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Under Armour, Inc. (UA)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Under Armour First Quarter 2025 Earnings Conference Call. All participants will be in listen only mode. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the call over to Lance Allega, SVP, Investor Relations, Treasury and Corporate Development. Please go ahead.

Lance Allega

Senior Vice President-Investor Relations, Treasury and Corporate Development, Under Armour, Inc.

Good morning and welcome to Under Armour's first quarter fiscal 2025 earnings conference call. Today's event is being recorded for replay. Joining us on today's call are Under Armour President and CEO, Kevin Plank; and, CFO, Dave Bergman. Our remarks today will include certain forward-looking statements that reflect Under Armour's Management's current view of our business as of August 8, 2024. These statements may include projections for our business in the present and future quarters and fiscal years.

Forward-looking statements are not guarantees of future business performance, and our actual results may differ materially from those expressed or implied in the views provided. Statements made are subject to risks and other uncertainties detailed in this morning's press release and documents filed regularly with the SEC, including our annual report on Form 10-K and our quarterly reports on Form 10-Q.

Today's discussion may also include non-GAAP references. Under Armour believes these measures give investors a helpful perspective on underlying business trends. When applicable, these measures are reconciled to the most comparable US GAAP measures. Reconciliations, along with other pertinent information, can be found in this morning's press release and at about.underarmour.com.

With that, I'll turn the call over to Kevin.

Kevin A. Plank

President, Chief Executive Officer & Director, Under Armour, Inc.

Thank you, Lance, and good morning, everyone, for joining us on today's call. With the first quarter of fiscal 2025 behind us, I'm pleased that we started the year ahead of expectations, and I'm encouraged by the early progress we're making in executing our Protect This House strategy. At the center of this strategy, we've recently declared to our team and partners that Under Armour is a sports house, a term that we're using to define the landscape in which we compete. The sports industry's version of the only handful of brands from Europe, who've earned the right to refer to themselves as fashion houses.

Across the sports brand landscape, we believe there are less than five brands that could be represented on this podium for sports globally, and that we are one of them, earned over our 29-year history. The credibility to show up in virtually any athletic endeavor on the field, pitch or court, as an outfitter and be seen by athletes in the more than 100 countries where we do business today and are generally famous as an authentic brand, an authentic sports house brand.

This rare air amongst the landscape of the sports industry is an aspect of UA that we feel is incredibly unique and just one of the attributes of strength we see for ourselves. We contemplate the opportunity that Under Armour has in front of us. We believe this authenticity gives us an advantage as we reconstitute our brand strength and execute our strategy. To make that happen, this, of course, begins and ends with our culture, elevating its importance and visibility, raising the bar of our culture across the enterprise and, like our brand positioning work, we're also reconstituting this. Our culture is unique in how it describes our brand, the athletes we have, and the ones we plan to attract.

In this spirit, we've redefined who and what we stand for within our strategic plan. As discussed on our last call, the who we are being about athletes, sports, innovation and passion, and we have a passion for, in its simplest definition, the underdog, the athlete who is not given old gods' gifts of talent and, despite what they're missing, is not tall or fast enough, or strong or swift or clever enough, for all those who have to stay late after practice to work on a skill or study harder than the rest, this is our underdog. And, because of this, UA's athletes must use every resource and waking hour to make themselves better. Said differently, we don't innovate as a brand for athletes so that they can run up a score. We expect every product we build to provide an edge for our athletes, just to give them a fighting chance to compete.

This mentality is what drives our innovation agenda and manifests through grit, an oversized chip on the shoulder that is UA's beacon, an underdog spirit that can never be counted out. Each day, this UA team will operate with responsibility to do everything in our power, to push the boundaries of innovation that makes athletes perform better. And, above all else, we recognize the privilege and joy it is to work in sports.

Our aspired culture will be the output of bringing this to life. In this effort, we must become more deliberate in everything we do, recognizing the difference between experimentation and intentionality and have the right talent and agile decision-making abilities to ensure we can do this consistently at a high level. As such, we've invested meaningfully in experienced leaders to supercharge our ability to execute differently than in years past. We're not just building a company, we're building a brand, and the reason is that a brand is so much more valuable than just a company. We're building the UA brand with purpose, one iteration, one success, one day at a time.

Looking back at the last four months, since assuming the CEO chair, we still have much work to do, but I'm proud of what's been accomplished to date, including implementing a nine-month go to market process to complement our 18-month calendar, with the StealthForm Uncrushable Hat being our first delivered product and now available and in stock online. We also began to work to reduce our SKU, style count, by 25%, implementing a category management structure and rightsizing our organization with a head count reduction that, while painful, is now complete. However, we're still building, too.

This brings me to the announcement we made a couple of days ago, the appointment of 30-year industry veteran, Eric Liedtke, as Under Armour's EVP of Brand Strategy. Following a 26-year career at Adidas, culminating in his roles as brand president and executive board member, we're thrilled to welcome him. Complementing one of the strongest product teams we've had in nearly a decade, Eric's proven track record of transformational brand growth and strategy will be an incredible asset to our product and regional leaders and our broader executive leadership team at this crucial time.

As EVP of Brand Strategy, Eric will oversee our brand marketing, corporate strategy, consumer insights, sports marketing, creative and loyalty functions. In addition, Eric will be tasked with building out our marketing organization, including its go forward leadership that will report to him.

On our last call, we outlined what needed to be done immediately. We distilled the key points of our strategy into a presentation that's now been delivered to all 16,000 UA teammates and take it on the road to our key retail partners, factories and franchises globally across North America, EMEA and APAC. From quick hallway talks to two to three hour meetings and presentations, we have transparent two-way conversations to gain perspective about how to take better care of our brand. These interactions have provided well-rounded insights into our strengths and areas of opportunity, such as being faster in bringing products to market, more intentional and committed storytelling for our launches, serving as a better business partner and driving deeper connections with athletes to ignite brand love.

The constant theme across these exchanges. parallel to the spirit of many of our investor conversations, is the optimism in Under Armour's ability to deliver a premium positioning and unleash our full potential. In the product construct of good, better and best, we believe that UA can do business in all three, including as it relates to price, a unique characteristic of being an authentic sports podium brand. This is probably the most significant business advantage of being a sports house, and why we believe we can drive a more premium positioning, while not abandoning good level altogether. This range is one of the reasons I know we can attract A-plus talent to join us in this next chapter.

And this potential is evident, when we combine innovative products, outstanding design, and thoughtful storytelling, we delight athletes with performance solutions they never knew they needed and now cannot imagine living without. This, in conjunction with our strengthened product team and feedback based on early sharing of our evolving product line architecture, is encouraging. We aim to scale this more broadly across every product we make with renewed energy, story, clarity and alignment across the company.

With that, I'll highlight each element of our Protect This House strategy, starting with building better products and storytelling. Essential to the evolution of our product organization has been the re-architecture of leadership and structure over the past year. With Yassine Saidi, leading a talented and experienced team of apparel, footwear, innovation and design experts, by order of operations, product was the most immediate fix and, frankly, longest lead time UA needed to address. I'm very confident the work this team is executing, including a more centralized vision across product, merchandise and marketing that will enable us to correct our past inconsistencies, always editing and innovating to drive our brand forward.

With new leadership also came new priorities, and we're progressing well with our category portfolio realignment. This brings greater simplicity to the business and adds focus to our core sports categories, yielding much clearer roles and responsibilities for our product teams to identify and execute go to market plans that are ideally optimized for the highest quantitative and qualitative returns.

As mentioned on our last call, our Fall/Winter 2025 season is when this team's efforts will begin to show up more robustly with new design language and improved balance between performance and style, a pivotal season that we will build into subsequent ones. Yet that doesn't mean we're just sitting back waiting for next year. We're working to elevate our core men's apparel business with a refined assortment, infusing it with industry-leading performance technologies and a more deliberate design direction.

At the same time, we're sequencing investments in our footwear and women's businesses to reinvigorate consideration among two of our largest long term growth opportunities. We're also shifting towards a head to toe approach across our largest categories by employing key franchises, trend-right styles and innovations to underscore an always-on authenticity.

Looking at the season ahead, Fall/Winter 2024, we're going to see an uptick in our sportswear offering, with more to and from wearing occasions for the 16 to 24 year old varsity team sport athlete who we target. This includes the launch of high performance streetwear in Unstoppable, versatile style and athletic performance, in Meridian, elevated warm-ups and sport-inspired looks in our Icon Fleece collection, Infinite and Phantom Running launches. And, finally, in basketball, the Curry 12, along with the first signature shoe for De'Aaron Fox of the Sacramento Kings.

Our next most significant effort is driving improved demand creation ecosystem through compelling storytelling and aligned merchandising. We've begun to optimize our marketing organization, including efforts to clean up our messaging, particularly in North America. A great example is our use of performance marketing. Last year, when we sent an email to consumers, two-thirds of these messages were about discounts or promotions, and one-third were focused on full price selling and storytelling. This year, that ratio is now inverted, which, although early, is showing signs of positive traction and perception. So it's encouraging to imagine how a year's impact might improve our brand affinity.

In addition to not simply leading on the retail floor or online with price, we will ensure that we are telling a story about the product advantages, with messaging focused on premium franchises and inspirational connections around key retail and sports moments. In North America, upcoming back to school activations highlight key franchises across team sports, apparel, footwear and sportswear styles.

The Elite 24 basketball showcase this coming weekend in New York City and our All-America Volleyball and American Football Events in Orlando in January give us an excellent platform to connect even more deeply with young team sport athletes. In Asia Pacific, Stephen Curry will be taking his first tour across China since 2019 this September and we're generating brand heat through social media and activations, leading to millions of new followers and thousands of new member enrollments in just the first few days. With four major cities on tap, we look forward to September's tour and the energy it will bring to the Chinese market.

In Europe, across EMEA, football has been a sharp point in driving brand affinity, with youth and unlocking our sportswear consideration. Activations during critical sports moments, including the English Premier League, Champions League Final and the Euro Championships, focused on our iconic HeatGear compression apparel, and the Clone Magnetico Boot, featuring a young stable of UA athletes, including Toni Rüdiger of Real Madrid, Eddie Nketiah of Arsenal, we are very much in this conversation in European football.

We're also increasing our investment in paid social media influencers. Over the next few years, we intend to double the number of influencers in our creative program, to lean into fresh new content to drive reach and engagement. In line with this, we signed the University of Miami Women's College Basketball players Haley and Hanna Cavinder to a multiyear partnership to serve as the metaphor for tying together sport authenticity and influencer relevance. With nearly 7 million followers across Instagram and TikTok, it's great to welcome them to the brand.

Another first quarter highlight was demonstrating staying on our front foot with collegiate assets, including extending our partnership with the University of Maryland to be the exclusive outfitter of athletics program, including 19 varsity sports and Universities Club and intramural sports. With now seven power forward teams for UA, 85 Division 1 squads and 350 Division 2 and Division 3 schools, our NCAA presence is a testament to Under Armour being a brand that athletes trust, a true sports house.

We also announced our new partnership with USA Football, the official and exclusive uniform apparel and footwear provider, including the US men's and women's national teams. This is also an excellent opportunity to have a front and center grassroots pathway to defining flag football across more than a million member athletes by integrating it into our existing UA Next platform. We're very excited about this, especially as it leads to flag football's debut at the 2028 Summer Olympics in Los Angeles, where UA will be the official outfitter for Team USA competing on the gridiron.

And, speaking of the Olympics, with more than 70 athletes from 26 countries across 28 sports representing UA, we've had a fantastic roster on the world's largest, most famous athletic stage. A few callouts, of course, are Stephen Curry and Kelsey Plum on the US men's and women's basketball teams. New York City marathon winner Sharon Lokedi, representing Kenya at her first games; and, Fermín López, a key Spanish player, who's led his team to the final of the Olympic football tournament by scoring four goals and two assists in just five games.

Next up is our second strategic priority, running smart plays and our work to optimize our business to clean up unnecessary complexity, meaning growth by constraint. Our approach here is simple: test all existing rules to determine how to take advantage of all business dimensions more efficiently. Accordingly, no area is left unturned and all systems, structures and processes must have a clear and well-defined purpose and output and definition of success.

Though a difficult decision, our restructuring program has given us a head-start in streamlining the organization. During the quarter, we rightsized our workforce and are executing various transformational initiatives and advancing considerations around facilities, software and other areas. As a result of some of this work, we've begun laying out projects to automate tasks and decision-making processes, using both traditional and AI solutions to unlock data-driven insights and operational improvements. So, very promising for long term efficiency gains.

An output of complexity led to the creation of, frankly, too many products that, without proper segmentation and marketplace differentiation, have challenged brand affinity. In this respect, I've tasked our team with achieving a 25% SKU reduction over the next 18 months, and we're making solid progress towards this objective. This is not, however, a blanket strategy across our good, better, best construct, nor does it apply to all categories equally. We're being surgical in this effort, distorting toward areas of opportunity with the highest returns, both financially and strategically, from a brand building perspective and purposely over-indexing towards better and best level products, as we elevate our brand positioning.

We're also working to become smarter and more efficient by modernizing our supply chain, with two primary objectives: improving our end to end planning and cross-channel capabilities, led by Chief Supply Chain Officer, Shawn Curran. Our end to end planning work spans multiple disciplines, aiming to enhance our ability to plan better and protect our consumers' needs, to optimize our assortments and manage inventory across regions, channels and retail doors. We've also started a multiyear distribution logistics modernization initiative to enable cross-channel capabilities to optimize cost, maximize speed, ensure inventory availability and increase service levels across our DTC and wholesale businesses.

That takes us to our third priority, elevating consumer experiences, where we're focused on driving excellence across our direct to consumer and wholesale businesses. In DTC, the first quarter marked the beginning of our journey to elevate our North American e-commerce business toward a more significant and premium consideration. As expected, our e-commerce revenue was down, driven by roughly a third fewer promotional days than last year. However positively, the percentage of full price sales in our digital channel rose significantly, along with a reduced mix of outlet and clearance sales. So, although still in the early days of this strategy, we're optimistic about initial performance metrics, which include higher average order values.

Regarding physical retail, we're focused on delivering service excellence and identifying areas to improve, upselling, repeat business and profitability. To support this, we're testing a new full price brand house concept and are pleased with the initial results, seeing an improvement in productivity and revenue per visitor. With cleaner sightlines, a more curated product assortment, including nearly 50% fewer SKUs and an evolved in-store presentation, athletes can more easily see and feel the power of the Under Armour brand. All of this will come together even more beautifully later this year as we open our new flagship store at our new headquarters here in Baltimore before the end of December.

In our factory house outlets, we're digging in to optimize this business better, especially in North America, which is critical to balancing future revenue and margin opportunities. During the quarter, we initiated trials with mixed results as we dialed various promotional levels up and down to assess volume and ASP impacts, an excellent test and learn, as we solidify our go forward strategies.

We're also working to change our assortment and segmentation, including less made for outlet products, SKU reductions, elevated visual presentations and full price selling, all geared at harnessing this platform more effectively to generate capital for other parts of our business. Our loyalty program is also giving us an added boost in realizing improved long term growth, profitability and higher brand engagement. With less than a year under our belts in North America. UA Rewards has grown quickly and its performance has been a positive contributor. The program has nearly 5 million members and is growing month by month. It's exciting, too, that about half of recent enrollments are new to the brand, which is an excellent sign of expanding our reach with unique visitors. Further, nearly 60% of our North American DTC revenue comes from UA Reward members, and we're showing roughly 50% higher revenue per consumer, along with a threefold increase in the 90-day repurchase rate compared to non-members. So, very encouraging for the long term.

Now, shifting to wholesale. Following meetings with key global retail partners, I'm happy to report that they are encouraged by our progress and optimistic about the potential of our strategy. As mentioned, it will take time for the wholesale channel to inflect. We must allow for improved storytelling to take shape. In the interim, we're changing the script on what it means to be a UA partner and are committed to strengthening our crucial account relationships in each distribution tier.

In addition to working out improved segmentation with our current mix of products, we're partnering on better integrated planning and joint marketing opportunities.

In closing, though, early in our journey to reconstitute Under Armour's brand strength, we're making tangible progress on building a more premium product offering. We're running smarter plays by tightening up our SG&A, reducing SKUs and materials, and beginning to elevate consumer shopping experiences. Amid the early progress we're making and Eric coming on board to fill a critical missing piece of our puzzle through the marketing lens, we'll continue to empower and evolve our culture to reduce complexity and be more deliberate in everything we do. I have every confidence that our improving level of execution will result in a better presentation of the Under Armour brand through building this sports house. There is much to do, but we're undeniably back on offense.

With that, I'll hand it over to Dave for more details on the results and outlook. Dave?

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

Thanks, Kevin. Starting right in with the results, our first quarter of fiscal 2025, which came in better than our outlook. Revenue was down 10% to $1.2 billion, with a 14% decline in North America due to softer full price wholesale demand and lower sales to the off-price channel. Our DTC business was also down during the quarter, driven mainly by a decline in our e-commerce business resulting from proactive strategies to reduce promotional activity and a decline in our retail store sales.

Revenue in EMEA was flat on a reported and currency neutral basis with strength in our DTC business, partially offset by a slight decline in wholesale. APAC revenue was down 10% or down 7% on a currency neutral basis, driven by declines in our wholesale and DTC businesses, amid a softening macro that impacted consumer traffic and a highly competitive and promotional environment in the region.

In Latin America, revenue was up 16% or up 12% on a currency neutral basis, with solid growth among regional distributors. From a channel perspective, first quarter wholesale revenue was down 8%, driven by softer demand in our full price and distributor businesses, along with lower sales to the off-price channel. Direct to consumer revenue declined 12%, with a 25% decline in e-commerce as we work to evolve this channel to a more premium positioning via lower promotions and discounts, and sales from our owned and operated retail stores were down 3%.

Licensing was down 14% due to the declines in our North American and Japanese businesses.

By product type, apparel revenue was down 8%, with declines across most categories, partially offset by a relative strength in golf. Footwear was down 15%, with declines across most categories, partially offset by relative strength in outdoor and golf, and our accessories business was down 5%. Our first quarter gross margin was up 110 basis points to 47.5%. This increase was driven by 170 basis points of pricing benefits due to lower levels of discounting and promotions, mainly in our direct to consumer business because of our actions to drive a more premium positioning of our brand and 40 basis points of supply chain benefits related to lower product costs and lower inventory reserves, partially driven by our first quarter overdrive. These benefits were partially offset by 60 basis points of headwinds from unfavorable regional and channel mix shifts and 50 basis points of unfavorable foreign currency impacts.

Our first quarter gross margin outperformance relative to the outlook we gave in May was due to three main factors. First, we were even less promotional than planned in our DTC business as we started to test strategies for also reducing promotional activity in our factory house outlet stores, including less depth in discounts, which was not contemplated in our prior outlook. Second, inventory reserve needs were lower than planned, given the lower inventory balance and healthier overall composition. Third, we had some additional trailing benefits from year-over-year freight cost improvements compared to what was anticipated in our prior outlook.

Moving down the P&L, our SG&A expenses increased 42% to $837 million in the first quarter, excluding a litigation reserve net of an insurance receivable and transformation expenses, adjusted SG&A expenses were down 6% to $555 million. This was mainly due to ongoing cost management actions, including head count reductions and lower marketing expenses for the quarter.

During the quarter, we recognized $25 million of restructuring charges and incurred $9 million of transformational expenses booked in SG&A. We have now realized $34 million of the estimated $70 million to $90 million in anticipated charges and expenses under our existing plan. Bringing this together, we had an operating loss of $300 million or excluding the litigation reserve, transformation expenses and restructuring charges, our adjusted operating income was $8 million. On the bottom line, we realized a diluted loss per share of $0.70 or an adjusted diluted earnings per share of $0.01. These results were ahead of our outlook due to our revenue and gross margin overdrive and better SG&A expense control.

From a balance sheet perspective, inventory was down 15% compared to last year, which was ahead of our expectations due to our revenue outperformance and effective inventory management. We continue to expect that our year-end inventory will be in line with fiscal 2024. At the end of the quarter, after paying down the remaining $81 million outstanding balance of our convertible senior notes and purchasing $40 million of Class C common stock, which retired 5.9 million shares, we had no borrowings under our $1.1 billion revolving credit facility and a strong cash position of $885 million.

Shifting next to our fiscal 2025 outlook, our expectation that full year revenue will decline at a low double digit percentage rate has not changed. In summary, we exceeded our expectations in North America during the first quarter and, thus, we are modestly improving our full year expectation for the region to now be down 14% to 16%. However, the North American improvement in our full year forecast is expected to be offset by increasing market pressures in APAC for the balance of the year.

Next, we expect a low single digit percentage decline in our international business. Within that, I'd like to give some regional color given the divergence in recent results between APAC and EMEA and, thus, balance of the year expectations. For fiscal 2025, we expect revenue in EMEA to be a flat as we continue to protect the brand strength we've built in the region, amid an uncertain macro environment. In APAC, we anticipate revenue will be down at a high single digit percentage rate, reflecting lower consumer demand and traffic trends.

Moving to gross margin, although we saw a significant, better than anticipated results in our first quarter, our expectation for a 75 basis point to 100 basis point improvement for the full year has not changed. There are three main reasons for this Q1 overdrive not passing through to the full year. First, emerging ocean freight cost headwinds. Second, developing negative impacts from changes in foreign currency. And, third, a more unfavorable channel mix due to lower licensing sales and challenged margins in the off-price channel.

Relative to SG&A, excluding the litigation reserve expense and the midpoint of total estimated charges and related expenses of our restructuring plan, adjusted SG&A is expected decline at a low to mid-single digit percentage rate. This includes anticipated savings of approximately $40 million in fiscal 2025 from restructuring actions this year.

Adjusted operating income is now anticipated to reach $140 million to $160 million, up $10 million from our prior outlook, and adjusted diluted earnings per share is expected to be $0.19 to $0.22.

Next, I'd like to give some color on our expectations for our second quarter fiscal 2025, starting with revenue, which we expect to be down approximately 12% compared to the prior year. This decline assumes continued wholesale softness and proactive strategies to reduce promotional activities in our DTC business, particularly in North American e-commerce. Second quarter gross margin is anticipated to be up 20 basis points to 30 basis points due to benefits from lower product costing and less DTC discounting, partially offset by more expensive ocean freight and unfavorable foreign currency impacts.

Adjusted SG&A is expected to decline at a high single digit rate in the second quarter, partially driven by approximately 4 percentage points to 5 percentage points from an anticipated insurance recovery related to litigation expenses paid in prior periods. Additionally, this decline includes lower expenses related to head count reductions and a shift in the timing of marketing expenses, which will be considerably higher in our third quarter. This takes us to an expected second quarter adjusted operating income of $110 million to $120 million and an $0.18 to $0.20 of adjusted diluted earnings per share.

Finally, some color on how we expect our cash to evolve in fiscal 2025. After funding our legal settlement payment in the second quarter with cash on hand and our expected cash flow generation in fiscal 2025, we expect to end the year with approximately $500 million in cash and no borrowings outstanding on our $1.1 billion revolver.

Now, to close out today's prepared remarks, I'd underscore that we are encouraged by the early progress we're making to reconstitute the Under Armour brand and are tracking well against our strategies. With a leadership team and culture that gets more decisive quarter by quarter, we will continue to test and learn as we optimize our Protect This House strategy and we are confident in our ability to establish the premium positioning we know the Under Armour brand deserves and set a higher quality revenue base that leads to improved sustainable growth and profitability over the long term.

With that, we'll open it up for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: We will now begin the question and answer session. [Operator Instructions] At this time, we'll pause momentarily to assemble our roster. Our first question will come from Jay Sole with UBS. You may now go ahead.

Jay Sole
Analyst, UBS Securities LLC
Q

Great. Thank you so much. Kevin, it's clear, you see some good progress happening in the business. Can you just tell us about, what gives you confidence in the company's ability to deliver on the sales growth guidance that's implied in the guidance for the second half of the year and what you see happening there? Thank you so much.

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

Yeah, thanks, Jay. I believe that we're – I think we've got a really healthy view of the business right now. I think that what we did on the last call is we put ourselves in a position to make the best decisions for the brand. I've introduced this term sports house that we took to our partners and frankly, to our team and anyone around this business of just understanding of sort of getting lost up in the moment of the day. We recognize where we are. We're not crazy about it, but we're also doing something to change I think the weather. And so, the effect that we're having, I think is, number one, just slowly, prudently putting the best team together, which is everything, I think really getting after our strategy, which is something that I don't think it's been off. I think it's been a matter of execution. And so making sure that our team is super clear on what the objectives are and what the definition of success is.

And so the addition of the ability to attract A-plus talent like bringing Eric on board is probably a great proof positive that we're heading in the right direction with that. So I feel good. And I think there is a lot of macro things that are going on right now that may affect what or where we are in the world. But we've got our head down and there's certainly no – there's not a lot of high fives yet, but there's definitely a growing sense of in terms of what we've accomplished to date, there's definitely a sense of what's coming and we're very proud of that.

Jay Sole
Analyst, UBS Securities LLC
(

Got it. Okay. Thank you so much.

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

Thank you, Jay.

Operator: Our next question will come from Bob Drbul with Guggenheim. You may now go ahead.

Robert Drbul
Analyst, Guggenheim Securities LLC
Q

Good morning. Just a couple of questions from me. The first one, Kevin, on the business overall, you seem to have a sharper direction in product. Can you comment a little more on the evolution of your marketing, how long until you feel more confident about that? And then when you think about the brand marketing what's working, what's not working where do you think you can do a better job and what does Eric bring to the table on that? Thanks.

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

Thank you. On the last call, I think we did a good job laying out the importance of product, story and region, and those three things working. We've also done a good job as part of the presentation that we took really around the world to our key partners and teammates, et cetera. And we told them that what's critical for Under Armour to do is to make sure that we're bringing in A talent. And I think, if you look at the way that this table has evolved, the executive leadership team table has evolved over the last frankly 8 to 10 months, it's pretty significant.

And product was a metaphor that I used to describe is where we brought in some A-plus talent between John Varvatos, Yuron White, and, of course, Yassine, who's heading that function up. But what makes them so powerful is the fact that they're joining a team of leaders, of partners that we already have here in the business of Dan Leraris, 13 years; Kyle Blakely, 15 years, Jeannette Robertson, who's another dozen years at UA we just have this a real depth, I think, of talent.

And so I feel the same way of the impetus of someone like an Eric joining our business of being able to balance out that troika of product, story and region of what we can do from a storytelling standpoint. And, obviously the biggest need, and I'll come back to marketing in a second, the biggest need that we have is we need to be aggressive in North America.

And I just want to go back to people and being able to reference a partner that I have in someone like Kara Trent, who's leading their force. And so, you're – there's definitely a new mix, but it's something which I think is a formula. So we're just – we're stabilizing the business, we're being consistent with the strategy right now. And frankly, after a very probably too long of a time and extended period of time of the ability to bring in a professional like Eric, who my priorities when getting Eric here was, number one, just landing the plane with someone who is such a terrific A-plus talent from the industry, but I was also thinking about how we could get him horizontal as quickly as possible. And so that's why the role of marketing is something that will really, I think, is the unlock for the brand. The terrific products are important, but I do feel like we're a company that's been left more to just selling on the logo and on a price tag next to it versus articulating the actual depth of story that we have available about each incredible product that we build.

So we're a company that's spent $0.5 billion and we'll be spending $0.5 billion in marketing just last year and this year. And I'm not sure that that's felt. And so there's a tremendous opportunity for us to go attack our 16 to 24 year old varsity athlete consumer and do it in a very authentic way. We've spent a lot of time just focused on the gym and while that's important, we want to be focused on the field. We want articulate our story through that voice and the products that will come from it. It's not just the time for these athletes that are on the field either, but it's really focusing on the to and from and what sportswear can mean for us because I believe the opportunity for UA is different in sportswear than maybe it is for other brands. But the way that we're going to convey that story is going to be a little bit different. We're going to do it through the authenticity that we have on the field, court and pitch.

Robert Drbul
Analyst, Guggenheim Securities LLC
Q

Thank you.

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

A

Yeah.

Operator: Our next question will come from Simeon Siegel with BMO Capital Markets. You may now go ahead.

Simeon Siegel
Analyst, BMO Capital Markets Corp.

Q

Thanks. Hey, everyone. Good morning. I'm hoping you're having a nice summer. So, Kevin, nice to see the first step in the brand re-elevation. Just when you think through the North America resets and that 25% SKU reduction you mentioned, could you elaborate a little bit more on how that plays in terms of reducing specific categories, [ph] is it exports, (39:16) retail partners, price points? Just you alluded to it, but maybe any more thoughts on how you're going to approach that would be helpful.

And just as you think about that reduction, how are you thinking about units versus price expectations within the revenue guide? Thank you.

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

A

Yeah. Thanks, Simeon. I think we're going to be really thoughtful, as I said in my prepared remarks this isn't going to be just one fell swoop. We're going to be thoughtful. We're going to be strategic and surgical with where we decide to make trims. But frankly, the idea of the 25% SKU reduction, it's as much of a metaphor for the organization today as there's not a person in the world who doesn't feel like they've got too much on their plate. So the ability to remove 25% of the work is an ambition for the team. And with that, you're reducing everything from factory visits to lab dip approvals and all the other working basis that comes with it.

But as we've said to be an Under Armour product, that's got to be a process and that has to be something which has to be vetted and gone through in a way which is it needs to be special. It can't just be another T-shirt or another shoe. It needs to be a true piece of performance product that actually makes – helps make you better.

And what we haven't done is we haven't done a good enough job, at least communicating that. And so ensuring that, as we say in our vision statement, to provide you with performance products you never knew you needed. And once you try them, can't imagine living without. It feels like the an opportunity that we need to get behind. So I think it really becomes simple, too, Simeon, is that we're going to focus on our base layer compression product. You know, it's really just going back to the foundations of the business, but we also have some things that have been working out and being prudent for us, like our Unstoppable collection. It's getting behind when we've got Sharon Lokedi that'll be competing this weekend in the marathon wearing our Velociti Elite 2 runners is something which is incredible. The SlipSpeed program is something that we're going to get back behind, but we want to make sure that Under Armour isn't just selling a brand on a T-shirt. It's not just a logo. It needs to be more. And so contextualizing what that means for consumers is something which we're really definitely focused on.

And not trying to do everything. We're not trying to boil the ocean. So we want to be incredibly deliberate and specific with the products that we're going after and making sure that we're doing a great job of articulating the story as to why there are performance benefits because that's the thing for me that as I've had to sit and sort of maybe watch the business from a distance, it's something where I'm looking at saying, the unleash that we have and the ability to articulate the incredible stories of the powers of the fabrics, the moisture management, the compression, the regenerative capabilities that are in things like UA Rush or Vanish, as we call it today these are the opportunities that we have. So, every Under Armour product is something which is special and unique, and I feel like we're going to make sure that we get credit for that.

Simeon Siegel
Analyst, BMO Capital Markets Corp.

Q

That's really great. That's exciting. Dave, any thoughts on the unit versus price in the guide? And then just if I can also just throw one more. Looking at what you repurchased this quarter, how are you thinking about the approach to buybacks just given where the stock is? It seems like you're retaking brand control and recognizing the cash element. Thanks, guys.

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Sure. Yeah. I mean, I think adding on to what Kevin said from a price value perspective we are definitely focusing more on ASP and ASP growth. When you think about the SKU reduction we are trying to target a little bit more reduction in kind of the good level product and protect and really be able to invest in kind of the better and best level product all at the same time that we're working our way out of some of the deeper discounting and promotions, especially within North America e-com.

So when you kind of bring that whole equation together that should lead to driving continued gross margin expansion, which we think is super important for the brand and for the overall business. So that is part of that strategy that comes into play and trying to make sure that we're balancing relative to the SKU development and the higher margin product versus lower margin product and also how that plays into segmentation and continuing the kind of step forward better and better in how we segment, which we've taken some good strides in the last year or two, but there's still some more room to go there as well.

You know, relative to the share buyback program obviously, we are pleased to have the new $500 million program set up. We executed on $40 million of that in Q1. And understanding that we've had some pretty big cash outflows recently with the settlement and paying down the convertible debt we are continuing to kind of look at our future cash flow and making sure that we've got the war chest that we want to continue to protect for any kind of curves in the road as we had to deal with recently or being able to invest in new ideas and new talent and new experiences similar to the recent UNLESS acquisition that we're working through.

So I don't know that we're going to pursue the share buyback in a huge way this year, but we are going to continue to evaluate it each quarter and make moves as prudent, especially with thinking where the stock price is right now.

Simeon Siegel
Analyst, BMO Capital Markets Corp.

Q

Great. Thanks a lot, guys. Best of luck for the rest of year.

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Thank you.

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

A

Thank you.

Operator: Our next question will come from Geoff Lowery with Redburn. You may now go ahead.

Geoff Lowery
Analyst, Redburn (Europe) Ltd.

Q

Yeah. Good afternoon, team. I appreciate that the US is your main focus at the moment, but could you talk a little bit more about the performance of the brand in EMEA and APAC and how much is the market versus your own reset activity in those regions? Thank you.

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

A

Yeah. Thank you very much. We'll start with Europe where we've got a sort of an Under Armour long term in Kevin Ross, who's now running that business for us. And so it's someone who's a vet who's worked here in the States and obviously been over in Europe now, but just took over as recently as January or February of this year. But I think, we're doing a really good job.

Number one, we came from a good base and EMEA is probably our strongest region from a momentum standpoint, particularly in the UK and timely enough, actually in France and Paris where sort of an underground favorite with what's happening at the Olympics right now. But there's work to be done.

I think, we're doing a good job playing to the size of the business that we are. We crossed $1 billion in the past year, and that's something which gives us some size and scale. And what we're doing is we're doing it through the lens of authenticity of on the pitch. We've got some incredible athletes like Toni Rüdiger. We've got a great kid named Fermín López, as I spoke about, he's on the Spanish national team, will be competing against France in the final there. And there's really a lens, I think, that we're doing a really targeted approach in both men's and women's football on the pitch, and we're also staying really close to our partnerships. JD and Sports Direct are incredibly important to us and as we see our growth and so the wholesale is important, but we also expect to grow our DTC business, and we're investing in this accordingly. And longer term it's an evolution of a quality story, not unlike we've learned here in the US.

We're applying some of the lessons of what we saw happen in the US, where we're not crazy about where we are right now in North America. And so, we're – we are doing a pretty good job, I think, applying the lessons of, all right, how do we make sure we can advance ourselves with what we do in Europe. And so I think we're being really patient with the business, which is why you're not seeing maybe a bigger accelerator there is that we weren't – we're going to be a little more cautious and make sure, number one, aware of the macro environment, but I'm really looking for quality and from a long term standpoint.

In APAC, it's a little bit more complicated as it obviously, it's a massive region with its own climate, frankly, and something that we're dealing with. But the macro pressures there is something that we're aware of. I was over there in May and we'll be back in September working with our leader, Jason Archer there as well. This region just requires a little more attention from the Home Office. So we're looking at how we can be more helpful to lean into our APAC business.

From a size and scale standpoint, just to remind everyone on a global basis, Under Armour has more than 1,900 stores around the world. The majority of these are in APAC. The majority of those are in China, but that's why we're very excited to get Stephen Curry back on tour in September, which will be hopefully a bit of a fuse for getting the region going or at least reminding people that we're there. But there's a lot to cut through from not only the global brands, but the local brands. So it's a little bit different.

And, beyond China, that I think the macro is something which we're just watching the consumer and some of the softening there. Some of the other regions. So, what's happening in Japan or South Korea is a bit complicated from an economic standpoint or a macroeconomic standpoint there. But we think our opportunity is large and APAC is going to be a massive unlock for us, too. So, hopefully, that gives you a little bit of color.

Geoff Lowery
Analyst, Redburn (Europe) Ltd.

Q

That's great. Thank you so much.

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

A

Thank you.

Operator: Our next question will come from Jim Duffy with Stifel. You may now go ahead.

Jim Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you. Good morning. Hi, Dave. Hi, Kevin.

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

A

Good morning, Jim.

Jim Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

I wanted to talk about the – some of the management hires. You've added a lot of great talent. Eric, a great addition to the team. Kevin, the title of EVP of Brand Strategy, that suggests a lot of responsibility overlap with your historical areas of focus. Can you maybe speak to your vision for the partnership with Eric? Clearly, this was part of the discussion during the recruitment process. And then, with Eric on board, where do you expect to be spending more of your time?

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

A

Yeah. Thank you. It's not – thanks, Jim. It doesn't feel too different than – this may be a little bit of free bird, but building the brand the first time. You never really focused on sort of complementing skillsets as much as you said, if you can get a pro, I'm a pretty good generalist. So I got the ability to plug other places and bring in a professional like Eric on who he's got – he's multi-disciplinary expert as well . But with having his focus over marketing and frankly, our strategy work, as I said, is a way to get Eric horizontal in the organization that he can have that impact.

And where I think our biggest need is right now is really in that product region and story balance, and we've – we just we haven't had that I think that strength of leadership that's required for us to be successful. So Eric is going to be leaning in there and responsible for building that out. And I'm not lost on what is that going to mean for me because there's plenty of other things to do, and that's where I think it is my job is to make sure that I'm leveling up.

Let me just give a little color on the acquisition. But getting Eric here is that UNLESS will continue to be its own independent organization for us. And, I think bringing in sort of the ESG approach that they have with plant-based regenerative fashion is something that is something which is a priority in the. And Eric, of course, will help us articulate that.

But I think, what we want to do is make sure that the largest need that we had is just getting someone who can be the partner to Yassine and to Kara. Decision rights and the operating model is one of the things that always comes up and one of the things that Eric specifically did at adi back in 2013 or 2014 when he took over there, which is working on the operating model of how product and region and marketing all work together. So that'll be a real balance and a real plus for us.

So I'm not worried about having things to do. I'm just lucky and appreciative that we were able to attract someone like Eric.

So I think it's the beginning of many more to come, but I've got to tell you just one thing. Maybe on a personal level, it just – it feels like there is definitely there's something a bit anew and a bit of a shift. And so we're not declaring victory. We're not beating our chest for sure. But we've got a lot of work to do. But we like the direction that we're heading in right now.

Jim Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Thanks for that. And then, Dave, just a quick one on the DTC margins, can you remind us when you'll anniversary the less promotional approach in DTC and get to more normalized comparisons on the DTC margins?

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Yeah. It's a great question. I mean, generally speaking it'll continue to be a benefit for us through the year, a little bit bigger in the front half versus the back half. And then as we step out of this fiscal year, we should be more on a comparable basis relative to the e-com gross margin and promotional levels as we've been kind of chipping away to get to a really nice, healthy level by the end of this fiscal year. And we're continuing to kind of test on the factory house side, which could be something that we play into more to continue to become more premium as we step into fiscal 2026.

Jim Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you, guys.

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

A

You're welcome, Jim.

Operator: Our next question will come from Paul Lejuez with Citi. You may now go ahead.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Hey. Thanks, guys. I just wanted to ask a question on your guidance. You updated the full year and you gave third quarter. I just wanted to make sure I heard correctly. I think you said $110 million to $120 million in EBIT and that would imply a pretty large percentage of the full year coming from the first half, much smaller from the second half. So, I just want to understand what your outlook is in the second half, I mean, both from a gross margin and an SG&A perspective, that would lead to, it's a pretty weak numbers, I think, in the second half based on the guidance, if I heard it correctly.

And then, just separately, on the factory business, I think you mentioned mixed results. When you adjusted prices, if you can just talk about what you saw as you moved prices around and what the ultimate plan is for the factory business in terms of the number of stores and what role that serves within the company. Thanks.

Kevin A. Plank

President, Chief Executive Officer & Director, Under Armour, Inc.

A

Sure. Paul, when you think about kind of front half versus back half, a couple things come into play there. First of all, when you think about Q1 and that overdrive and then what does that mean for the full year? Again, keep in mind that in the back half, we are expecting a little bit more developing APAC revenue pressure. We're also expecting a little bit higher ocean freight costs than we originally planned. There's also been some increasing FX pressure. And there's a little bit of caution that we have as well. Just when you think about kind of the recent economic trends.

But in general, from an operating income perspective, historically, we've definitely run higher amounts in the first half of the year and a little bit lower in the back half of the year. Some of that, if you think about Q2, that's historically a high revenue dollar quarter for us and it's also generally a higher gross margin percentage quarter for us. So driving bigger gross margin dollars in Q2 is kind of a historical trend for us. And then that higher front half profitability is also kind of amplified this year by the planned insurance recovery relative to legal invoices paid prior to this year that I mentioned and also shifting some of our planned marketing spend out to Q3 and Q4.

And, maybe the last thing I'd mention there is back half forecast also carries more incentive compensation compared to the prior year back half, where we were adjusting down unfortunately and reversing some of that incentive compensation that was recorded in earlier quarters last year. So when you add all those factors together it points to the front half being a substantial portion of our full year operating income, which is how we have things laid out in the plan.

And on your second question, relative to factory house, I would say that we did step into testing some lower promotion levels and less promotion levels, and we actually hadn't really planned on doing that. But as we stepped into that more deeply in e-com and we were excited about the results there on e-com, we decided to start testing that a little bit on factory house.

And I would say that it was both the price level, the depth of the discount and the results were really kind of mixed, to be honest. It's – we're experimenting, we're learning, we're seeking balance. We did give up a little bit of revenue when we were doing that. And so we're continuing to kind of test and learn on the factory house side. But right now I would say that the results from that are mixed and we've got some more work to do.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Good luck.

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

A

Thanks, Paul.

Operator: Our next question will come from Laurent Vasilescu with BNP Paribas. You may now go ahead.

Laurent Vasilescu
Analyst, Exane BNP Paribas

Q

Hello. Good morning. Thanks very much for taking my question. Dave, I wanted to ask for the guidance. Should we still assume wholesale is down low double digits and DTC down 10% for the year? And then with e-commerce down 25%, is that the right way to think about it going forward? And is there – are there any lessons learned that you think you can apply to the rest of the business from the pullback in promotions in e-commerce?

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Sure. Yeah. I would say that on full year we still are looking at wholesale down kind of a low double digit percentage kind of in that 10% to 12% range. And then DTC being down approximately 10% or so. And that is mainly driven by our decisions to kind of reset the brand, especially in North America, with the e-com pullback on promotions and also an elevated product assortment there.

Relative to e-com specific, we're not necessarily giving guidance on that, but you can – you would definitely see that being over indexed decrease within the DTC being down 10%. So definitely down more than 10%. Maybe not the full 25% that we saw in Q1, when you think about full year. But, again, that is intentional and most of that is intentional as we continue to drive through those promotional decisions within North America.

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

A

And hey, Laurent...

Laurent Vasilescu
Analyst, Exane BNP Paribas

Q

Thank you.

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

A

...maybe I can just – let me pile on that too, because I think, it's really instructive of what happened and what we were able to do through the lens of our full price e-commerce website that frankly hadn't been quite as full price a year ago. We were about 65% of what we were selling a year ago was promotional and about 35% full price. And with what we did by reducing – significantly reducing promotion days, we didn't quite invert it, but we made significant progress in terms of getting to promote our full price sales.

And so what that did as well is not only did it help us with, you saw some of the gross margin flow through for ourselves, but it also helps the algorithms on our partner websites on the Amazon algorithm that goes around. And so, you just watch a general rising boat raise all – a rising tide raise all boats here. So as that's occurring, it's something that's pretty instructive as we're thinking about we keep talking about repairing the brand or what we're doing with the brand or how healthy the brand is right now, all those things are top of mind and top on the list of what we're going to do. But I think we're starting to see some of the models of the ways that we can invest, and it'll actually payoff in return for us. And so we'll be applying that again. We don't have all the facts, but we like some of the indications that we're seeing right now and we sure like driving a more full price business and that 47.5% gross margin is something, which is going to be a pretty good indicator for the health of how we're doing.

Laurent Vasilescu
Analyst, Exane BNP Paribas

Q

Thank you, Kevin. Yeah, in fact, yeah, the gross margin, nice gross margin beat on the first quarter. Dave, I think you mentioned there were three factors that are incremental to the headwinds for the full year. I think, you've mentioned ocean freight, FX and mix from license business. Maybe could you, for the audience, could you kind of bridge it for us how much those were in terms of incremental headwinds versus 90 days ago as we think about the full year guide on the gross margin?

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Yeah. I mean, I think, what I was trying to elaborate on is the main year-over-year drivers that are behind our full year improvement still are heavily weighted to the favorable pricing with less DTC discounting and also the supply chain benefits related to the improved product costing. Those are the two real big positives on the full year. And, obviously we saw a little bit of extra benefit there as we went through Q1. But as we look forward, the impact on freight costs is probably the largest kind of newer developing headwind that's kind of taking away some of that Q1 overdrive. And then a close second to that would be the foreign currency headwinds that have been developing that we saw during the first three months and that are projected a little bit forward.

The change in mix due to licensing sales and some of the challenged margins on the off price channel, that's a little bit of a smaller developing headwind. The first two around freight cost and FX are a little bit bigger.

Laurent Vasilescu
Analyst, Exane BNP Paribas

Q

Okay. Thank you. Congrats again on the beat and good luck with Back to School.

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

A

Thank you.

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Thanks.

Operator: Our next question will come from Sam Poser with Williams Trading. You may now go ahead.

Sam Poser
Analyst, Williams Trading LLC

Q

Well, many of my questions have been answered. Thank you, guys for taking my question. I was wondering, just a follow-up on the back half guidance, when you shift – you said that there's a shift out of marketing spend out of

Q2, are we going to see – is that going to go more into Q4 because as sort of the beginning of this setup for where you're anticipating improvements into fiscal 2026?

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Well, actually, so some of Q1's bottom line overdrive was shifting some of that marketing spend to Q3 and Q4 and then similar with Q2 as well. So we are back loading a little bit more in the back half on marketing than we originally anticipated in our outlook, but it's not all relative to Q4. I mean, some of it is laying into the brand for going into fiscal 2026 and beyond, but also making sure that we're really supporting the back to school and also the holiday sales that are in the holiday sales, mainly that are in Q3 for us or calendar Q4.

Sam Poser
Analyst, Williams Trading LLC

Q

Thank you. And then second – secondly, the – Kevin, in what you were saying, there's sort of is a combination of you mentioned having patience and having and wanting to do things quickly. And I guess the question is what is the sort of game plan look for turning around to getting North America sort of on the track you want to? And how are you balancing patience, brand, speed, all of that as you – as we look forward?

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

A

I turn 52 on Tuesday, Sam. I've actually been growing and maturing...

Sam Poser
Analyst, Williams Trading LLC

Q

Happy Birthday.

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

A

...I guess, you know? I'm just – thank you for the happy birthday. I've been – as an entrepreneur, you always feel late. You feel like it's got to be done tomorrow. And that's something which has been somewhat of a strength. And at times it can be difficult, especially as you get large and you need to scale as an organization. But I think really coming into our own as a business we are opening this new headquarters, which is beautiful here in Baltimore. And I don't know if that's exactly where shareholders would have liked to us to spend money. But this thing is built and it's going to be an incredible edifice for us that today we think is going to be a massive asset for the business.

So I think really it's the maturity of just recognizing the hand that we have. And, I've used this analogy of I've had a pair of twos and we've had a royal flush before and today we have neither, but we've been able to win with both. So I feel pretty good about the hand that we have and just looking at the assets. And I've sort of said we've got 100 things to fix at UA. And of those hundred things, I'd say probably 70%, 75% of them are self-inflicted. The good news about that is that we can identify them. We can tweak them, we can make them better.

And the other great things is that while we do have 100 things to fix, we also have a 1,000 things going for us. When I think about just the sports marketing aspect of – I'm not going to let Dave hear this, but I think with Notre Dame and IMG, there's probably enough just to build a sports brand with the credibility of one of the best high schools and if not the best high school, one of the best colleges, if not the best college in the country. And so that's very sort regional in terms of how we think about it in North America. But it's going to come in time.

We have the -- we've got $0.5 billion to spend in marketing. It doesn't feel like we're spending it. I want that impact to be there. We've got an incredible, I think, just platform that we have with performance and technical and design and style and we just haven't played our best game there yet. So I'm really excited about this next chapter of maybe applying the lessons that have been learned over the years. As I talked about, we're thinking about Europe and looking at what's happened in the US and how we can sort of maybe make better decisions and choices there. But we've got a great hand to play. I think, we're putting an A-plus team together. It's super exciting of having a dude and I say that like a dude, like Eric coming on board to join our team because we've got some really good UA experts, industry experts that are surrounding this table and just put us in a position to we can't guarantee anything, but I like our chances and I play this hand every day.

Sam Poser
Analyst, Williams Trading LLC

Q

If I can just follow-up real quick. I mean, I'm really talking about timing and like are you thinking of building this out and like getting the North America turned around? Is it going to take 18 months and you're going to do it sort of slow and steady or is this what kind of timeframe do you have with your – in your own definition of getting North America on the right track? I mean, how are you thinking about that? It is a 6 month – it is a 12 month thing or a 18 month thing? That's what I'm trying to get my arms around.

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

A

Yeah. I think after the last call, we sort of pinned people to fall 2025 and so we sort of gave ourselves this 18 month outlook. But to be honest, we're not – I don't know if there's – I don't know if there's a definition where you say, we've done – we're done. This is just going to be a constant iteration and work in progress. And so I think, you'll start seeing – and again, we're not sitting on our hands until fall 2025. We've got some great products in the marketplace right now. There's an incredible things we have with our Meridian platform, our Unstoppable platform that our team has been on for a while. And so our Base layer platform, there's just some easy things that we can do to make sure that we're getting full credit as I don't think that people see us as a unless you did grow up 15 years or 20 years ago, I'm not sure if you see compression as being Under Armour's founding product. And so we need to make sure that we're given the respect to tell the story of the products that we're building. So I'm really confident and excited about how that – I can't emphasize enough of where an organization that just needs to be focused on product, story, and reach, and make sure those three aspects are coming together quickly.

So yeah, I don't know if it's long, but you're going to see constant progress. So, I think, you'll see things like, wow, that was a really great spot for the UA. That was a really cool product. There are some things you can get behind and then you'll watch us begin to do the SKU reduction, [indiscernible] (01:07:45) toward the products that are working. And it doesn't just mean it'll be best level products, but that's that characteristic I said is that we don't have to abandon some of the current consumers we have in order to just start making more better and best level premium product.

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

And I think, Sam even though we're not ready to talk about fiscal 2026 or 2027 revenues for North America, one thing you can be assured of is that we're going to keep driving forward on being a healthier business in North America. And I think that's really what we're excited about right now and we'll talk more about the future in coming calls.

Sam Poser
Analyst, Williams Trading LLC

Q

All right. Thank you very much.

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

A

Thank you, Sam.

David Eric Bergman
Chief Financial Officer, Under Armour, Inc.

A

Yeah.

Operator: This concludes our question and answer session as well as the conference. Thank you for attending today's presentation. You may now disconnect.