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Under Armour, Inc. (UA)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Lance Allega

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

Kevin A. Plank

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

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

OTHER PARTICIPANTS

Simeon Siegel

Analyst, BMO Capital Markets Corp.

Jay Sole

Analyst, UBS Securities LLC

Robert Drbul

Analyst, Guggenheim Partners

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Sam Poser

Analyst, Williams Trading LLC

Laurent Vasilescu

Analyst, BNP Paribas Securities Corp.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning everyone, and welcome to the Under Armour Q4 2024 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] Please also note, today's event is being recorded.

At this time, I'd now like to turn the floor over to Lance Allega, Senior Vice President, Investor Relations, Treasury, and Corporate Development. Sir, 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 fourth quarter and full year fiscal 2024 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, David Bergman.

Our remarks today will include certain forward-looking statements that reflect Under Armour management's current view of our business as of May 16, 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 will turn the call over to Kevin.

Kevin A. Plank

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

Thank you, Lance, and everyone joining us this morning. We've got a lot to get through on today's call, including some extended prepared remarks, so let's dive right in.

Four-plus years [ph] I moved (00:02:05) from the President and CEO role at Under Armour, I am bringing a clear sense of purpose and 100% commitment with zero distraction from making UA excellent. I gained unique perspective from the Executive Chair board seat and while I've maintained a presence in the business throughout, that role was very different from the responsibility and opportunity I now have as CEO, to effect the day-to-day decisions of this brand. I look forward to applying these lessons with renewed approach to leadership.

During this time, our industry has undergone significant changes, including a global pandemic that tested the resilience on the consumer value chain and increased competition with many new capable entrants that have altered shopping behavior and preferences. However, our aspiration to build the world's best athletic performance brand has not changed. Our goal has always been to be a premium brand of choice, driven by industry-leading athletic performance products, inspirational storytelling, and elevated consumer experiences. Yet, we have not consistently nor holistically delivered on this ambition.

A lack of continuity and increased complexity have challenged our execution. With several CEOs and Heads of products and marketing in North America over the past half-decade, ongoing turnover of critical leadership has been central to our inability to stay agile and decisive.

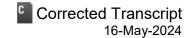
From uneven execution across product and marketing to suboptimal segmentation, wholesale relationships and DTC performance, there remains a significant opportunity to activate more effectively across the dimensions that matter to drive improved brand affinity and therefore, demand.

With several of our executive team being new to their roles, my top priority is to bring clarity and stability to our business. Said better, we must make the complex simple and the simple compelling.

To address this, we will reconstitute Under Armour's brand strength over the next 18 months by focusing on brand building fundamentals, like making great products, telling the best story about those products and servicing every aspect delivering our business, while building the best team.

As a podium brand, meaning one of just three or four global brands that have the credibility of being recognized worldwide as an authentic on-field, court and pitch athletic performance brand, we have an incredible foundation from which to reconstitute a winning culture. And while I have no delusions that this is to be a repeat of how this brand was built the first time, there are certainly parts that will run, and I plan to use every tool of resource or experience available to me and UA to make us successful.

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That said, I did not arrive at the next part of the call easily. But it is where we are today. We had a confluence of factors, including lower wholesale orders, proactive decisions to restore brand health to our e-commerce business and lead times to bring new products to market. We had a crossroads of defensive necessity and offensive opportunity.

Therefore, before driving forward, we'll be taking a larger step back in fiscal 2025 with an expectation that our revenue will be down at a low double-digit rate. This includes an approximate 15% to 17% decline in North America, driven by three factors that I will go into later in the call as we work to meaningfully reset this business, while navigating an environment made more challenging by our execution in the past.

In our international regions, we expect revenue to be down at a low single-digit rate due to some conservative macro consumer trends we see as well as applying lessons learned here in North America to ensure that we protect the brand strength that we've built in EMEA, APAC and Latin America.

From a channel perspective, we see our wholesale business to be down at a low double-digit rate and direct-to-consumer to be down approximately 10% due to proactive actions to significantly reduce the discounting level within our own e-commerce business. This reflects some of the foundational steps in our ambition to create a more premium stance for our brand.

By product, we expect apparel and footwear sales to be down at a low double-digit rate, and our accessories business to remain essentially flat year-over-year. Even with this revenue contraction, we expect a gross margin improvement of 75 basis points to 100 basis points due to the material reduction in promotional and discounting activities through our DTC business and proactive product and costing initiatives.

Turning to SG&A. As we work to streamline our business further, we anticipate our expenses to be down 2% to 4% in fiscal 2025. This includes the board-approved restructuring plan to help strengthen and support additional financial and operational efficiencies. While Dave will provide more detail, we expect to incur total estimated pretax restructuring and related charges of approximately \$70 million to \$90 million.

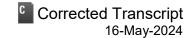
Excluding the midpoint of this restructuring range, we expect \$130 million to \$150 million in adjusted operating income, representing \$0.18 to \$0.21 of adjusted diluted earnings per share. This is not where I envisaged Under Armour playing at this point in our journey. That said, we'll use this turbulence to reconstitute our brand and business, giving athletes, retail customers and shareholders bigger and better reasons to care about and believe in Under Armour's potential.

A potential backed by nearly 1,900 retail stores and a worldwide presence in almost 100 countries, respected by athletes as a podium brand with a distinctive positioning of innovation and performance that is truly unique.

From a product perspective, we're not just chasing the low-hanging fruit of sportswear. We're reinvigorating our culture of blowing athletes minds with a consistent drumbeat of innovation. We must become a brand of launches, creating products that solve athlete problems, while communicating the story of how and why our products deliver. The good news is that we're already doing this.

For example, we delivered six new footwear drops in February alone. Infinite Pro and Infinite Elite, SlipSpeed Mega, Curry color drops at the NBA All-Star game, the Apparition from UA Sportswear and the Drive Pro in Golf. The larger problem is that you probably never heard about any or most of them.

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We'll make sure that if a product is important enough for us to make and release, it's also important enough to celebrate with storytelling or plainly, we just won't make it. So giving stakeholders reasons to believe begs the question, how do we plan to strengthen the Under Armour brand? We starts by reminding everyone, ourselves included, why we're here.

Under Armour is a sports house. This is our reason for being. It's our DNA and identity. Under Armour is about athletes and innovation, leading with team sports. We equip those athletes to push the boundaries of what is possible by inspiring them with performance solutions they never knew they needed and once they've tried them, cannot imagine living without.

At the backbone of all this is an authentic passion with an identity of grit. Under Armour was not born on that podium, but of an underdog spirit, the long shot, the athlete without all the gifts who some way, somehow finds a way to persevere. That underdog grit is our differentiator and we will embrace this mentality in this chapter as a brand.

With this brand positioning re-centered and solidified, we're narrowing and simplifying our Protect This House strategy to rebuild our core through three main priorities: first, is delivering better products and storytelling to amplify demand and loyalty; second, is running smarter plays by simplifying, modernizing and optimizing our systems structure and processes, so we harness efficiency for effectiveness; and third is, elevating consumer experiences, mandating excellence where, when and how athletes choose to engage with our brand and transact.

So, starting with delivering better products and storytelling, this is about the constant and a movement of troika of athlete, product and story, particularly in our North American business. This balance of this triode has been underserved for quite some time.

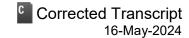
In our largest market, we have become a brand that, well, competes primarily on price versus our core competency, which is performance and technical innovation, an aspect of UA that has frankly gone untold for too long. To correct this, we must reprioritize our innovation agenda by reminding athletes that our products perform like no other in the industry, a flawless balance of science, function and style made to empower them to be the best at whatever they do from Monday to Sunday.

We are eliminating products that do not meet our standard, to sell much more of much fewer products accomplished by editing more intentionally led by our Chief Product Officer, Yassine Saidi. We are committed to this vision, but it requires having one point of view with considerably improved design language, a reduced but more intentional fabric library that includes a clear good, better, best segmentation for our distribution, trend-right colorways and standardize fits across all the athletes we serve.

Dissecting our execution further, too many areas of our product strategy have been designated as priorities. This has caused operational inefficiency and a strain on resources, which has diluted our ability to have a consumercentric point of view, consistent storytelling and an effective go-to-market process.

Over the past few years, it's also evident that we've taken our eyes off of our core men's apparel business, which particularly in North America has permitted this business become more promotional and commoditized. That has significantly impacted our brand's perception. We will rectify this. This focus does not mean that we are deprioritizing our footwear or women's business per se, but from a sequencing perspective, men's apparel will be our highest priority.

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We're also reorganizing our product and marketing teams around our largest revenue sports categories of training, running, sportswear, golf and basketball, while ensuring that the authenticator of team sports is still our front porch in every region where we compete. Here in North America, in the United States, that means our presence in American football, soccer, baseball, softball, volleyball, lacrosse, as the core sports we will speak to and solve problems for with our amazing performance in innovation. The specific core sport authenticators will of course vary by region.

So given the newness of our leadership and product lead times, the critical mass of elevated offerings won't fully come to market until our Fall/Winter 2025 collection, which is the second half of our fiscal 2026. However, as we work through this in-between period, I've challenged the team to adjust our operating go-to-market models in three actionable ways.

First, refine our product assortment and reduce our SKU or style count by roughly 25% over the next 18 months, intentionally decreasing our good discounted level mix while scaling our better and best offerings to drive balance into our segmentation. This will significantly reduce workloads for our teams and allow them to focus and prioritize on making any product that comes from our engine excellent, with a product and story that we will be proud of.

Secondly, our current go-to-market has only one gear with an 18-month process to get a product from an idea to the selling floor. This is just plain uncompetitive in the 2024 landscape. That said, we'll be pursuing a faster 6- and 12-month go-to-market capability, which was recently demonstrated with the release of the world's first true performance headwear that immediately sold out, the StealthForm Uncrushable Hat, which debuted on Jordan Spieth at this year's Masters Golf Tournament. It delivered in just six months and is now on pre-order for athletes at a \$45 price point.

The StealthForm Uncrushable is also a good metaphor for who we expect to be in our industry. Innovative, premium, stylish and nothing else like it in the market. A product that truly helps you perform better with its comfortable fit, technical material cooling and stretch that feels like a secure hug for your head and delivered to the market with speed.

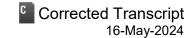
And finally, building out a direct-to-consumer line of exclusive products for our own stores and e-commerce. Wholesale is about 60% of our business and will be hypercritical for our success and how we will achieve the elevated position and vision of the UA brand I'm describing.

Yet, it has been far too long since we've shown retailers our vision. So using our own physical and digital stores as a proving ground, we will demonstrate what excellence can look like for the Under Armour brand. Whether that is through a more premium price point or meaningfully amplified storytelling to drive success. We want our partners to call us because they're inspired by the innovation they see us building and not just what they sold from us before. While delivering better products and segmentation is central to our ability to drive greater future demand, our products must be married with authentic, inspirational storytelling and technical education about how Under Armour makes athletes better.

Our DNA, reason to buy, and storytelling must permeate all consumer touch points. With some of the highest performing material sciences in our industry, including temperature management, moisture wicking, sustainable fabrics, cushioning, compression-based support, to be candid, we've done a poor job consistently communicating our product advantages to athletes. This must be fixed as it's hard to sell something that is a best-kept secret.

In this respect, we are working to dramatically overhaul our product descriptions and hang tags and how our DTC and wholesale sales forces are equipped to tout our product attributes. When athletes research Under Armour

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online or choose our products in a store, it should be clear to them by answering three simple questions, what it is, what it does and how it will make them better.

Going forward, a simplistic three point description of every UA product will be found consistently on our hang tags, point of purchase and website and conveyed by our associates on the floor.

Brands are built with consistency. So make no mistake, we'll be strengthening our brand in this chapter. That's not to say, we haven't succeeded in marrying these efforts well in our recent path. When our product and marketing engines are aligned, showcasing product innovations with relevant storytelling, we've seen success in driving positive demand.

A recent example can be seen at this year's Boston Marathon, where UA athletes Sharon Lokedi took her third podium wearing our \$250 Velociti Elite 2 running shoe. A trend we think will continue.

In preparation for the race, we immersed media and influencers and run experience and flooded our social media channels. Of course, there are other examples where we've been running this consistent play and have shown up proudly like our SlipSpeed launch and ongoing business there, Unstoppable pants and the surrounding collections that make Unstoppable force for UA. In our women's Meridian products where we are building trust with her. We are at our best when we're on offense. We must harness and homogenize this approach more effectively across all consumer connections.

Strong product team also requires strategic and operational collaboration with marketing to bring it all together. As mentioned on our last call, we've consolidated our global and North American marketing teams to bring a cleaner, more creative integrated approach for faster decision-making and improved oversight into our spending and the returns we get for our investments there.

Concerning our search for a new Chief Marketing Officer, I pressed pause while assuming the CEO role and will be reengaging that search immediately as we have a strong candidate pool and expect to have this chair filled soon.

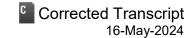
Over the past four-plus years, the company has become overly siloed and bureaucratic with competing internal agendas. We now have just one agenda, as I'm describing it to you today and communicating that to internal and external stakeholders is my immediate priority to build complete alignment. Given these changes and iterative evolutions, we are working quickly to disband these silos and drive a more productive collaborative culture.

And this brings us to the second priority within our refined protective sales strategy, running smarter plays. Where we will simplify our operating model, modernize our supply chain and planning process and optimize our cost base to drive greater efficiencies.

To begin with, on a broad basis, we are simply doing too much stuff. There are too many products, too many initiatives, too much of too much. To reconstitute this brand, we must be highly focused and prioritize what needs to get done so that our teams know exactly what to do with a clear definition of success for them.

As such, we are going to streamline across the organization. We will reduce the number of agencies, consultants and outside experts across the brand which has reached unacceptable levels, especially in functions like marketing. We are building the talent, they will now be empowered to run with their expertise and ability to drive our vision.

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We're also working to reduce the number of reports generated, unnecessary meetings and even a number of fabrics for our designers to choose from. In the overall bureaucracy that occurs when the business scales from being small to midsize to large, in short, we will be much more intentional everywhere. This includes activities that may have had a reason to exist at one-time or another but no longer serve the brand. We're now prioritizing to ensure that anything we do or have our teams doing are only the activities that directly contribute in one way or another to our simplest of job descriptions, selling more shirts and shoes.

We've talked about being consumer focused for years, but never entirely organized our business as such. To enable consistency, we're employing a category portfolio structure designed to unlock the team's full potential, particularly how the work aligns with our talent, speed of delivery and the execution required to put us on a growth path.

Under this structure, our product, marketing and sales organizations will work as a collective to develop singular go-to-market strategies that allow each category to obsess the needs of our athletes throughout their journey under the broader UA innovation brand umbrella. We'll be driven by technology and design, enabling us to lead our categories with clear intent and a sharper point of view. This structure will also provide greater visibility in the category and product performance, which is critical to developing greater agility and adaptation.

On the product side, there was a critical piece of the puzzle that, have been missing to power up this strategy. So a few weeks back, we announced that Yuron White, a 25-year sports industry veteran, had joined UA as our Senior Vice President of Sportswear, Running, Basketball/Curry and collaborations. Complementing our legacy world-class experts already here, Yuron brings decades of game-changing product strategies, operational excellence and talent development. So we're excited to have him join Yassine's team to lead those critical categories for the brand.

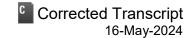
As an important companion to our changes in product and marketing, we'll also improve our supply chain and then planning capabilities, both of which offer significant opportunity to drive operating efficiencies within our cost of goods sold line. These initiatives, along with proactive moves to reduce discounting and promotions and a reduction in SKUs, gives us great confidence in our ability to improve ASPs and gross margin in the years ahead.

Being a better, more responsive organization is a big part of our strategy. The natural question is, can we improve our cost structure while continuing to make the investments necessary to reconstitute our brand? Last year, we told you that we expected SG&A to be flat to up slightly. And with today's print, we came in better, even though our revenue was lower than our original expectation. To get there, we push hard on head count and marketing, reduced travel and meeting costs, and tightened our overall SG&A. This prudence will certainly continue as we move forward.

In fiscal 2025, we will optimize our SG&A cost base to ensure efficient and effective spending that supports the long-term health of the Under Armour brand. Of course, it's more than just cost cutting. This year, we will be even more intentional identifying ways to streamline and realign the entire organization globally to set us up for an even more productive P&L, once revenue inflect more positively.

Now we move to our third priority. Elevating consumer experiences, which is critical to becoming more premium in building better connections with athletes. In this case, we must drive excellence in our retail, e-commerce and wholesale businesses, aligning with our Protect This House strategy. We must ensure that our efforts to deliver better products and storytelling, enabled by a simplified operating model will manifest through deliberate merchandising strategies and thoughtful distribution choices, particularly here in North America.

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And this brings me to probably our most important question to answer. So what is happening in North America? The anticipated North American decline in fiscal 2025 is driven by three factors. The first is sector-specific. We're expecting lower wholesale revenue due to retailer cautiousness amid softer consumer demand in an intensely competitive environment.

The second is specific to Under Armour, as our softened brand and inconsistent execution were worsened by the impacts of the challenging retail environment over the past few years.

The third is our proactive action to reset our business in our largest market by significantly reducing the discounting occurring with the brand starting with our own DTC business. This reset begins through new leadership here in the Americas.

Kara Trent, who is just a couple of months into the role, is a nine-year Under Armour veteran, who most recently led our EMEA region, where she built an accretive brand and business strength over the last few years. She's a leader with a point of view and knows what winning looks like. To arrest the slide in North America, Kara is bringing a strategy to simplify the business by focusing on three key areas; digital, team sports and our premium wholesale partners.

Our e-commerce business has been overly dependent on promotions and is yet to be a flagship representation of a premium athletic brand. That said, our fiscal 2025 outlook contemplates among other actions, more than 50% fewer site-wide promotional days than last year and a reduction in the depth of discounts on the days that we do choose to promote. As consumers adjust to our new value proposition, these actions will weigh on our top-line.

The digital goal is to transform our e-commerce business into a significantly more premium platform over the next 18 months. This includes improving our online merchandising, creating a more engaging brand building environment that encourages our consumers through compelling products with a clear story of why it will make them better. This means more DTC exclusive products and utilizing our new 6- or 12-month speed-to-market process to deliver limited volume products that drive brand heat and help create more brand demand moments.

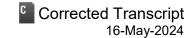
Further, we intend to reduce the number of made-for outlet products on our website to drive a more premium assortment as well overall. So these actions will benefit us in creating a more elevated product offering and shopping experience for athletes over the long-term.

It also means harnessing the growing power of our US loyalty program, UA Rewards, where we continue to see strong enrollment trends with nearly four million members, we've engaged members with exclusive programs like a trip to the NBA All-Star game. And exclusive members-only product, including collabs with Logic and Justin Jefferson, which sold out in just hours.

Our members also continue to show a higher premium purchase frequency and revenue per member, so we're encouraged about what this can mean over time. As a companion piece of this, as we improve our operating model and supply chain, we'll increase the awareness of Velocity when we release new products, ensuring that newness is consistently associated with the brand, underscoring this concept of becoming a brand of launches, products that you never expected but could only be built by UA, telling a better story with fewer, more impactful products.

Shifting to our own doors, though a very small portion of North America's revenue today, our brand houses must become a premium showcase for the Under Armour brand. There is a significant opportunity to improve these

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stores, and we're working to create a more homogenous look and feel, curated with less product and more storytelling. We're piloting a new store concept now that we expect to test and learn from throughout fiscal 2025.

Our Factory House business must elevate the consumer experience by reducing unnecessary complexity. For example, in our 183 outlet doors in North America, were over-assorted across categories and have too many different floor sets. This compromises the clarity of experience for consumers when they walk through the door. And from an operational efficiency perspective, it's unacceptable, and we're correcting it with the right leadership now in place.

We'll also enact greater discipline and balance between our promotional activities and inventory management needs in our outlet stores. Discounting can drive revenue in the short-term, but it's not good for gross margin, balancing market price algorithms and clearly can negatively impact brand perception.

In tandem with optimizing our operations and logistics, we believe these actions should lead to higher store profitability, which will have a meaningful impact on our nearly \$1 billion Factory House business.

Turning to North American wholesale. In my first month on the job, while I still have a few to meet with, I've had [indiscernible] (00:27:52) with several of our largest US accounts including DICK'S Sporting Goods, Academy Shields and more. And as a note, I'll be meeting with key franchise, retail and manufacturing partners when I travel to Europe and China, before month end.

These interactions with our US partners have been productive as to where we've been and where we are, and encouraging us to where we expect to be once our product and marketing engines are re-optimized and firing on all cylinders.

Given product lead times, the critical mass of this renewed product vision will not be coming until Fall/Winter 2025 with a build into subsequent seasons from there. So it will take some time for our North American wholesale business to inflect positively, we will be making meaningful progress until then.

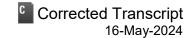
In the meantime, we're focusing on rebuilding high-quality relationships with our key retail partners. We are confident we'll represent Under Armour in a brand-right manner, especially in sporting goods and mall accounts. But this will only occur for us as long as we stay committed to being authentic in the team sports arena, which is critical for our success ad so we'll continue this focus through team outfitting on the field, court and pitch. This is our differentiator and reason for having a relationship with our targeted 16 to 24-year-old Varsity athlete.

Elevating our product offering were mostly good and distorting toward better and best level products are also critical enablers combined with inspirational storytelling and more joint marketing with our wholesale partners.

We have opportunity to do much more with key accounts. But to do so, we need to drive our aligned product and marketing engines to differentiate our business and convince athletes and our customers to covet Under Armour. Simply put, we haven't been as consistent in giving athletes or retail customers a reason to buy our brand as robustly as possible.

As we execute our Protect This House strategy over the next 18 months, I'm confident this will set us on a path towards returning to growth in our critical North American market. We have the right formula for success and are driving forward with clarity and continuity of purpose. With our priority of reconstituting the brand in North America, it's important to explain the role that the international business plays in our go-forward strategy.

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The attention we are placing on the US business is underscored by our 28 years of learning and understanding of brand management. Then in order to be strong abroad, we must be our strongest at home. EMEA and APAC remain vital markets for Under Armour and our brand is better positioned in these regions than in the US today due to a history of channel discipline across our DTC and wholesale businesses.

With consistently optimized brand activations, our expectation for a low single-digit revenue decline in our international business is partly due to more conservative consumer trends and ensuring that we don't erode brand equity by chasing lower-quality revenue.

In EMEA, there are signs of retail caution, particularly in the UK, which is our largest market there, including softer wholesale outlooks and increasingly cautious consumer sentiment and macroeconomic uncertainty. Sensing that trend and maintaining discipline, we expect to grow faster in our DTC channels in the region, and we'll invest in ecommerce processes and systems to support this growth.

In wholesale, we'll continue to focus our business on the right partners, working to manage the environment appropriately. There's even more significant long-term growth potential in APAC, sill in the near-term, the environment remains materially promotional in China, Southeast Asia and Japan. So our focus is to grow carefully and productively while investing in key markets, balancing short-term performance with long-term brand affinity.

So we're not taking our eye off the ball in our international markets. We will focus on maintaining high-quality sales across all channels and protecting our premium brand positioning, significantly once we start to see a positive inflection in our largest and most profitable region of North America, more resources will be available to invest outside our home market to drive sustainable growth and profitability over the long-term.

And with that, I'll hand it over to Dave to review our fourth quarter and fiscal 2024 results, provide more color on our fiscal 2025 outlook, and then I'm going to come back to close out our prepared remarks. Dave?

David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

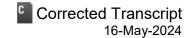
Thanks Kevin. Starting with our fourth quarter fiscal 2024 results, which were in line with our outlook, revenue was down 5% to \$1.3 billion with a 10% decline in North America due to softer wholesale demand and lower sales to the off-price channel. Our DTC business was also down during the quarter with positive store growth, offset by softness in our e-commerce business.

EMEA revenue was up 10%, or 7% on a currency-neutral basis, driven by strength in our wholesale and DTC businesses. APAC revenue was up 1% in the quarter, or 5% on a currency-neutral basis, driven by positive DTC sales, while wholesale results remained flat. And in Latin America, revenue was up 20%, or 12% on a currency-neutral basis.

From a channel perspective, fourth quarter wholesale revenue was down 7%, driven by softer demand in our full price and distributor businesses and lower sales to the off-price channel. Our direct-to-consumer business was flat with 7% growth in our stores, offset by a 7% decline in our e-commerce business. And licensing was up 11%, led by positive results in our North American business.

By product type, apparel revenue was down 1%, driven primarily by softness in our team sports, run, and outdoor businesses, offset by strength in train and golf. Footwear was down 11% and due to a tough comparison and softer demand, primarily in North America.

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As a reminder, we had robust growth during the fourth quarter of fiscal 2023 as a significant volume of footwear products that were previously delayed due to COVID-related factory constraints meaningfully hit the market and our accessories business was down 7%.

Next is gross margin, which was up 170 basis points to 45% and aligned with our outlook. This increase was driven by 260 basis points of supply chain benefits, including lower product and freight costs and 100 basis points of favorable channel mix, primarily related to lower sales to the off-price channel.

These benefits were partially offset by 90 basis points of unfavorable pricing related to our proactive inventory management actions, including promotional activities in our DTC business and actions to reduce inventory through our Factory House's. We also realized about 90 basis points of unfavorable foreign currency impacts.

Moving down the P&L. Our SG&A expenses in the fourth quarter were up 5%, excluding a \$58 million litigation reserve expense, adjusted SG&A expenses were down 5% due to ongoing cost management actions, including reduced salary and non-salary compensation and driving efficiencies and discretionary spending across our marketing and consulting budgets.

Bringing this together, we had an operating loss of \$4 million or excluding the litigation reserve expense, adjusted operating income of \$54 million. Taking this to the bottom-line, we realized a diluted earnings per share of \$0.02, or adjusted diluted earnings per share of \$0.11.

From a balance sheet perspective, inventory was down 19% to \$958 million, approaching our pre-pandemic levels. And we closed the year with a strong cash position of \$859 million and no borrowings under our \$1.1 billion revolving credit facility.

For the full year, fiscal 2024 revenue declined 3% to \$5.7 billion, primarily due to challenges in our North American business, partially offset by international growth. Despite the revenue contraction our full year gross margin increased 130 basis points to 46.1%, driven primarily by supply chain benefits related to lower freight and product costs.

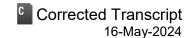
This was partially offset by proactive inventory management actions, including increased promotional activities in our direct-to-consumer business. Full year SG&A expenses were up 1% to \$2.4 billion. Excluding an \$80 million litigation reserve expense, adjusted SG&A expenses were down 2% to \$2.3 billion.

Operating income was \$230 million, or \$310 million on an adjusted basis if you exclude our litigation reserve. This aligns with the outlook we provided one year ago.

Full year diluted earnings per share was \$0.52, and our adjusted diluted earnings per share was \$0.54, a beat versus our previous outlook of \$0.50 to \$0.52, mainly due to a better-than-anticipated tax rate and lower net interest expense.

Shifting next to our fiscal 2025 outlook. Given the magnitude of a low double-digit revenue decline, including a large step back in our wholesale volume and proactive actions we are taking to reset our North American e-commerce business, we are encouraged by our expectation for gross margin improvement. And what that will mean as we retune the base over the next 18 months.

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Additionally, we will continue to prioritize investments and manage costs aggressively. As part of this effort, our fiscal 2025 restructuring plan amplifies our focus on driving higher returns to deliver more consistent, long-term shareholder value.

Within this plan, we expect to incur total estimated pre-tax restructuring and other related transformational charges of approximately \$70 million to \$90 million, including up to \$50 million in cash-related charges, consisting of approximately \$15 million in employee severance and benefit costs and \$35 million related to various transformational initiatives, and up to \$40 million in non-cash charges comprised of approximately \$7 million in employee severance and benefit costs and \$33 million in facility, software and other asset-related charges and impairments.

That said, we continue to dig in and may uncover additional opportunities. Concerning anticipated savings and what that means for run rates moving forward because we've only recently begun the work executing against this plan, it is too early to share those expectations. We anticipate providing additional details on our Q1 call in August.

Next, I'd like to provide some color on the first quarter of fiscal 2025. From a revenue perspective, we expect our first quarter to be down at a low teen rate, marking the most pronounced decline of the year due to continued wholesale softness and DTC contraction with growth in our retail stores more than offset by a decline in our e-commerce business, reflecting our actions to reduce promotions.

Next, we expect our first quarter gross margin to be down about 20 basis points to 30 basis points due to a tough comp related to the timing of prior year supply chain benefits and negative foreign currency impacts. These challenges more than offset the benefits we expect to see with less discounting in our DTC business.

After that, we expect our gross margin will expand for the rest of fiscal 2025 as our product costing initiatives and material reductions to our promotional activities should drive more meaningful improvement as we progress through the year.

From an SG&A perspective, we expect to realize close to half of our restructuring charges during the first quarter of fiscal 2025. Bringing this to the bottom line, we expect a first quarter operating loss of approximately \$75 million to \$80 million. Excluding planned restructuring and other related impacts, we expect an adjusted operating loss of \$35 million to \$40 million, translating to an adjusted diluted loss per share of \$0.08 to \$0.10.

Given our expected revenue decline, inventory management is top of mind. And having planned for this impact, our initial expectation is that inventory will be down at a high single-digit rate in the first quarter, followed by slight declines after that, and then bringing fiscal 2025 to a close at essentially the same level as fiscal 2024. And relative to CapEx, we anticipate spending approximately \$200 million to \$220 million.

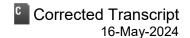
Finally, our board of directors approved a new three-year, \$500 million share buyback program. With confidence in our ability to generate cash, we believe this program provides an excellent opportunity to enhance shareholder value without compromising the financial flexibility necessary to reconstitute our brand, as we target a return to top-line growth.

With that, I'll turn it back to Kevin for closing remarks before we open it up for questions.

Kevin A. Plank

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

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Yeah. Thank you, Dave. As we wrap up today's prepared remarks, and thank you for your patience in allowing us a chance to lay out our strategy and the actions we're already taking at UA, I'll touch on one final question. So what's different this time and what are reasons to believe in Under Armour? From my vantage point, we've got a lot going for us. As an authentic on-field performance brand with more than \$5 billion in revenue, millions of athletes worldwide believe Under Armour products make them better.

We are sure there is much more work to be done, and while there may be 50 things to fix at Under Armour, there are also 500 things that are working really well. We are a sports house centered on athletic performance and a heritage authenticated in competition. Our refined Protect This House strategy is engineered to cut through the noise and complexity we've allowed to dilute the clear mission that once gave us our core focus and energy.

As such, we are urgently working to regain our front foot, put wins on the board that can continue to build over time, and optimize our business across the dimensions that matter. I cannot guarantee perfection as we undertake this journey, but I promise 100% team commitment to get Under Armour on a winning front foot, leading from the top along with our energized executive team. We will bring a clear, unified vision, empowering the organization by providing stability and alignment to drive consistent execution with a clear articulation for all stakeholders of what success looks like.

I'll say to investors today that when you buy Under Armour, you're buying a brand, a brand with a formidable heritage that is not easily replicated, and one that is more valuable than even the company is at this point. Our job, my job, is to close that gap with a strong balance sheet, global presence and awareness, ample resources, and a talented team to take the necessary actions to evolve our company.

We'll lead from the front foot, I'll lead from the front foot, knowing the name on the front of our UA jersey matters more than the name on the back. And as a team, we'll take care of the Under Armour brand. We are fully committed to shifting our trajectory, and for that to happen, we must change rhetoric into results.

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

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, at this time we'll begin the question-and-answer session. [Operator instructions] Our first question today comes from Simeon Siegel from BMO Capital Corp. Please go ahead with your question.

Simeon Siegel

Analyst, BMO Capital Markets Corp.

Q

Thanks. Hey, everyone. Good morning. Kevin, so recognizing the tone shift, it makes me of think of the last time you successfully focused, I think your words have been building a healthier rather than a lateral company or something to the effect. So how do you think about this go-around of the brand elevation versus revenue contraction versus the last time you successfully re-elevated the brand and the gross margins. Maybe can you speak to how you'd expect the timeline of that improvement to look?

Obviously, the focus on brand health feels like the right move. But understandably, it's not an overnight fix. So would love to hear how you think that timeline and any goalposts or hurdles we should be watching for? And I guess, is your expectation that North America would return to growth in 2026 or later?

And then just if I can, Dave, can you just remind us what percentage of the OpEx or fixed versus variable costs? The gross margin gains are going to be powerful and they feel key. But just also trying to think through what the right longer-term OpEx should be on the lower revenues? Thanks, guys.

Kevin A. Plank

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



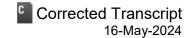
Yeah. Thank you, Simeon. And I think that really gets to the heart. I'm not sure if there's, as I said, a repeat that's available to us, but there's certainly a lot of lessons of what brand building looks like. This is going to be a little different, so we're approaching that way, and frankly, just using all the reasoning and thoughtfulness that an experience and hopefully some wisdom that we've gained over the years and being able to apply that to this chapter is what's most important.

Let me just start because I think this really just nails into what's happening in North America. Not winning here. It hits me and our incredible teammates, it hits at our core. We are truly an authentically American brand that is something we know how to do, and it's something that we can fix. I think it's not going to happen overnight, and that's why we continue to use this 18-month sort of outlook that we've been providing.

And frankly, we've seen this in the face of the same cautionary consumer sentiment that you guys are hearing out in the market right now as well. The shifting consumer, destocking cycle among retailers, bloated industry inventories, so they've been pretty conservative, and we're reacting and we're dealing with that. But as it relates to UA specifically, it's time for us to firm our brand up, and we want to make sure that we're transparent with this messaging as well, is that what we're seeing with the call down, about two-thirds of it is happening to us here in North America and about a third of it is proactive, where we're actually were making sure that we cut anything out and we give ourselves room to really start building the base of the brand.

Now if there's any positive to be taken from sort of where we are right now, beyond the macro environment softness, the majority of our difficulties, as I think I laid out pretty well in the script, have been, for lack of a better

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phrase, pretty much self-inflicted. And the good news is that we can control that. More importantly, we can address and we can fix that.

At the simplest level, we find ourselves for the most part, when we show up at retail, we're trading on price with more than should be good level of product. That's just not who we are representative of the opportunity that this brand has. And we're not falling on a sword saying we just have to be premium. Our eyes are wide open. That consumer is there for us. They're not mad at us. When we do it right, and we get the product and the brand and the story right, and we've seen it with SlipSpeed, Unstoppable, this happening, I'm really excited about that is a brilliant definition of what our team does and when our team gets together, that is our team that built that, brought that together and so many other products in the pipeline that we have like that.

But contextualizing them and getting them to market, commercialize them, that's where we can be just much better in telling their stories. In the script, I consistently referred to this idea of reconstituting the brand, and that runs across product, supply chain, distribution, segmentation. So we must be better, of course, across the board. But it's probably best articulated at the simplest level in our lack of consistent story with our great product.

So I'm taking a brand lens to this approach and where I can be the most helpful and that's really attacking from the product and story and making sure that those two functions are truly married. Now of course, there's an entire organization that supports beneath that. But that's where I think we've been most inconsistent and where we can just get better really quickly.

We need to ensure that only the amazing products that we make are the ones that make it to market, which is why just taking that 25% off the top, it's just forcing the teams to say, let's make a harder better decision and make sure that we really, really love it and that we're excited about it, and then we can articulate a story about it.

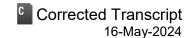
So as I said, story is just central to what we're doing. Retail in-store, online, especially with better and best, and so we're going to focus and drive there. But I do want to emphasize, I spoke about the opening we have in the CMO function, but building out marketing with just frankly, we're so proud I think that the engine that's been built on the product side, when you look at from John Varvatos joining close to a year ago, and you've seen now on board to lead the CPO effort and the ability to attract talent like Yuron White giving a voice to that team is my highest priority.

And it's going to take some time for us to see the goods that are coming from John and you've seen in Yuron and again, complemented with the incredible experts that we already still have here at UA, there's like a worldwide team that isn't – they're not disappointed by this leadership coming in. They're really inspired by it because they see that this is about a bigger team winning and everyone, I think, is really excited about our opportunity to do that

I think as you talk about the marketing side, but none of this happens because the three heads that we really need, it's product story and it's the regional expertise. I mentioned Kara on the call, and she's just been a terrific leader who has dove right in and helping us reestablish the relationships with our critical wholesale partners. As well as taking a real firm hand on what we're doing with our own DTC.

But we're putting the pieces in place for this to happen. I don't have a crystal ball beyond as we're talking through fiscal 2025 right now. But we do know that this brand deserves to establish our go-forward voice. I think we have a really clear point of view of how to do that and what success looks like. Now it's up to execution. And if we're looking for some kind of a bellwether to measure our success, I think gross margin is going to be a great indicator for us throughout fiscal 2025.

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David Eric Bergman

Chief Financial Officer, Under Armour, Inc.

And Simeon, this is Dave. Relative to variable and fixed, I think if you kind of remove the compensation cost, which isn't necessarily fixed and just get back to what's kind of locked in, that isn't going to change with revenue that's probably a little bit less than a third of our SG&A base, something that we've been working on over the years.

Simeon Siegel

Analyst, BMO Capital Markets Corp.

Great. Thanks a lot guys. Best of luck.

Kevin A. Plank

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

Thank you.

Operator: Our next question comes from Jay Sole from UBS. Please go ahead with your question.

Jay Sole

Analyst, UBS Securities LLC

Great. Thank you so much. Kevin, I'm really interested in something you said at the top of the prepared remarks. You mentioned you have a renewed view on leadership. Maybe just to kind of take a step back and think about all of UA. Tell us what's renewed, tell us how do you think about leadership today, maybe versus how you thought about it before and how it is going to help drive Under Armour forward? I mean, it's clear that you have a clear vision about what needs to be done and where Under Armour needs to go, connect for us how the leadership is going to play into that?

Kevin A. Plank

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

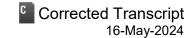
Yeah. Well, thanks, Jay. I think from the top of the script to the end of my prepared remarks. Number one, I love the [ph] 80 hockey reference (00:51:26), which is about the name of the jersey on the front versus the name on the back, it's building a team. And we've done a really good job, I think, of understanding what that means to set a vision and power that team and let them run.

And we've got capability and being in sort of the roles that I've been around the company, I've always had the ability, I think, to plug in different areas, but really been able to focus, I think, on building a team. Probably the thing I'm most proud of in the last 10 months is, as I described about our product team with the ability to attract John Varvatos to get John here. It's ability to attract Yassine here. The ability to get Yuron here as well.

And most importantly, it was the ability to complement and keep those existing team members, our 15-year innovation head. Our 21-year design head now gets to work with John. You're watching our team sports and working with Yuron and his experience. So that meld of old and new is something that we're just going to utilize agility that we're going to play the best hand that we have.

I think at the SEP and above level, we brought in nine executives in the last 8 or 10 months. And I've been directly involved in recruiting virtually eight of the nine. So touching this team, it really feels like it's ours. But I think not having to press too much and hopefully that an energy of finding that wisdom where you can tip your glasses to

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the end of your nose and sort of answer or say much more just through the way that you respond and the energy that you have.

And so I'm really looking forward to that and looking forward to watching this leadership team really explode with the likes of the Yassines, what we've done with supply chain and Shawn Curran coming here from 30-year experience at Gap. And now it's a matter of just combining them together and melding that. So it's going to be a little as we're pulling everybody together, this team likes each other, and it's just a matter of us running.

Jay Sole

Analyst, UBS Securities LLC

Got it. And maybe, Kevin, if I can follow up on that in the spirit of leadership. Are there other potential changes in the management team in the future? And how will you work to retain this fairly new team?

Kevin A. Plank

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

Well, I think we're all incentivized by seeing where we are right now is that we believe that we've got a brand that is not trading at the value that it is. And so everyone is incredibly inspired by that. No, I think most importantly, I'm looking for the additions is that we are in the market and we're looking for a CMO, and we'll have that position posted and leaving it open for the best candidates that come.

But I tell you, our phone has been ringing, there's this buzz. I keep describing that product organization that we built and you walk into that product where you can just feel something. And so I feel that obligation to make sure that we get a team to complement and round them out. And I know that we've got the regional leaders between Jason in APAC and Kevin Ross and other former UA veteran in EMEA and Kara Trent here. So we're pretty much stabilized, but there'll always be some limited amount of movement there. But the next one we're looking for is the addition of our new CMO.

Jay Sole

Analyst, UBS Securities LLC

Got it. Thank you so much.

Kevin A. Plank

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

Thank you. Jay.

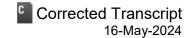
Operator: Our next question comes from Bob Drbul from Guggenheim Securities. Please go ahead with your question.

Robert Drbul

Analyst, Guggenheim Partners

Hi, good morning. I have a couple, if that's okay. The first one is on the international outlook, how much of the macro is driving the low single-digit percent decline in international? Or is there something – is there a weakness that you're seeing specific to Under Armour? And do you feel like you're being conservative in that international outlook? And I have a second one.

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Kevin A. Plank

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

Yeah. Thanks, Bob. I think that we're cautiously approaching this. Now we've got the benefit of 20 years having done and driven the UA brand and frankly, the lessons of the last five or six years here in North America. So, we're incredibly bullish on the opportunity that we have, especially mid and long-term.

I think we're being cautious in the short-term because we don't want to get caught up in a situation where we feel like we're trying to flood big logo hoodies, like we've run that play. We've seen how that works. So, I think we're bringing a bit of cautiousness and frankly, a bit of experience or wisdom to the way that we're approaching that.

But in EMEA specifically, is that it's definitely – it's soft. There's the same sort of inventory issue that we're seeing with some of our wholesalers here. And so we're just – we're representing a bit of caution there. And also that we don't need to push the sales, meaning that we don't need to do anything other than what is in the absolute best interest of making sure that the 16 to 24-year-old just loves and covets the Under Armour brand.

And what we've done in Europe, too, it's probably its own little sound bite. We brought Kara here from Europe, from the success that she had from going back to 2019, a \$600 million-ish brand that ended this past year crossing over \$1 billion.

And the one thing that's really compelling is that we actually grew contribution margin from 8% to 16%, so doubling that contribution. So, we've really been leveraging that hard. So, we want to make sure that we can invest there as well. And as I said, I think we have the right leader to take us to the next level there.

But what we're seeing are the signs of success. Our largest market there is the UK. We're the number one training brand, for instance, the JD Sports, we're within an arm's length that at SDI from not number one, depending on the week. So, we've got a great base to build from and I think it's us just making sure that we do this smartly, and we build this as a brand together.

Robert Drbul

Analyst, Guggenheim Partners

Great. And just if I can ask the second question. Can you talk about the progress – your view on the progress that you've made in eCommerce and the eCommerce channel? And how long will it take you to get your website to where you want it to be?

Kevin A. Plank

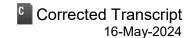
President, Chief Executive Officer & Director, Under Armour, Inc.

Yeah. I think that's a work in process that we'll never be done with that, but it's something that we've got a tremendous team. And so Jim coming on board has brought a lot of expertise that that really parallels into our loyalty program as well that we have in a place that's been really good and really positive for us. So, I think we've made great progress when it comes to what we can do in the web.

But frankly, I don't think that's probably the best place where I think our product and our story are just not lining up well enough. I mentioned us just finding some of the simplistic things to apply brand management, like identifying what are the three aspects that make this product desirable for the consumer.



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So, I don't feel like we've played our best game online yet, and that's why we're focused by beginning with
eliminating the – or significantly reducing the amount of promotion so we can have a much cleaner story that
comes through on the website.

Robert Drbul Analyst, Guggenheim Partners	Q
Great, thank you very much. Good luck.	
Kevin A. Plank President, Chief Executive Officer & Director, Under Armour, Inc.	A
Thank you.	
Operator: Our next question comes from Brian Nagel from Oppenhei	mer. Please go ahead with your question.
Brian Nagel Analyst, Oppenheimer & Co., Inc.	Q
Hi, good morning.	
Kevin A. Plank President, Chief Executive Officer & Director, Under Armour, Inc.	A
Good morning Brian.	
Brian Nagel Analyst, Oppenheimer & Co., Inc.	Q

A couple questions, Kevin, and I'll merge them together to make it simple. But I mean, first off, with regard to – you talked about this in your script, the product innovation, the new products coming. I guess just to make sure I want to understand the timing of that, when we should start to see these products?

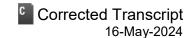
And then with that, the team you've assembled, the team – the senior leadership before you, there was already product innovations, there was already the discussion about product innovation. Are you picking up on that? Or is it really more of a revamping overall with the product innovation at Under Armour?

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

Let's be clear, we haven't been standing still. Thanks Brian, for that question. But, I mean, we've been moving forward the whole time. So it's not like we're waiting for fall 2025, we're still going to move \$5 billion plus of product this year. So there are athletes out there that have us. And I think the base that we have from team sports across the board is something we're really excited about.

And we have — I think it's just more of a focus. This goes back to the trimming the number of SKUs that we have and being really clear with our outlook there. But unstoppable for us is working in an incredible way in something which is our — basically our jogger pants line that we have in five or six different expressions. And we've really made a commitment to driving and really getting back to the fundamentals of what makes you UA, UA. Our base layer compression as we call it here, HeatGear and ColdGear. We've tested that, for instance, in DSG's Houses of Sport, and it's something that's done really well for us. And that's an area that we'll continue to expand.

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But it's really just re-anchoring and resetting ourselves. We talked about how men's apparel is going to be a priority for us. It's just because it's the lowest hanging fruit where we can win the easiest for us. It doesn't mean we're going to neglect what we're doing on the women's front, the opportunity we have there. It doesn't mean we're going to neglect footwear, and that's why we're bringing these footwear experts across the industry. And I think that's what's so exciting. We, first and foremost, need to make sure that we're authenticating ourselves, and that's why I talked about the front porch to team sports. Revenue-wise, that aligns up to the five key categories that I mentioned in the script.

But we know where we need to be better. And this isn't like we're just going to go turn on the faucet and all of a sudden sportswear is going to be the answer to that. We have to drive and grind this thing the right way with making sure that every product that we put to the consumer is something that has them say, wow. It's making sure that we're approaching all these things. As I say, is that any product that we build, number one, there's three functions that I've asked for our product teams to do.

Number one, is to edit and innovate, and that speaks to the 25% decline. It means being faster with the way that we are looking at product. Number two is ensuring that every product that we build begins with the athlete story of the problem that it's solving for. I just don't think we've done a good enough job there. But we've got places that are winning right now, our Vantage Collection, our Meridian collection.

On the footwear side, Curry is something that's still, we think, has a massive upside and opportunity for us. And then we'll keep driving innovation with explanations like we did in accessories with the new StealthForm Uncrushable hat. And so, as we start to replicate that and become more famous for less things, I'd like to say companies are built because they made one product famous. Brands are built because they do it over and over again. So we need to focus on doing that through our product engine and making sure that that's not going to happen unless we have an amazing story to be told and getting those two things up to speed, I think, almost go hand in hand.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

That's very helpful. I appreciate that. As a follow-up, and I guess, bigger picture as well. You're talking about and others have talked about the more promotional environment within the space broadly. So, I guess the questions I have there, one, do you view that as more shorter term in nature? And then secondly, this is a bigger picture part. I mean, for those of us who have followed Under Armour for a while, we remember very clearly when the brand was very successful. As you're looking at the competitive landscape now, you're putting aside some of these promotions, do you still see that clear lane for the Under Armour brand when Under Armour was performing well? Or has competition changed that lane?

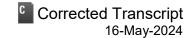
Kevin A. Plank

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

Yes. Thank you. I can't speak to that — I'm not a prognosticator on what the market has in front of us or what happens on a broad basis. But we know that we're — I think we're just playing the hand that's right in front of us today. We're giving the information, which is why we've really just — when I say it's almost like running the company by constraints of like, let's just take — let's take a smaller bite. We got 100 miles in front of us, but we're going to work the 3 feet that's right in front of us right now. And I think this is what it's telling us, so that's what we're going to respond to.

What I want to say about UA, it's interesting because I think about this deeply. Our authentification of being in team sports as I described it in the remarks as a podium brand, it's such a unique position. And you look at

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anyone else that's out there, I think where Under Armour stands alone is that there's big companies that call them old money, there's the cool kids, there's sort of the Sunday leisure league crowd. But there's no one that stands up for the little guy, for the athlete that was not picked first, for the long shot, the underdog, I think that representation for UA, it probably has a story that speaks to virtually everyone on the planet. And it's a position I feel that we own completely uniquely.

I don't though approach this as saying that's something that's God given for us for the rest of time. So, we better act on it soon. And that's we're playing that humble and hungry mentality that Under Armour long shot overcoming and it's probably a really good metaphor for where we are right now. So I'm excited about what the future holds for us. I'm excited about this unique position that we hold in the marketplace. Now we just need to make sure that we deliver the product and the story together at once as the way it relates and goes and shows up at retail.

Brian Nagel

Analyst, Oppenheimer & Co., Inc.

Appreciate all the color. Good luck here. Thank you.

Operator: Our next question comes from Sam Poser from Williams Trading. Please go ahead with your question.

Sam Poser

Analyst, Williams Trading LLC

Thank you for taking my question. Kevin, just a couple of things. You talked about Europe, as it relates to the United States. And I'm wondering in the US, trying to elevate the brand. Does this mean that you're going to cut off some of the more moderate distribution in order to elevate it to get away from over time to get to elevate the brand and make sort of force better and best to have more prevalence? And I have a follow-up.

Kevin A. Plank

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

Yeah. I don't think that we – we like our distribution today. That will be part of the exercise as it always is, is constantly culling our retail partners. But it's also – it's walking into some partners. And some of this, Sam it's been as much on us if we do walk into one of our premium or close to premium sporting goods stores even here in the States. And the only thing that's leading or explaining what the product is, is the price that's in the upper left-hand corner. And it's hard to explain the difference between a \$20 Graphic T-shirt and a \$45 Vanish T-shirt that has Rush technology, and it's just not clearly articulated. So, I think we're probably in a pretty good space.

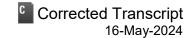
We may contract some of the doors and make sure that we're only coming through and some of those retailers. It's on the table always for us as well. But that's something six weeks in the job I'll continue to evaluate. But for the most part, my main priority is focusing on the product that goes to anyone and ensuring that that product and story show up hand in hand.

Sam Poser

Analyst, Williams Trading LLC

Thank you. And then what made you – I mean, this is a combined question. You said – I want to know what led the decision for you to step back into this role and to follow-up on Jay's question, over the last few years, what have you learned and how are you going to approach it? What have you learned over the last few years that made you step back in and believe that it was time? And then secondly, you said earlier that everybody should be

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focusing on selling shirts and shoes. But I've had the issue with brand first, product first. And I'm wondering, is it sell shirts and shoes to the right people, at the right time, at the right price versus just selling shirts and shoes.

Kevin A. Plank

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



Yeah. Well, first of all, I think the ability to step away, it allowed me to get a lot of reflection of, number one, taking a breath after 24 years of running hard with the company since beginning in 1996, or 25 years doing that. I got to watch my kid, my son and my daughter play high school sports, I got to watch graduations. I got to take a bit of a beat. That's not to say that I haven't been close or near the business at the same time. I've been watching the business just from a different chair. And there's a very different outlook that you can have is coming from being the Chairman to being the active CEO and being able to actually affect day-to-day decisions.

So, I view this, honestly, Sam, I've been pinching myself for the last 6 weeks. I've done different things, but I realized that what I do love doing is selling shirts and shoes. And in doing that let me just be really clear, this isn't just selling any shirts and shoes, it's selling the best shirts and shoes. In the product spectrum of good, better, best, I think Under Armour makes a lot of good, some better and nowhere near enough best. We're going to focus on that. Again, this isn't just with an eye on we should do it because we see ourselves as a premium brand. It's because I do believe that Under Armour has that upside. And we're also going to make sure that we pay the rent. And so we'd like to secure and solidify this good level of business. And we want to emphasize and focus on our better and best level business.

And I can tell you confidently that we have the product engine and team now in place, both legacy as well as the new additions that have come on to lead this with Yassine at the top of that engine. I owe them and I owe this organization, this organization owes itself a great storytelling function. We have some great people on our marketing teams, but we need to put all these pieces together and get product and story to be one functioning engine for us to sell only and mostly focusing on more, better and best as we look to grow from where we are today.

Sam Poser

Analyst, Williams Trading LLC



Thank you.

Operator: Our next question comes from Laurent Vasilescu from BNP Paribas. Please go ahead with your question.

Laurent Vasilescu

Analyst, BNP Paribas Securities Corp.



Good morning. Thank you very much for taking my question. I wanted to ask about the guide for international being down low-single digits. Is that on a reported basis or a constant currency basis? And then, Kevin, I think you mentioned that the environment in China is very promotional. Can you provide a little bit more color what you're seeing in that marketplace overall and how you're thinking about that business, that geography for fiscal year 2025?

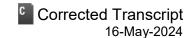
David Eric Bergman

Chief Financial Officer, Under Armour, Inc.



Hey, Laurent, this is Dave. I'll jump in on this one. I don't want Kevin to lose his voice. So, I think that a couple of different things. When we think about the high-level lead-in, I think Kevin gave a lot of color around that relative to

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how we're kind of smartly approaching our international and our growth and being prudent about that. I think within APAC, and this is actually consistent with EMEA as well, the DTC growth, we do see it being offset by some of the wholesale and distributor slowdown and caution that we see. So where we can directly control and drive the brand within DTC, we see that growing well, but it is some challenges in the markets with the wholesale and distributors.

Within APAC, more specifically, I would say that it's a little bit around the retail and e-com traffic, but we're driving against that very well. We've also got a little bit of pressures with a partner in South Korea that we're working through. There are some financial pressures there. But we are planning to increase our APAC store fleet by more than 80 doors this year, and that's more back half weighted. And we're excited about the upcoming Curry Tour in Asia as well, which is really going to help from a brand voice and energy perspective.

Within EMEA, Kevin alluded to this, but we have seen some higher inventory levels within some of our retail partners as we finished out fiscal 2024, and that does impact the fiscal 2025 orders a little bit. And so, we plan for that appropriately. We do believe that that's more of a temporary situation. And as those inventory levels clean up, you would expect better order flow coming through because the brand is very strong in EMEA. And we have great relationships with our partners there. So, a little bit of caution maybe, a little bit of prudence, making sure that we're fueling the brand, making sure we're not chasing any revenue that's not the most premium revenue that we want to get after and just playing smart game going forward.

Laurent Vasilescu

Analyst, BNP Paribas Securities Corp.

That's very helpful. Yes.

Kevin A. Plank

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

In the spirit of supporting the team, Dave did a great job on that answer. I have nothing to add.

Laurent Vasilescu

Analyst, BNP Paribas Securities Corp.

Okay. That's helpful. Okay Thank you. And then, Dave, maybe in order to spare Kevin's voice, you mentioned the adjusted SG&A was down 5% in 4Q. Maybe for the audience, can you just parse out where did marketing go as a percentage of sales for 4Q? And as we think about the SG&A guide for the year of down 2% to 4%, to your point, Kevin, you mentioned how you were able to manage that for fiscal year 2024. Where does marketing as a percentage of sales go for fiscal year 2025?

David Eric Bergman

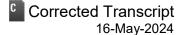
Chief Financial Officer, Under Armour, Inc.

Yeah. So when we think about marketing throughout all of fiscal 2024, we ran pretty close to kind of the 10% of revenue mark. So, little fluctuations up and down. I think Q4 is probably high 9%, really close to 10%, finishing out the year at about 10%. And that play for fiscal 2025 isn't significantly different. We've rebalanced some of that and really making sure that we're prioritizing the marketing investments. And Jim's done an excellent job working with the teams on that. But you're not going to see a noticeable difference in that percentage of revenue as we go through fiscal 2025.

Laurent Vasilescu

Analyst, BNP Paribas Securities Corp.

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Very helpful. Thank you very much.	
David Eric Bergman Chief Financial Officer, Under Armour, Inc.	Д
Welcome.	
Kevin A. Plank President, Chief Executive Officer & Director, Under Armour, Inc.	A
Thank you.	

Operator: And ladies and gentlemen, with that, we'll be concluding today's question-and-answer session, as well as today's conference call and presentation. We thank everyone for joining this morning. You may have – you may disconnect. Have a great day.

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