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# Under Armour, Inc. (UA)

Q4 2013 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, ladies and gentlemen, and welcome to the Under Armour Incorporated Fourth 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 introduce your host for today's conference, Tom Shaw. You may begin.

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Thomas D. Shaw

*Director-Investor Relations, Under Armour, Inc.*

Thanks, and good morning to everyone joining us on today's fourth 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 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 factor 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.

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 fourth quarter and full-year 2013 followed by an update to our 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 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, Under Armour, Inc.*

Thanks, Tom. And a good morning to everyone from the brand-new Under Armour office here in New York City that just opened earlier this month. It's great to have a presence here and lease space in Chelsea, and we're looking forward to the opening of our first store in SoHo later this spring.

So Under Armour is a growth company and with growth comes change. We like to say that Under Armour is a different company every six months. So we thought we'd start today by listing a few game-changers that took place since we last spoke.

First, despite starting the season unranked, Auburn University had two of the greatest comebacks in college football history on its way to playing in the BCS National Championship games. Then we announced partnerships to outfit two of the most prestigious collegiate sports programs in the United States, the University of Notre Dame and the United States Naval Academy. As someone here characterized it, we now have both God and country covered. Thirdly, we signed agreements to outfit two leading soccer clubs, Colo-Colo in Chile and Cruz Azul in Mexico, as we lay the foundation for growth outside the United States in the world's biggest sport.

Next we signed our first ballerina. I can safely say those are five words I didn't picture myself saying on an earnings call when I started the business in 1996. Misty Copeland of the American Ballet Theatre is a great illustration of how we will bring new dimensions to the Under Armour brand in 2014 as she helps us redefine what it means to be an athletic female. And finally, we made what we believe is compelling first acquisition, MapMyFitness, which firmly positions us at the forefront of the exploding connected fitness movement.

So a quarter with major new developments across our categories, geographies and business units, but fortunately Q4 had a lot in common with the quarters that preceded it. It was our 15th consecutive quarter with net revenue growth of 20%-plus and our 17th consecutive quarter with apparel growth of 20%-plus. As we said on our last call, our core North American apparel business is strong and that gives us the fire-power to invest and grow in new geographies with new categories and new consumers.

So I just want to spend a minute this morning talking about an outstanding Q4 that capped an exceptional 2013 because it reinforces our strategy of investing in our growth drivers for the long term. I promised Brad I'd let him deliver most of the good news in the quarter, but I want to stress that the 35% top line growth we saw in Q4 was driven by strength across the board in all of our businesses. We certainly saw some benefit to our Fleece and ColdGear in the quarter from the weather, and Brad can talk to that in a bit, but the sales momentum was evident in both our wholesale and direct-to-consumer business with apparel growing 35%, footwear 24%, and accessories 52%. That continued momentum in our North American apparel business is a great testament to our ability to develop large scale platforms around our relentless flow of innovations.

For example, in the third quarter we introduced our latest apparel innovation, ColdGear Infrared, our industry-leading technology that provides warmth without the weight and enables us to exceed our consumers' expectations around cold weather protection. With a strong launch in 2013 including solid holiday sales across men's and women's wearing pieces we will start to see even more meaningful volume for ColdGear Infrared in 2014.

Our ability to expand platforms is a critical piece of how we are driving growth. In year two, we'll bring the ColdGear Infrared into new categories, much as we did with both charged and storm cotton which last year in just year three topped \$300 million in combined revenues. This category of charged and storm cotton did not even exist before 2011, just three years ago.

I mentioned the strength of our apparel business was across the board, and I want to quickly cover women's and youth. Coming off of a year of outstanding results in women's, we are extremely excited about what we've planned for 2014. In addition to the great product that is in the pipeline and our improved presentation at retail, including our New York store that opens this spring here in SoHo, we will be focusing our second brand holiday this year on women's.

One of the reasons we are so bullish on our women's business is that there has been a quiet shift going on where women are increasingly wearing "athletic products" outside of the gym. We think the reality is this shift is more permanent than some may expect as our female consumer continues to embrace our technology innovation and increased focus on style. We are in a great position to continue to grow this business as we build a loyal base of athletes and are growing with her as she moves into new categories and end uses for Under Armour product.

We had an extremely strong 2013 in youth, or as we refer to them, Next. Our youth business has exceeded all of our expectations and we continue to see momentum across not just apparel, but also footwear and accessories as well. For the year, youth doubled the growth rate we saw in our men's and women's apparel businesses. This broad-based strength gives us great confidence in our long-term future as we remain laser focused on maintaining the strong relationship with our consumer as he and she move into new sports and new wearing opportunities as they grow up.

All in all, it was an exceptionally strong year for our apparel business in North America. We created a lot of excitement in the market with our Alter Ego and ColdGear Infrared innovations and have unprecedented momentum in our core apparel business as we enter 2014.

On the footwear side of the business we also enter the new year with great momentum as we start telling the story of SpeedForm to consumers today with a presence some of you may have seen on your [ph] TV (7:49) this morning. We will launch Holiday 1 and tell the SpeedForm story with our largest advanced marketing execution to date, taking over Grand Central Station's Vanderbilt Hall starting today and lasting through Super Bowl Sunday night.

The SpeedForm Apollo Running Shoe is the latest innovation from Under Armour footwear and it destroys the rules of footwear construction. We craft each of these lightweight shoes in a clothing factory to create the precision, feel, fit and comfort consumers have come to expect from our apparel. And when the March issue of Runner's World Magazine hits next week, the SpeedForm Apollo will be recognized by their editors as Best Debut in a Spring Shoe Guide. The TV campaign starts February 22, but available on YouTube this afternoon and we're incredibly excited to bring the level of innovation we've already brought to cleated to the running community starting with the SpeedForm Apollo.

That focus on exceeding our consumers' expectations was part of the driving force behind our decision to purchase MapMyFitness in December. We have a very simple mission here at Under Armour and it's to make all athletes better. The amount of information now available to athletes to help them achieve that has never been greater and also never more complex.

With our acquisition of MapMyFitness and the leadership of its founder, Robin Thurston, we are now in great position to design open, digital products for the athlete of tomorrow and provide solutions that will help people across the world lead healthier lifestyles. Because we think connected fitness is about more than a bracelet that enables you to tell your social media friends that you walked 1.2 miles today, it's about the opportunity to innovate technology in a seamless way that empowers the athlete to individually benefit from the wealth of information that is going to be available to them. It's about waking up and knowing that even though you're thinking of

running three miles this morning, your quality of sleep and other biometric measures suggest you'd get more benefit from running four.

We know that this world is still in a very early stage of development and we believe the addition of Robin and his team of more than 60-plus engineers and developers meaningfully accelerates our profile in the digital space. We have been learning every single day since the acquisition in December. I don't want to get into the operational details at this point, but I can tell you the integration between our team in Baltimore and the MapMyFitness team in Austin has been rapid and productive and each day brings new ideas and possibilities to what connected fitness will mean to Under Armour.

So let me give you some scope on the size of the opportunity. MapMyFitness has built a community of over 21 million registered users, and during just the first week of January we added more than 400,000 new users from January 1 to January 7. Equally important is that this acquisition immediately brings us the talent we need to leapfrog into a leadership position in the world of connected fitness. We're incredibly excited to join forces with Robin and his team and believe we will drive the future performance innovation for the world's athletes.

So what to watch for from Under Armour in 2014, because, like I said at the top, we are a different company every six months? In the short term, you'll continue to find us on the world stage of sport. For example, in golf this past weekend at the Farmers Insurance Open in Torrey Pines, there were three different leaders at the end of round two, three, and four and each of them, Jordan Spieth, Gary Woodland and Scott Stallings were outfitting in Under Armour.

And next week when the Olympics open in Sochi we'll unveil the culmination of our partnership with Lockheed Martin, the world's fastest speed skating suit that will be worn by Shani Davis and other members of the U.S. speed skating team. We will also be on stage outfitting U.S. bobsled and the Canadian snowboard team amongst others.

In the longer term, our goal is to continue doing what we do; investing to ensure we are building the foundation for long-term growth while delivering results now. MapMyFitness, Notre Dame and Navy, and partnerships with companies like Lockheed Martin are all part of that plan.

We are well on track to meet the goals we set out at Investor Day in June 2013. But our ambition extends well beyond \$4 billion in revenue by 2016. And our ambition is fueled by investments; some large and immediately relevant like Notre Dame, and others that are small now but could potentially ignite our business down the road, because for every Notre Dame or Navy deal there's a much smaller investment we're making somewhere else in the business. It may be a logistics tool that you'll never hear about, a retail store in Mexico or an up-and-coming athlete who may one day become the next Stephen Curry or Tom Brady.

When we invest well, we win. We believe our 2013 results are a great reflection of sound investments and solid execution. We are a growth company, one that's focused on our future but delivering results right now.

With that I'll turn it over to Brad. Brad?

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## Brad Dickerson

*Chief Financial Officer, Under Armour, Inc.*

Thanks, Kevin. I would now like to spend some time discussing our fourth quarter and full-year 2013 financial results followed by our updated outlook for 2014.

Our net revenues for the fourth quarter of 2013 increased 35% to \$683 million, representing our fastest growth rate in the past nine quarters. For the full year net revenues increased 27% to \$2.33 billion, which compares to our most recent full-year guidance of \$2.26 billion.

Apparel grew 35% to \$546 million during the quarter from \$405 million in the prior year, representing the 17th straight quarter of at least 20% growth of our largest product category. As a reminder, we grew apparel 25% in the fourth quarter of 2012 despite facing the headwinds of warm seasonal weather and poor service levels in key areas like Fleece. This year we came into the quarter with a compelling line-up of products, including expanded Fleece and UA Tech offering as well as our new ColdGear Infrared technology. This new product positioning combined with the tailwinds of cold weather and our ability to better service the business with higher fill rates allowed us to more fully capitalize on the strong demand from our consumers.

From a product category standpoint, training continues to drive much of our overall apparel dollar growth. We also saw strong growth during the period in our running, hunting, and mountain categories, in our Women's Studio line and across our youth business.

Our direct-to-consumer net revenues increased 36% for the quarter, representing approximately 39% of net revenues, which was the same mix as the prior-year period. In our retail business we opened five new Factory House doors during the fourth quarter, increasing our North American Factory House store base to 117, up 15% from 102 locations at the end of last year's fourth quarter. In addition, we expanded nine of our existing locations during the year, in part to offer a broader product assortment in areas such as footwear and women's.

Looking at our full-price Brand House stores, we opened our second location at Tyson's Corner near Washington, D.C. in November. In e-commerce we believe many of the same factors that contributed to our strong apparel growth also drove better-than-planned results in this channel.

Fourth quarter footwear net revenues increased 24% to \$55 million from \$45 million in the prior year, representing approximately 8% of net revenues for the period. Results for the quarter include the timing of footwear liquidation, which were higher than planned. Given this action we believe we are entering 2014 better positioned in the market for our new product offering this spring.

Our accessories net revenue during the fourth quarter increased 52% to \$65 million from \$43 million in the prior-year period, primarily driven by headwear and gloves. International net revenues increased 9% to \$37 million in the fourth quarter and represented 5% of total net revenues.

Moving on to margin, fourth quarter gross margins expanded approximately 100 basis points to 51.3% compared to 50.3% in the prior-year's quarter. We previously guided fourth quarter gross margin to decline year-over-year. On the positive side we expected lower airfreight and a lower mix of excess at our Factory House channel. We expected these to be more than offset by the negative impacts of re-sourcing fleece, higher Canadian duties, and currency impacts on our Japanese business. As the quarter concluded, we experienced minimal impact from both re-sourcing and Canadian duties. In addition, we drove improved profitability through higher service levels and better-than-planned performance across our direct-to-consumer channels.

Looking at the year-over-year gross margin picture, the following factors contributed to the improvement during the quarter. First, our sales mix was favorable, partially offset by the higher footwear liquidations in the quarter. These factors contributed to approximately 90 basis points of gross margin improvement. Second, the favorable airfreight expenses benefited gross margins by approximately 60 basis points. Partially offsetting these gains, the impact of foreign currency exchange rates negatively impacted gross margins by approximately 20 basis points.

Selling, general and administrative expenses as a percentage of net revenue deleveraged 270 basis points to 36.9% in the fourth quarter of 2013 from 34.2% in the prior-year's period. With our strong results in the quarter, we had higher-than-planned incentive compensation expenses. This includes approximately \$11 million in equity incentive compensation, which we had forecasted in 2014. These higher incentive compensation expenses were a significant driver of the overall SG&A deleverage for the quarter.

Further details around our four SG&A buckets are as follows: first, marketing costs decreased to 8.9% of net revenues for the quarter from 9.7% in the prior-year period, primarily driven by overall expense leverage given our strong top line performance. Second, selling cost increased to 11.6% of net revenues for the quarter from 10.7% in the prior-year period, primarily driven by the growth in our Direct-To-Consumer business. Third, product innovation and supply chain costs increased to 8.9% of net revenues for the quarter from 7.6% in the prior-year period, primarily driven by higher incentive compensation expenses and innovation investments. Finally, corporate services decreased to 7.5% of net revenues for the quarter from 6.2% in the prior-year period, primarily driven by higher incentive compensation expenses and approximately \$2.5 million in closing costs for the MapMyFitness acquisition.

Operating income for the fourth quarter increased 21% to \$98 million compared with \$82 million in the prior-year period. For the full year operating income increased 27% to \$265 million compared to our most recent full-year guidance of \$260 million. Operating margin contracted 170 basis points during the quarter to 14.4%, while holding flat for the full year at 11.4%.

Our fourth quarter tax rate of 34% was favorable to the 37.1% rate last year, primarily driven by the tightening of state tax credits which were received in the fourth quarter of 2013 compared to the first quarter of 2012. Our full-year effective tax rate of 37.8% was higher than the 36.7% effective rate for 2012 primarily due to increased international investments driving reduced profitability overseas.

Our net income in the fourth quarter increased 28% to \$64 million compared with \$50 million in the prior-year period. Fourth quarter diluted earnings per share increased 27% to \$0.59 compared to \$0.47 last year. Full year diluted earnings per share increased 24% to \$1.50 compared to \$1.21 in 2012.

Now moving over to the balance sheet, total cash and cash equivalents at yearend increased 2% to \$347 million compared with \$342 million at December 31, 2012. We funded the \$150 million purchase of MapMyFitness in the fourth quarter with \$50 million of cash, a \$100 million draw from our \$300 million revolving credit facility. The inventory at year end increased 47% to \$469 million compared to \$319 million at December 31, 2012 reflecting the same factors we outlined during our third quarter conference call related to comparisons to our prior-year supply chain delivery challenges.

Our investment in capital expenditures was approximately \$36 million for the fourth quarter and approximately \$92 million for 2013. We are currently planning 2014 capital expenditures in the range of \$140 million to \$150 million, primarily driven by incremental investment to support our Direct-To-Consumer and International businesses [ph] that we've invested in (21:29) to further develop and expand our global office footprint.

Now moving on to our updated outlook for 2014, based on current visibility, we expect 2014 net revenues of \$2.84 billion to \$2.87 billion, representing growth of 22% to 23%, and 2014 operating income of \$326 million to \$329 million, representing growth of 23% to 24%. This expected growth is in line with our long-term growth rates laid out at our Investor Day last June. Below operating results we anticipate higher interest expense in 2014 given the financing of MapMyFitness acquisition, a full-year effective tax rate of approximately 39%, and fully diluted weighted average shares outstanding in the range of 109 million to 110 million.

Given these full year parameters, we'd like to provide a few more details on how we currently see the quarterly cadence playing out. First with net revenues; we currently anticipate the growth rate for the first half of the year to be above our expected full-year growth rate. Factors driving this include our expected ability to continue servicing our business with higher fill rates as well as accelerated footwear growth. For the second half of the year we will start to comp the improved service levels experienced in the second half of 2013. In addition, over the next few months we will gain more visibility on fall/winter orders and our ability to execute on the planned International growth in the back half of the year. We will provide updates on our progress on future calls.

Next on gross margins where we expect modest gains throughout each quarter in 2014, inclusive of lapping one-time factors in 2013 such as the third quarter import duty impact. While we've seen numerous puts and takes in individual quarters, four factors are expected to be the common themes during the year. First, we expect ongoing supply chain efficiencies will be the primary driver to higher gross margin. Second, we expect minimum margin impact from our Direct-To-Consumer business given the level of factory house square footage growth year-over-year as well as a similar mix of made-for product in our factory house stores year-over-year. Third, our sales mix will be adversely impacted by our expected international growth, which includes a mix of lower-margin distributor businesses. Finally, footwear growth is expected to have a minimal impact to consolidated gross margins as the expected sales mix impact is now planned to be offset by improved footwear product margins.

Shifting to SG&A, as we mentioned we recognized approximately \$11 million in incentive compensation expense during the fourth quarter of 2013 that was originally forecasted in 2014. As a result, we are reallocating investments in three primary areas for 2014: marketing, international and MapMyFitness. In marketing we expect to deleverage expenditures to approximately 11% of net revenues for the full year, given some of the initiatives Kevin laid out before. From a timing perspective, we expect over 100 basis points of deleverage in the first quarter, primarily given our overall plans around activating our first brand holiday of the year. The marketing expense rate is planned to remain elevated in the second quarter before normalizing from a rate perspective during the second half of the year.

International remains an important opportunity and priority and we will continue to make the right level of investments to help realize our global potential, especially in Latin American markets that we are entering in 2014. MapMyFitness will also be a tiered investment as we look to build and further engage this community. As we have been emphasizing, our bottom line focus will remain on driving operating income dollar growth balanced with making the right investments to drive our long-term global success.

Finally, some additional color on our inventory positioning; we expect the inventory growth rate to remain above the net revenues growth rate at the end of first quarter given some of the same factors we outlined during this past quarter and including our positioning for elevated first half growth expectations. We do expect the spread between the inventory growth rate and the net revenues growth rate to narrow somewhat during the first quarter before returning to more inline levels during the duration of the year. We remain encouraged with some of the early traction we are seeing from the recent investments across our supply chain organization.

In conclusion, we had a great finish to 2014 with strong signs of continued brand momentum, improving supply chain efforts to better service this demand, and improved foundations to support long-term global success. These factors gives us the confidence in raising our 2014 top line outlook by over \$100 million from our preliminary outlook last quarter, while also raising our 2014 operating income outlook by over \$10 million.

We'd now like to open the call to 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:** Thank you. [Operator Instructions] Our first question comes from the line of Omar Saad of ISI Group. Your line is now open.

Omar Saad

*Analyst, International Strategy & Investment Group LLC*

Thanks, guys. Great job this quarter.

Q

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

Hi, Omar.

A

Omar Saad

*Analyst, International Strategy & Investment Group LLC*

Good morning. Two questions. Firstly real quick, do you guys have a sense for how much the cold weather contributed to that really big sales acceleration in the fourth quarter? And then I have a follow-up on DTC.

Q

Brad Dickerson

*Chief Financial Officer, Under Armour, Inc.*

Sure, Omar. On the cold weather question, we had talked last year, last year we had a warm winter in the fourth quarter and we still grew 25%; and we've been talking about that the impact of weather is less and less in our organization as our product line evolves. So, five, six, seven years ago cold weather would have had a significant impact, either upside or downside, in our business, but our product has evolved so much and it's much more diversified now, especially with our Fleece offerings, that cold weather has a little bit less of an impact than it did six, seven years ago.

A

So just as a warm winter in Q4 last year didn't have a huge downside to us, because we grew 25%, it didn't have a huge upside to us in our 35% either. That being the case, though, we definitely realize that there's some tailwind of weather and it makes our results a little bit better across our channels, wholesale and DTC, so there was definitely an upside. Quantifying the upside in the fourth quarter is a little tough to do when you're growing 35%, but you could easily say maybe a couple percentage points of that was due to cold weather.

Omar Saad

*Analyst, International Strategy & Investment Group LLC*

Thanks, Brad. That's really helpful. And then, Kevin, DTC looks like it approached 40% of the business in the fourth quarter. That's pretty amazing from where you were five, six years ago. Can you talk about what you're learning maybe from the Tyson's Corner store or the Baltimore store? You're in New York. You're coming into the New York downtown. Is the product different than what you're offering at wholesale? Is it more premium? And the way you're flowing product to generate more newness and innovation, can you maybe talk about some of the strategies around the new full-price stores?

Q

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Yes. Well, we're celebrating our one-year anniversary of opening the Brand House in Baltimore and we opened it in a place that wasn't exactly a retail destination. And just to see what we could learn. I think the learnings over the last 12 months have told us a few things; number one, that we've got a premium brand; that there's a position that the consumer is looking for; there's a product that we offer in the brand that maybe they haven't found on an easier basis at retail. I think the number one goal that we had with this was making it a more compelling experience for our customer base and having our wholesale distribution as well recognized; that we could be much bigger and broader than maybe they positioned us and sort of putting us in a bit of a box in some of the retail that we've had before.

Great example of that I think is the way we've really been able to obviously expand men's, but Women's is probably the biggest thing, the openness of color. Things like our StudioLux line is where customers are coming from all over the country and frankly all over the world and seeing why this is a full-line brand versus maybe just seeing a few items, which is I think we've gotten pinned into that in the past. So Tyson's is something where we then said it is just something in our backyard. We expanded at Tyson's. We're seeing similar results there. We're outpacing the way that we pro forma the stores, and so it's doing incredibly well.

And we're going to learn a lot when we come up to New York City, and I think it'll be refreshing because there's a lot of people in this market that I don't believe have gotten a great Under Armour experience walking into some of our stores here. So I say that as a challenge to our wholesale partners and also as an opportunity for ourselves. And so having retail gives us the ability to be strategic and be thoughtful and I think we're learning.

There's no plan in place right now to say we're looking to roll out 25 or 50 or 100 units. I think we're going to take them one store at a time. We're going to look for key markets where we can be strategic, places that we want to enter, and we're going to continue to learn. So I think we have the ability to change the model as to how people have done it in the past with, A, not being just a retailer, not just being a wholesaler, but as a great balance in the middle and ideally we're inspiring our wholesale distribution to take on more comprehensive Under Armour presentation in their own stores.

Omar Saad

*Analyst, International Strategy & Investment Group LLC*

Q

International maybe for one of these new stores?

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Yes, no. It's the same thing. You look at markets that we have around the globe and just take China, for instance, we've got 13 stores total in 2013. We'll be growing over 50 stores by end of 2014 as well. We're adding over 40 stores globally outside the United States as well. So this really has served as much as a, sort of, a brand marker and not something that's just domestic. It absolutely has as much to do with our global footprint and our global growth as anything. So, ideally what you'll see is consistency. You'll see a consistent message from what you find in Baltimore to Tyson's in New York and then what you find in Mexico City or in Shanghai or any place else where we're opening an Under Armour Brand House.

Omar Saad

*Analyst, International Strategy & Investment Group LLC*

Q

Thanks, Kevin.

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Thanks very much, Omar.

**Operator:** Thank you. And our next question comes from the line of Jim Duffy of Stifel. Your line is now open.

Jim V. Duffy

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Thanks. Good morning. A terrific quarter, great year, guys. Kevin, people really seem to like your brand.

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

We'll take it.

Jim V. Duffy

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

I'm intrigued by your women's brand holiday. Are you willing to share a preview of the direction and timing for that? And then I have a follow up on MapMyFitness.

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Yes, we're just getting going with launching Holiday I this afternoon, so we're pretty focused on where footwear's going to be. So if you don't mind, I'm going to turn that into, I think, more of a footwear approach than anything. To answer, though, briefly, I think Women's deserves it. We don't get a lot of credit for our Women's business today. Even still, it's approaching over \$500 million, we crossed \$500 million in 2013 and our Women's business is really beginning to take hold for us as a company. We find out again that when we do innovate, we win and our Women's business is no different than that. And so I think it's earned the right and it's earned the focus that you're going to see of a committed organization that has three massive events a year and Women's is going to have a second event during the Back-to-School campaign. So that's going to be a big deal for us.

Jim V. Duffy

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Great. Look forward to that. MapMyFitness, great category; heretofore they've had a device agnostic approach. Looking forward, how are you and Robin thinking about evolving that Switzerland position? Will there be a more brand-exclusive approach at some point in the future?

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Yes, no. I don't see that. If I could, let me just take a minute and just tell you about MapMyFitness and the way that we approach the category. We haven't had a chance, I think, to speak to the market about what our mindset was when we made the acquisition back in December. So first of all, as a great brand, which I think we're continuing to underscore, as you mentioned at the top of the Q&A as well, Jim, is that we've got a chance to go in a lot of different directions and a lot of different categories, and so the most difficult thing we have is editing where do we want to go? A while ago we identified connected fitness as the future of sport, a place where frankly Under Armour has to be because we see the commitment from our consumer to want to be there also. Measurement and information, it's critical to making the athletes better which is our core mission statement.

So it was important to us when we looked at the space, then we spent some time looking at the categories, but I'll be honest, I was a user of the MapMyFitness app for more than two years, so I was incredibly familiar with it. And Robin and I had had a few conversations just about entering this space, and I just gave him feedback and comments mostly just as a consumer, but then also putting my Under Armour hat and thinking, "Wow, what would this mean for us?" We looked at three basic criteria when we decided are we going to pick a partner here; are we going to make an acquisition, or are we going to try to go it alone. And frankly we've almost been doing that with our Armour39 product that we launched back in January of 2011 at the NFL Combine. What was important to us was community size, the openness of the platform to reference specifically your questions, so absolutely not, we want to be agnostic and we want to be open to all.

And then third and most importantly to us is leadership. With 21 million registered users today, MapMyFitness is an incredible asset; MapMyRun, MapMyRide. And more importantly, I mentioned that stat during my script. In the first week of January they added an additional 400,000 users, which is up – really I think it was up over 80% to 100% from the prior year. So we're beginning to see this accelerator that's happening. Secondly, being a platform that works with more than 400 different devices, I'm not sure that Under Armour wants to bet on the hardware side of this world. I think there's too much innovation, there's too many players. I'm not sure who is going to win and we're not willing to throw our hat in the ring there either, and we've done it with Armour39. We think we have the best product there. We think we can be incredibly competitive, but from a wearables standpoint, we'd rather sit back, we'd rather find out who the winner is going to be, and then we can partner with them. And more importantly, we can get the trust from our consumer to make the appropriate recommendations about whoever best-in-class is without having a jilted interest of it being ourselves.

And third and most importantly, bringing Robin on, we'd struggled with this area, struggle may not be a fair word, but we've looked at how we can become more relevant in digital as a whole. And going frankly from the word 'digital' to the word 'connected fitness' is an area that now we have a leader in Robin Thurston, who's one of the founders of this industry who's going to be driving the digital connected fitness space for Under Armour as a whole, and bringing with him a team of more than 60 now, just with the hirings in the last two months, more than 70 different engineers and developers that we have on the team down in Austin. We're going to keep that headquarters there. We're going to build that technology base for us, and it's something that we think gives us great legs to grow on.

Understanding the athlete, we've got a user base now of more than 20 million people that understands the habits, the routine. It's amazing when you balance the fact and if someone goes for a run, some people go for two miles and some people go for four miles, but when you aggregate 20 million people and find out the average mile run is 3.1 miles, it's one of those things and say how can we learn information from that?

And probably the last thing I'd say about this space, globally, this thing is only in English today and so one of the approaches that Rob and his team have, and I was doing a tour through Latin America actually as we were going and finishing the acquisition, and it was amazing just sitting in Brazil and dropping Robin an email and saying how many in Brazil? It's 100,000 in Brazil and the site's not even translated into Portuguese, let alone Spanish; 2 million in the U.K.; 600,000 in Australia of all places; 50,000 in Mexico. So we're quickly going down the road of translation, quickly going to [ph] use it (37:52) to help us with our international growth and footprint also; so incredibly excited about the deal. Everything in first blush and, again, we're still on honeymoon phase, but everything is going incredibly well and we're really optimistic of what this is going to mean for Under Armour in the future.

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Jim V. Duffy

*Analyst, Stifel, Nicolaus & Co., Inc.*

Great, thanks for that perspective.

Q

**Operator:** Thank you. Our next question comes from the line of Robby Ohmes of Bank of America Merrill Lynch. Your line is now open.

Robert F. Ohmes

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

Hey, good morning, Kevin. Congrats.

Q

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

Thanks, Robby.

A

Robert F. Ohmes

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

Hey, I have one question. I was hoping that we could get you to sort of elaborate on Under Armour's dotcom strategy and maybe start with I think the fourth quarter of last year you guys had a few website transition issues, some weak conversion rates. Could you maybe start by talking about how your website business has been in the fourth quarter and then how you foresee it in 2014? And also maybe help us understand maybe a little bit more how Under Armour thinks as a brand about the growth of its website versus the growth of Under Armour on other websites like dotcom-only players like Amazon as well as some of some of your key players like Dick's Sporting Goods? I think it'll be helpful for all of us. Thanks, Kevin.

Q

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

Thanks, Robby.

A

Brad Dickerson

*Chief Financial Officer, Under Armour, Inc.*

Hey, Robby. This is Brad. I'll jump on the front half of that question, if you don't mind, on the dotcom kind of numbers in Q4 and how it relates to 2014, you're right. We had some challenges last year on conversion and all the kind of common metrics on the e-commerce side last year versus this year. We saw some pretty significant improvements, so that's really a testament to the e-commerce team during the course of the year, getting the site where it needs to be, getting ready for obviously the heavy traffic we expect in Q4. Q4 obviously is a huge part of the year for us on the e-commerce side. So we saw pretty much across the board the key metrics around traffic, conversion, average order value, really working in our favor in Q4 year-over-year. That was part of the obvious upside to the fourth quarter.

A

Again, going back to my comments before, a couple comments before, we serviced our business much better year-over-year. There's no doubt the e-commerce business benefited from that. We talked a little bit about the tailwind of weather, which we think obviously helped a little bit also. And then I think just in general, for our brand, this is an e-commerce statement, it's also a statement for our overall brand, is looking back 90 days we performed much better in the fourth quarter in the full price, and full price for our brand, compared to what was a very heavy

promotional environment, too; so coming out of that beyond our expectations, that also helped e-commerce sites in the fourth quarter.

Looking at 2014, this is also, I guess a comment, e-commerce, also the rest of our business, as we roll out this great fourth quarter we just had, looking at it, and we're really a couple weeks in. We're just kind of gathering the data, looking at it, and saying, what does it mean for Q4 next year and the back half of the year? Again, e-commerce is heavily weighted towards the fourth quarter, so our teams are still kind of working through that, what's the right level of expectation in the fourth quarter for us, coming off this great fourth quarter this year. But the good news here is that the metrics, and again, conversion in traffic, conversion in average order value, all seem to be working in the right direction for us year-over-year. But with Jason LaRose on board now, we are really focused not just on the good results we're having right now, but what do we do in 2015 and beyond to keep this momentum going. Maybe Kevin will have to jump on top of that one.

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### Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Yes, I think the best place to start with this, and Brad just hit on it, is leadership, plain and simple. It's unfortunate that, I think, we've gotten a bit of a reputation about executives in our team, but we don't get to press release two times, the ones that are doing so well for us. So we made two key additions last year. We made several, but two I'll highlight is on the Direct-to-Consumer side. Number one, Susan McCabe running our Retail division; she came to us from Polo Ralph Lauren; and then Jason LaRose who's heading up e-commerce. And so again, while they're both in that 120, 160-day opening window, I think, the leadership changes are something that have been incredibly significant.

And you're going to see that as we begin to grasp the fact that this community is growing in an amazingly fast way. Mobile for us today is 40% of our business to UA.com, and I think go back two or three years it was like 3%. So, we're quickly I think modifying and adjusting ourselves to a mobile world and what that means, and also what Jake is doing he is building out our international e-commerce team. He's taken some our best and brightest talent that we have in the company and focusing them on our international e-commerce and doing that for Charlie Maurath and what we're doing on a global basis. I don't know if the model has been written as to how we're supposed to go about being a global company, and so getting translation, becoming local in markets, and again, this is much bigger than just putting a site up in German; the supply chain, the logistics, all the components, the system side of it.

Another thing to call out on the leadership side, we just hired a new CIO, a gentlemen called Chris Gates who joins us from GE Lighting. And Chris is one of those guys who is going to help us understand the global footprint because again when I say website, it's so much more than just having a site that translates in a local language. So we feel like we're just getting started here. We feel that e-comm, it's not earth shattering by any stretch. It obviously is the future, and it means that we don't feel like we have to go to a market and open 3,000 stores in order to be relevant there. It's that we can use the web as something to be thoughtful and strategic with it, and also to test grounds and found out how developed we are. And so we're going to have a little bit of balance but something that consumers can walk into stores and feel and touch, and then we're also going to understand that Black Friday wasn't about jumping into a crowded mall as much this year, but a lot of people stayed home and shopped on their laptop this year.

So, I think we're open to all those things. I think our partners, at the same time, Robby, will address that, are looking at it the same way. We've got a few key partners. I think this space is still evolving in a really fast way when you think about the pure players that are out there also. Our partners in Dick's, we're looking for ways and particularly the MapMyFitness acquisition also, there's Rob and his team are looking and how can we help Academy and what can we do for Dick's Sporting Goods, how can we drive Footlocker and Macy's, how can we

help our key partners with some of the traffic that we can drive and some of the use that we'll be seeing from traffic coming through at UA.com or the MapMyFitness platform.

Robert F. Ohmes

*Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.*

That's great. Thanks so much, Kevin.

Q

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

Thanks very much, Robby.

A

**Operator:** Thank you. Our next question comes from the line of Lindsay Drucker Mann of Goldman Sachs. Your line is now open.

Lindsay Drucker Mann

*Analyst, Goldman Sachs & Co.*

Hi. Good morning, everyone.

Q

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

Hi.

A

Lindsay Drucker Mann

*Analyst, Goldman Sachs & Co.*

Brad, I wanted to ask you just a couple questions. Number one, if you could help maybe put some numbers around the improvement in fill rates, when this started to happen, how much better you guys have gotten and whether you think there's more to go? And then secondly, if you could talk just a little bit about more broadly on the supply chain where you talked about the strides that you've made and how encouraged you feel about the go forward, just some of the specific areas where you've seen improvement and metrics if you have? Thanks.

Q

Brad Dickerson

*Chief Financial Officer, Under Armour, Inc.*

Sure. On the fill rate side, we definitely saw an improvement coming into the back half of the year especially as we worked through some of the issues that we had last year in the back half of the year. So fill rates in general were improving as we worked through the back half of the year.

A

In the fourth quarter in general if you looked at kind of our normal fill rate by cancel date, we were probably in about the mid-80% in the fourth quarter last year and this year we're much closer to the mid-90%. So, as I said in my prepared remarks, definitely a tailwind there and help from our supply chain side in servicing the business much better year-over-year.

We do see those fill rates stabilizing here as we do get into the front half of the year. As I've always said, supply chain is a very complex area. There's always going to be challenges here and there. But in general, we see fill rates stabilizing in the front half of the year and again we were improving our fill rates last year in the front half of the year, but really more towards the back half of the year is where they kicked in. So we'll see a little bit of a benefit from that in the front half of year, too, as we work through the first six months of 2014.

In general, supply chain, a lot of things here; it's people, process, it's systems, a lot of additional leadership coming onboard since Jim Hardy came on board two years ago. He's bringing additional leaders, putting people in the right places. That helps. Again, getting more disciplined in processes around how we buy inventory and how we forecast the demand of revenues going forward. We talked a lot about in our Investor Day and previous earnings calls around the three-year planning process and the huge benefit that should have to our supply chain longer term as we can get out ahead of our design development timeframe and we'd be able to predict capacity more efficiently and the timing and the need of demand also. So those will be things that the three-year planning process is rolling into its second year right now. We should start to see some benefit of that as we probably start looking towards the back half of this year but even more so in 2015.

We did talk about some system changes we've done on the supply planning side last year, the demand planning side this year, and with using the [ph] Agility (47:16) planning systems, we're seeing some of the benefits of the supply systems put in place last year. We're still working through implementation on the demand side this year. So again, we should start to see more benefit as we get to the back half of this year and into 2015. So overall, I'd say a little ahead of schedule. We still have some challenges to work through, and Jim would be the first one to admit that I'm sure. But we're really pleased with where we are right now considering where we were about 18 months ago and definitely on track to be ahead of where we thought we'd be over the course of the next couple years.

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

And also, just jumping on the end of that, look, we had a banner quarter and hats off really to our entire team, but I think it's important as we call out things, and Jim Hardy is now two years in the job and Chris Gates who just got here five minutes ago, and the foundation that was laid by the balance of our team and guys like Jody Giles and Mike Fafaul that really laid the foundation for our organization to run forward like this. So anyway, I just want to give a great shout out to those guys and the entire supply chain team who has built and put this, made this kind of opportunity available to us.

**Operator:** Thank you. Our next question comes from the line of Camilo Lyon of Canaccord. Your line is now open.

Camilo R. Lyon

*Analyst, Canaccord Genuity, Inc.*

Q

Thanks and great job, guys. Fantastic quarter. Kevin, you talked about some pretty great innovations over the last year, SpeedForm Apollo, ColdGear Infrared. I wanted to hear your thoughts on zippers.

Brad Dickerson

*Chief Financial Officer, Under Armour, Inc.*

A

Go ahead.

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

You must have been out at Outdoor Retailer then. Good.

Camilo R. Lyon

*Analyst, Canaccord Genuity, Inc.*

Q



I was, yes.

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Look, speaking about product, one thing that we've found is that when we innovate that we win. You're seeing it happen on the apparel side, you're not beginning but you're continuing to see it happen on the footwear side, but at the kind of volumes that we've approached on apparel, what we found out from 2013 was that things like introducing ColdGear Infrared, and we thought that we'd see really large gains in that product coming in 2014 and that had big plans and had a lot to do with the growth that we saw in 2013, and beginning with the fact the product just works. The ceramic print that we have, there's a lot more technical that goes into it than just that, but it's a terrific product that is great.

Charged and storm cotton, I mentioned on my script earlier, it didn't exist before 2011. Today it'll be over \$300 million business. The things like Alter Ego that we got up and down just inside of a year, so introducing this new category of novelty for us where no, it's not just going to be how many Batman and Superman shirts we sell this year. We still see a growing and good business there. But introducing this idea that the consumer wants a new story from us in a way to introduce these technical products in new ways that's beyond just the fit, fabric, and function. But it's doing in a fun way, and so I think it's important that brands have fun. I think we're demonstrating our ability to do that.

As you mentioned as well, Camilo, it's going into things like MagZip. It's the simplest innovations that we have. There's a great quote that's out there that says, "Whoever invents the next white t-shirt wins." I felt like that's what we did in 1996 and was it earth-shattering? Was it ground-breaking? It was so simple and so subtle, and so we're doing that every place where we can find innovation. Several years ago we set a challenge for our innovation team, commercialization team to build a better zipper, and no more the zippers when you sit down, the bottom pops and you can't find when you're wearing a big pair of gloves, you can't zip it because the male and female are too small. So we made something called MagZip, which is the first one-arm zipper. And it came from an innovation from someone that we found living in the Northeast whose father had lost use of an arm and all of a sudden recognized that – and he lived by himself, and so is there a better way to make a zipper? And so we're putting that innovation into more than 400,000 jackets.

And so a couple stories we learn there is great – first of all our consumer wins because you've got a better zipper and nobody has ever thought about innovating that and that's what Under Armour is doing, there's no level. So we'll be innovating at the high-end of things like Armour39 and MapMyFitness and at the simplest end with things like MagZip. And also, the partner, the entrepreneur wins. We're setting an example for every entrepreneur out there in the world to know if you have a great idea bring it to Under Armour because we're humble enough to know that we don't have all the great ideas and we want to encourage that to be this open place, this open source where people are bringing them, and we do a great job as editors of curating for the general population of what should be out there.

If you don't mind, I'll take a minute on the footwear side as we're running out of time here. I believe we're innovating. When we innovate, we win. You're seeing that happen with SpeedForm Apollo. As I mentioned, we've got a large media event this afternoon at Grand Central Station where we did a takeover and we're seeing the same thing. We did it with Highlight Cleat and I think really a breakthrough product for us. It showed us that we could be the number one item of footwear in the market when it comes to something as close to our backyard as the sport of football, but then we also have products we're updating and getting better. You know, the Anatomix Spawn, which is something we're the fourth leading vote-getter for the NBA All-Star Game with Stephen Curry, who wore that specific basketball shoe on the court this year. So this isn't some code that we're not capable of cracking, it's just a matter of time; and it's happening and we see the brand moving in the right direction.

Spine Evo is another great product we have out right now and then of course, the Cadillac that we're really excited about is the SpeedForm Evo. And you've heard me say before is that Under Armour hasn't built its defining product yet; this may very well be our next defining product. And I'm not ready to claim that it is, but it has that type of potential. The first shoe built completely in a clothing factory made with that idea and focus on fit, form and function; and it's something that we've got the kudos and people like Competitor magazine rating it best innovation to Runner's World having it as its best introduction as well, so it was the best debut product that they have.

So, we feel like we're really beginning to balance our brand out, apparels, footwear, and bringing the pieces together. And we know it's going to take time, but we're very encouraged by what we saw in 2013, and the results that we were able to post that the brand has never been in better position. We've never been better positioned with kids, which is something we haven't talked about on the call, but it seems like there's a real accelerator behind the brand right now and something which gives us tremendous excitement and momentum leading into 2014.

Camilo R. Lyon

*Analyst, Canaccord Genuity, Inc.*

Q

That's great. And then just my follow-up for Brad, just more on the numbers and on the ASP front; with all this innovation you know, we'll take the MagZip as an example, what kind of price increases would you expect to see on a ColdGear Infrared jacket and just generally on ASPs into next year with all of this innovation coming into the product line?

Brad Dickerson

*Chief Financial Officer, Under Armour, Inc.*

A

Yeah, tough to say in general, but I think ASPs we've seen pretty consistently over the last few quarters be a couple of percentage point, kind of mid-single-digits up overall in general. I think that's, again, being driven a lot by innovation and products like ColdGear Infrared. Obviously, our growth story is unit growth, but ASPs are definitely helping us a little bit too. Again, more defined towards the innovation and new products we're putting out there in the marketplace. So as far as ColdGear Infrared next year, sure, we'll look at the price points as we grow that product line. We're still working on final price points for fall winter to some degree, but you could definitely see an increase in price points of around 10% or so maybe on the ColdGear Infrared side.

Camilo R. Lyon

*Analyst, Canaccord Genuity, Inc.*

Q

Perfect. Thanks a lot. Best of luck and Kevin, I love the Colo-Colo jerseys.

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Oh, thanks very much.

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

Eric B. Tracy

*Analyst, Janney Montgomery Scott LLC*

Q

Hey, guys. Thanks. Good morning. Great quarter, great year. Kevin, I guess, if I could for you, maybe just tee you up a little bit more on the International front, provide sort of learnings from Charlie and his team, where we sort

of stand. I know it's not going to reflect materially here over the next 12 months, but any update on the International front would be great.

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**Kevin A. Plank**

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Yeah, thanks very much, Eric. You know, first of all, we're learning a lot. I think we had a great quarter, but there is still a lot of things that we are just beginning to get going and especially when you look at the International front. We're in different stages of growth in really all parts of the world, from the U.S. to Japan, to Europe, to China, but you know, we're incredibly encouraged I think. We're confident that the brand does translate and as long as we execute and we do the things that we're supposed to do, we've got a real chance to live and fulfill that mission of being a true global brand where someday more than half our revenues will come from outside of our home country.

So first of all, from a leadership standpoint, Charlie's doing really well for us and building out his team, and I think as we're at about the 18-month mark of Charlie being on board, he might have broken the record and he's definitely a Chairman flier for United or anybody else. He's been running all over the world, I think doing a great job there; and basically though we're in a position to do all of this though because of the strength of the core business obviously. We use that statement that, what's happening in North America for us, that our North American growth and cash creation are going to be the engines that feed our global ambitions for us in the company.

If you look across the globe, so if you start with Latin America, which is where Charlie really came from and we really put an emphasis on in his first chapter here at Under Armour. Under Armour Mexico is an acquisition that we just transitioned successfully at the beginning of 2014 and really highlighted by the new specialty store that we opened in Mexico City. And again, it's exceeding all the expectations that we had. But again, another learning for us of what could be in the Mexican market for us.

Brazil, probably top of mind for everyone. We have a March launch planned for Brazil, really going into [indiscernible] (57:12) market in time for World Cup and in time obviously for the Olympics in 2016, but we have an incredibly professional team there. We're starting a premium distribution with Santaro and places like Luketa more than 70 shop-in-shops we'll have by the middle of 2014.

Chile as well, you know, Camilo just mentioned the Colo-Colo launch that we had, one of the largest soccer teams in Chile. And really I think puts us on the map as we'll continue to attract and go after big assets, big important assets all over the globe, but Latin America obviously where global football is something that we can double down.

Europe, if I could, it really feels like a tipping point is close. We're really proud of the team that they've done and the work that's happened in Europe. We'll be crossing \$100 million this year for the first time, which is a massive, massive undertaking. And so, as we sit here eight years in, we're very proud of that team. And more importantly, we're just as believers in what the opportunity in the future looks like. Tottenham, our EPL club there also is doing well sitting in fifth place. Tough loss yesterday, but they'll be back to fight another day.

And then finally rounding out in Asia, our partners in Japan are continuing to do incredibly well. The currency exchange hurt us a little bit there from showing up on a growth standpoint, but the brand is getting strong and our leadership team there is just terrific.

Moving down into China, as I mentioned earlier, 13 total stores in 2013; growing to more than 50 stores by the end of 2014 as well, primarily utilizing a franchise model for that. And then we also did this big experience store in China, which just goes to say that when we invest there and we invest in the right things and smart things that we

have a chance to win. And so not a lot of update on the international front, but we feel really good about our Investor Day targets of moving from 6% of business to more than 12% by 2016. So, we'll continue to hold strong and live up to that.

Eric B. Tracy

*Analyst, Janney Montgomery Scott LLC*

Q

Really helpful. And let me just – second question here, a bit more structural, Kevin, for you and for Brad. In terms of the top line, it seems like cold weather didn't really have a major catalyst in 4Q. Fill rates are moving meaningfully higher. The strength in the core apparel in North America, you're layering in footwear, DTC is still strong. What am I missing? Or what is the potential kind of roadblock in terms of really inflecting to a higher growth rate over the next 12 months or 24 months? I'm just trying to reconcile the 35% there versus kind of pulling back. I understand you guys want to be conservative. But, is there something that's sort of prohibiting from that growth rate to inflect a little bit more aggressively?

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

A

Yeah. I'm going to let Brad answer this. But, I just want to be clear as well is that no question a great quarter. I heard years ago was that when the weather gets cold I think we all get a little bit smarter in our industry. So, it definitely had an effect. But I think to Brad's point there's a lot more to it. So let me let Brad dig deeper on that.

Brad Dickerson

*Chief Financial Officer, Under Armour, Inc.*

A

Yeah, Eric, if you look at the front half versus back half though, we talked about some of the things working in our favor in the front half, again, comping a little bit tougher supply chain challenges last year and feeling better about that this year. We also talked about, obviously our footwear business and a lot of that growth coming out of the first half of the year. We feel pretty good about that. Obviously, visibility for the front half of the year for us is very, very strong at this point, obviously. The back half of the year, the visibility gets a little bit more tougher for us, especially in the fourth quarter.

Again, we're just coming out of this really strong fourth quarter of 35% growth and what does that mean to our Q4 forecast for next year in our DTC business, in our wholesale business? So, the teams are working through that right now. So we'll get more visibility to orders in the fourth quarter as we work through the first quarter of this year, that'll also be a great data point for us on the next earnings call. So we should have a better idea of what that back half of the year looks like, specifically in our DTC and wholesale businesses in the fourth quarter.

Also we talked about international growth expansion. It's weighted towards the back half of the year for a lot of the reasons Kevin talked about in the markets we're entering towards the back half of the year. And the realization is that we obviously are planning to execute flawlessly in going into these markets. But we want to be cautious because we are entering some new markets for us. So, just give ourselves a little bit of room here in the back half of the year. If there's any execution challenges on watching some markets, which is always a very, very complex process in itself.

So, that's kind of what you're seeing, good visibility front half, a little less visibility in the back half. We have to work through Q4 orders with our customers during the first quarter. And our DTC teams need to work through just what is the cold weather impact from Q4 this year? How much of that we want to build into next year's forecast? Again, what is the overall strength of the fourth quarter this year related to the fourth quarter of next year? So, as I said in my prepared remarks, as we get towards the next earnings call, we should have a lot more visibility in the back half of the year.

Eric B. Tracy

*Analyst, Janney Montgomery Scott LLC*

Great. Thank you so much. Really helpful. Best of luck, guys.

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Q

Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

Thanks very much.

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A

Thomas D. Shaw

*Director-Investor Relations, Under Armour, Inc.*

All right, operator. Given the timing we're going to conclude the call. But we really want to thank everybody for joining us today. We look forward to reporting to you our first quarter 2014 results, which tentatively has been scheduled for Thursday, April 24 at 8:30 a.m. Eastern Time. Thanks again. Goodbye.

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Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

We have one final report. We've got a tradition with this, but this year the prediction will be Broncos 38; Seahawks 28.

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Thomas D. Shaw

*Director-Investor Relations, Under Armour, Inc.*

Oh. All right.

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Kevin A. Plank

*Chairman & Chief Executive Officer, Under Armour, Inc.*

We'll see if we won. But have a great holiday, everybody. Thanks very much. Bye-bye.

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**Operator:** Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Have a great day, everyone.

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