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Under Armour, Inc. (UA)

Q2 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Under Armour Second Quarter Fiscal 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Lance Allega, Senior Vice President, Investor Relations and Corporate Development. Please go ahead.

Lance Allega

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

Thank you. Good morning, and welcome to Under Armour's Second Quarter Fiscal 2023 Earnings Conference Call. Today's event is being recorded for replay.

Joining us on today's call will be Under Armour Executive Chair and Brand Chief, Kevin Plank; Interim President and CEO, Colin Browne; and CFO, David Bergman.

Our remarks today include forward-looking statements that reflect Under Armour management's current view and certain forecast elements of our business as of November 3, 2022. Statements made are subject to risks and other uncertainties detailed in documents regularly filed with the SEC including our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q.

Today's discussion also includes the use of non-GAAP references. Under Armour believes these measures provide investors with the useful perspective on underlying business trends. These measures are reconciled to the most comparable US GAAP measures. A reconciliation of which along with other pertinent information can be found in this morning's press release on our website at about.underarmour.com.

With that, I will turn the call over to Kevin.

Kevin A. Plank

Executive Chairman and Brand Chief, Under Armour, Inc.

Thank you, Lance, and good morning, everyone. I'll start with a brief update on our CEO search and that we remain on track to announce our permanent leadership before the year's end. I want to thank our board for their incredible engagement in this process and a special thanks to Colin for his strong, steady and thoughtful leadership throughout as he is, of course, a serious candidate.

Now, on to the call. Seventeen years into our life as a public company, we have learned experience evolved and grown as an organization. We're operating in a complicated uncertain time for every industry including ours. Still, beyond the macro factors we all face, it's a pivotal time for Under Armour. We will not miss the opportunity to reposition and establish our sector leadership wherever we choose to compete. That starts with knowing where we are today. Our eyes are wide open, and we know exactly where we are, how others see us, where we're positioned, and specifically what we need to do to drive more love for the Under Armour brand.

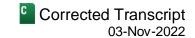
A company, let alone a brand, is a constant work in progress, and we've made great progress towards that broader love in just the last six months and our momentum is building. We're evolving our strategy to address the near- to mid-term environment by leaning into our strength as we pivot to growth, protecting our house through continued operational discipline and investing in growth initiatives to capitalize on the upside potential we know is there for the taking. This will acquire problem-solving, innovative products for athletes, delivered with designs that combine clean aesthetics with cultural style, brought to life through epic storytelling and meeting consumers where they choose to transact with us, all the while driving quality top- and bottom-line growth over the long-term.

And we believe UA is the brand most perfectly positioned to drive thought leadership among young athletes, why? Because we're globally recognized authentic, on-field, on-court and on-pitch performance brand, one of only a handful who has this credibility. From Bryce Harper, bringing the Phillies back to the World Series; to Stephen Curry who picked up his fourth ring just a few weeks ago while wearing new Curry 10 built with Under Armour Flow cushioning technology; Trent Alexander-Arnold, in English Premier League; to our recent signing of Reigning WNBA World Champion, Kelsey Plum, of the Las Vegas Aces; to Dwayne "The Rock" Johnson, our roster has some of the greatest ambassadors in the world.

And to be sure, we have work to do, yet that work is already in motion with Colin at the helm. While he will get into greater detail in a few minutes, these are some of the highlights that Colin and the team have accomplished over just the last 90 days, including refining our target audience to 16- to 20-year-old young athletes and how we'll strive to connect even more deeply with them, accelerating our product and operating rhythm by opening the aperture of our brand and product line to now include live, in addition to train, compete and recover, which means providing gear to cover all 24 hours of a young athlete's life, while considerably expanding the addressable market size that we can attack.

A terrific example of what we mean by this new approach is this week's launch of the future of training footwear, UA SlipSpeed, pure performance versatile footwear. And what you can continue to expect from Under Armour,

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energy, excitement and innovation delivered with cultural relevance, products athletes never knew they needed and once they've tried them can't imagine living without. And finally, recognizing that in the products world of good, better and best, we allowed the pendulum to swing too far, creating an overemphasis on good level products. So, we're amplifying our efforts to ignite significantly more better and best level products, while never compromising the operating efficiencies we've gained over the last several years.

These are just a few of the things I'm excited about. At the core, it's about our moving forward, one great product at a time and one great story about that product at a time, and all the while ensuring we are delivering our product to consumers in a relevant, inspiring and efficient way, maximizing our opportunities for growing UA's top and bottom line. Make no mistake, we are leaning forward to growth. Our product pipeline is full. We are in this fight and we're well-positioned to grow and we're going to win.

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

Colin Browne

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

Thank you, Kevin, and good morning, everyone. I'll start by underscoring that amid a highly challenging retail environment, we're pleased that we're able to deliver second quarter results that were in line with our expectations. This demonstrates our team's ability to operate through near-term volatility, staying focused on execution and delivering the world's best sports performance products.

As we navigate this environment, we are working to amplify opportunities for our existing core business, while laying the groundwork to accelerate broader product considerations for more pronounced growth in the years to come. Essential to this effort is ensuring we keep athletes at the center of everything we do, and ensuring we continue our strong operational discipline.

I want to stress that again, this is an and, and not an or. We are taking action to empower our ability to deliver the growth we know we're capable of over the long term and protecting our brand as we scale.

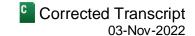
As we strengthen our foundation and architect our evolving path forward, our growth strategies are focused on product, story, digitalization and culture.

I'll start with product. It's at the core of our DNA and what inspires and drives athletic performance. Under Armour's promise to athletes is to make them better, to provide them with performance solutions they didn't know they needed, and once they have them, cannot imagine living without. We are at our best when we empower those who strive for more. To equip athletes on their journey is a privilege we honor and respect. We love athletes.

Expecting to reach nearly \$6 billion in revenue this year, we've done an incredible job at building an iconic brand. Still, as we continue to fine-tune our strategy, there are areas we are good at and areas that we must address more effectively to realize our full potential. In this respect, I'll highlight two refinements we've made to strengthen our long-term growth strategy.

First, the foundational underpinnings of our unique brand are strong and unmistakably present in the products and how we connect with athletics. Yet, as we observe meaningful changes in the market dynamics and consumer behavior over the past few years, it was clear that our consumer-centric strategy needs to evolve. Consequently, we have refined our target audience, which is now centered on the 16 to 20 year old teen sport athlete.

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This definitive group personifies our brand attitude and lives at the intersection of multigenerational influence. From pushing the boundaries of what's possible in sport to seamlessly blending fitness, music and street culture, this target audience will allow us to bring our product and storytelling into sharper intensity across the entire athlete experience, influencing the larger target market.

This brings us to our second refinement. As Kevin alluded to, broadening our product aperture. Driven by insights, we are working to outfit occasions beyond the fields, courts and gyms, so we cover a young athlete's entire day. Still, we won't stray from our unique performance DNA, that every product must do something. Under Armour's versatility and consideration will span an athlete's closet by encapsulating magical fabrics with premium beautiful and fresh designs. Adding live to our train, compete and recover construct nearly triples our total addressable market to around \$300 billion. Our live strategy has already begun to manifest itself in fiscal 2023, and we expect it will show up even more significantly in fiscal 2024 with expanded product offerings and experiences to balance all parts of an athlete's day.

Within Product, another area we're digging into is segmentation. While we've done a solid job of building good and better-level products, we have opportunities to do more with our best-level offerings. As we look to fiscal 2024 and beyond, we are working to elevate the premium aspects of our brand and product portfolio with a greater focus on better and best products to drive growth in key areas such as Footwear, Women's and International. This should also contribute to our ability to drive more significant gross margin expansion over time.

We've also barely scratched the surface on exclusives and collaborations, so we believe there is a flywheel opportunity with these offerings to drive improved brand consideration and loyalty.

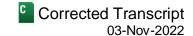
On our last call, we teased a new Footwear platform discovered through athlete insights. Three days ago, we had our initial limited launch of the \$150 Under Armour SlipSpeed, the world's most versatile training shoe and a perfect example of what's widening our aperture while building best level product means. SlipSpeed has a molded convertible heel so that the athlete can wear in speed mode with the heel up for training or switch over to the heel down, slip mode for recovery. This new trainer uses our award-winning Flow cushioning and BOA precision lace system which enables the unique lockdown fit. This is part of a sixth feature set which includes being machine washable.

Since Monday, we're sold-out on ua.com, but limited pair is still available in our North American brand houses and at Dick's Sporting Goods. This was a prequel to a broader launch plan for Valentine's Day in February when a full assortment of colors will be offered. Even more exciting, this is just the start of a larger platform we are looking to leverage into other categories in the future.

Now let's move to our second strategic focus which is story. Telling great stories is the most powerful means to influence and inspire. This connection between athletes, passion and performance drives us to do what we do. It's at the core of building consumer relationships inspiring them and welcoming them into our family.

Our recent SlipSpeed launch is an excellent example of what you can expect from us moving forward where the ingredients of innovative product, authentic athletes and cultural relevance build the story, Pure Performance and Versatile Footwear combined with Under Armour NIL athletes in an authentic setting doing what they do best and engaging the artist's logic to develop the sound for SlipSpeed. This demonstrates how we are going to market in the future. Through combined social channels, we've generated millions of positive brand impressions in just seven days, a great example of what can happen when we combine terrific product, story and execution.

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Our third strategic focus is digitalization and driving a premium frictionless experience as consumers engage our brand across their journey. Insights and benchmarking have helped inform where we're doing well and where we have work to do. To address these opportunities, we're investing in mobile speed, brand and storytelling, SEO, site search and loyalty. This is grounded in improving the user experience, further strengthening the Under Armour brand from finding our product quickly to telling inspirational stories with cutting-edge visuals to product specs and data, the frictionless cart building and checkout routines evolving this ecosystem is crucial to how we intend to unlock more significant ROI in the future.

We're also committed to delivering premium retail experiences in our physical doors, both full price and outlet where we are investing in auto management and points of sale systems and advancing our endless aisle on buy online, pickup in-store capabilities. With more work still to come, we are beginning to see the benefit of these investments with solid e-commerce growth in the second quarter, particularly in our largest North American market momentum we expect to continue for the balance of the year.

Further, in the second quarter, we began testing in select markets our first-ever North America loyalty program, UA Rewards. Members can join for free to earn points for gearing up and working out. Points will be redeemable for awards, including exclusive athlete experiences and our latest gear. They will also be able to access member-only perks including special events, promotions and expert training tips and birthday rewards. Only a few weeks into the pilot phase, we're encouraged by the results and the initial learnings are helping us refine this essential offering for our consumers. We expect to roll this out more broadly in 2023.

And finally, this takes us to our fourth focus, culture, which makes Under Armour unique. We've worked hard to cultivate our identity and how our family is defined. When an athlete wears the UA logo, when they run our flag, it represents something different. It's grit. It's determination. It signals when they step into the gym onto the field, court or track they've put in the work, will perform at their best and earn the swagger that all Under Armour athletes have in common. This culture starts with the thousands of teammates who work daily to make this the best athletic performance brand in the world. Our talented team is more efficient, effective and inclusive than ever. Our discipline, agility and powerful playbook remains critical advantages for both the near-term environment and the longer-term opportunities before us.

Now pivoting back to our plan, playing both at offense and defense is critical in this environment. It's not yet clear how prolonged these conditions may persist. However, elevated inventories, including late-arriving product across our sector, higher levels of discounting and promotions and softer retail trends have impacted how we see the rest of fiscal 2023 playing out.

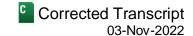
Based on these factors, we've revised our full-year outlook. At the top-line, we expect revenue to increase at a low single-digit rate. This revision is related to softer retail trends, particularly in North America, along with additional FX headwinds. Even so, we're holding the line on the gross margin outlook which reflects our measured approach to maintaining brand health.

We are also being diligent with SG&A which we now expect to be slightly down as we prioritize investments towards areas with the highest returns and actively managing expenses.

Taking it to the bottom line, our full-year operating income and EPS outlooks have also been revised slightly.

Additionally, we remain in a strong cash position, and we are proud of our inventory management. The last two years have had us in a defensive position concerning inventory, but also left us with more out of stock than optimal to service our business. As inventory approaches the more appropriate level for our size, and with the

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composition of this inventory being mostly current and not aged, we feel confident in how we are managing the aspect of our business.

And, finally, before transitioning to Dave, I want to highlight the significant event that occurred during the second quarter. In September, we published our new sustainability and impact report. From how we create our products, to our workplace interaction with suppliers and key relationships with stakeholders worldwide, we are proud of this work. With this strategy in place, the next phase of our journey has begun and I am inspired every day by the work our team is doing to reach our targets while being transparent about our progress and challenges.

This is a strengthening step in our long-term commitment to run a more sustainable business. And like our report title states, what's under matters.

In closing, as we navigate the dynamic near-term environment, I'm emboldened by the opportunity to continue fine-tuning our strategy in laying the groundwork for Under Armour's next chapter. We're in this fight and I am confident that by leveraging our strengths, product innovation, deep consumer connection, and Under Armour's unique culture, we will create better value for our shareholders through more robust, profitable growth over the long term.

Now I'll hand the call over to Dave.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

Thanks, Colin. At the halfway point of fiscal 2023, our second-quarter results demonstrate that our operational execution has not waivered amid an uneven global market. Despite several developing factors during the quarter, we've protected our house and stayed disciplined, allowing us to deliver results aligned with our outlook.

As a reminder, due to our fiscal-year change, our second-quarter fiscal 2023 ending September 30 is comparable to the third quarter of fiscal 2021.

Diving right in. Our second quarter revenue was up 2% to \$1.6 billion compared to the prior year. Excluding the negative impact of foreign currency, revenue was up 5%. As discussed on our last earnings call, this result includes approximately 5 points of headwinds from proactive reductions and cancellations that we made late last year and early this year due to COVID-19 related supply chain constraints.

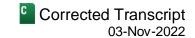
On a regional basis, North American revenue declined by 2% coming in at just over \$1 billion for the quarter, with wholesale down slightly due primarily to proactive order reductions and cancellations previously noted.

In North American DTC, a solid performance in our e-commerce business was offset by declines in our Factory House stores as late-arriving inventory in a challenging retail environment tempered sales.

EMEA was a standout again for us this quarter with revenue up 9% to \$263 million, or up 20% on a currencyneutral basis. This was driven by growth in our wholesale business partially offset by a decline in our DTC business.

Following logistical challenges in the first quarter, positive operational progress helped us better serve strong demand.

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APAC revenue was up 7% to \$226 million, or up 14% on a currency-neutral basis. Despite ongoing COVID challenges and a relatively muted economic recovery in China, we saw growth in all channels, led by our southern APAC markets. And, finally, our Latin America business was up 3% to \$58 million in the quarter, or up 4% on a currency-neutral basis.

From a channel perspective, wholesale revenue was up 4% to \$948 million, with increases in our distributor business partially offset by lower sales to the full-price and off-price channels. Direct-to-consumer revenue declined 4% to \$577 million due to declines in our Factory and Brand House stores partially offset by a 4% increase in our e-commerce business. And licensing revenue increased 7% in the quarter to \$33 million driven by a solid performance from our North American business.

By product type, in a challenging retail environment, our Apparel business was down 2% with strength in Team Sports offset by softness in training. However, we did see strength in rival fleece across all channels. And in our women's business, we continued to see momentum in Infinity Bra's and Meridian leggings and it was also a strong sell-through of unstockable pants in Men's business in the quarter.

In Footwear, revenue was up 14% with positive results in all categories, led by significant strength in Team Sports, with outstanding performances from Curry and Jet in basketball, Spotlight RM and Highlight cleats in American football and Harper cleats in baseball. Additionally, we saw double-digit increases in our outdoor and training categories. Our momentum in Footwear, which we expect to continue for the balance of the year, is encouraging proof that our innovation is resonating.

And, finally, our accessories business was down 12% due mainly to planned lower sales of our sports masks compared to last year. Taking sports masks out of the comparison, accessories were up at a low single-digit rate in the quarter.

In line with our expectations, gross margin was down 560 basis points during the second quarter driven by approximately 300 basis points from higher promotions and discounting; 100 basis points of supply chain impact mainly due to elevated freight costs; 70 basis points of various unfavorable channel impacts; 50 basis points of negative effects from changes in foreign currency; and, finally, about 30 basis points of unfavorable product mix due to the strength of Footwear sales.

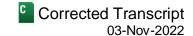
In the second quarter, SG&A expenses were down 1% to \$594 million. This decrease was primarily due to lower marketing expenses as we normalized against our elevated spending in the first half of calendar 2022, partially offset by a \$10 million legal expense related to ongoing litigation matters. In total, our marketing expense in the second guarter was 9% of revenue.

Next, operating income was \$119 million. Excluding the previously mentioned legal expense, adjusted operating income was \$129 million, which was above our outlook of \$105 million to \$115 million, primarily driven by lower-than-planned SG&A expenses.

After-tax, we realized a net income of \$87 million, or \$0.19 of diluted earnings per share. Our adjusted net income was \$92 million, yielding \$0.20 of adjusted diluted earnings per share, coming in above our outlook of \$0.15 to \$0.17 for the second quarter.

Moving to the balance sheet. At the end of the second quarter, our inventory was up 29% to \$1.1 billion. As a reminder, our comparisons are against leaner inventory levels in 2021 when we ran a proactive constraint model. As supply chain deliveries continue to rebalance from recent disruptions, we expect elevated inventory growth

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rates over the next few quarters, with a peak in the high-40s coming in our current third quarter and then closing out our fiscal year in the mid-30% growth range.

Looking at this from a different angle, going back and comparing it to pre-COVID 2019, would put both our estimated three-year inventory and revenue growth rate up about 19%, further demonstrating our inventory management strength in this environment.

Rounding out the quarter, our cash and cash equivalents were \$854 million and we had no borrowings under our \$1.1 billion revolving credit facility.

And, finally, we repurchased \$25 million of Class C common stock during the second quarter, thus retiring 3.2 million previously outstanding shares. Under our two-year \$500 million program, we have repurchased \$350 million worth of Class C stock, thereby retiring 26 million shares.

Next, let's turn to our fiscal 2023 outlook. As a reminder, the comparable periods are the corresponding quarters from the trailing 12 months from April 1 of 2021 through March 31 of 2022.

As Colin alluded to earlier, general economic uncertainty has increased since the last we provided our outlook. As such, we revised our full year revenue and profitability expectations. Accordingly, we now expect revenue to be up at a low single-digit rate on a reported basis versus our prior outlook of 5% to 7% growth. Excluding about 3 points of FX headwinds, currency neutral revenue should be up at a mid-single-digit rate in fiscal 2023 versus our previous outlook of 7% to 9%.

Looking down into our full year revenue outlook, we're now expecting North American revenue to be about flat and our international business to be up at a mid-single-digit rate and our Apparel business to be about flat, with low-teen growth in our Footwear business.

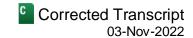
Next, there's no change to our expectation that gross margin should decline 375 to 425 basis points in fiscal 2023. This compares with our prior year's baseline rate of 49.6%. Within this decline, we expect roughly 25% will be related to negative impacts from higher promotions and discounting, 25% from elevated freight and product costs and the rest from channel mix, changes in foreign currency and product mix.

Moving down the P&L, as we manage against a more tempered top line, we are now planning SG&A to be down slightly compared to the prior year. We remain committed to ensuring our investment dollars are optimized to the areas with the highest returns, while proactively identifying areas to manage expenses appropriately, thus further demonstrating our agility and balanced approach to SG&A management. Dropping this through, we now expect our operating income to reach \$270 million to \$290 million. Excluding the legal expense related to ongoing litigation matters, adjusted operating income is expected to reach \$290 million to \$310 million.

That takes us to diluted earnings per share for fiscal 2023, which we now expect to be \$0.56 to \$0.60, lowering the range by \$0.05 versus our previous outlook. This includes a \$0.28 benefit related to a tax valuation allowance release expected to be realized mainly during the fourth quarter. Of this \$0.28 benefit, \$0.16 is related to prior restructuring. Additionally, the previously noted legal expense have a \$0.04 negative impact. Therefore, excluding these net positive impacts of \$0.12, adjusted diluted earnings per share is expected to be between \$0.44 and \$0.48.

Now, turning to color on the second half of fiscal 2023, where we expect third quarter revenue to be flat to slightly up on a reported basis and up at a low to mid-single-digit rate on a currency-neutral basis.

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For the fourth quarter, we expect revenue to be up at a mid to high-single-digit rate on a reported basis, and up at a high single-digit rate on a currency-neutral basis. As a reminder, the fourth quarter of fiscal 2023 laps our transition quarter of 2022, which was significantly impacted by revenue headwinds from our proactive decision to cancel orders due to COVID related disruptions. Thus, part of our fourth quarter growth expectation is related to recapturing some of that business.

Next, we expect gross margin to be down approximately 550 to 600 basis points in the third quarter. due to negative impacts from elevated promotional activities, shifts in channel mix, changes in foreign currency and changes in product mix due to Footwear skewing higher than Apparel. We expect 100 to 150 basis point decline in the fourth quarter, as we finish the year.

Bringing this to the bottom line, we expect third quarter operating income to reach approximately \$75 million to \$85 million and \$0.09 to \$0.11 of diluted earnings per share. This includes a tax valuation benefit of \$0.02 related to the prior restructuring. So excluding this benefit, adjusted diluted earnings per share is expected to be between \$0.07 and \$0.09.

To round it out, this would imply an expected fourth-quarter diluted earnings per share range of \$0.27 to \$0.29, which includes an estimated \$0.24 benefit related to the tax valuation allowance release. Excluding the restructuring related valuation allowance benefit of \$0.13, we expect \$0.14 to \$0.16 of adjusted diluted earnings per share for the fourth quarter.

In closing, we remain bullish about our evolving long-term strategy and confident that our playbook positions us well to navigate the challenging near-term environment. Having the ability to take a balanced approach to mitigate near-term pressures while laying the groundwork for our next chapter of more pronounced growth is due to the hard work we've put into our operational plan and our brand, with a team that is relentlessly focused on our product, our story, and serving athletics globally.

In the near term, we are driving the business efficiently and with agility, while executing the strategic shifts necessary to prime Under Armour for more sustainable, profitable growth over the long term.

I will turn it back to the operator so we can answer your questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Matthew Boss with JPMorgan. Your line is now open.

Matthew R. Boss

Analyst, JPMorgan Securities LLC

Great. Thanks. So maybe for Kevin or Colin, how would you describe the current health of the brand? Any material changes that you're seeing with forward wholesale orders? And what do you see as the timeline for that pivot to growth that Kevin, I think, you cited to kick off the call?

Kevin A. Plank

Executive Chairman and Brand Chief, Under Armour, Inc.

I think there's a few things playing out there. I think this has been part of our journey for a couple of years now with regards to just trying to exit a number of undifferentiated doors. And so, we're already kind of starting to see more – the quality of the revenue we're showing now is certainly much better than it was kind of three or four years ago. So from that point of view, we already feel as if we're kind of on that journey. We're obviously continuing to build that out. And part of that is kind of this resetting of the core consumer that we talked about, this target consumer of the 16- to 20-year-olds teams for athlete that pivot into live and allowing us to kind of lean into a larger part of the market as well.

So, all of this is coming together from the point of view of how do we actually think about continuing to premiumize the brand and continue to kind of drive the brand further up market and allow us to really start to drive the growth that we know there is for this brand – and the demand there is for this brand. So we're feeling pretty comfortable and confident with regards to how that's starting to manifest itself.

Matthew R. Boss

Analyst, JPMorgan Securities LLC

Great. And then maybe just to follow-up on that, Colin. So on the strategic opportunities that you cited, I guess, first on the accelerated segmentation, should we think about this as offensive? Or is there a cut to grow that we need to consider with that?

And then secondly, on the total addressable market opportunity for casual wear, what's your confidence in broadening the base to that segment?

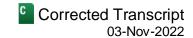
Colin Browne

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

Well, two questions there. One was, I think, we don't see this as a necessity to cut to grow. There's clearly a demand for Under Armour to kind of play in this higher – I guess in this slightly more premium level perhaps than we have been playing here in North America. So working through the mechanics of how we unlock that is something that we believe we can do and accessing that through the 16- to 20-year-old teams for athlete, because they clearly drive so much more. They cast a much larger halo with regards to how they show up across the market. And sorry, the second half of your question, could you just repeat that?



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Matthew R. Boss

Analyst, JPMorgan Securities LLC

Just on the live category that you cited, the casual wear. What's the total addressable market opportunity there and just your confidence of competing in that category as an expansion of the core?

Colin Browne

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

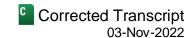
Well, we believe there's about a \$300 billion opportunity there, which is an area we haven't really focused on or worked through how to play in. And so, we're clearly aware that if we look at kind of where we meet the athlete at this moment in time, we talk about the journey to compete – train, compete, recover, which has been the three kind of aspects of the journey of compete that we're focusing on today.

And if you think about that, Matthew, it really only probably encompasses probably 30%, 20%, 30% of their day. So the opportunity of leaning into that other 70% of their day is clearly a huge opportunity there.

And when we talk to athletics as well, it's clear they want to have access to our product or they want to feel comfortable to wear our product backwards – as they're traveling to the court, field or pitch. So the opportunity for us to lean into that feels as if it's an open door for us. We need to do a better job of working through how we execute against that, and that's the pivot to live that we're putting in place at this moment in time. And you're starting to see a little bit throughout this show up through SlipSpeed. So yeah, clearly, we feel there's a big opportunity down there leaning into it.

Matthew R. Boss Analyst, JPMorgan Securities LLC	Q
That's great color. Best of luck.	
Colin Browne Interim President & Chief Executive Officer, Under Armour, Inc.	A
Thank you.	
Kevin A. Plank Executive Chairman and Brand Chief, Under Armour, Inc.	A
Thanks, Matt.	
Operator: Thank you. And our next question comes from Simeon Siegel with BMO proceed with your question.	Capital Markets. Please
Simeon Siegel Analyst, BMO Capital Markets Corp.	Q
Thanks. Hey, guys. Good morning.	
Kevin A. Plank	Λ
Executive Chairman and Brand Chief, Under Armour, Inc.	\vdash

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Colin Browne

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

Good morning.

Simeon Siegel Analyst, BMO Capital Markets Corp.

Colin, if I can follow up on that a little bit, I was just hoping to get your perspective on how you guys are thinking through maybe what external signals might impact how you think about that balance between the desire to grow versus brand elevation and gross margin. I know the core focus is looking to the future growth. But just reflecting on all the success you had over the past couple of years at re-elevating the brand and honestly much to the credit of the team, you're still one of the largest brands in the world. So I'm just wondering if there's a scenario where it might make sense to sell less, charge more, and then earn more while doing that.

And then, Dave, I have a follow up for you after that if I can.

Colin Browne

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

Sure. I think we already – when we look at the amount of consideration there is out there for the brands, we believe there's clearly an opportunity for us to maintain our current customer base that we have in place now while continuing to work through how do we elevate that. And that's kind of the model we've been running for the past couple of years, as we've gone through what we kind of call our constraint model where we've actually been holding back a tad in order to kind of optimize the way in which the brand shows up.

And the fact that we've continued to reduce our exposure in the off-price market and walking away from undifferentiated doors – I can't say that this morning – undifferentiated doors is a great example of how we think we can continue on that journey. So I don't think it requires us to make fundamental shift. If anything, I think there's opportunities for us to lean into additional parts of the market where we haven't really shown up particularly well.

If you think that the mall kind of stores and the mall traffic is not some where we play particularly well. Footwear is an incredibly important part of our business and continues to grow significantly and grew pretty well last quarter. And that's clearly an area where we continue to increase ASPs and really start to resonate in that part of the market as well. We believe we can certainly kind of continue to drift upwards a little bit in the way in which the brand is showing up, but we don't believe that requires us to do a wholesale kind of restructuring from the point of view of how we're thinking of selling through.

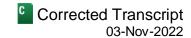
Dave, I'm not sure if you want to add anything.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

Yeah. I would maybe just add to that too that as you think about a lot of what we're focusing on with our investments right now, around really leaning in on the digital, on the e-com front with a lot of the different things that Colin already mentioned in his prepared remarks, and being able to leverage that to be able to show a broader range of our product and more – best level product as well, and same thing relative to Brand House stores and leaning in there on the concepts and wanting to roll out more full price Brand House stores, especially in North America as we go into next year.

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So I think controlling that and being able to show the premium assortment in a bigger way is going be helpful, all while continuing to step off and slow down relative to use of the third-party off-price channel which we've done a lot of work to bring that down into kind of that 3% range of revenue over the last few years. So, a lot of different things that play there, but I think we're definitely on the right track and there's a lot of opportunity to lean in even further when we go further into the live side of the product.

Colin Browne

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

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I agree. Thanks for the question.

Simeon Siegel

Analyst, BMO Capital Markets Corp.

Great. Thanks, guys. Thanks. Yeah. And then, Dave, I have a quick follow up. It looks like there is across channel maybe a Footwear versus Apparel dynamics, so within the full year guide, how you're thinking about Footwear versus Apparel. And then if you can just elaborate a little bit more on the ability to hold gross margin guidance despite the revenue, I think that will be helpful because that's obviously encouraging. Thank you.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.



Yeah. I mean a couple things there. I would say, first of all, you're right in that there is a little bit of a headwind relative to driving and performing so well on the Footwear side which we're excited about. And that's something we can absolutely plan for and lean into.

I would say though that that product mix headwind is getting smaller and smaller as we build more scale in Footwear and continue to get better in our design and overall efficiency, that product margin gap is getting smaller between our Apparel and Footwear. So it's not as much of a differentiating headwind on gross margin than it used to be.

The second thing I would say is that we – when you think about three months back, when we gave our outlook then and we took our gross margin down then, in that we had contemplated a very pressured environment, especially in Q3 fiscal of this year. And so I think we were pretty aggressive and got ahead of it then and we're planning to hold at that level.

Again, this is where we want to try and keep the brand as premium as possible. We understand there's going be a lot of discounting and promotion out there. And we are going to play in that. But we are not planning to go kind of below 2019 levels. And that's reflected in our revenue update.

So again, it is a little bit of maybe less is more relative to how we finish out the back half of the year but we feel confident in holding our outlook there. And I'd say that it's not that there hasn't been any noise per se when we think about it. We have had some additional FX pressure developing from three months back. But then on the flip side, we're also planning a little bit less business with third-party off-price and those two things kind of offset a little bit as well. So there's been some small puts and takes on our view of gross margin, but we still feel like we're in a great spot with the outlook that we're reaffirming here on gross margin.

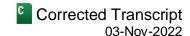
Simeon Siegel

Analyst, BMO Capital Markets Corp.

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Great. Thanks a lot, guys. Best of luck for holiday.

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Colin Browne Interim President & Chief Executive Officer, Under Armour, Inc.	A
Thank you.	
David Eric Bergman Chief Financial Officer, Under Armour, Inc.	A
Thanks.	
Operator: Thank you. Our next question comes from Jay Sole with UBS.	Your line is now open.
Colin Browne Interim President & Chief Executive Officer, Under Armour, Inc.	Д
Good morning, Jay.	
Jay Sole	

Great. Thanks for taking the question. Obviously, there's a lot of supply chain costs impacting margins this year. Can you maybe just talk about a little bit more about supply chain expectations as you look into next year given spot rates have changed and maybe flow of goods is improved. What you're expecting about the kind of margins you can recover and just sort of like the ability to deliver on time and accurately as we go through the rest of this fiscal year and into next year?

David Eric Bergman

Analyst, UBS Securities LLC

Chief Financial Officer, Under Armour, Inc.

Yeah. Jay, this is Dave. I'll take that. If you think about this year, we talked about our biggest headwinds being the higher promotions and discounting and then also, the elevated freight and product costs. And although we're not ready to give detailed thoughts on next year, we would expect gross margin to improve next year. If you step back and look at two of those big drivers, we would anticipate that the year-over-year freight costs would be better next year than it is this year.

We're already seeing that trend as we look at Q3 that we're going into right now that it's starting to kind of stabilize. And then with those rates coming down, we're actually seeing freight costs become a gross margin tailwind for us in Q4. So we would expect that to definitely continue some next year which would help year-over-year gross margin. Then also, the promotions and discounting, we're not exactly expecting the market to completely get better as we hit April 1, but we also do believe it will get better as we go throughout next year.

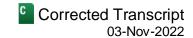
So the promotion and discounting level we would expect to probably get a little bit better as well. So there's just two simple factors there that would lead you in a positive direction for next year.

Colin Browne

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

And let me just jump in on the service levels. I think there's a couple of stories there. One is the fact we are undoubtedly seeing service levels improve as supply chains get themselves into a much healthier position. And I mean, the teams have done a lot of work here to make sure that we can optimize that. And I think that we're feeling pretty good about our ability to service the business through the balance of the year.

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Add to that, the fact that I think we have done a nice job in managing inventories at the right appropriate level. Although as you've seen, our numbers are up on a year-over-year basis. It feels as if we're now back at the inventory levels we kind of need to be in order to run this business appropriately. So overall, we're feeling pretty strong with regards to how supply chain is playing out and our ability to use that actually is a tool for us to continue to drive further growth, so.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.



Yeah. I would just tag one last thought on to that. Not just the freight rates but use of airfreight late last year and throughout this fiscal year has been a lot higher due to the supply chain challenges and having to catch up on getting that product in. So as Colin mentioned, now that we're working through that and supply chain is getting more up to speed and more up to the right timeline, the utilization of airfreight, which is pretty costly, is starting to go significantly down. And we would anticipate that that would also continue down next year as well. So another little bit of a tailwind for us as we go into gross margin next year.

Jay Sole

Analyst, UBS Securities LLC

Got it. That's super helpful. Thank you so much.

Colin Browne

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

Thank you, Jay.

David Eric Bergman



Chief Financial Officer, Under Armour, Inc.

Thanks, Jay.

Operator: Thank you. And our next question comes from Adrienne Yih with Barclays. Your line is now open.

Adrienne Yih

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Analyst, Barclays Capital, Inc.

Yes. Thank you for taking my questions. Two questions. I guess the first is on the promotional kind of holiday and how that's coming through. Are you only seeing that sort of in the athletic apparel? Is it concentrated there? Is it concentrated mostly in the US? Clearly, your Footwear was very strong, so I'm assuming the ASPs are nicely up there with units up without a lot of promo. So any color on that?

And then finally, are you using any off-price or elevated, more off-price than perhaps from last quarter, because I know you had talked about kind of using that channel a little bit more.

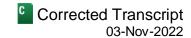
And then my second kind of topic is on the wholesale order book, when you're having discussions with retailers kind of in the out season as they had built safety stock in spring of this year, how are they talking about building their inventory in the channel? If that makes any sense. Will they be not buying that safety stock or just shifting it to where it normally should be, the normal cadence of receipts? Thank you very much.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

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So, Adrienne, a lot to that question, I would say. A couple of different things. I would say as we saw through Q2 from an ASP perspective, our ASPs globally were slightly down but really not very much. They were down a little bit in North America and APAC where there's been a little bit more discounting in the market right now, where they were actually a little bit up in EMEA. So not a huge story though yet. Definitely a mix shift for us though with the higher growth in Footwear, that absolutely helps us out.

And as we think about the back half of the year, and from a discounting strategy, we do expect the higher discounting and promotional activities kind of given the evolving market conditions. But, again, we expect to hold the line there and not go kind of deeper than 2019 and prior. So we do think we're well [audio gap] (47:40-48:03) positioned there to kind of navigate however the environment may develop. So that's kind of how we're seeing things there. And then, Colin, I don't know if you want to comment on the wholesale or if you want me to jump on that.

Colin Browne

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

No. I think just building on that from the point of view of, obviously, it's a little early to kind of give information. We don't generally give [ph] into quarter (48:25) numbers with regard to holidays playing out. But, yeah, there is an expectation that obviously wholesale partners will look to kind of manage their inventories, as we all do, as we kind of go through next year. We feel as if, again, we're in a good place from the point of view of being able to service their business.

And we have good visibility of our spring-summer 2023 order book and we're feeling pretty strong, feeling pretty comfortable in how that will allow us to continue to execute throughout the year. And we haven't really started taking orders for fall-winter 2023 yet, so it's a little early to say how that's going to play out but undoubtedly, those guys will be managing their inventory appropriately. But we continue to lean into those relationships. We got good strong solid relationship with our wholesale partners, and we continue to partner with them to ensure we get to the right solution.

And, again, we do continue to feel more optimistic with regards to what we're starting to see from the point of view of the positivity around the brand that – and the demand that we feel is out there for the brand that will allow us to continue to optimize those relationships as well.

David Eric Bergman

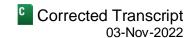
Chief Financial Officer, Under Armour, Inc. And, Adrienne, I know kind of the last piece there of wholesale, you mentioned the off-price channel. Within the

off-price channel, we are anticipating to keep that in check and actually make sure that the business is continuing to stay at that 3% of total mix of revenue for the year. So that is not going to be really a growth area for us or one that we're leaning into that heavily.

Right now, that market is pretty tough as well and pricing isn't that great. So from a brand perspective, it's not really where we want to lean in. We want to lean out if anything there and rely more on our outlet stores and continued tight management of our inventory.

And I know that our inventory levels are going to be growing year-over-year and we mentioned that in the prepared remarks. But I think just keep in mind how lean we were running last year and comping against that. And the fact that we're still going to be running the business at a 3.0 turn or better as we run through the back half of this year. So I think that's probably a little bit of a better metric than just year-over-year growth with such a volatile environment that we're dealing with.

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Colin Browne

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

Yeah. And I'd just add that our inventory is clean. This current stock is not particularly aged stock. So, I mean, it's the right place – right stock in the right place at the right time to optimize the market. So I don't think we're going to need to play any more than we've already called out.

Adrienne Yih

Analyst, Barclays Capital, Inc.

Fantastic. That color is very helpful. Thank you.

Colin Browne

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

Thank you.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

Thanks, Adrienne.

Operator: Thank you. Our next question comes from Brian Nagel with Oppenheimer. Your line is now open.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Good morning. Thanks for taking my questions. So a couple of questions, and I think they're both bigger picture, I mean one, a bit of a follow-up to a prior question. And I know it's hard to – it's difficult to parse this out, but if you look at the promotional activity happening now within this space or even at Under Armour, is it more a function of brands working through excess inventories or is there actually a component now that, that's just more normal promotions and maybe reacting to a potentially softer consumer backdrop?

Then the second question I have related to that, you mentioned in your prepared comments about just the overall environment turning more challenging in this quarter than what we discussed in the prior quarter. And, obviously, a lot of the pressures on the consumer are very well documented out there. But could you talk more specifically about what you're seeing that sort of gives you that view? Thanks.

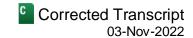
David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

Yeah. I guess a couple things, Brian. I think that when we look at the promotional activities, it's a little bit of both as far as what you mentioned. We see a lot of brands have been bringing in a lot of inventory because they assume – some assume that the demand was going be as high as last year. And because a lot of the Factory basis were behind, they were really putting in a lot of orders to try and catch up and assume that demand was going to be similar this year.

So you've got a lot of inbound inventory that's coming in to a market that's been softening. So there are a lot of brands that have a fair amount of product out there in the market and so they are starting to aggressively discount more to be able to move that and not hanging over as much into next year. So that's definitely a big part of it.

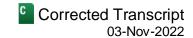
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But then on top of that, the consumer is getting tighter. Their wallet and their spend on discretionary is getting a little bit tighter. You do see a little bit more spend on travel and entertainment, but the overall wallet size is a little bit less. So it's a little bit of both that we're seeing. And as we think about the promotion levels in the back half of the year, keep in mind that we are seeing next quarter or this quarter we're in right now, Q3, expected to be down 550 basis points to 600 basis points. And the biggest part of that is the continued promotional activities we expect to see. So that is built into our outlook, and we're comfortable with kind of where we're sitting in that range.

COIIN Browne Interim President & Chief Executive Officer, Under Armour, Inc.	A		
I would just add that I think although we're obviously heading into some choppy times in kind of the midterm, I guess, best way to put it from the point of view of the economy. We do also believe that this part of the market is going to continue to remain strong. I mean, there was recently a UBS forecast came out that was suggesting there is a 6.5% global long-term CAGR in this part of the industry. So we feel as if we're playing in the right part of the industry. And yes, we're going to have to navigate these short-term challenges, but we're in a great position to do that and we feel we're in the right industry and we're well set to kind of continue to accelerate through that.			
Brian Nagel	Ω		
Analyst, Oppenheimer & Co., Inc. Great. Thank you very much.			
Colin Browne Interim President & Chief Executive Officer, Under Armour, Inc. Thank you.	A		
David Eric Bergman Chief Financial Officer, Under Armour, Inc. Thanks, Brian.	A		
Operator: Thank you. And our next question comes from John Kern	an with Cowen. Your line is now open.		
John Kernan Analyst, Cowen and Company Morning, guys. Thanks for taking my question.	Q		
David Eric Bergman Chief Financial Officer, Under Armour, Inc. Good morning, John.	A		
John Kernan Analyst, Cowen and Company	Q		
Nice job on the quarter.			
David Eric Bergman Chief Financial Officer, Under Armour, Inc.	A		
Thank you.			

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John Kernan

Analyst, Cowen and Company

Yeah. I think you're proving the ability to manage SG&A dollars and rate particularly in the back half of this year. Can you talk to as revenues reaccelerate in the fourth quarter on a constant currency basis and then potentially into next year, how you're going to manage rate – both the SG&A rate and dollars?

Colin Browne

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

Let me lead off on this, and then I'll hand it over to Dave. But I think the work that we've done over the past three to five years and kind of standing up our operating model is one of the reasons why we feel confident that we now have a process through which we can ensure that we are optimizing our SG&A based upon the size of the business. It's clear that we – this has been an important part of the work that we've had in flight for the past couple of years.

And obviously over the last 90 days or so, we've doubled down on that to make sure that we're being incredibly efficient in how we optimize the operating model. And that's really now starting to pay dividends. And it feels as if we are well positioned for this pivot to growth. We've got our SG&A in check. We know how our operating model works. We know how to optimize the individual parts of it and really how to drive leverage out of that.

So, Dave, I'm not sure if you want to go through in a little bit more detail.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

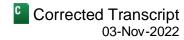
No. I mean, I think that with all the work that we've done that Colin mentioned, fortunately we removed a fair amount of some of the fixed costs in anchors that were dragging along. So now it allows us to be much more nimble. And I would also say that from a leadership team, we have a very enterprise mindset.

So making the decisions of how to reprioritize, and therefore, some business units having to sacrifice for others to be able to drive forward in key investment areas, whether it be the digital and omni front or whether it be on footwear design. Those conversations and making those changes and pivots like that are much, much more efficiently done than in the past.

And with all the operating model and restructuring work that we've done, we're in a point now where we've got a really solid base to be able to grow from. So as we step forward, yes, there might be a little bit of a SG&A headwind relative to over-indexed growth from a DTC perspective. But that would come with higher gross margin as well, which would offset. So we're going to keep managing tightly. There's a lot of discipline within the organization at this point. Everybody's leaning in, and we're in a good spot to pivot to growth off of that.

John Kernan Analyst, Cowen and Company	Q
Got it. Thank you.	
Colin Browne Interim President & Chief Executive Officer, Under Armour, Inc.	А
Thank you.	

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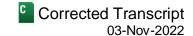


David Eric Bergman Chief Financial Officer, Under Armour, Inc.	A
Thanks, John.	
Colin Browne Interim President & Chief Executive Officer, Under Armour, Inc.	A
Thanks, John.	
Operator : Thank you. And our next question comes from Lorraine Hutchi now open.	nson with Bank of America. Your line is
Lorraine Hutchinson Analyst, BofA Securities, Inc.	Q
Thank you. Good morning. I was hoping you could provide a state of the up just talk to the progress you've made and if you see any investments need	•
Colin Browne Interim President & Chief Executive Officer, Under Armour, Inc.	A
Obviously, it continues to be a major focus from the point of view of how we of the business. We've seen really strong results in areas on the Meridian I women's business, has done incredibly well with the Meridian pants and the And in addition to that, things like the Crossback Bra.	line which was initially focused on our
So we continue to kind of double – we continue to see opportunity for us to done in standing up women specific running product as well is something to expect to continue to double down in that part of the business. And certain stores are merchandised, the ways in which our women's business shows something which we're continuing to work on. And we expect to see that co to jump in?	hat's really started to resonate. So we ly, as we're thinking about how our up across our DTC enterprise, is
David Eric Bergman Chief Financial Officer, Under Armour, Inc.	A
Yeah. I mean I just – again, I think as we look to push hard on all the eCon Brand House store rollouts, that's an opportunity for us to be able to really assortment there and then continue to grow from that. So we're excited abcontinuing to dig deep on that side.	increase the women's share of product
Lorraine Hutchinson Analyst, BofA Securities, Inc.	Q
Thank you.	
Colin Browne	Λ

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

Thanks, Lorraine.

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Operator: Thank you. And our final question comes from Michael Binetti with Credit Suisse. Your line is now open.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Hey. Thanks, guys, for fitting me in here. Dave, I was wondering if you can help us. I know this was asked a little bit earlier. You gave some directional color, but the gross margin guidance is down 550 basis points to 600 basis points in the third quarter and the handoff to the down 100 basis points to 150 basis points in the fourth quarter.

It seems like there's big enough buckets in there. I know you highlighted the promotional activity. But maybe just, if you could try to connect us to the rough scale of the components of that gross margin that you – what you just gave us some of them for Q2. It sounds like promotions are the biggest in the third quarter. And then is that the biggest piece that's assumed to roll off as you go into the fourth quarter? Maybe just a few of the thoughts on the biggest buckets between them.

And then I guess just on the – as you look at next year, and you gave us some shape of inventory of high 40s in third quarter, mid-30s at the end of fourth quarter, how do you see inventories coming into alignment? And how long does that take do you think?

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

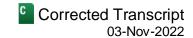
Yeah, Michael, great questions. I'll dive in first on the gross margin. So for Q3, we gave outlook that we expect to be down 550 basis points to 600 basis points. The largest is definitely the assumed continued elevated promotional activities that's probably roughly in the range of 3 points. And then I would say kind of the middle or medium size drivers, one would be the shifts in channel mix, which is going be a little bit more distributor-based just based on timing of that business. But overall, the channel mix is probably somewhere around 100 basis points.

The FX is continuing to be a pretty big headwind for us. That's probably in the range of about 100 basis points for Q3 as well. So that right there is definitely the lion's share. The Footwear mix being higher is a smaller headwind, as I mentioned earlier on the call. And then we'll actually see a little bit of an offset - a little bit of a tailwind from freight costs in Q3. Not much. But as those rates are coming down and airfreight utilization is also coming down, that actually starts to become a little bit of a tailwind for us in Q3. So largest again is the promotional levels, and then kind of the medium factors are going to be channel mix and foreign currency.

As we step into Q4, we would anticipate that the remaining largest headwind is still going to be foreign currency. And to your point, the promotional activities are still going to be a headwind, but we don't see it being as large as what we anticipate here for the current Q3. And then, again, product mix with Footwear assumed to be a higher growth than Apparel is a little bit of a headwind. And then the tailwind from freight costs actually gets larger and becomes a bigger factor to help offset. So that's kind of how you get to the expectation of being down 100 basis points to 150 basis points in Q4. So hopefully that gives you some good color there.

And then relative to next year with inventory, we're not giving details yet on that. But we do feel that as we're going through the back half of this year, even though the growth rates are a little bit higher, we're doing it off of a super lean base last year. And now we're getting more towards kind of the right level of inventory for our business. But at the end of the day, we're probably going to be focusing more on inventory turns than just the growth rates and wanting to be able to make sure we stay above 3 points as we run out this year and then

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continuing to start driving that up as we go forward to get to a better place as we get past some of the market challenges. But we feel good about where our inventory is.

Again, as Colin mentioned earlier, it's fairly healthy. More current product. We believe our outlet stores can handle the excess very well with a small percentage going to the off-price channel, and we'll keep managing that balance in the most premium way as we go into next year as well.

Colin Browne

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

Yeah. And just to close that, I think the work we've done on managing gross margin and inventory has left us in a strong position to close out the year and think about what that means for 2024 as well. I think when we look at brand consideration and the way in which we believe we're still continuing to resonate with consumers and we look at the work we're doing around the strategic shift in making this pivot to growth that brings with it, a certain swagger and a certain confidence that's starting to grow across the business as well, I think we feel as if we're well positioned to kind of close out the year and grow into 2024. So, yeah, thank you for your time today and appreciate the guestions, Michael.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Very helpful. Thank you.

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

Thanks, Michael.

Lance Allega

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

Thank you. That will conclude our call today. Appreciate everybody's participation. Thank you, operator.

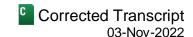
David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

Thank you.

Operator: Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.





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