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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. And welcome to the Q4 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 turn the call over to Lance Allega, SVP of Investor Relations & 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 fourth quarter and full year 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; President and CEO, Stephanie Linnartz; and CFO, Dave Bergman.

Our remarks today include forward-looking statements that reflect Under Armour's management's current view and certain forecast elements of our business as of May 9, 2023. 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 a helpful 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 at underarmour.com.

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

**Kevin A. Plank**

*Executive Chairman and Brand Chief, Under Armour, Inc.*

Thank you, Lance. And good morning to everyone joining us on today's call. In Under Armour's 18th year as a public company, I'd like to thank our shareholders for their continued support and belief in the dream we collectively share. Your trust and confidence have empowered us to become one of the world's largest athletic brands, a responsibility that permeates everything we do. However, we also know that it has been, at times, an inconsistent journey, one we acknowledge has not created the shareholder value that we see this brand capable of.

Over time, we've seen periods of significant growth and challenges that have tested our grit and resolve along the way. In response to these, we've built a tremendous foundation of talented people, operational and financial agility and, most importantly, brand love.

With new leadership in place, continued strategic evolution and a renewed mindset, I am both proud and confident in the steps we've taken that put us in a position to begin to reach the full potential we all believe is available for this brand.

Next to me is Under Armour's new President and CEO, Stephanie Linnartz. With less than three months in the role, she has been hard at work assessing Under Armour's capabilities, leadership talent and focusing on the strategic priorities necessary to put us on a path toward reigniting growth. Her deep brand and consumer expertise and her fresh perspective on the business have laid the groundwork for challenging some of the ways that we work and reenergize the leadership team across UA as we lay out the growth strategy in our next chapter.

As one of the most unique brands in sport, Under Armour has a right to compete at the world's highest professional levels – a legitimate, on-field, authentic, athletic presence with tremendous headroom from which to grow. This, coupled with broadening our aperture to include Sportstyle, marks a significant evolution in our journey and our ability to win the hearts and minds of consumers everywhere.

Witnessing the emotional connection between Under Armour and young athletes, the insights we gain and the enthusiasm of our team as we continue to evolve our strategy is infectious. Our history is deep, our confidence is strong and our commitment is all encompassing. None of this is possible without innovations like the products we deliver to our global roster of teams and athletes that continue to push the boundaries of what is possible.

As one of the most iconic athletes in Under Armour's history, this couldn't be truer than our partnership with Stephen Curry. In late March, we announced that we're deepening our partnership with Stephen by forging a long-term commitment. Together we are dedicated to pushing performance and prioritizing the impact of sport on communities worldwide, and we see growing the Curry brand as one of our more significant catalysts. Under this new deal, Stephen also becomes a meaningful shareholder, a testament to his long-term commitment to our joint success and belief in an incredibly bright future.

This brings us to another highlight of the quarter. As Stephen once said, everyone has to come back to their roots to remind themselves who they are. Well, we did just that with the relaunch of Protect This House, a tenet of Under Armour that's ubiquitous with perseverance. Protect This House is not merely a tag line. It's an ethos and...
the bedrock of our messaging. It's a rallying cry for UA athletes that galvanizes unity and a mindset for switching effortlessly between offense and defense. With activations in the months ahead, we'll continue to add dimensions to this iconic phrase across some of the most important sporting events and social platforms, encouraging the next generation of young athletes to Protect This House.

From energy comes opportunity. In the product spectrum of good, better and best, Under Armour has built a $6 billion brand with a lot of good products, a fair amount of better and an opportunity with consumers for much greater representation of best level products. A great example of why we believe we can be successful in this strategy of better and best focus is the real-time reaction we are seeing with the Under Armour SlipSpeed: our versatile training sneaker engineered with our Curry Flow Outsole, Boa lacing system and the defining feature of its convertible heel. Launched in February, this $150 game-changing innovation, with a design that is on point and is being authentically adopted by athletes everywhere, quickly becoming one of our most reviewed products and carrying a 94% recommendation rating. Available in full price UA direct-to-consumer and a select number of partners including Dick's Sporting Goods here in the United States, with the global launch flowing out now in EMEA and APAC, along with well-orchestrated authentic storytelling, UA SlipSpeed is working.

This is a prime example and template of what we will do moving forward: innovative product, inspirational design and an It Factor that only UA can bring. And our product pipeline is full, inclusive of new innovations like SlipSpeed and specifically ensuring that we finish the play on SlipSpeed by bringing new technology to additional sneaker categories soon that makes this a platform and not just a singular shoe.

In addition to new innovation, our pipeline also consists of some of our past greatest hits that we will be reintroducing to athletes and have great confidence that that heritage of success, combined with a modern 2023 lens, is a great formula for us to pursue. We will ensure this cadence of new becomes a consistent theme of product freshness from UA.

The key to continuing to unlock this consistency is pulling the best product minds on the planet together. The good news is that we have great talent at UA, who are now empowered to ignite this plan of product attack. But have also been proactive in recently bringing on a few outside experts in both Apparel and Footwear to help exploit our incredible product opportunity. Moving forward, we'll continue to challenge and energize ourselves in the industry to create even greater excitement in the marketplace. We also know that doing business as usual, doing what we've done the past just slightly better, is not enough. We are committed to the principles that got us here and understand the urgency to become better focused and more aggressive in managing for growth and the trust that you're placing in us to get this done.

I believe that trust is built in drops and lost in buckets. This phrase has been front and center in our culture for years. It plays a part in consumer’s decisions about what to buy, where teammates choose to work and where shareholders decide to invest. In Newsweek's 2023 survey that ranks most trustworthy companies in America across those three criteria, Under Armour ranks number one as the most trusted company in our sector. Congratulations to the 17,000 strong UA teammates, whose character, ethics and leadership earned this recognition one drop at a time. Well done. But it is now time for us to marry the fundamentals and make UA a great brand and trusted company with groundbreaking innovation, style, storytelling and execution for consistent growth and increased shareholder return.

And with that, I’ll hand the call over to Stephanie.

Stephanie C. Linnartz  
President, Chief Executive Officer & Director, Under Armour, Inc.
Thank you, Kevin. And good morning, everyone. I'll open my remarks today by underscoring that I am honored and thankful for the conviction that Kevin and the Board have placed in me to lead Under Armour. In the path that led me here, respect for iconic and innovative brands, love for sport and admiration for Under Armour's hard-earned and unique reputation have remained a constant backdrop. Reflecting on my first 70 days here, it's been exciting, intense and eye opening. There are quite a few topics I plan to touch on today, and I will be as transparent as possible about my observations and thoughts thus far.

Having learned much in a short time, I will say that the potential for this brand is even bigger than I imagined when I walked through the door at the end of February. I am realistic about our challenges and I am confident that we have the right core components and are developing the right plans to reignite growth in the company and to create value for shareholders.

That said, like any athlete, we must measure ourselves against our competition and potential. Operating in the athletic performance sportswear and retail sector, which has a huge addressable market and consistent revenue CAGRs to tap into, we have yet to capitalize on our full potential. For athletes, customers and shareholders, we must realize this potential and stop at nothing until we deliver renewed growth. Growth is without a question our highest priority.

Throughout my career, I have prioritized people and believed that the only way to succeed is to have a great team around you. This is something that I noticed right away at Under Armour. The teammates working here are talented, hardworking and passionate about our purpose of empowering those who strive for more and our mission to make athletes better. This energy will be a crucial asset as we leverage our strength, drive through areas where we need to finish the play and accelerate our ability to reshape our future trajectory. Under Armour has always had a unique strength in the commitment and engagement of Kevin Plank, bringing his passion and energy to the business in ways only a founder can do.

Having worked in a founder-led culture for the past 25 years, I know firsthand the advantage that this presents. Over the past few months, I have had deep dives with teammates, key wholesale customers, athletes and have piled through a mountain of analyst reports. As a result, there are three areas that I would like to address today as an initial assessment of our strengths and opportunities: brand, product and North America.

In light of this, I've set three priorities to drive clarity and business alignment across the company. And appropriately, we are calling this Protect This House 3 or PTH3, which is about three big things over the next three years. With the plan taking shape, I am excited to share my initial ideas on it today and look forward to providing more details and progress reports in the coming quarters. Of course, execution will not happen overnight. It's a journey that will require improved execution, in some areas new talent and greater accountability for our leaders to drive positive and tangible business results. At its core, it's about focus, execution and accountability.

With that, let's start with brand. Under Armour is one of only a few brands that can be found on the fields of play globally at the highest levels of competition, meaning Under Armour products are chosen by professional athletes who trust us to equip them as they push the boundaries of what is possible. With the demand to support nearly $6 billion in expected revenue in fiscal 2024, our base business remains solid and sizeable. Yet we are not pulling in our fair share of market growth. I believe a causal factor here is the inconsistency of how the Under Armour brand shows up across our regions, with the most significant opportunity to improve in the United States. Outside the United States, our brand is received in its most premium position in Europe. This results from nurturing strong quality wholesale relationships, disciplined channel segmentation and consistently optimized brand activations.
And this of course shows up in our results. In fiscal 2023, EMEA was our highest growth region, with a 23% increase in currency-neutral revenue. Moving forward, we'll continue to build on this momentum, focusing full funnel media and sports marketing efforts especially with global football in the UK and Spain to win with 16-to 20-year-old varsity athletes.

In APAC, particularly China, Under Armour is viewed as what locals generally describe as a professional athlete's brand so the connection of brand heat delivering results continues to be consistent with our objectives. Growth-wise, fiscal 2023 was challenged in the first nine months of the year due to ongoing lockdowns and market disruptions from lingering COVID impacts. As we ended the year, however, currency-neutral revenue was up 31% in the fourth quarter, so the environment seems to be normalizing more now. With fitness as a tailwind, improved storytelling and a growing loyalty program in China, we remain bullish on the region's future.

In North America, specifically the US, there is no question that athletes love the Under Armour brand. And while our consumer insights tell us that we have tremendous brand awareness, there's also a high level of latent brand equity. Latent because consumers are aware and engaged yet conversion is more dormant than it should be. I attribute this state to inconsistent execution across our product, marketing and retail efforts. From aligning products to be premium at every price point to disciplined channel segmentation to more consistent product marketing, there is a significant opportunity to activate more simply across the dimensions that matter and drive improved brand affinity.

So how is this translating into action? From both the global and US perspectives, we're assessing how our products, athletes and marketing strategies are or are not breaking through to reach our target consumers. From brand activations to a roster that includes Stephen Curry, Justin Jefferson, Jordan Spieth and others, we have a massive investment in place. Yet it's clear to me that we are not capitalizing on our assets to our best advantage or return.

Driving brand heat, of course, is not a one-size-fits-all approach. We cannot simply apply the same storytelling, product and distribution strategies across the regions and expect to generate the same levels of brand heat globally. Yet unifiers can be crucial to driving consistency. As Kevin mentioned, one unifier we are all proud of is the relaunch of Protect This House. Since then, the execution of our teams and positive response from consumers has been impressive and inspiring and a simple reminder of the strength of Under Armour's core brand DNA.

Reinventing Protect This House is a new call to action for young athletes, whose motivations differ from the generations who came before them, will continue to be brought to life across many dimensions including this summer's Women's World Cup. Targeting young women, our World Cup campaign will feature Kelley O'Hara and Alex Greenwood and the journey to compete, highlighting the grit, edge and swagger necessary to perform on the world's most elite stage. Employing a digital first content strategy that distorts beyond typical media placements, we're utilizing an always-on approach to meet athletes where they live, train, compete and recover. Also local activations like our All-American and UA Next events will continue in North America and transition into other regions like EMEA to drive brand advocacy further.

Taking a step back to accelerate my understanding of how the various components of these elements play together, I have made some leadership changes. And we are in the midst of a search for a Chief Consumer Officer. So for now, the heads of Brand, Sports Marketing and Digital all report directly to me.
As I get closer to these areas of our business and continue to assess our needs, we are working on adding new world-class marketing and commercial talent to ensure our teams have the right leadership and capabilities to fuel our growth expectations.

To wrap up this section, when taken in total, drive global brand heat with a focus on the US becomes the first of three priorities that I laid out for the company. With love for a brand that plays considerably larger than the business, I am confident that simplification and doing more with less will be an outstanding unlock to generate excitement and increased conversion towards greater top-line growth.

Next up is product. From a core athletic performance perspective, we continue to deliver industry-leading innovations, that, once athletes have them, they can't imagine living without.

That said, we haven't finished the play on becoming premium at every price point, nor created a critical mass business in the better part of the product pyramid, especially in Footwear, where most of our peers enjoy considerably larger businesses. From any cut, Footwear remains our single most significant growth opportunity. We have built a successful $1.5 billion Footwear business, which is challenging given the barriers to entry and competition.

A large part of this momentum is due to our focus on building franchises, which have resulted in loyalty and repeat business. From Velociti, Phantom and Infinite in running to Curry, Breakthru and Spawn in basketball to our coveted Highlight and Spotlight cleats in American football, this business is established, gaining strength, and ready to realize greater future potential.

That said, you will hear us talking a lot more about sneaker culture, especially as we open the aperture to Sportstyle. Additionally, Under Armour sneakers are ripe for collaborations, which will become a larger part of our future offering. To do this and do it well, we are bringing in sneaker and branding experts, who will add industry proven design horsepower to the team, especially as we expand our Sportstyle offerings. Ultimately it's about getting the right talent in the right place to ignite our product and marketing engines in performance and style.

Our Performance Apparel business also continues to deliver on our promise to make athletes better. With a strong portfolio of products that have made us famous like HeatGear, ColdGear, and Compression, we have an excellent base to leverage into existing and new categories. In our current lineup, RUSH Energy, Peak Woven, Flex Woven, and Vanish, along with our bras collection, they all continue to elevate our premium offering. Additionally, given our strength and partnership with Stephen, there is a significant opportunity to amplify the Curry brand in basketball and categories like golf.

And speaking of golf, we are working on a premium collection in partnership with a top designer to be launched this time next year. Strengthened by one of the world's best players, Jordan Spieth, golf is a business that I believe we have underserved as of late. And it is an area where we have a right to win, where product, performance and style win the day. So expect more here, too.

Another significant opportunity is our Women's business. As a woman and an athlete, I believe we make exceptional Women's products in specific collections. However, at less than a quarter of our revenue, we are still not cutting through enough to realize the growth available in the marketplace.

In Apparel, we have had success, specifically with our bras and bottoms products, but we have yet to make our definitive must-have-it product, so that it is top of mind as we work to drive more significant growth.
Footwear must also be part of the long-term equation to grow the Women's business. And here, too, we have a solid base from which to grow, but we need accelerators. The consistency of great design, fit, and the all-important style factor across the entire offering is not where we need it to be, and where I am confident we can take it. So to underscore this opportunity, we will go after women harder than this company has ever seen, full stop.

Another important area of opportunity is Sportstyle, where we have begun leveraging the credibility of our solid athletic performance foundation to compete deeper across the marketplace. Here we are progressing by repositioning some of our current products and showing them in nonactive occasions. The live part of an athlete's day. To be clear, Sportstyle through an Under Armour lens is the intersection of where style and design meet performance. This means easy to wear, premium executions of fabric, fit, and finish.

With a robust product roadmap continuing to take shape, due to the product design cycle, this business will not become a material driver until fiscal 2025. Even so, we have seen early success in our essentials and Unstoppable Apparel collections, fleece, and warmups, and we are looking forward to new offerings, as our SlipSpeed footwear platform adds new options this fall.

Of course Footwear, Women's, and Sportstyle are not mutually exclusive. They are a Venn diagram of opportunity that takes our total addressable market to more than 300 billion globally. That said, linking back to our first priority, brand heat must always work symbiotically with product. And I don't believe we've done a great job at this consistently. Through research, we have discovered that even our athletes are not fully aware of the depth of innovations we offer. The opportunity to close this gap will require the redeployment of dollars to support better storytelling to enhance demand. Here, too, we are on it.

So all of this translates to our second priority, which is deliver elevated design and products with a focus on Footwear, Women's and Sportstyle. And this brings us to the third area, which is North America. Assuming we execute well with the first two priorities, drive global brand heat and make better products, we expect growth to return to North America in fiscal 2025. Digging into this a bit more, historical context is important to understand where we were and where we are.

Following the sector-wide promotional environments of 2017 and 2018 and the current one which started last year, Under Armour is continuing to navigate a legacy of higher than desired promotional activities in our home market. I believe this can be attributed to many of the factors I have discussed today; inconsistent products, marketing, and segment discipline, along with sector-wide inventory malaise, all of which have constrained brand affinity in the US. That's not to say we have not made progress in the quality of our US business.

For example, going into the pandemic we exited undifferentiated wholesale doors, reduced our off-price exposure by more than two-thirds, and reorganized our people, systems, and processes. As a result, we have seen customer acquisition and retention metrics improve establishing a healthier base for growth.

In North America, we run a very productive and profitable outlet business with our factory house concepts. But these represent about 90% of our physical DTC locations in the region. That leaves only 18 full-price brand house stores in our home market. Not many places where we can showcase our brand in the best presentation possible. So compared to the roughly 75/25 split that many of our competitors have working for them, this is an opportunity for premium growth. As such, we plan to focus our full-price stores on productivity and consumer experience driven by smaller, easier to navigate store formats that are storytelling to appeal to young athletes, exceptional customer service, and always being in stock.
By the end of this calendar year, our full-price concepts will also be revamped to showcase Sportstyle products with a more robust curation. Longer term, we want to build on this progress by expanding the number of full-priced house stores as we perfect this. Nearer term based on learnings from our Flatiron, New York City pop-up as part of the SlipSpeed launch, we are working to identify additional ways to support critical moments like sporting events, competitions and festivals.

From a digital perspective, we will continue to work to reduce promotional activities in our eCommerce business. However, in short order UA.com must become a showcase for our brand, so we are investing in improving the digital experience including better product presentation, streamlined checkout, and faster mobile site speed.

The team understands the interconnectivity between physical and digital retail and is making the right investments to ensure that our stores and website drive more meaningful sales across our broader North American ecosystem, including our wholesale partner business. That said, we are making good progress with our US loyalty program, which we’ve planned to roll out more broadly later this year based on the successful pilot. Early reads continue to show meaningful improvements in metrics, including higher conversion rates and average dollars per transaction in program members versus nonmembers in our test markets.

In our wholesale business, we have solid relationships with best-in-class sports specialty, department stores, and pure-play e-com companies. Still here too, the critical mass in our US business is oriented towards good level products, so we have an opportunity to build out the better and best part of our segmentation. In addition, we continue to evolve our strategic partnerships towards areas where we believe we are under-penetrated, including the mall and run and golf specialty shops as examples.

To wrap up, this becomes our third strategic priority, which is to drive US sales. Improving our US business is critical to growing our global business as the most profitable region, growing faster here means more future dollars to invest in product, marketing, and our international business, as well as increasing returns to shareholders.

With that, you now have the three initial priorities I’ve mandated for Under Armour over the next three years. PTH3: obsess driving global brand heat, stay relentlessly focused on elevating design and building better products, and drive growth in the US. As I said, while these priorities are clear, they are at a starting point, and we have just begun thinking about how we can make UA better and I look forward to providing more detail on these in coming quarters.

I love and believe in Under Armour, and I couldn't be more excited to be here. I want this brand to win, to really win, by achieving the vision we all have for it. We are operating and executing with our eyes wide open. We know there is much work ahead of us and that we must move with urgency. Although fiscal 2024 will be a year of building as we lay the groundwork aligned with our priorities, I am confident that we will achieve the growth and profitability that I know this brand is capable of over the long run. Now is the time for bold decisions and distinct actions that yield results. Our athletes, teammates, shareholders, and brands deserve it.

And with that, I will pass it to Dave to review our financial results and outlook.

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

Thanks, Stephanie, and welcome to your first earnings call at Under Armour. As a nearly 20-year veteran here, my love for this brand runs deep. Having worked closely with Stephanie in her first few months here, her desire to execute, her sense of urgency and most importantly her dedication to motivating, inspiring and energizing the
team have been magnificent. With PTH3 underway, I am confident the path we're laying to drive increased brand heat, elevate our product and drive growth in the US will create a more advantageous position to unlock more consistent, sustainable growth for our shareholders over the long term.

Diving right in, fiscal 2023 results were in line with our expectations, and we closed out the year with a solid fourth quarter, with revenue up 8% to $1.4 billion. On a currency-neutral basis, revenue was up 10% in the quarter. From a regional and segment perspective, fourth quarter revenue in North America was up 3%, driven by growth in our full-price and off-price wholesale businesses. Our DTC business was flat during the quarter, with solid eCommerce growth offset by softness in our retail stores.

In our international business, EMEA revenue was up 14% or up 20% on a currency-neutral basis, driven by strength in both our wholesale and DTC businesses. APAC revenue was up 24% in the quarter or up 31% on a currency-neutral basis, driven primarily by significant growth in our wholesale business, benefiting from China's re-opening and an easier comp against last year's meaningful COVID impacts. We also saw solid performance in our South Korean business. Revenue in Latin America was down 8% or down 13% on a currency-neutral basis, primarily due to a temporary fulfillment issue that impacted our wholesale business.

From a channel perspective, fourth quarter wholesale revenue increased 10%, driven by solid performance in our full-price business and growth in sales to the off-price channel. Our direct-to-consumer business was up 3%, led by 6% growth in our eCommerce business and 1% growth in our owned and operated retail stores. And licensing was down 3% due to softness in our Japanese business.

By product type, Apparel revenue was up 1%, with strength in our Golf and Run businesses, partially offset by softness in Train. Footwear was up 27%, driven by strength in Team Sports, Run and Golf. And our accessories business was down 1%, with strength in Team Sports and Outdoor offset by softness in Train. Relative to gross margin, our fourth quarter declined 310 basis points to 43.4%. This decline was driven by 400 basis points related to higher promotional activity within our DTC business as we managed through prior-season products and unfavorable pricing related to sales to the off-price channel, 70 basis points of unfavorable product and channel mix and 40 basis points of adverse effects from changes in foreign currency.

These headwinds were partially offset by 180 basis points of supply chain benefits related to inbound ocean and air freight tailwinds, which more than offset product cost and freight to customer headwinds during the quarter, and 20 basis points of favorable regional mix, driven by higher APAC sales.

Moving down the P&L, SG&A expenses were down 4% to $572 million, primarily due to lower marketing spending and lower incentive compensation during the quarter. Our fourth quarter operating income was $35 million, thus in line with our previous expectation. After tax, we realized a net income of $171 million or $0.38 of diluted earnings per share during the quarter. Excluding an $87 million fourth quarter benefit, primarily from a tax valuation allowance release related to prior-period restructuring, our adjusted net income was $84 million or $0.18 of adjusted diluted earnings per share.

From a balance sheet perspective, inventory was up 44% to $1.2 billion, which came in better than the 50% increase we had anticipated. As mentioned earlier, this negatively impacted gross margin but was a result of a proactive choice to reduce inventory levels, which was prudent given the dynamic industry environment. That said, the composition of our inventory is generally current and healthy. And about half of the $366 million year-over-year increase is pack and hold to service designated future demand. To wrap up, our cash and cash equivalents were $712 million at the end of the fourth quarter, and we had no borrowings under our $1.1 billion revolving credit facility.
Looking forward, we're closely watching several factors we believe will continue to impact our business, including consumer spending and retail demand, especially in our largest market of North America. We are also monitoring the pace of inventory normalization globally across our peers and key wholesale partners.

As Stephanie mentioned, fiscal 2024 will be a year of building for Under Armour, as we focus on implementing our PTH3 priorities and leveraging our innovative expertise to drive into new categories and markets. Within this context, we are laser-focused on expense control, as we shift investment dollars to the areas that underpin these efforts.

So jumping into our initial outlook for fiscal 2024, we expect revenue to be flat to up slightly, with North America expected to be down slightly and our international business to up at a mid-single-digit percentage rate. For gross margin, we expect the full-year rate to improve by 25 to 75 basis points from last year's rate of 44.9%, primarily driven by tailwinds related to lower freight costs. These tailwinds are expected to offset negative impacts from channel mix, as we anticipate revenue from the off-price channel to increase yet still remain within our 3% to 4% of revenue operating principle, and higher promotions, primarily in our DTC channel, as we continue to work through inventory.

Next, we expect SG&A to be flat to up slightly in fiscal 2024. We will prioritize investments that support the three strategic priorities that Stephanie outlined, while continually looking for ways to simplify and optimize our cost structure. This translates to an expectation that operating income will reach $310 million to $330 million. As a percentage of revenue, this represents an operating margin of approximately 5.5% versus 4.8% for fiscal 2023. Dropping this through, we expect diluted earnings per share for fiscal 2024 to be in the range of $0.47 to $0.51, a slight decline as our effective tax rate normalizes back to a low 20s percentage rate following fiscal 2023’s one-time events.

Next, I want to provide some color on the first quarter of fiscal 2024. From a revenue perspective, we expect sequential improvement in our quarterly growth rates as the year unfolds as our priorities take shape and our wholesale order books gain momentum. That said, for the first quarter of fiscal 2024, we anticipate a low to mid-single-digit revenue decline amid a challenged US wholesale landscape.

Next, we expect the first quarter gross margin to decline 75 to 100 basis points, as higher planned promotions continue to outpace freight tailwinds. After that, gross margin should expand for the rest of fiscal 2024. Considering these factors, we expect a slight operating loss in the first quarter, with a diluted loss per share of $0.03 to $0.05.

Turning to inventory, as a reminder, our levels were especially lean through the summer of calendar 2022, due to our previous constrained strategy and supply chain disruptions from prior periods. Thus we're still normalizing in our first quarter. Accordingly, we expect inventory to be up at a high 30s percentage rate at the end of Q1, a high single digit rate at the end of Q2 and then decline in the second half of the year to end fiscal 2024 around $1 billion.

So as we move forward into fiscal 2024, our teams are driving hard to position Under Armour to win in the long-term through our PTH3 strategic priorities, while smartly managing expenses and deploying resources to areas with the highest returns. As these initiatives take hold and we drive greater global brand heat, deliver elevated design products and excite consumers, we look forward to returning to growth in North America in fiscal 2025, while maintaining positive momentum in our international markets.
We are confident that with the necessary focus, execution and increased accountability across all levels of the organization, Under Armour is on the right path to achieving better growth and profitability.

With that, we'll turn it back to the operator for your questions. Operator?

### QUESTION AND ANSWER SECTION

**Operator:** And thank you. [Operator Instructions] And our first question comes from Jim Duffy from Stifel. Your line is now open.

**James Duffy**

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

Thank you. Good morning, everyone. Welcome, Stephanie. Thanks for sharing your vision. I wanted to start on brand and product in the US. Stephanie, you referenced inconsistencies in the US market. How do you fix the inconsistencies and reawaken engagement? I'm curious, is the wholesale distribution appropriate? And we appreciate you want more product depth in the best categories. Do you need to abdicate some of the good product offering representation to elevate the brand and reawaken engagement?

**Stephanie C. Linnartz**

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

Well, thank you, Jim. And good morning. I'm happy to be with all of you today. As it relates to the product inconsistency challenge or the inconsistency challenge overall, first of all, you're right. It's not something that can happen overnight. But we are already starting to move on this.

One of the first things that we're doing is positioning some of our existing products in a more premium way. We do have some products in that better or best part of the pyramid. And we're repositioning those products right away through better storytelling and better merchandizing, primarily through our own stores and on our website. So, that's really step one and what we can do in the near term.

From a broader perspective, it really does get to building out the better and best part of the product pyramid. What I am most excited about in terms of driving consistency and driving growth is what we're going to do with Sportstyle. As I mentioned in my prepared remarks, that triples the size of Under Armour's total addressable market to $300 billion. A big part of Sportstyle is going to be Footwear and Women. Not exclusively, but those are big areas of growth for us. And there again, it's going to be a two-step process. It's not going to be done overnight. Phase 1 will start with that repositioning of our existing products. I mean, we have some great stuff to be more specific around Unstoppable Joggers or our fleece, graphic tees, the Summit Knit Sweatshirts, to name just a couple things. So we're going to – we have some great stuff we're going to merchandise and market in a different way, as I mentioned. But Phase 2 was again where you're going to see new products that are consistently delivered, and it's also not just about the products. It's about the marketing and where we distribute them. So, we've got a lot of new efforts underway about how we're going to market in a different way. And particularly to new consumers.

And then on the distribution front, it's – we're going to continue to, of course, work with our existing wholesale partners. But I think we're going to open up new doors of distribution too, in the mall, new department stores, et cetera. And of course our own channels will always be a focus. But to just step back and summarize, the answer to your question around consistency is it's really going to be a two-step phase one, phase two approach.
Okay. Great. And then you have big ambitions for product newness and increasing the frequency of newness. I'm curious are there KPI targets to benchmark Q2? Or do you have any specific objectives for penetration of new products as a percent of the mix?

Stephanie C. Linnartz  
President, Chief Executive Officer & Director, Under Armour, Inc.

Yeah, so we are — great question. We are putting together KPIs and metrics around the percentage of products in that better and best bucket, their growth trajectory. We'll continue to do voice of the customer work to understand how consumers are relating to that better and best part of the pyramid. And of course talking to our customers. So we are putting together that scorecard of KPIs as we march forward. I've been here two-and-a-half months, so we're just getting started in pulling that together. But we're hard at work at it. So, Kevin, anything to add from your lens?

Kevin A. Plank  
Executive Chairman and Brand Chief, Under Armour, Inc.

Yeah, thank you, Stephanie. Before I answer that, Jim, let me just say how great it's been having Stephanie here. In 70 days, she has gotten completely at a level of depth of the company that is pretty remarkable to be honest with you and bringing a world-class executive experience. And that's not something shared by me. I think if you polled our team, it would be universal across the brand. And so welcome, Stephanie.

And so what you're hearing is what you see is what you get. Very exciting for us. I think, as one of the things where Stephanie has asked me to lean in in my role is on the product side of the business. And as you know, Jim, innovation has always mattered at Under Armour. SlipSpeed is a great example of that of something fresh and new coming out most recently but we also have great innovations like our 7-Pocket Pants and our new Meridian line that we have out in full force. A steady cadence of new product is probably the right way to think about it. And one thing that I used the example of SlipSpeed. We launched it on October 31 of last year on Halloween with a soft launch. We then came back on Valentine's Day. I think making those holiday statements for the consumer to start expecting innovation and newness from Under Armour is one of the things you'll see. But that of course is echoed by a consistent cadence of product coming out that, as we say, likes to blow consumers' minds. We've been around long enough to actually have legacy products as well. So in addition to new innovation coming from our teams, you're also going to see some of these reinventions of previous Under Armour greatest hits as I mentioned in some of my comments that we've had.

From Footwear, which I think what Stephanie emphasized is us moving from a Footwear culture to a real sneaker culture here at Under Armour is critical. And that will come through with things like performance-wise where this brand actually won the New York City Marathon last year with Sharon Lokedi all the way to Stephen Curry what he's doing on court and don't forget about Joel Embiid who just won the MVP as well. And so our shoes absolutely play. But there's an emphasis for us of getting ourselves beyond the courts, fields, and pitches and into the to and from situations, especially the incredible enough to work in that tunnel walk type of scenario.

And then from an Apparel standpoint, we think we've got the ability to leverage a great, great force of Under Armour being sort of the chalk when it comes to Apparel innovation and what we're doing to blow consumers' minds there. So we feel like we've got a great opportunity. And as Stephanie mentioned, we're also working with a few outside experts as well in both Apparel and Footwear to make sure that we're leaving no stone upturned with
the ability for us to own what we own, which is things like the T-shirt that people expect from us as well as looking at colab opportunities with a real focus on things that matter or are relevant to the UA brand.

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

Thank you. Stephanie, we look forward to your influence on the business. Thanks.

Stephanie C. Linnartz  
President, Chief Executive Officer & Director, Under Armour, Inc.

Thank you.

Kevin A. Plank  
Executive Chairman and Brand Chief, Under Armour, Inc.

Thank you, Jim.

Operator: Thank you. And one moment for our next question. And our next question comes from Simeon Siegel from BMO Capital Markets. Your line is now open.

Simeon Siegel  
Analyst, BMO Capital Markets Corp.

Thanks. Hey, everyone. Good morning. Welcome, Stephanie, look forward to meeting you in person soon.

Stephanie C. Linnartz  
President, Chief Executive Officer & Director, Under Armour, Inc.

Likewise.

Simeon Siegel  
Analyst, BMO Capital Markets Corp.

So your excitement for growth from here is really coming across. Nice to hear. Recognizing that Under Armour has always been about growth. Can you just elaborate a little bit more? And apologize if some of this gets repetitive. But it would be interesting to hear what gives you comfort in the opportunity for growth now, maybe why it’s different than the past. And then how you’re thinking about the balance of growth versus the focus on improving profit dollars into 2024 as you talk about the turnaround there and then into 2025 as well and beyond. Thanks.

Stephanie C. Linnartz  
President, Chief Executive Officer & Director, Under Armour, Inc.

Sure. Of course. What gives me so much confidence about our opportunity to grow the company significantly is the strong base we have in performance. I mean, it’s – I’ve been really lucky in my first two-and-a-half months to meet with some of our athletes and coaches and athletic directors, people like Justin Jefferson and Coach Freeman from Notre Dame. And I knew it before I came here, but it’s even more apparent to me that athletes absolutely love Under Armour. They believe in the performance of our products. So we’re coming from that place of strength as we lean into things like Sportstyle, which again, triples our total addressable market. So that gets me excited. I went through the key elements of our strategy, which are really all about product, marketing and distribution at the end of the day and doing that in different ways. Better product, marketing in different ways,
distribution, growing the doors we’re in from a wholesale perspective, being a better partner to our existing wholesale accounts, improving our own retail stores, improving our website.

But why – the devil is always in the details, when you’re running a company, and to me, why I know we can pull this off is three things. And I mentioned this in my prepared remarks, but let me explain a little bit more. It's about focus, execution and accountability. When I got here, there was a long, long list of project and efforts that the company was trying to tackle. And a lot of what you've heard today, I recognize some of it isn't new. But what we've done is we've really narrowed down the list of projects and efforts for the next three years, so we can be laser focused. Focused like leads to results. The second thing is about execution. It's all about making sure that we're breaking down silos across teams, the product teams, the marketing teams, the teams out in the regions running our business day in, day out. So I'm spending a lot of time and effort on how we work together as a team to drive the business. And then, third, accountability. I am holding myself, my executive team, the entire team accountable for business results. And it's all about results at the end of the day. I very much recognize the time for action is now. We need to deliver. And that's what I'm holding myself and the team accountable to.

So it's not always the most glamorous part, but it is the tactical things that have you pull off a strategy at the end of the day. Focus, execution and accountability. And as we do that, we are laser focused on driving the top line, but equally focused on driving bottom line and profitable growth. So I'm spending a lot of time understanding where the profit comes from in Under Armour and diving in deep to understand that side of the business too. So at the end of the day, it's about driving profitable growth, and that is how we'll be measuring ourselves not only in fiscal year 2024 of course, but in 2025 and beyond, where we think our efforts will really start to take off.

**Q**

Simeon Siegel  
**Analyst, BMO Capital Markets Corp.**

Thank you. That's great. And maybe just following up on that and maybe for you or for Dave, just thinking about the composition of the moving pieces embedded in the gross margin guide for the full year, any way to help us think through those puts and takes?

**A**

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

Yeah, I mean, there's a couple things that are going on there. Absolutely we're excited about some of the tailwinds that we're seeing on the freight cost side, whether it be the ocean carrier rates that have normalized a lot but also just a lot less utilization of air freight now that supply chain is more caught up and we're in a better spot there as well. But on the flip side, we're also being real, relative to what's out in the market. There's some fairly heavy inventory levels out there, not just in North America but a little bit in other parts of the world as well. And we want to make sure that we're planned to be able to move through that. And so that includes a little bit more sales to off-price channel, even though we're going to keep it within that 3% to 4% range of revenue. It also means that we will utilize our outlets more for even a higher percentage of excess product, which has a little bit of an impact on gross margin as well. So there's a couple different things that are really going on there that kind of come into play.

But what I'm more excited about and Stephanie alluded to this a little bit is stepping into fiscal 2025. We do believe that the inventory situations out there are going to be much, much more normalized as we get into the back half of our fiscal year and certainly into fiscal 2025. And we're doing a lot of different initiatives right now on our overall product costing structure, which we believe are going to have some real nice benefits in fiscal 2025 and beyond as well.
Great. Thanks so much, guys. Best of luck for the year and look forward to meeting you, Stephanie.

Yes. Likewise.

Thank you.

Operator: And thank you. And one moment for our next question. And our next question comes from Jay Sole from UBS. Your line is now open.

Great. Thank you so much. A couple questions. First, Stephanie, thank you for all the comments in the prepared remarks. Is it possible to sort of give us like a high-level vision of sort of what your financial objectives are? I mean, how big you think Under Armour can be in terms of sales? And what kind of operating profit margin should it have in your vision? And then maybe, Dave, for you, just on China. Can you just talk about how the China business progressed in the quarter and what you're expecting for China growth in fiscal 2014? And at the same time, on the inventory, you mentioned some pack and hold. Can you just tell us how much pack and hold you're holding, when you plan to sell that inventory and how much confidence you have that inventory is going to stay fresh until the time you sell it? Thank you.

Sure. Well, good morning. I'll start and then I'll flip it to Dave. But on your question about growth, I'm not ready to put a figure out there quite yet, but I am absolutely confident that we can grow this company significantly over the years ahead. Just a couple statistics that I think about in that context. When our Footwear business is only $1.5 billion today, that's great, but it's only 25%. So that's an area of exponential growth. I mentioned the Women's business. Relatively small. That's another area of exponential growth. So again, we have a lot of work to do over the coming weeks and months to flesh out the details of our plan in terms of our medium to long-term growth targets, including our profit targets, which would incorporate our gross – the way we're thinking about gross margin. But again, not prepared to call the number today, but absolutely prepared to call that we have significant growth ahead of us in the years ahead. But, Dave, I'll flip it over to you for the questions on China, et cetera.

Yeah, so, China, again, I – we couldn't be more proud of how the team navigated through fiscal 2023. I mean, if you think about the impacts from COVID early on in Q1 and then the lockdowns and then fighting our way back out of that. So really strong Q4 quarter for China and for APAC as an overall region. So very proud of the team there. Q4 did get a little extra benefit there from comping bigger COVID challenges the year prior and a little bit of a rebound coming out of the lockdown. So we're not anticipating that level of growth for APAC in fiscal 2024. But definitely a very healthy growth rate for us, and we believe that we're well-positioned to keep driving. And that's
an opportunity that's going to continue to be there for long-term. I mean, we are still so small. So the opportunity to continue to expand doors, expand even more relative to better and best product. There's just a lot of different options that we're going to continue to pursue out there.

And relative to inventory, yes, we finished with a fairly high growth rate of inventory, but our inventory turns were still at about a 3 as we ended fiscal 2023, which isn't a bad spot. And inventory for us right now is very healthy. There's not a lot of aged inventory at all. And in the pack and hold comment, we’re sitting on probably about $175 million worth of inventory that we specifically are packing away and holding that we know we have demand for in fiscal 2024 as opposed to kind of blowing it out at really low prices in the back half of fiscal 2023. So that's a decision that we made. And we're comfortable with it based on being able to utilize our outlet stores to a bigger capacity in fiscal 2023. And so for us, we see inventory across the market being a little bit higher, kind of in this Q1 to Q2 of our fiscal year, Q3 normalizing a little bit and then by Q4 really in a good spot. And we're expecting actually to be down probably in the 13% to 14% range year-over-year inventory by the time we get to the end of our fiscal year. So that again should set us up very well to be able to run in a pretty clean way for fiscal 2025.

Jay Sole
Analyst, UBS Securities LLC
Got it. Thank you so much.

Operator: And thank you. And one moment for our next question. And our next question comes from Bob Drbul from Guggenheim. Your line is now open.

Robert Drbul
Analyst, Guggenheim Securities LLC
Hi. Good morning. Stephanie, welcome. Best of luck. I just had a question for you. And then I have a follow-up for Kevin, if he's still there. Besides the Chief Commercial Officer, can you just talk about any hiring priorities that you're focused on, hiring targets and the needs in terms of the team that you really see besides the Chief Commercial Officer?

Stephanie C. Linnartz
President, Chief Executive Officer & Director, Under Armour, Inc.
Sure, absolutely. And good morning, Bob. Great to be with you. So that – the number one job we're looking for right now or one of two is the Chief Commercial Officer job – Consumer Officer, pardon me, and we've got a great slate of candidates lined up and hope to have that filled in the coming months.

Another position that we are – have out for search is a Chief Communications Officer. As I've mentioned, marketing and communications is going to be, both together, are going to be a critical part of how we tell our story to our athletes, our consumers and to you, our other stakeholders. So those are two jobs that I'm currently looking for on my leadership team.

And then, I'm digging in deep to figure out the rest. Again, I've only been here two-and-a-half months. So one of the reasons I'm so excited to have all of these direct reports to me in the interim, meaning I mentioned this in my prepared remarks, the head of Brand Marketing, Sports Marketing, Digital, Data and Analytics is in this area. Having them all report directly to me allows me to roll up my sleeves and get into the details and figure out what additional talents and capabilities we need, in particular, in that area as just one example.
And then, the last point I'd make on talent, because it's such an absolutely critical question that you've asked, is we're also supplementing with bringing in outside talent to work with us on collaborations and things of that nature. So it's early days for me in terms of getting my arms around our needs in this space, but it is a very, very big area of focus for me, for sure.

Robert Drbul  
Analyst, Guggenheim Securities LLC

Great. Thank you. And, Kevin, just an NBA question for you if I could. The Warriors are down 3 to 1, I think. And I just wondered if you feel like Steph can bring these guys back.

Kevin A. Plank  
Executive Chairman and Brand Chief, Under Armour, Inc.

Yeah, we're actually making Stephen a new super-powered t-shirt to wear underneath his uniform right now as well as dropping some of that into his sneakers, too. I mean, it's cool. Between – we now have two MVPs on the roster between Joel and Stephen, watching both of them play, it's extraordinary. And so I think, we're all waiting for those heroics again with things you can't believe will happen. But it should be pretty exciting. So both the Warriors and Sixers fans, we're with you.

Robert Drbul  
Analyst, Guggenheim Securities LLC

Thank you.

Operator: And thank you. And one moment for our next question. And our next question comes from Brian Nagel from Oppenheimer. Your line is now open.

Brian Nagel  
Analyst, Oppenheimer & Co., Inc.

Hi, good morning. Stephanie, welcome, and thank you for all the initial commentary here.

Stephanie C. Linnartz  
President, Chief Executive Officer & Director, Under Armour, Inc.

Thank you.

Brian Nagel  
Analyst, Oppenheimer & Co., Inc.

The first question I have is we're learning now today about the new operating plan, the PTH3. And, obviously, we have your guidance. You talked about, maybe in response to the last question, some of the new hires you're looking for. But as we think about this and the repositioning, if you will, of the business, is there – do you expect much investment there? Is there a need to continue to enhance, sort of, say the core? Or is it more of a process type change? More process type change in Under Armour?

Stephanie C. Linnartz  
President, Chief Executive Officer & Director, Under Armour, Inc.

Well, I think, we need both over time, both investment – and then anything is always about people, process and systems, right? And so there's a talent element to what we're going to be pulling off with PTH3. There's a system and process piece of it, and that will require investment over time.
As Dave mentioned in his prepared remarks, we're laser-focused on expense control and simplifying and optimizing our cost structure. And as we do that, and particularly in the short-term, what it's going to allow us to do is redeploy resources against our top priorities, which links back to my point on focus. So keeping our costs very much in line with where they should be. But I do think a lot of the things that we're going to do over the years ahead will require investment.

I mean, I'll use a real life example. We have a lot of work to do on our website and our app. I have a real vision for where we're going to take our website and our app. We've made some progress, improved things like site speed and product spec pages, more kind of the way the site works from a more tactical standpoint. But I have a much bigger vision of where we can take it. And it should be the – one of the most premium ways we can bring our brand to the world. So things like investing in our digital assets will be a focus for us. So, again, there's many more examples, but that's one that comes to mind right away. But, again, it is about talent, it's about investment in systems and it's about process.

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

And, Brian, this is Dave. I would maybe just tack on a little bit there. Just and relative to cost structure and investments, I think, we've proven that we have done a lot of work to be able to be more nimble from how we spend and where we invest and the leverage that we showed in fiscal 2023. And you see with the outlook for fiscal 2024, that we're actually not showing really much leverage for fiscal 2024. And that's primarily because of a few reasons. We do need to invest in a few of these areas that Stephanie mentioned. And absolutely we're going to be pressuring certain areas. And with that nimbleness, we're able to do so better than we have before. But we're also going to be pouring more into the areas that Stephanie mentioned for PTH3 initiatives. So that's really one of the aspects that goes into the outlook that we've provided.

Brian Nagel  
*Analyst, Oppenheimer & Co., Inc.*

No, it's very helpful. And then, a follow-up just with regard to inventories. So as we're hearing – again, a big component of this, the PTH3 plan, is new product, better product. So, is there any thought then with inventory still being elevated, to more aggressively clearing out the product you have now in the nearer term before this new product is introduced?

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

Yeah, to a degree, Brian. I mean, we started that in Q4. You saw us overdrive on revenue and at the detriment of gross margin because we took some of those opportunities in Q4. And as you think about our outlook for gross margin for fiscal 2024, especially the first half, it has some of that expectation built in there as well, so. But at the end of the day, I think as a reminder, even though our inventory growth rate seems fairly high, it's off of a very lean base. And, therefore, when you look at the actual composition of our inventory right now, it is very healthy. There's not very much old or inactive SKUs.

So our ability to be able to move through that fairly well and stay in that 3% to 4% mix range of off-price to normal sales, we feel very comfortable with that. So, again, we will work through and we'll get into an even better place than we are now. But we're very confident in the process and the tools we have laid out to be able to do that and then really be able to run into fiscal 2025 with higher growth and also with kind of a smarter inventory build.
David Eric Bergman  
*Chief Financial Officer, Under Armour, Inc.*

Thank you.

**Operator:** And thank you. And one moment for our next question. And our next question comes from Laurent Vasilescu with BNP Paribas. Your line is now open.

Laurent Vasilescu  
*Analyst, BNP Paribas Exane*

Good morning. Thank you very much for taking my question. And thank you, Stephanie, for your opening remarks. Dave, I wanted to ask about your comments regarding first quarter revenues down low singles to mid singles, noting the challenge to US marketplace. Can you maybe parse out a little bit more how much North America should be down for the first quarter? And I think you mentioned for the overall revenue sequential improvement for each quarter as the year progresses. Should we assume – I know, it's early on but should we assume 2Q is the inflection point? Or is it going to be more 2H weighted? Thank you.

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

Yeah, I guess a couple things there. Yes, Q1 is going to be our most pressured revenue quarter. And when we think about that, that is going to be driven primarily by North America and primarily by wholesale within North America. And a lot of that has to do with a fairly cautious order book coming in from wholesale partners based on the levels of inventory that they were carrying towards the back half of our fiscal 2023 and as we go into this year. So that's a big piece that's at play. We do see that or anticipate that that is going to start to work its way out as we get further into our Q2 and then even more so by Q3. So we do see that Q1 is going to be the most challenged quarter for North America and as the biggest region, therefore the most challenged quarter for global Under Armour. And then we do see Q2 being the turning point back to growth, and we're excited to be able to keep driving forward from there. I think also you'll see that with some of the pressures with wholesale buildup of inventory, you're going to see our direct-to-consumer outperform a little bit versus wholesale as we go through this year as well, which is something that we're completely fine with. We control the brand very well there. Great display of all the different products and breadth and in a place that we can start to shine relative to more and more curation around Sportstyle as we move forward.

Laurent Vasilescu  
*Analyst, BNP Paribas Exane*

That's very helpful, Dave. And then maybe as a follow-up, I think you called out for international to grow mid-single-digit rate for this year. APAC is about 40% of your international business. Obviously China is re-opening. Could you just maybe unpack a little bit more why international is still sequentially slow? And then just a quick follow-up as well. CapEx spend is meaningfully up for this year, $250 million, $270 million. Is that driven by the new HQ? Or you're also anticipating new store growth for this year?

David Eric Bergman  
*Chief Financial Officer, Under Armour, Inc.*
Yeah, you know, I think, when we think about APAC, again, excited about what the team was able to drive through in fiscal 2023. Keep in mind Q4 of fiscal 2023 for APAC had some over-indexed benefits from comping the China COVID bigger issues the year prior but also kind of the rebound out of the lockdowns in Q4. So we wouldn't necessarily expect that level of growth to continue into fiscal 2024. But definitely healthy growth especially in China. But really in all parts, southern APAC, South Korea, et cetera. For us, though, we do look at the overall picture there, and there are still some heavy levels of inventory there as well. There's a lot of brands that have been closing doors. There are a lot of brands that have been pushing through a lot of excess inventory more so than we have, and so we've got to be a little bit careful with what that looks like and how that impacts Under Armour. So obviously we hope that we can be able to overdrive that, but we think we're planned prudently in this outlook.

So when you think about CapEx, you are right. There is a larger increase in CapEx in fiscal 2024 planned. Some of that is store growth around the world, owned and operated store growth. Some of that is also investing in ecommerce, as Stephanie had mentioned, whether it be in the loyalty program, whether it be in further site speed, et cetera. But, then, yes, there is a portion of that is the build-out of our headquarters, our new headquarters here in Baltimore, which is just going to be a magnificent place to show the brand and feel the energy of Under Armour with the track and field and the new teammate headquarters building. So that is a piece of it. However, we still plan and will manage CapEx within that 3% to 5% range of revenue even including the headquarters build-out.

So I think we're doing a great job of prioritizing there. We're certainly not holding back on driving into the revenue generating aspects even on the IT front as we're investing in end-to-end planning. We're investing in retail POS. PLM system, transportation management. So a lot of great things that will continue to enable us, more so in fiscal 2025 as they're actually live and really working to our benefit. So a lot of exciting things that we're jumping into there.

Laurent Vasilescu
Analyst, BNP Paribas Exane

Very helpful, Dave. Thanks for all the color.

Q

Operator: And thank you. And one moment for our next question. And our next question comes from Matthew Boss from JPMorgan. And this is our last question. Again, this is our last question from Matthew Boss.

Matthew R. Boss
Analyst, JPMorgan Securities LLC

Great. Thanks. So, Stephanie, you cited fiscal 2014 as a year of building the brand and then fiscal 2025 as the opportunity to return to growth in North America. So maybe two questions. How do you view overall health of the brand today? And then as you've sized up the opportunities, what provides confidence in sustainable North American growth from here? Or what is the material change in structure that you're really putting in place?

Q

Stephanie C. Linnartz
President, Chief Executive Officer & Director, Under Armour, Inc.

So I'll start with the first part. What is the health of the brand today? I think, as we noted in our prepared remarks and Kevin in some of his answers, we are very, very strong in the performance space, very, very strong there. And we have a very solid base business in the good part of the product pyramid. Where we're not as strong and where the brand needs to get healthier is in the better and best part of the product pyramid. And we also need to consistently execute across marketing and distribution. And I use the word inconsistency the way some of the challenges that Under Armour has faced very purposely because there are places where we really have done
some great things. HeatGear, ColdGear, Compression would be an example. And more recently Kevin talked about SlipSpeed. And when we execute well across the four Ps, product, price, place and promotion like we did with SlipSpeed, we win. So I'd say the health of the brand is strong from a performance perspective, but needs to get healthier and grow in the better and best part of the products pyramid.

And then the second part of your question was about my confidence that we can grow in fiscal year 2025. And again I have tremendous confidence that we can grow in fiscal year in 2025 because we have all the basics, all the core basics and building blocks for growth in place. We have this strong base in terms of performance. I'd much rather be a performance brand leaning into Sportstyle than the other way around, right, to be a Sportstyle or dare I say athlesure brand trying to get into performance. It's two-and-a-half decades of hard work to get that credibility on the performance side. So, I have tremendous confidence. Again, I'd go back to the relatively low numbers we have in Footwear and Women's as two examples of where we can really see exponential growth. And then a lot of it is putting the additional building blocks in place as it relates to talent. Dave just articulated some of the investments we're making on the systems side. So I'm very bullish on our future in 2024. Fiscal year 2024 is going to be the year where we get the building blocks in place even further.

Matthew R. Boss  
 Analyst, JPMorgan Securities LLC

That's great color. Best of luck.

Stephanie C. Linnartz  
 President, Chief Executive Officer & Director, Under Armour, Inc.

Thank you.

Operator: And I'm showing no further questions.

Kevin A. Plank  
 Executive Chairman and Brand Chief, Under Armour, Inc.

Great. Thank you, everyone.

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

Thank you, everyone.

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

Cheers.

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