & Co. LLC
Q

Great, thank you. I'm wondering if you can just help us with the preliminary 2014 outlook. I know that on your fourth quarter call, you'll have a lot more detail, but what is it that you're seeing happening in the environment that would suggest that the lower end of your targets are the right place to be for next year? And if there's any additional color you could offer on that, that would be fantastic. Thanks.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.
A

Sure. I think we just kind of look where we're guiding this year compared to our guidance next year relative to revenue growth rate. The two things that we did call out, international and Footwear being accelerated growth next year. So you would look at those two things being positive from a growth rate perspective. But the one thing I think that clearly we look at year-over-year and where we are this year versus next year that a larger piece of our direct-to-consumer business is our Outlet business. And we have talked about slower growth in doors, new doors, on the Outlet side, although we are focusing on growing and expanding some existing doors. Our outlet business will grow at a slower pace than this year as we start to transition also into putting more effort into the Brand House side of our business on top of the Outlet business.

So that DTC business is obviously a much bigger business than international and Footwear combined, and again, Outlet is the biggest part of that DTC business. So you have two businesses growing at a faster pace that are off a smaller base than the Outlet business which will grow at a little bit slower pace.

Kimberly C. Greenberger
Analyst, Morgan Stanley & Co. LLC
Q

Thank you. That's really helpful. And then in terms of your wholesale, should we assume that wholesale will also be near the lower end of that range as well?

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.
A

Yeah, usually since wholesale is the biggest part of our business, you would expect it to be pretty much close to the range that we're guiding to for the most part.

Kimberly C. Greenberger
Analyst, Morgan Stanley & Co. LLC
Q

Great. Thanks.

Thomas D. Shaw
Director-Investor Relations, Under Armour, Inc.
A

Operator, we have time for one more question.

Operator: Okay. And the last question is from Sam Poser of Sterne Agee. Your line is open.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.
Q

Thanks. Thanks for taking my question. Brad, I was just wondering, can you give us some detail on how you're thinking about the SG&A next year? Will it be this constant reinvestment or do you expect that to open up a little bit towards the back of the year, if sales come in above where you're going?

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.
A

Sure, Sam. A couple of things just to call out on SG&A for next year, we do see some items like marketing as an instance that I probably would, you know, if I was looking at it directionally for marketing right now, I'd say it's probably going to be a little bit of a deleverage for us next year based on where we're going to end up this year.

Again, we haven't really figured out the exact timing of that yet. So we'll give more information on timing in the next earnings call. And something we're calling out this year will also be a little bit of an investment overall for the company next year, and that's in incentive compensation next year, which is kind of across all four of our SG&A buckets. That will be a deleverage item next year.

Consistent stories relative to again some of the investment needs, open innovation is an area that directionally we would look to be increasing our investments on the product side, specifically innovation. Supply chain in an area again of investment for us as we are looking to expand our capabilities globally, and obviously a continued expansion of our global business itself as we just talked about, specifically in Latin America with all the investment areas for us.

Relative to your question about how the investments play out versus our top line and performance, I think the one thing that we're going to constantly balance is we are focused on driving operating income dollars and operating income dollar growth just like we talked about in our Investor Day over the long-term. We will always look for opportunities to help ensure successful business in a subsequent year or do things in the current year that could benefit the current year also from an SG&A or investment perspective.

So, if numbers would come in better than we are planning for 2014 or the timing of that would happen differently, we would definitely look to work or reinvest those dollars and be opportunistic to benefit 2014 or probably more specifically as we get towards the end of 2014 what could we do to accelerate or ensure our success for 2015.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.
Q

Okay. Thanks very much. And then you talked about the mix – in the fourth quarter, you talked about gross margin being down, but the mix of retail is going up and the mix of footwear is going down in the fourth quarter. So why would that drive lower gross margins?

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.
A

Probably the only – you know, there's a couple things that are going to be happening in Q4 that maybe were a little bit more impactful in Q3. First and foremost, if you remember the Canadian duty issue we called out in the last call, we talked about some uncertainty around the impact of margins for that in the back half of the year. That's still an ongoing issue. We have not resolved that issue. It's still in the kind of the audit mode right now. So we didn't really have an impact in the third quarter relative to that issue. We do fully anticipate that that issue is going to be resolved in the very, very near term here.

So there will be a fourth quarter impact to that issue as we finish up this year. So that would be a little bit of a difference from Q3 to Q4. And also on the FX side, our business in Japan where this really impacts us, the change in the Yen rate year-over-year will be a little more elevated in the fourth quarter versus the third quarter also. So those are two things, two unique things I think that are going to be more elevated in the fourth quarter versus the third quarter specifically.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.
Q

Okay. Thanks. And just any word on tax rate for next year, and that's it.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.
A

Tax rate for next year, again, that's something we have to really kind of roll together all the numbers, and especially the back half of the year, but I would anticipate the two big drivers of tax rate for us right now is our ability to have comparable tax credits year-over-year, would be one thing. So, if we were able to get tax credits next year that we would have this year would be one way to look at the direction of our tax rate.

And the second thing would be obviously reporting to incremental international investments. And we need international profits to drive a lower tax rate, and when we're in an investment mode, that will work against us from a tax rate perspective. So my sense would be our tax rate next year will be probably be a little bit higher than this year, but as we get more information, we'll guide to that obviously in January.

Sam Poser
Analyst, Sterne, Agee & Leach, Inc.
Q

Thanks, very much. Good luck.

Kevin A. Plank
Chairman, President & Chief Executive Officer, Under Armour, Inc.
A

Thanks, Sam.

Thomas D. Shaw
Director-Investor Relations, Under Armour, Inc.

All right, thanks everyone for joining us on our call today. We look forward to reporting to you our fourth quarter 2013 results, which tentatively have been scheduled for Thursday, January 30th at 8:30 a.m. Eastern Time. Thanks again, and good-bye.

Operator: Ladies and gentlemen, this concludes today's program. You may now disconnect. Good day.