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Under Armour, Inc. (UA)

Q1 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Under Armour First Quarter 2021 Earnings Webcast and Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to Lance Allega, SVP, Investor Relations and Corporate Development. Thank you, sir. Please go ahead.

Lance Allega

Senior Vice President, Investor Relations & Corporate Development, Under Armour, Inc.

Thank you. Good morning, and thank you to everyone for joining us for Under Armour's first quarter fiscal 2021 conference call. Yesterday after the close of market, we announced that we have entered into a settlement with the U.S. Securities and Exchange Commission resolving a previously announced investigation related to disclosure and the impact of certain pull-forward sales for the third quarter of 2015 through the fourth quarter of 2016. This settlement relates to our disclosures, and does not include any allegations from the SEC that sales during these periods did not comply with GAAP. The details of the settlement are outlined in our press release, and we are happy to put this behind us.

Information provided on today's call will include forward-looking statements to reflect Under Armour's view of its current business as of May 4, 2021. Statements are made subject to risks and uncertainties that are detailed in documents regularly filed with the SEC and the Safe Harbor statement included in this morning's press release, both of which can be found on our website at about.underarmour.com.

It is important to note that the ongoing uncertainty related to COVID-19 and its potential impacts on the global retail environment could continue to impact our business results moving forward. We may reference non-GAAP financial information on today's call, including adjusted and currency neutral terms which are defined under SEC rules in this morning's press release. You may also hear us refer to amounts under US GAAP. Reconciliations of GAAP to non-GAAP measures can also be found in our press release which identify and quantify all excluded items and provides our view about why we believe this information is helpful to investors.

Joining us on today's call will be Under Armour President and CEO, Patrik Frisk; and CFO, Dave Bergman. Following our prepared remarks, we'll open the call for questions.

And with that, may the force be with you. And now, I'll turn the call over to Patrik.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thank you, Lance, and good morning, everyone, and welcome to our first quarter 2021 conference call. With the continued disciplined execution of our strategic playbook, we're happy with our results, which marks a better-than-expected start to our year.

As with many companies, our year-over-year comparisons are affected by the significant COVID impacts we experienced in 2020. Putting these dynamics aside for a moment and perhaps what we're most encouraged to

see at this early point in our year is that on a two-year stack, that is skipping over 2020, we're running a better, higher quality and more profitable business. This is even more evident because of the strategies we've employed over the past couple of years including significantly reduced sales to the off-price channel, proactive supply constraints against demand signals, the early days of exiting undifferentiated distribution, and certainly, on an annual basis, the absence of MyFitnessPal which we sold at the end of last year.

By staying focused on athletic performance, operational excellence, and connecting even more deeply with our consumers, these efforts are beginning to drive more consistent results particularly in North America, our largest and most challenged business over the past couple of years. At the highest level, we are executing well strategically, operationally and financially. Given these and other factors, including market dynamics and continued strong momentum in fitness alumnus, we have meaningfully updated our outlook for the year with revenue now expected to grow at a high-teen percentage rate, bringing our business essentially back in line with our results from 2019.

As our transformation continues to translate into improved momentum for Under Armour, there are no changes to the strategies we outlined earlier this year: strengthening the brand, continuous operating model improvement, elevating a direct-to-consumer-focused approach, and staying disciplined about returning greater profitability and value to shareholders. Using this construct, I'll take a few minutes to highlight some of the progress we're making in these areas, starting with brand strength.

From a marketing and consumer engagement perspective, our global campaign, The Only Way is Through, is delivering a singular Under Armour voice with focused performers. In 2021, we are evolving these efforts to bring the ecosystem of how we engage and inspire athletes across both physical and digital experiences into even better alignment.

These factors driven by more robust data-driven decisions, a constant consumer insights feedback loop, and our meaningfully improved outlook gives us confidence that this is an opportune time to amplify the momentum even more greatly in the second half of this year. As such, we plan to make additional investments to support our marketing efforts to help drive awareness and increase conversion. These accelerated investments will primarily focus on North America and critical countries like China and Germany where we are still significantly under-penetrated from a brand awareness perspective.

Next is product. As a premium athletic performance brand, the products that Under Armour delivers to the marketplace must meet and exceed the consumer's high expectation of performance, fit and style unfailingly to make them better. So whether it's bringing newness and excitement to women with our Crossback and Infinity bras and no-slip waistband leggings, to the next generation of RUSH and Iso-Chill apparel for all athletes, our go-to-market process, storytelling, and operational excellence are helping to drive more robust consumer demand.

Taking a moment to talk about our run category, we continue to be quite pleased with the success of our Under Armour HOVR franchise as it's broadened our appeal and preference among runners by offering multiple price points and seasonal newness to inspire loyalty.

During the first quarter, we saw strength in HOVR Sonic, Machina, and Infinite. We also successfully launched our most pinnacle running footwear ever with the UA Flow Velociti Wind. Priced at \$160, this product is delivering well against our expectations. It's also pushing performance with data from our MapMyRun digital app telling us that runners wearing these shoes are on average going farther and faster than any other UA running shoe. So, while still early, very exciting to see.

Switching gears to our second area of focus, which is continuous operating model improvement. With the critical mass of our transformation now behind us, an appropriately rebased cost structure and optionality to scale smartly with future growth, we believe we are firmly on the path to returning to double-digit operating margin over the long term. This, of course, is not a one-and-done strategy. There is no finish line. Yet instead, an ever-present focus on getting better, better process, more optimal structure, more efficient systems, and vigilance around our decision-making. By region, channel or product, we are constantly challenging ourselves to leverage our foundational horsepower by being more precise and return-based in the investment choices we make as a global company to advance our strategic and financial goals.

Looking at our business by region, let's review how some of this is playing out. I'll start with North America, which by many accounts, I believe, to be in the healthiest position it's been in in quite a few years from both the brand and financial perspective. High-quality revenue driven by a sharp focus around tight inventory management, proactive demand constraints, improving segmentation, and servicing our customers well, puts us in the sweet spot of our strategy to return to brand-right premium growth.

To support this confidence, and recalling my earlier two-year stack example, we see our full price wholesale business in North America in 2021 being meaningfully healthier than the same business in 2019. Keep in mind this is despite several headwinds in the comp set including proactive demand constraints, exiting undifferentiated retail, a significant reduction in sales to the off-price channel and overall promotional activities. So, when taken in total, an encouraging sign as to the future of our business.

The other side of this equation is our direct-to-consumer business in North America, where we remain committed to reducing our promotional activity and driving improved store digital productivity. And while traffic challenges persist in our physical stores, the business is performing above plan and we expect it to deliver solid growth in 2021.

Shifting next to Asia-Pacific, while short-term pandemic-driven impacts continue to present traffic challenges and higher promotional activities across the region, we remain confident in our ability to navigate these dynamics to emerge a stronger brand. Optimistically, given an accelerated shift to online purchase behaviors, investments into CRM and digital activations remain center stage in our playbook to driving better brand affinity in the long term. From a direct-to-consumer perspective, we remain appropriately cautious concerning the right balance of return on those investments relative to the environment and staying premium.

Next up is EMEA. And even though ongoing impacts from COVID-19 and related restrictions are tempering our near-term growth expectations a bit, there's no change to our expectations for this crucial market. With stronger than expected bookings coming in for the fourth quarter, we remain encouraged by our strategies to tightly manage inventory while investing in brand awareness and consideration. The reception to new products, combined with the strength of our go-to-market, is enabling us to build strong demand among key wholesale and distributor partners. And within our direct-to-consumer business, while stores are a bit more challenged due to pandemic restrictions, like last year, our eCommerce business continues to serve as a healthy offset to drive growth.

And finally, our Latin America region. As discussed on our last call, we have begun transitioning our business in certain countries to a strategic distributor model. While we expect this change to negatively impact our revenue in 2021, over the long term, we believe it will help drive greater profitability and provide a better opportunity to increase brand awareness and affinity across this region.

Now moving to our third priority, elevating a direct-to-consumer focused approach. Consumer shopping preferences continues to blur the lines between physical and digital, demanding that brands create unique personalized experiences that integrate seamlessly into their lives. For Under Armour, we believe building out the capabilities to execute a powerful omnichannel strategy will enable us to create more connected shopping experiences across all consumer touch points.

From an owned store perspective, our first quarter results led by improved traffic trends and higher average order values along with higher gross margins due to reduced promotional activity are encouraging signs for how we're thinking about our long-term opportunity in retail. In the near term, however, even amid optimism from recent trends, we'll continue to keep an appropriate level of conservatism in the mix.

Globally, our eCommerce business was up 69% in the first quarter, representing approximately 45% of our total direct-to-consumer business and included solid growth across all regions with better-than-expected conversion. Given the outside strength of eCommerce in 2020 and the continued shift to online due to the pandemic, we are hyper-focused on better understanding the consumer journey and building greater digital capabilities to unlock even deeper connections with athletes. And ultimately, while it's left to be seen about how sticky last year's eCommerce results are against this year's performance, we're confident that making additional investments in our sites, teams, and processes to support our long-term growth expectations is money well spent.

Bringing all these strategies together leads us to our last focus, maintaining our discipline around profitability to drive sustainable shareholder value over the long term. With our expectation of revenue being up at a high-teen rate for the full year, I am pleased with our progress and our expectation to deliver an adjusted operating margin in line with 2019. This is a nice step-up towards a double-digit rate over the long-term.

So to wrap up, I'm pleased with the progress we are making. Our transformational strategy to architect the global operating model, capable of driving sustainable and profitable growth is on track. With a solid start to the year, it's about continuing to execute the play with patience and allowing the processes, tools, and structure we've built to drive improved capabilities across Under Armour and further enable our ability to compete for premium brand-right growth.

And with that, I'll hand it over to Dave.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

Thanks, Patrik. Today's results are strong evidence that our transformed operating model can efficiently serve strong demand for the Under Armour brand against the continued backdrop of uncertainty due to the COVID-19 pandemic. With an outstanding start to the year, let's dive right in with our first quarter results.

Revenue was up 35% to \$1.3 billion compared to the prior year. This was better than expected due to higher demand across our wholesale and DTC businesses. From a channel perspective, our wholesale revenue was up 35%. Keep in mind, approximately two-thirds of this growth was due to a Q4 2020 to Q1 2021 shift related to COVID-19 impacts connected to customer order flow and changes in supply chain timing as noted on our last call.

In addition, most of our Q1 wholesale over-delivery was due to stronger sell-through and higher demand from our North American customers. Our direct-to-consumer business increased 54%, led by a 69% growth in eCommerce and 44% growth in our owned and operated retail stores. Our DTC results were better than expected primarily due to higher average order values in retail and higher eCommerce conversion rates. Our licensing business was up 9% driven primarily by North America.

By product type, apparel revenue was up 35%, driven by our train and run categories. Footwear was up 47% driven by our run and team sports categories. And our accessories business was up 73%, with most of the growth being driven by sports masks.

From a regional and segment perspective, first quarter revenue in North America was up 32% driven by growth in our wholesale business which was driven in part by Q4 to Q1 COVID-19 impacted order shifts. Additionally, we saw strength in our North American DTC business with Factory House and eCommerce leading the way for growth. In EMEA, revenue was up 41% driven by growth in wholesale led by our distributor business including the Q4 to Q1 COVID-19 impacted order shifts as well as strength in eCommerce.

It's important to note that EMEA continues to face significant impacts due to COVID with about one-third of our owned and partner mono-branded doors closed at the end of the quarter. Revenue in Asia-Pacific was up 120% with balanced growth across all channels including our wholesale business, which partly benefited from Q4 to Q1 COVID-19 impacted order shifts. As a reminder, stores in APAC were closed through most of Q1 2020, so we are comping a more significant COVID-19 impact here than in our other regions. In Latin America, revenue was down 9% driven primarily by lower wholesale results partially offset by growth in eCommerce.

First quarter gross margin was significantly better than expected with a 370-basis-point improvement to 50% driven by approximately 270 basis points of pricing improvements due to lower promotional activity within our DTC channel, along with lower promotions and markdowns within our wholesale business. In addition, we experienced 130 basis points of supply chain benefits including improved inventory levels resulting in lower reserves and product costing improvements. And finally, we realized 50 basis points of favorable channel mix due to a lower mix of off-price sales and a higher mix of DTC.

Offsetting these improvements was about 140 basis points of negative gross margin impact related to the absence of MyFitnessPal, a factor we expect to impact us throughout this year. Overall, versus our previous outlook for first quarter gross margin, we saw tighter inventories driven by stronger-than-expected demand and lower promotions which resulted in a reduced requirement for inventory reserves along with more favorable pricing.

SG&A expenses were down 7% to \$515 million primarily due to lower legal and marketing costs versus the prior year. Relative to our 2020 restructuring plan, we recorded \$7 million of charges in the first quarter, an amount less than we had anticipated due to slower-than-expected execution. Including Q1, we've now realized \$480 million of pre-tax restructuring and related charges.

As detailed last September, this plan contemplates total charges ranging from \$550 million to \$600 million. It's important to note that all remaining charges are related to initiatives that we determined in 2020, meaning we are not adding anything new in 2021. We expect to incur approximately \$35 million to \$40 million of charges in the second quarter as we work towards completing this program in the second half of 2021.

Moving on, our first quarter operating income was \$107 million. Excluding restructuring and impairment charges, adjusted operating income was \$114 million. After tax, we realized net income of \$78 million or \$0.17 of diluted earnings per share during the quarter. Excluding restructuring charges and a non-cash amortization of debt discount on our senior convertible notes, our adjusted net income was \$75 million or \$0.16 of adjusted diluted earnings per share. And finally, inventory at the end of the first quarter was down 9% to \$852 million, a clear indicator of the improvements we have made to drive a more efficient operating model.

Now, moving on to our updated 2021 outlook, while recent consumer trends continue to be more positive than we anticipated, we remain cautious with respect to demand and the overall marketplace due to the COVID-19 pandemic. Therefore, today's outlook is predicated on our business continuing under the same general macros, we've seen most recently with no significant shutdowns as well as moderate improvements within the greater retail landscape as the year progresses.

That said, let's start at the top with revenue, which we expect to be up at a high-teen percentage rate for the full year. This reflects a high-teen percentage increase in North America and a low-30s percentage rate increase in our international business. And while we see improvements across our regions, more robust demand in North America is driving most of the gain relative to our last outlook.

From a channel perspective, our Q4 bookings have come in better within our wholesale business than our initial expectations. As discussed, we are focused on managing our inventory tightly including constraining supply to meet demand and exiting undifferentiated retail, particularly in North America. In our DTC business, we also expect to see stronger results drive through the remainder of the year with retail store growth far outpacing that of eCommerce given that business is up against some difficult comps in 2020.

For gross margin, on a GAAP basis, we expect the full-year rate to be up approximately 50 basis points against our 2020 adjusted gross margin of 48.6% with benefits from pricing and supply chain efficiency partially offset by the sale of MyFitnessPal which carried a high gross margin rate. The gross margin improvement relative to our previous outlook is due to improving benefits within pricing partially offset by changes in channel mix and increased freight expense related to port congestion and logistical costs which remains a rapidly evolving situation.

From an SG&A perspective, as we stated on our last call, we believe we have appropriately rebased our cost structure to scale for future growth. The improved discipline and processes we employ help ensure we stay return-based with the optionality to invest in critical areas like marketing and our DTC and international businesses.

As Patrik laid out, we intend to take advantage of some of our improved outlook in the second half of this year with incremental investments particularly in marketing to continue driving the underlying momentum we're seeing. In this respect, we expect SG&A to be up at a rate that is approximately one-half that of our revenue growth.

In addition to these incremental marketing investments, the other significant part of the overall increase in SG&A relative to our prior outlook is higher incentive compensation when compared to a year that saw significant reductions against target levels. When combined, these marketing investments and planned higher incentive compensation represent about three quarters of the increase in our year-over-year SG&A dollars, meaning, without them, the underlying SG&A is planned up slightly at about 2% to 3% in absolute dollars which is consistent with the initial outlook we provided earlier this year.

That said, remaining disciplined about controlling costs and ensuring the right balance between growth, productivity, and profitability is our top priority.

After these factors, we now expect operating income to reach approximately \$105 million to \$115 million this year or about \$230 million to \$240 million on an adjusted basis. Translated to rate, we expect to deliver an operating margin of approximately 2% or an adjusted operating margin of approximately 4.5% in 2021. All of this takes us to a diluted loss per share of approximately \$0.02 to \$0.04, or excluding restructuring impacts about \$0.28 to \$0.30 of adjusted diluted earnings per share.

To sum it up, we believe we have appropriately updated our outlook to reflect the improvements, we see across the business. And to reiterate some of the comments we made on our last call, headwinds should be taken into consideration for our full-year outlook, particularly in the second half including the absence of MyFitnessPal, continued supply and demand constraints, the exit of undifferentiated retail which starts in the back half of this year, changes to our Latin American operating model, and lower expected sales of sports masks.

For a little more color on the quarterly flow, we expect our second quarter revenue to be up approximately 70% as we lap last year's significantly shuttered retail world with the highest regional growth seen in North America and Latin America.

Next, we expect Q2 gross margin to be down about 120 basis points to 140 basis points primarily due to the following negative impacts. Channel mix, with eCommerce being a considerably lower portion of the overall business when compared to last year; and within the wholesale channel, we expect a higher percentage of off-price sales versus last year's second quarter when off-price was predominantly closed. Additionally, the absence of MyFitnessPal will negatively impact the quarter. And finally, we anticipate increased freight expense from a supply chain perspective relative to the prior year as we work through ongoing logistics and transportation challenges.

These negative factors are expected to be partially offset by an improvement in pricing due to lower planned promotional and discounting activities along with some tailwinds from changes in foreign currency. Bringing this to the bottom line, we expect second quarter adjusted operating income to be approximately \$40 million to \$45 million or about \$0.04 to \$0.06 of adjusted diluted earnings per share.

To close out, with an incredibly focused strategy led by a talented, passionate team and improved operations from our multiyear transformation, we believe Under Armour is well positioned to deliver on our expectations for 2021 and beyond.

With that, I'll turn it back to the operator for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question is from the line of Erinn Murphy with Piper Sandler.

Erinn E. Murphy

Analyst, Piper Sandler & Co.

Q

Great. Thanks. Good morning, and congrats to the team there. I was hoping you could spend a little bit more time, Patrik, talking about the North American landscape. It sounds like the outlook here is a lot brighter than you would have thought three months ago, which seems like the main reason for the guide up today. Can you just share more about what you're seeing? And then really on the wholesale order books, I'm very curious what's implied in the back half given the second quarter strength that you're seeing. It seems like you still left some wiggle room there. So just any insight maybe from Dave as well on what the retailers are looking at for the second half. Thanks so much.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Good morning, Erinn. Thank you. Well, let's start with North America. For us, thinking about North America today and the journey that we've been on, I mentioned in my script that we feel that the North American business is in a healthier position this year than it's been in a very long time, and that has to do with the quality of what's in the market for us right now as a brand. And the fact that we understand the consumer better and what's working for them, we're leveraging that into our go-to-market.

We're also leveraging our marketing spend more efficiently, and we're doing that through the [ph] roaming work (00:27:19) return on investment and marketing model that we now have here at Under Armour and this whole go-to-market that we started to deploy in early 2020 makes us better each season, and part of that is the execution that you're now seeing across innovation, across gender, across our various categories and across the world. And in North America being our biggest business, it just has a disproportionate impact we believe. But we're also seeing strength in the fitness and wellness industry that we're benefiting from for sure. And we believe that's going to continue as we go into the rest of 2021 and beyond at this point.

And so a lot to be proud of from the team. There's definitely a spring in our step at this point in terms of how we think about North America. Execution is, of course, everything, and we are executing. We're getting the right stuff the right place the right time, better innovation, better product, better marketing, all coordinated, and the consumer's responding.

Dave, I don't know if you want to add a little bit of color there?

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yeah, Erinn, I think maybe what I would just remind on – when we think about back half North America, the demand constraints work that we put in place, we think, is the right thing for premium growth. But that had a little bit of an impact on back half. But then also the plans to exit undifferentiated retail and really focus on premium side is more of a back-half impact for North America as well. And then also we mentioned the SPORTSMASK business is a factor as well, being down back half versus back half of last year. So, a couple different factors that

are going on there. And then we are still operating in highly uncertain times with COVID-19. So we're trying be prudent with our planning as well.

Erinn E. Murphy

Analyst, Piper Sandler & Co.

Q

Got it. Fair enough. And then if I could just ask a follow-up on what you're seeing in the women's department right now, just how did men's versus women's kind of perform on that 35% apparel growth in the quarter? Thank you.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Yeah, women's – really as we came into 2020, our women's business started to show meaningful improvement. And a lot of that I would attribute to better product, better communication, better marketing, and across both tops, bottoms, as well as footwear. We're resonating with the consumer right now in many different styles. If I had to make a call out, I think what's really encouraging for me in our run category, for example, in the footwear space, the launches that we've had around the Flow Velociti Wind, continuing with the HOVR and Machina and Sonic and Infinite is resonating with both genders. And when it comes to apparel for women, our Infinity cross bra as well as our Meridian leggings and many other products that we're now innovating into for women as it relates to leggings, like our no-slip waistband, for example which has really been a great innovation for us this year, are all resonating.

So it's more comprehensive. It's across more styles. It's across categories. It's tops, it's bottoms, it's footwear. And it's that holistic approach that we're taking to the business head to toe through the go-to-market, but it's also about the communication. We're showing up in a way that the consumer expects Under Armour to show up in, and it's resonating. So very excited about what that might mean for us going forward.

Erinn E. Murphy

Analyst, Piper Sandler & Co.

Q

Great. All the best.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Thanks, Erinn.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Thank you, Erinn.

Operator: Your next question is from the line of Jim Duffy with Stifel.

Jim Duffy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you. Good morning, everyone. I wanted to start on the inventory position. Given where you guys have come from, I'm really pleased to be asking this question, but I'm curious as you look at the accelerating demand how you feel about the inventory position? Do you feel you have enough to capitalize on the demand that's materializing? Can you give us an update on your capacity to chase should demand outstrip your supply? And then I have a follow-up on that.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Sure, Jim. Good morning. This is Patrik. I'll start it off, and I'll hand over to Dave, maybe he can give you a little bit more color too. We came into this year and we talked about this now for the last six months and the last two calls around this notion of demand constraint. What it means is that we're tightening how we think about inventory across both in terms of exiting undifferentiated retail, which is exiting somewhere between 2,000 to 3,000 doors that will take full effect in the back half of this year.

We're also tightening the buckets that sit in inventory, things like order replenishment and [ph] at-once (00:32:10) dialing it in better, making sure that we have, of course, the right product at the right place but not necessarily spreading ourselves so thin across but being very, very selective with our investments. The reality is, Jim, that we won't have a tremendous amount of opportunity to capitalize on accelerating demand beyond what we're actually seeing and what we're thinking about right now simply because we are constraining ourselves. That's part of the model that we're running right now, and we believe very strongly and because we do want to continue to tighten up the availability of bad inventory and making sure that we're staying as clean as we can in every channel and every point of distribution.

And as it relates to chase, that's going to be something that we're not going to do so much of in 2021. We're doing that also to be careful with what we're seeing right now in terms of everything that's happening in supply chain. We think that will be a very risky proposition at this point. So we're being very careful with any sort of chase for the back half of 2021.

I don't know, do you want to add some color on that, Dave?

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Patrik, I think you covered it pretty well.

Jim Duffy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

And then, Patrik, you spoke to this in your prepared remarks, but thinking about the foundation of revenue for 2021, a much healthier base of business than prior years, more direct-to-consumer as a percent of the mix. I'm curious as you look relative to prior years, if we were to think about units versus ASP in that revenue base, how would that shape up? Is there any way to frame the ASP accretion that you've seen over a couple of year period relative to that 2019 base? And then do you see opportunities with your tighter inventories, healthier revenue base to leverage pricing power in the product line?

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Yes, it's a little different when you go across in terms of what's going on. A lot of this, of course, is driven by a combination of factors. One is the actual availability of inventory. One is the better product that you're launching and the better ability to launch product well, right, which is resonating with the consumer. In other words, you're getting bang for your buck in both ends in terms of us being able to be more premium in – as it relates to less promotional activity in our own channel in terms of markdowns, driving our average selling prices up. It's also resulting in less markdown in the wholesale channel because our innovation is matching our inventory level, so the weeks on hand are lower and as a consequence, they're selling our product better which means that we're not diluting our gross to net so much.

And what we're seeing right now with this approach that we've taken is that all of those things are happening simultaneously. And it's about balance, right? It's about balance in terms of how much inventory you have in those different channels and buckets and how you're able to communicate your innovation and your product stories to the marketplace, which we're doing much better.

And I would just highlight also the fact that if you think about the digital revenue aspect of this, the work that we've done on our eCommerce over the last 18 months specifically, as it relates to what we did midway through last year, for example, with the new North American site and our ability to merchandise better, be faster, we're now also upgrading the European site to the same standard as the North American site. They're on the same platform, which will enable us to capitalize a little more on being better also in digital in the back half of the year.

I don't know, Dave, you want to talk about some of the [ph] gross to net menu? (00:36:11)

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yeah, I mean, I think just to kind of sum it up, maybe, Jim, with the healthier mix that we're seeing versus 2019, that does bring along higher AUR and average order value, AOV. So, we are seeing that progress and we're excited about continuing to drive that healthier business forward.

Jim Duffy

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Excellent. Thank you, guys. Keep up the good work.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Thanks, Jim.

Operator: Your next question is from the line of Randy Konik with Jefferies.

Randal J. Konik

Analyst, Jefferies LLC

Q

Good morning, guys. Quick question. So just on – just to be a little more specific on the improvement in sell-through, is there any kind of quantification you can give us on the changes you've seen on sell-through improvement, let's say, today versus, I don't know, six months or a year or two years ago? Just give us some perspective there. And maybe a little more color on the differences in changes you've seen on that sell-through in apparel versus footwear in the business. Thanks.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Randy, this is Dave. We typically don't quantify the sell-through changes, but what I would say is that the bigger improvements that we started really seeing in sell-through were really back half of last year and continuing forward to through Q1. And we're excited about the fact that that's also leading towards less need for promotions, less need for markdowns, less need for returns.

So again, kind of the revenue dilution aspects of that have been fairly favorable as well as we continue forward, and that's helping from a gross margin perspective, that's helping from an inventory management perspective and taking back less returns, and also making it maybe a little bit easier also to manage that off-price third-party mix in that kind of 3% to 4% range that we think is kind of the sweet spot as we go forward.

So we continually monitor the weeks of stock that are at our wholesale partners which has been at very, very healthy levels for really two to three quarters now, and we continue to see that. We continue to have great partnerships and discussions with our key accounts, and we're excited to working together with them to maximize sell-through as we continue to move forward.

Randal J. Konik

Analyst, Jefferies LLC

Q

Great. Helpful. And then maybe a follow-up on just your journey and path towards a long-term thought process around double-digit operating margins. Can you give us some framework on how you're thinking about how the DTC business, more specifically online, kind of factors into your assumptions and kind of just the way you're thinking about the margin structure across the business around that channel distribution?

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yeah, I mean, there's a couple different things going on there, Randy. Great question. And we are definitely on that journey towards double-digit operating margin. It is going to come in a couple different ways. You're right, we are going to continue to lean forward on DTC and really the best expression of our brand and driving those touch points with the consumers. That will continue to mix up a little bit of our revenue as we go forward.

Keep in mind, though, that a lot of the doors we open in APAC are partner doors and those go through wholesale. So that might temper the increasing mix of DTC a little bit. But you will continue to see the DTC mix go up, and with that comes generally higher gross margin when you couple that with a lot of the costing improvements that our supply chain has been driving over the last few years. So, part of that journey is continued positive developments on the gross margin front.

But then also there's kind of a two-part story within SG&A. As you know, when you start to mix up in DTC on a revenue side, that does bring with it a little bit more in SG&A and operating costs with rent and everything else. So that does pressure kind of the SG&A to revenue a little bit. But with all of the extensive work we've done with rebasing the cost structure and the operating model and restructuring, we feel like we're in a really good spot as kind of rebasing that cost structure to be able to leverage a lot better as we grow, and that's what we're going to be doing as we go into 2022 and beyond.

So you'll continue to see a little bit of improvement, SG&A to revenue, a little bit of improvement in gross margin, and that's really kind of the simplest way to lay out the journey to double-digit operating margin. So we're excited about running forward on that.

Randal J. Konik

Analyst, Jefferies LLC

Q

Super helpful. Thanks, guys.

Operator: Your next question is from the line of Paul Trussell with Deutsche Bank.

Paul Trussell

Analyst, Deutsche Bank Securities, Inc.

Q

Yes, good morning, and congrats on the very strong results and momentum. I wanted to continue on the margin conversation. If you can give a little bit additional detail on the updated forecast for SG&A this year, the second half in particular. I think the prior guidance for the year was slight growth. So it certainly sounds like there was a major step-up. So just want to better understand that the prior guide did not include that majority of marketing investments that you now plan on of making. And it also sounds like the assumption is maybe little incremental revenue despite the brand-building campaign that you're pursuing.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yeah, Paul, this is Dave. Excluding the incremental investments that we're making in the marketing and that we planned in incentive comp, we do expect the rest of SG&A to grow slightly which is what we had mentioned on our last call. And this is similar to what we expect to coming into the year driven by continued investments into retail and international, offset by savings initiatives related to our restructuring and our capital preservation strategies from 2020 along with lower legal expense as well.

So you are seeing an increase from our last forecast especially in marketing as we want to invest more in the brand and continue that momentum in the back half of the year. And then you are seeing a higher expectation of incentive compensation with the improving results. But again, we feel good about the cost structure as we drive into 2022 and going forward. And these increases that we mentioned versus the prior outlook are not long-term commitments. So, it is something that we can continue to adjust and as we move into 2022 continue to rely on that reset cost base.

Paul Trussell

Analyst, Deutsche Bank Securities, Inc.

Q

Understood. Thank you. And then, I guess, just my follow-up, maybe just turning to the geographies outside of North America, could you maybe just give a little bit more detail on what you're seeing in Europe, in China specifically, and then also how to think about the LatAm business.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Yes, hi, Paul. This is Patrik. Well, Europe, maybe I'll start there very quickly. As most of you know, it's locked down basically as it relates to retail apart from the UK that opened up a few weeks ago and we've seen the business there rebound really well after the reopening. And we expect Europe to gradually open up in this quarter. And it might be a little bouncy opening up, closing down, opening, so we'll see how that plays out in the back half of the year.

In terms of China, we're really excited about the progress we're making there in terms of our digital space, in terms of our eComm and the opening up of additional doors this year. We're doing that in a careful manner, making sure that we're prioritizing profitability, of course. But we've seen the traffic rebound especially in the outlet business, but I would say that China is a more promotional market now than it was before COVID hit.

So, we're watching that and just trying to understand when the new normal so-to-speak will be there. But from a traffic perspective, traffic has been stronger in outlet's been in full price and continues to be strong online. And we're going to continue to build out stores in China in this year and accelerating from last year, of course. But we're looking for quality again over quantity there.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

And, Brian (sic) [Paul] (00:44:42), on LatAm, it's really continued focus on profitability and continuing some of the potential distributor model shifts to continue to improve both predictability and profitability while building the brand. So that's kind of our continued drive in LatAm.

Paul Trussell

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Best of luck.

Operator: Your next question is from the line of Brian Nagel with Oppenheimer.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good morning. Congrats on the nice results.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Good morning.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Congrats on the nice results.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Thanks, Brian.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

So my first question, just with regard to the sales trend, particularly the significant improvement in sales we saw here in Q1. So I'll kind of merge two points together. Patrik, you mentioned the product launches. Is there a way – my question is, is there a way to break out – help us understand to what extent these new products whether they be in run or other categories are helping to drive the sales? And then second, recognizing there's a lot of moving parts here, but is there any way that you look at your business, say stimulus, the government provided stimulus helped to drive sales?

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Brian, I think the way think about what we're seeing with the brand right now is, I would use the word holistic. And the reason I'm doing that is because the growth that we see in the brand really is global. It really is across categories. It's across gender, and it's really happening in both apparel and footwear. In the US, I would say that it's hard to understand exactly how much of that is driven by the stimulus or not, but certainly some of it is. But also at the same time, I would say, traffic is still down, right, in retail. So, yes, there is certainly some stimulus

going on, but we've also been very good at converting a lot better both in our eCommerce business as well as our retail business and we're seeing the consumer convert into higher-priced product as we're being less promotional.

So I think holistically we're doing a better job executing across our categories, across gender, across our innovation, across our go-to-market, across the globe. And that's really what's going on at this point.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

And I think, Brian, also, I think it's important to note that just in general the fitness and wellness sector is doing very well, continues to be pretty strong amid COVID and strong consumer behaviors, workout tendencies, et cetera, so obviously that's a benefit as well.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Great. And if I could just – thanks for all that. Just one follow-up to those points. Again, sales clearly much better here in Q1. As you look at the landscape, hopefully heading towards a post-COVID world, do you think – should there be bigger market share opportunities for Under Armour? Meaning are you seeing signs of competitive fallout that could lend to better market share as we pull out of the crisis?

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

I think to Dave's earlier point, Brian, the sector we're in right now, athletic performance, wellness health, is going to – we believe continue to be a growth sector. And I don't think that you've fully seen any dramatic fallout in our sector yet because it is buoyant. So I think it's going to come down to being in our case very consumer-centric, understanding the expectation for the consumer, understanding the consumer journey, delivering against their expectation with great product, great marketing to make them better, which is why we're here. And that way, we'll stay competitive and we'll get better every time because our go-to-market is engineered that way. It's engineered for us to continue to get better and to make our focus performance consumer better, and as long as we're focused on that, we're going to be okay.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Q

Appreciate the color. Thank you.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Thanks.

Operator: Your next question is from the line of John Kernan with Cowen.

John Kernan

Analyst, Cowen and Company

Q

Hey, good morning. Thanks for taking my question.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Hi, John.

John Kernan

Analyst, Cowen and Company

Q

Dave, wanted to go back to gross margin. Obviously, a lot of upside in Q1. You took the guidance up for the year. Q2, there's obviously decline and it looks like fairly flat in the back half of the year. How much has the increase in freight and some of the other areas of inflation like commodity inflation affected your gross margin outlook for the back half of the year?

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yeah, I mean, it's definitely been a factor and one that we've been discussing a lot lately, John. I mean, obviously globally, there is a lot of pressure just on logistics, on container availability, port delays, things like that, and I believe our supply chain has done a remarkable job navigating that to date. But it is challenging, and so we do have some of that pressure built into this updated forecast. I wouldn't say that it is a massive factor, but it is big enough that we wanted to call it out and that we actually did adjust our forecast to make sure that we're covering for it.

The good thing is that the improvements that we've been seeing versus our expectations and our pricing availability including the lower promotion, markdowns, off-price and then also inventory reserve assumptions relative to the health of our inventory, those improvements are actually outweighing the new tougher news relative to freight and logistical challenges. So net-net, that's why you're seeing a little bit of the higher outlook that we're getting for the full year on gross margin than our prior call. So we're monitoring it, our supply chain is on it, and we're navigating it fairly well at this point.

John Kernan

Analyst, Cowen and Company

Q

That's helpful. Thanks. And then maybe on the revenue side, versus the 2019 pre-COVID base, how do we think about how you're planning the back half of the year? It looks like overall up low-single digits or so. I'm just curious what are the macro assumptions embedded in that? You came into the year taking a fairly conservative view of the overall macro environment. You then came in and there was a fair amount of upside to your Q1 outlook. I'm just curious how you're thinking about the back half of the year from a bigger picture perspective both in North America and international.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Yeah, I think again it really gets back to a lot of positives relative to the momentum of the business, improved Q4 orders coming in, so a lot of favorable developments. But we've got to just continue to think about the fact that there are a fair amount of those back half headwinds as well which are not as related to health of the business. So the sale of MyFitnessPal, that was 85% to 90% of our Connected Fitness segment. So that's a pretty big impact for the back half of the year. The demand constraint work we've been talking about exiting undifferentiated retail which doesn't really come into play until the back half of this year. The LatAm business model changes have more of a back half impact, and then the SPORTSMASK business as well.

So those are definitely some pretty decent size headwinds. Relative to 2019, I think again the biggest callout is just overall health of the business, mix of accounts, and we're excited about continuing to kind of drive that forward.

John Kernan

Analyst, Cowen and Company

That's helpful. Thank you.

Q

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thanks, John.

A

Operator: Your next question is from the line of Matthew Boss with JPMorgan.

Matthew R. Boss

Analyst, JPMorgan Securities LLC

Great. Thanks, and congrats again on the nice quarter.

Q

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

Thanks, Matt.

A

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thanks, Matt.

A

Matthew R. Boss

Analyst, JPMorgan Securities LLC

So, Patrik, you cited accelerated marketing as a potential opportunity to drive greater brand awareness. So, if we took a step back, where is overall brand awareness today and where do you see the lowest hanging fruit as we think about marketing, maybe as we think about men's, women's or apparel versus footwear?

Q

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

To think about our marketing journey, if you like, in terms of inside of our go-to-market, that really began last year with The Only Way is Through early in the year that we then had to switch to Through This Together in March when everything went digital. But the advantage of that was we learned a lot, and with our new tools and our modeling capability that we have, we were able to actually use the time especially in the digital space to really learn what works for Under Armour in terms of how to think about resonating with the consumer to make them better.

A

So as Dave and I saw the numbers improve here this year, now it's much easier for us to make the decision to invest back into the brand because we understand what buttons to push and we understand what kind of returns we should be expecting. And it is really around building brand top of funnel now for us in the back half of the year, more so than we thought we would be able to do coming into the year.

So it's just that understanding of what works for us as a brand and having the right asset base to be able to activate against in the right space to really connect with the consumer and raise the engagement level, both from

an awareness and consideration perspective. So very excited that we're able to do this and it should really set the stage for us also for 2022.

Matthew R. Boss

Analyst, JPMorgan Securities LLC

Q

Great. And then maybe, Patrik, as we think post-pandemic, how do you think the athletic industry exits this crisis? And what do you see as a reasonable annual revenue growth rate for Under Armour? I think in the past, you talked about mid- to high-single digits. Is that still the best way to think about Under Armour on an annual growth rate? And then with that, lastly, David, is SG&A up slightly? So is that now with – the pieces that we have, is that the best way to think about SG&A dollar growth multiyear, again, only given the pieces that we have today, is that the best way to think about it?

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Well, I'll kick it off, Matt, and I think when we see what's going on right now in the marketplace, we're being a little bit cautious of course in terms of what the future holds post-pandemic as it relates to the consumer. We're still busy working and making sure that we're building our foundation as strong as it possibly can be here in 2021 and going into 2022. We're in the long game here for us, and the long game for us is eternal. So we're going to continue to make the right decisions to make our foundation stronger.

And make no mistake, Under Armour is returning to growth. We're a growth brand. We have a growth mindset. I think the difference now is a holistic mindset across top line, bottom line, spend, everywhere. So for us, we're going to be very excited to at some future date have all of you come to our Investor Day and we'll be able to lay out the future for all of you.

Dave, do you want to add a little bit?

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yeah, Matt, I completely understand the interest in discussing longer-term revenue growth rates, but we're just not in a spot where we want to talk about that yet. We continue to drive forward, and we're really, really excited about this foundation that we've laid and as we're driving through 2021. And relative to SG&A and going forward, due to all the work that we've done, yes, we will be able to leverage SG&A more as we go into 2022 and beyond and continue to work that SG&A to revenue percentage down as we go forward over the next couple years. Relative to what growth rate that relates to, we'll probably discuss that a little bit more at a future date when we're ready to discuss more about the revenue growth as well.

Matthew R. Boss

Analyst, JPMorgan Securities LLC

Q

Great. Best of luck.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Thank you, Matt.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Thanks, Matt.

Operator: Your next question is from the line of Sam Poser with Williams Trading.

Sam Poser

Analyst, Williams Trading LLC

Q

Good morning. Thank you for taking my questions. A couple [indiscernible] (00:57:28). On your increased marketing spend, I mean, we've seen this from lots of other companies when they start investing more in their direct-to-consumer marketing, you see sort of a faster response to the sales increases. So the question is if – how much of your revised sales plan is reflective of your increased direct-to-consumer marketing?

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Good morning, Sam. This is Patrik. That's a great question. And just to clarify, the marketing spend that we're now driving in the back half predominantly is going top of funnel versus down-funnel in performance marketing where you would see most of the quick return so-to-speak. So we're really balancing and making sure that we're driving towards a more balanced funnel, something that we've been wanting to do for quite some time. And we've been somewhat hindered by because we've had also a lot of commitments in the past to tie to long-term contracts and other things that hasn't really permitted us to go up-funnel and drive brand marketing, and that's what we're able to do now.

So, hence, my commentary a little bit around how we're now investing for the future, and really a lot of that top of funnel marketing is really to set the stage for 2022 and beyond. Doesn't mean we're not going to spend down in the funnel. We have already planned that to support the revenue that we now have guided to. So this is really about additional brand marketing that we're talking about.

And Dave, I don't know if you want to add something to that?

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yeah, Sam, I think just to take that a step further, the majority of the – or the largest piece of our increase in our revenue outlook is driven from the wholesale side. And to Patrik's point, the revenue that we are seeing is incremental versus our last call. There's not much of that is directly tied to the increased marketing. So it is much more of the opportunity for longer-term investment in the brand, and so we'll see more benefits from 2022 and 2023 relative to these investments.

Sam Poser

Analyst, Williams Trading LLC

Q

Let me just follow up. I mean, your direct-to-consumer business has been – was very good, both in your stores and on your digital business. So – and that digital – incremental digital marketing isn't as expensive as doing sort of bigger picture things. So are you increasing your digital and consumer, direct-to-consumer facing marketing in the back half? Is that part of the increase, even though I understand it's larger picture stuff?

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

A

Yes, it is, Sam. That was my commentary earlier, again, what we've been able of to learn through a lot of the new capabilities, tools and other things that we put in play and that we were able to actually accelerate in 2020 due to the pandemic. A lot of that spend that now is going into the back half of the year is in digital even though it's top of funnel, it's actually digital top of funnel, and that is absolutely what's going on.

Sam Poser

Analyst, Williams Trading LLC

Q

Okay. Great. Thank you very much.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Thanks, Sam.

Operator: Your final question is from the line of Jay Sole with UBS.

Jay Sole

Analyst, UBS Securities LLC

Q

Great. Thank you so much. My question is just about the normal inventory reserve requirements that you normally take that you sort of maybe did not take this quarter and the pricing gains that you had. How did the reserve requirements in this quarter and the pricing that you got compare to what you would expect to see in a normal quarter in terms of – it was better, but I mean, it's sort of been planned to be better, but there was upside. Can you just give us an idea of how those two factors really impacted gross margin?

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Yeah, I mean, I think that the best way to look at it would be that it wasn't exactly the driving factor for year-over-year. Again, year-over-year we talked about the 370 basis points. But as far as versus our actual expectations, it is definitely a factor. We, obviously, have moved through inventory very, very well. We set ourselves up well the back half of last year for tighter supply chain management. But then coming into this year with the incremental drive-through in Q1 and then also with the updated forecast, we are running even healthier inventory than we originally thought and the mix of that inventory is healthy as well, not just the level of the inventory.

And so, when you add those things together and our ability to sell through more at full price, it does have an impact in – your required reserves are lower than anticipated. We haven't broken out the exact basis point of that difference versus our prior outlook, but it is meaningful enough that we wanted to call it out.

Jay Sole

Analyst, UBS Securities LLC

Q

Understood. If I could ask one more, just on the balance sheet, there's a lot of cash on the balance sheet right now, much more than there would be at the end of a normal Q1. The new guidance suggests you'll generate a decent amount of free cash flow this year. What's your plan for how the balance sheet might change over the course of the year, and is that taken into account – obviously, it's not in the guidance, right. But just maybe give us a sense of how the balance sheet might change.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Yeah, I mean, right now, again, we are very focused on continued working capital improvements, CapEx prioritization, and all of that work has been going very well and you see that coming through the numbers and you see that in the updated forecast. So yes, we do intend to be able to drive continued free cash flow this year. And we will be at a pretty high cash balance as we drive through the remaining quarters of this year.

Right now, we are happy with being very, very liquid and very nimble as well. And we mentioned on the last call that would we consider something like maybe debt buyback or something along those lines, we are considering it. But at this point in time, we feel really good about where we are and we're continuing to be nimble and drive forward. So, more of that in the future. We're continuing to work on that. But we feel good with where we are.

Jay Sole

Analyst, UBS Securities LLC

Q

Got it. All right. Thank you so much.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

A

Thank you, Jay.

Operator: There are no further questions. This concludes the Under Armour first quarter earnings webcast and conference call. Thank you for your participation. You may now disconnect.

Patrik Frisk

President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thank you.

Lance Allega

Senior Vice President, Investor Relations & Corporate Development, Under Armour, Inc.

Thank you.

David E. Bergman

Chief Financial Officer, Under Armour, Inc.

Thank you.

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