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Under Armour, Inc. (UA)

Q3 2021 Earnings Call
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Under Armour, Inc. Third Quarter Earnings Webcast and Conference Call. At this time, all participants are in a listen-only mode. Following management’s prepared remarks, we will host a question-and-answer session, and our instructions will be given at that time. [Operator Instructions] As a reminder, this conference call is being recorded for replay purposes.

It is now my pleasure to hand the conference over to Lance Allega, SVP, Investor Relations & Corporate Development. You may proceed.

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

Thank you. Good morning to everyone joining on this call this morning for Under Armour's third quarter fiscal 2021 earnings conference call. The information provided on today's call will include forward-looking statements that reflect Under Armour's view of its current business as of November 2, 2021.

Statements made are subject to risks and uncertainties that are detailed in documents regularly filed with the SEC and the Safe Harbor statement included in this morning's press release, both of which can be found on our website at about.under armour.com.

It's important to note that the ongoing uncertainty related to COVID-19 and the potential effects on the global retail environment could continue to impact our business results moving forward.

We may reference non-GAAP financial information on today's call including adjusted and currency-neutral terms, which are defined under SEC rules in this morning's press release. You may also hear us refer to amounts under US GAAP. Reconciliations of GAAP to non-GAAP measures can be found in our press release which identify and quantify all excluded items and provides our view about why we believe this information is helpful to investors.

Joining us on today as call with be Under Armour's President and CEO, Patrik Frisk; and CFO, David Bergman. Thank you. Patrik?

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

Thank you, Lance, and good morning. In the third quarter, higher than expected demand for the Under Armour brand and outstanding execution from our global team allowed us to drive strong top and bottom line results. Everything we do at Under Armour is based on driving sustainable long-term growth, while at the same time, ensuring we're setting a solid foundation to deliver near-term value to our shareholders.

This is the balance you should expect from us, and it's the commitment we work towards every day. We strike this balance by leveraging our strategic playbook across key elements of our business including a consumer-centric strategy to drive deep authentic and emotional connections with focused performers, innovative products and experiences that advantage and inspire an athlete's journey, a constant focus on operational excellence to ensure we're managing the marketplace efficiently, and steady financial discipline to create meaningful levers to drive greater profitability.
These strengths were evident in our third quarter results with revenue up 8%, gross margin up 310 basis points to a record 51%, and solid adjusted EPS performance at $0.31.

In this spirit, as we work to close out 2021, I feel good about the progress we've made, the resiliency we've earned, and the potential we have to do even better in the future. Demand for our product and consideration for our brand is growing. That gives me confidence that despite potential impacts from near-term headwinds, the long-term opportunities before us and our ability to compete and win in an ever-changing global landscape are stronger than ever.

Of course, it all starts with brand, so with that, let's get into some third quarter highlights starting with the incremental investments we're making in marketing and how they're translating to improving brand affinity from our focus on consumer awareness, attraction, and consideration.

As part of our holistic journey to compete strategy which centers on goal setting, training, and what it takes to earn results, we used the team sports lens to focus on the importance of mental strength as an unlock to realize one's full potential. Through uniquely Under Armour execution by our social media, TV, retail, and digital activations, The Only Way Is Through and Train Your Mind, Train Your Game, showed up as one global brand and voice across categories, channels, and our marketing funnel.

Coming off this effort, we've now shifted gears into fourth quarter activation which is centered on cold weather training. Knowing athletes sometimes see cold as their kryptonite, our Human Performance Research Lab is helping equip them and reshape this type of training as an asset to take their performance to new levels. Validated by the experiences of our most elite athletes, we're inspiring and educating focused performers for the winter ahead. With powerful storytelling, workout routines, product reviews, and premium retail capsules, our ecosystem is well set to inspire and capitalize on growing demand.

Turning to product, given the third quarter bridge to summer and fall, we realized success on both sides of the temperature spectrum including solid sell-through of our Iso-Chill apparel products which cool you, and Fleece, which saw strength in men's and youth as athletes gear up for the cooler months ahead. There was also continued momentum in men’s Unstoppable bottoms and women’s Leggings including Meridian and our No-Slip Waistband technology. And finally, the Project Rock collection in tops featuring RUSH also built on the year-to-date momentum, so consistency in some of our best sellers.

In Footwear, our core running products including Pursuit, Aurora, and Assert saw strength in all regions globally. Additionally, Project Rock Footwear performed well and we had success in our slides business.

Regionally, a few of the highlights included the Curry HOVR Splash and Mega Clone in APAC, HOVR Street and Bandit Trail in EMEA, and Flow Velociti SE and cleated footwear in the Americas driven by better than expected back-to-school demand as team sports returned.

Let’s turn next to our regions, starting with North America where revenue was up 8% to $1 billion. Indicative of improving brand health in our largest market, we had stronger than expected back-to-school and direct-to-consumer demand. In fact, North America drove the majority of the third quarter over-delivery for the company, so encouraging to see continued progress here.

Compared to 2019, North American revenue was up 2% in the third quarter. It is important however to revisit some key differences in these comparable periods, 2021 North America versus 2019, including a significant increase in our direct-to-consumer business, substantially lower off-price sales, reduced promotional and
markdown activities, proactive supply constraints and undifferentiated wholesale exits. So all-in, meaningfully higher quality and more productive dollars going through our P&L now than just two years ago.

Turning to our international business, revenue in our Asia-Pacific region was up 19% driven primarily by wholesale growth. Given some of the recent market trends, particularly in China where traffic continues to struggle, our consumer insights data tells us that our brand health is holding steady in an otherwise dynamic environment. We attribute this to the investments we’re making into marketing, CRM, and store expansions, including opening our 1,000th store in the region. Versus 2019, third quarter APAC revenue was up 37%, so solid progress on a two-year stack.

Next up is EMEA, where revenue was up 15% driven by wholesale, which saw continued momentum from our distributor partnerships and a solid direct-to-consumer performance. In our two most prominent countries in this region, the UK and Germany, we remain focused on brand development, building long-term relationships with our key wholesale partners, and strengthening our direct-to-consumer team and retail capabilities. EMEA wholesale growth was balanced across our full price and distributor businesses. Versus 2019, third quarter revenue in EMEA was up 50%.

And finally, our Latin America region was up 27% driven by strength in our full price, wholesale and distributor businesses. Versus 2019, third quarter revenue in Latin America was up 8%. As previously detailed, we are transitioning certain countries in this region to a strategic distributor model, of which most of this change takes place in the fourth quarter. Accordingly, we expect top line pressure in Latin America as we finish out 2021.

Another highlight is the performance of our direct-to-consumer business which was up 12% and although traffic trends were somewhat mixed in our owned stores and mirrored various COVID restrictions around the world, we continue to see improvements in average selling prices and productivity.

Due to higher-than-expected demand during the quarter, we further reduced promotions and realized higher price sell-through which, of course, you see in our gross margin results. Versus 2019, direct-to-consumer was up 31% for the third quarter.

Overall, we’re pleased that our strategies towards improved presentation and experiences in our stores and online are driving better economics throughout this business.

So, in summary, we're pleased with our third quarter performance and our ability to close up would be Under Armour's split adjusted EPS [ph] year (08:54) in our history. In the near term, however, we remain both confident and cautious. With several fluid headwinds continuing to impact nearly every sector, it's important to remember that Under Armour is battle-tested and mission-proven. I am incredibly proud of our global team and how we work to maintain balance and trajectory regardless of what is thrown our way. We continue to get sharper, smarter and more efficient.

Across our business, by channel, product or region, there remains one constant: we obsess the intersection of Under Armour serving Focused Performers, industry-leading innovations, premium experiences, heart-led but data driven, we empower those who strive for more.

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

David E. Bergman
Chief Financial Officer, Under Armour, Inc.
Thanks, Patrik. With three quarters of the year behind us, our strong third quarter results demonstrate our ability to execute quickly to meet the needs of our consumers and customers, all while driving toward record revenue and earnings in 2021.

So, let's dive right into our results. Compared to the prior year, revenue was up 8% to $1.5 billion. Versus our previous outlook, this overdrive was primarily due to higher demand across our full price wholesale and Factory House businesses in North America.

Patrik covered our regional performance earlier. So, now, let's click down into our channel results on a global basis. Third quarter wholesale revenue was up 10%, driven by higher-than-expected demand in our full price business, particularly in North American wholesale, which was tempered by a reduction in sales to the off-price channel as we continue to work to elevate our brand positioning.

Our direct-to-consumer business increased 12%, led by 21% growth in our owned and operated retail stores, partially offset by a 4% decline in eCommerce which faced a difficult comparison to last year’s third quarter. But I would also note that when compared to the third quarter of 2019, our eCommerce business was up over 50%. And licensing revenue was up 24%, driven by improving strength within our North American partner businesses.

By product type, apparel revenue was up 14% with strength across all categories, particularly in train and golf. Footwear was up 10% driven primarily by strength in running. And our accessories business was down 13% due to lower sales of our SPORTSMASKs compared to last year’s third quarter.

Relative to gross margin, our third quarter improved 310 basis points over last year, landing at 51%. This expansion was driven by 400 basis points of pricing improvements due primarily to lower promotional activity within our DTC channel along with lower promotions and markdowns within our wholesale business and 120 basis points of benefit due to channel mix primarily related to lower mix of off-price sales versus last year's third quarter.

Partially offsetting these improvements was about 100 basis points of negative impact related to the absence of MyFitnessPal and 90 basis points of negative impacts from higher freight and logistics costs due to COVID-related supply chain pressures. Versus our previous expectation, our higher-than-expected Q3 gross margin improvement was primarily due to lower-than-planned promotional activity within our DTC business and more favorable pricing related to sales to our off-price partners.

SG&A expenses were up 8% to $599 million due to increased marketing investments, incentive compensation and non-salaried workforce wages. Relative to our 2020 restructuring plan, we recorded $17 million of charges in the third quarter. In this morning's press release, we noted that we have reduced our plan expectations by $25 million. So, we now expect to recognize total plan charges ranging from $525 million to $575 million. Thus far, we've realized $500 million of pre-tax restructuring and related charges.

As a reminder, all remaining charges are related to initiatives outlined in 2020, meaning nothing new has been added in 2021. We expect to recognize any remaining charges related to this plan by the first calendar quarter of 2022.

Moving on, our third quarter operating income was $172 million. Excluding restructuring and impairment charges, adjusted operating income was $189 million.
After-tax, we realized a net income of $113 million or $0.24 of diluted earnings per share during the quarter. Excluding restructuring charges, loss on extinguishment of $169 million in principal amount of senior convertible notes and the non-cash amortization of debt discount on our senior convertible notes, our adjusted net income was $145 million or $0.31 of adjusted diluted earnings per share.

In this respect, we are excited to report that the $0.71 of adjusted diluted earnings per share that we've realized year-to-date has surpassed our highest previous full year split adjusted earnings, thus solid traction and excellent progress.

Inventory was down 21% to $838 million, driven by improvements in our operating model and inbound shipping delays due to COVID-related supply chain pressures. Our cash and cash equivalents were $1.3 billion at the end of the quarter and we had no borrowings under our $1.1 billion revolving credit facility.

With respect to debt, during the third quarter, we entered into exchange agreements with certain convertible bond holders for $169 million in principal amount of our outstanding convertible notes and terminated certain related capped call transactions. We utilized net $168 million in cash, issued 7.7 million shares of our Class C stock and recorded a related loss of approximately $24 million, which is captured in other income and expenses. Following this transaction and our actions in the second quarter, $81 million of convertible notes remain outstanding.

Now, moving on to the balance of the year, as we noted earlier in this call, the current global retail environment remains varied with some markets realizing a steadier return to growth like in the Americas, albeit with continued weak traffic trends, somewhat mixed environments across different regions in EMEA and conservative assumptions about APAC as it navigates ongoing phases of closures, re-openings and restrictions.

Factoring in the current supply chain challenges emanating from Southeast Asia and logistics challenges being experienced worldwide, we're staying appropriately cautious in the near-term. However, it is important to note that today's revised outlook assumes no additional shutdowns of manufacturing partners or further retail sector disruptions as we close out 2021.

Now, turning to our updated 2021 outlook, let's start with revenue, which we now expect to be up approximately 25% for the full year. This reflects a high-20s percentage rate increase in North America and a mid-30s increase in our international business. From a channel perspective, wholesale is expected to be up at a mid-30s rate, and our DTC business up at a mid-20s rate, with eCommerce up at a low-single digit rate for the full year against 2020.

Concerning our top line expectation for the fourth quarter, the same significant headwinds from our last call remain in play, in addition to the developing COVID-related supply chain issues currently facing the sector.

Turning to gross margin, on a GAAP basis, we expect the full year rate to be up approximately 130 basis points against our 2020 adjusted gross margin of 48.6%, with benefits from pricing and changes in foreign currency being partially offset by higher expected freight expenses and the sale of MyFitnessPal, which carried a high gross margin rate.

The gross margin improvement relative to our previous outlook is primarily due to pricing benefits partially offset by increased freight expenses related to supply chain challenges which we continue to monitor.

Versus 2020, we now expect that full year SG&A will be up 6% to 7%. As laid out previously specific to 2021, we have taken advantage of our improved results and proactively made incremental investments particularly in
marketing to build even deeper connections with our consumers. We also expect higher incentive compensation which is up against 2020 when we had significant reductions against target levels as well as higher non-salaried wages.

With that, we now expect operating income to reach approximately $425 million this year, or $475 million on an adjusted basis. Translated to rate, we expect to deliver an operating margin of just under 8% or an adjusted operating margin of approximately 8.5% in 2021.

All of this takes us to an expected diluted earnings per share of approximately $0.55 or adjusted diluted earnings per share of approximately $0.74 in 2021 with an average weighted diluted share count of approximately 468 million shares.

And finally, from a balance sheet perspective, we expect to end the year with inventory relatively flat against 2020's year-end and we expect to close the year with approximately $1.5 billion in cash and cash equivalents.

Looking forward, a reminder that we are changing our fiscal reporting year in 2022. Mechanically, the first calendar quarter will serve as a transition period until we begin our new fiscal year 2023 on April 1. Accordingly, we are not providing color for next year on today's call. That said, there are supply chain pressures that are challenging the industry in the near-term, and while we believe the impacts to our P&L in 2021 are expected to be relatively minimal, we are taking precautions to navigate some of the volatility and anticipated business disruptions in the first half of 2022, including the work we began in the second quarter of 2021 to adjust orders and shipping with our factory partners and logistics suppliers; working with wholesale customers to narrow and edit our spring/summer 2022 order book; and assessing various mitigation offsets for inflationary pressures including elevated logistics costs and higher wages.

Given this situation is still fluid, it is difficult to estimate the full extent of potential effects on our business at this point. However, on what we know – based on what we know today, we are forecasting material impacts for the first half of 2022, and therefore, with respect to the first calendar quarter, we expect revenue to be up at a low single-digit rate.

Concerning a longer-term view, as of this week, nearly all factories that Under Armour does business with, including those in Vietnam are open, so definitely encouraging news. Of course, full capacity will take some time to ramp back up, and this is only one part of the equation. Over the next several quarters, we expect longer than usual transit times as backlogs and congestion find balance, so this may create some variability in our results.

That said, the proactive strategies we're employing, greater operational agility, and overall demand for the Under Armour brand give us confidence in our ability to navigate effectively through the coming environment.

With that, I'd like to close today's call by returning to Patrik's opening thought and the balance we are committed to striking between driving sustainable, long-term growth while delivering near-term value to our shareholders.

All global companies operate in a constantly changing environment, and over the past few years, through our transformation and the pandemic, Under Armour has demonstrated its ability to effectively manage our business under a range of conditions.

Lastly, as we look to close out the strongest top and bottom line performance in our history, the work we've done to re-architect our strategy, operations, and financial discipline sets us up well to leverage this balance, and thus create improved value for our shareholders over the long-term.
With that, we'll turn it back to the operator for your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question will come from the line of Erinn Murphy with Piper Sandler. Your line is now open.

Erinn E. Murphy
Analyst, Piper Sandler & Co.

Great. Thank you. Good morning, and really nice to see the strong performance to-date. Dave, I wanted to follow-up with something you were just talking about as it relates to the supply chain challenges. Can you share a little bit more about your ability to get product to the North American and the European market here in the fourth quarter as we think about holiday?

And then with your guidance or your preliminary outlook for the first calendar quarter of low single-digits, is that again just ability to get product, or have you really just seen the impact of the curtailed manufacturing as it relates to your ability to just even produce spring/summer? Thank you.

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

Sure, Erinn. Relative to the supply chain impacts in Q4, as I had mentioned almost all of our [audio gap] (23:43) — the vaccination rates across Asia continue to trend up and it's really kind of now pushing down the line a little bit where the congestion and container availability at the origin ports have improved, but the local ports of entry is where the bigger challenges are developing that we're monitoring.

To-date, we've seen some timing changes in inbound product and how we can get that out to our partners, but we haven't seen any cancellations. And so, the forecast and the outlook that we've given for the rest of the year in Q4, we feel good about. But it's definitely a very fluid situation.

Relative to calendar Q1, this really relates to the factories getting up and running, but not at full capacity and that creating a challenge to be able to produce all the orders needed to meet our demand. So we've actually had to cancel some of our purchase orders relative to spring/summer 2022 product to be able to alleviate some of that pressure on the factories. And based on that, and therefore the change in inbound product to be able to go out, that's where we're saying the impact is driving us towards what we see as of today as a low single-digit growth rate for calendar Q1.

Erinn E. Murphy
Analyst, Piper Sandler & Co.

Got it. That's super helpful. And then just if I can follow-up on the North American segment, it looks like in the first nine months of this year, you're up about 3% versus 2019, so squarely in line with your long-range plan. I'm curious if you can talk a little bit more about how you think about the go-forward trajectory. It seems like the fourth quarter is even guided nicely ahead of that, so would love to hear about the brand momentum that you're seeing currently in the North American market. Thanks so much.
David E. Bergman  
**Chief Financial Officer, Under Armour, Inc.**

Yeah, Erinn. This is Dave. We are excited about the momentum, and again, I think the biggest thing that I would point out is the health of that revenue. So not only are we growing again, but – and even against 2019, but it is at a much healthier mix. A much smaller percentage of off-price sales to third party, lot less promotions and discounting, so just overall a much healthier revenue stream at the same time that we're returning to growth, which is I think the exciting part.

And I think it's all about who we're kind of doubling-down with, with the bigger partners that really support our brand and really understand the focused performer, and that's where we're driving most. But we can't really give any details yet as far as next year on growth rates, but we are excited about the momentum.

Patrik, I don't know if you wanted to add anything there?

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

Yeah, I also want to just – it's great, Dave. I just wanted to highlight also the fact that some of the demand constraints are now fully in play for us as well in terms of exiting 3,000 doors or so in North America, and of course that's taking full effect into next year. So, all of these things together really is giving us great confidence that we have now established a new platform or new level, if you like, for the brand in terms of driving it towards a more premium position again. So feel very good about that.

Erinn E. Murphy  
**Analyst, Piper Sandler & Co.**

Great. Thank you, and all the best.

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

Thanks, Erinn.

**Operator:** Thank you. And our next question will come from the line of Matthew Boss with JPMorgan. Your line is now open.

Matthew R. Boss  
**Analyst, JPMorgan Securities LLC**

Great. Thanks, and congrats on a really nice quarter.

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

Thanks, Matthew.

Matthew R. Boss  
**Analyst, JPMorgan Securities LLC**

Great. Thank you, and all the best.
So, Patrik, with nearly two years now at the helm, I guess how would you characterize larger picture? Maybe the brand heat that you’re seeing in men’s and women’s apparel today, and do you believe we’ve seen the tipping point for Footwear expansion? Just trying to think about maybe ranking opportunities on tap from here?

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

Yeah, thank you, Matthew. First of all, I'm confident that we've now gone through what I would characterize as the majority of our transformational work. We’re now in the new operating model. But not just the operating model, we’ve also gone through at the same time a reset for our product engines and our marketing engines, so our go-to-market is really doing a great job of driving the brand to a more premium position.

What you see now in our numbers, there’s a lot of balance here, right. You see balance between wholesale and DTC. You see also balance across the categories in terms of Footwear and Apparel. And we also now saw specifically in the third quarter the back-to-school happening again in a more normal fashion, I guess, you could say in terms of team sports being played and Under Armour really coming into its own with the performance we saw now in things like cleated product and team product as well.

So across the board, whether it's team sports, train, or run, men's or women's, we are able to really drive our brand in all of those different categories and areas, and that's really what I feel really good about is the holistic win for the brand right now in the marketplace. And we really feel like we have proven that out now, and now for us, it's all about driving forward and continuing to fuel the brand which we've been able to do here in the back half as we reinvested some of the money here into marketing and really been able to activate full funnel, and you see the results.

Matthew R. Boss  
Analyst, JPMorgan Securities LLC

Great. And then maybe a follow-up for Dave. Can you speak to pricing power that you're seeing for the brand, maybe both across Apparel and Footwear? And if we tie the AUR opportunity to gross margin, is there any feeling to think about as your gross margin exits this year I think around the 50% level?

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

Yeah, I guess there’s a couple aspects there. We do continue to see pretty strong benefits that we’re able to drive by holding price higher, not doing much promotions or discounts. Sell-through has been good with wholesale partners, so not having to discount or give as many markdown dollars. So that is definitely contributing a lot to some of the pricing benefits we’re seeing and some of the gross margin benefits. And that all ties into our longer-term strategy of continuing to drive the brand to a more premium position, so we’re definitely excited about the momentum to be able to do that and the sell-through that is allowing for that as well.

We are also looking at ticket pricing also when you think about some of the inflationary pressures, wage pressures, et cetera. So we have a team that's been looking at that, and we're going to be very strategic and targeted in how we might do that, but we do think that there is some MSRP opportunities for us as well based on our premium positioning and the quality of certain groups of our products versus others. So we're going to keep driving on that front as well.

Matthew R. Boss  
Analyst, JPMorgan Securities LLC
Operator: Thank you. And our next question will come from the line of John Kernan with Cowen. Your line is now open.

John Kernan
Analyst, Cowen and Company

Excellent. Thanks for taking my question. Congrats on a really strong nine months here.

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

Thanks, John.

John Kernan
Analyst, Cowen and Company

Patrik, if we look at the first nine months of this year, you're at a double-digit operating margin. I know that was the long-term target. Can you give us any update in terms of the timing of reaching those targets on a full year basis? Certainly tremendous progress made towards those targets this year regardless of what happens in the fourth quarter this year and you've done it in the face of a lot of disruptions. Just curious if you maybe pulled forward the timing of reaching that double-digit operating margin target.

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

John, this is Dave. I'm actually going to jump in here because Patrik gets pretty excited about this topic. Yes, we're obviously very pleased with the progress we're making on overall margins and being able to leverage the cost structure better. And to your point, I think that our ability to drive the double-digit operating margins is something we feel very, very good about and probably better about than even previous based on the momentum that we're having. But at this point, we're not ready to be able to share details for the upcoming years. But we are excited about the progress. We do think there are continued opportunities on gross margin and SG&A leverage, and you can be sure that we're going to be driving towards that.

John Kernan
Analyst, Cowen and Company

Understood. Just one quick follow-up. DTC obviously has had an outsized contribution to growth this year, off that pre-COVID base you made some adjustments to wholesale distribution. Any comments on DTC profitability and how that has changed as eCommerce has become a bigger portion of the mix? Just your overall view of the direct-to-consumer channel and what we can anticipate for normalized growth in that channel as we go into your new fiscal year and beyond?

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

Great. Best of luck.
Yeah, John, this is Dave. Great question. As you know, we don't necessarily give channel profitability publicly, but what I would say is that we have been focusing a lot on DTC. We've been making a lot of investments there, and we're starting to see some of the benefits of that pay off.

I think one of the areas that we've also put a lot of work in is just to our retail full price commercial concept, and so we are seeing continued profitability improvements from that output which is going to help overall DTC profitability as well. And then, obviously our Factory House business has been an extremely profitable business and eComm as well. So, we're pushing on all cylinders, but we're not disclosing the actual percentages, although we do believe they're continuing to improve with the benefits we're driving.

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

Yeah, I'll just add a little bit more color. We are making great progress, but there's still a lot of work to do. So we believe that, as we go into future years here, we're going to have an opportunity to continue to get better across both our own retail and our own eComm, so very excited about the progress we made so far but there is more work to do and we'll be updating you accordingly as we move into the future.

John Kernan  
Analyst, Cowen and Company

That's great. Best of luck in the holidays.

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

Thanks, John.

Operator: Thank you. And our next question will come from the line of Jim Duffy with Stifel. Your line is now open.

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

Thank you. Terrific results, guys.

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

Good morning, Jim.

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

Thanks, Jim.

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

I'm hoping you can speak to your view on product costs into next year and pricing strategies. You mentioned you're taking some pricing action that's helping the margins. Do you expect you can offset the entirety of the inflation that you're seeing, or is that yet to be determined?
Patrik Frisk  
President, Chief Executive Officer & Director, Under Armour, Inc.

Dave, why don't you take that one?

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

Yeah, Jim. Great question. The inflationary pressures are real and we are tracking those, we are working with our vendors, obviously. But I think there's a couple parts there that we're going to be able to help on the top line side of gross margin as well, which is continuing to stay more premium, continue with especially on the DTC front being less promotional, less discounted which will help offset some of that. But then as we mentioned, we do have a team that's working in partnership with our product organization and also with our commercial teams around opportunities to increase price for the brand.

I don't know that we would be able to effect too much of that for spring/summer, but when you think more about fall/winter of next year, there's probably a bigger opportunity there based on lifecycle and timeline, and we're excited about that. We think we're earning that in certain areas and that's where we're going to go after it. But it will be very strategic, very targeted, and in general, we are looking to continue to improve our gross margin percentage as we go forward.

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

Got it. Dave, we've heard from some other companies a view on product cost environment into next year. Is there anything you can share specific to your portfolio, a range of the type of inflation that you're seeing on the product cost side?

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

To be frank, it's continuing to develop, and so at this point I think we're going to be cautious in the level of detail we give for that on next year. We do have another call or two that we can give more detail coming up, but we're going to hold for that and continue to work with our supply chain and our partners to drive through and get the best clarity on that before we give more comment.

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

Thanks very much.

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

Thank you.

Operator: Thank you. Our next question will come from the line of Randy Konik with Jefferies. Your line is now open.

Randal J. Konik  
Analyst, Jefferies LLC
Yeah. Thanks a lot and good morning, everybody. So, I just wanted to kind of follow up on – Dave, you said a comment earlier in the prepared remarks as it related to the off-price channel and you talked about stable pricing to the off-price partners. Can you elaborate on that a little bit more in terms of – is that dynamic changing at all?

And then, maybe give us either some qualitative or quantitative perspective on just how far you've taken that exposure down to the off-price channel which obviously helps your brand in the full price channel for distribution. Thanks.

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

Sure. Relative to the third-party off-price channel, we have embarked for the last couple years on continuing to kind of wean that down to really get into that 3% to 4% range of revenue. We’re excited that, this year, we've been able to basically drive it down to a planned level of about 3% this year. And that, obviously, creates a little bit of a tailwind on gross margin percentage with that mix of business coming down.

And then, outside of that, we've tightened up our supply chain process. We've employed some demand constraints. All of those things are helping to keep the brand more premium, but they're also helping to reduce the amount of excess that we create. So, overall, just a tighter process based on our new operating model. And, therefore, we feel better about being able to move a lot of that excess through our own Factory House stores in more of a brand right way and also in a more profitable way.

I would say that the other piece of it is, is that as we have reduced the amount that we're selling to the third-party off-price channel, the demand for the brand continues and is strong. And so, those partners would like more product and when they want more and we don't have as much to give, generally that means that they're going to pay a little bit more to us. And so, we're seeing that benefit, even on the smaller amount that we are selling to them, we're getting better prices which has helped the gross margins as well.

And we plan to continue as we go forward to manage it in that 3% to 4% mix of revenue globally. So, going forward, it really shouldn't be much of a revenue headwind or tailwind or gross margin headwind or tailwind in general going forward. It's just a small piece of our business that we maintain going forward.

Randal J. Konik
Analyst, Jefferies LLC

That was very helpful. And then, last question would be can we get an update on the progress or the initiative around SKU count reduction and improved productivity around that initiative? Give us some color there on what you've done on both the apparel and footwear side. Thanks, guys.

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

Yeah. Sure, Randy. This is Patrik. We did a lot of work around SKU management actually as far back as starting in 2017 and 2018 and we got it down to a reduction of about 50% or so. We never have expanded from that point. So, in other words, we readjusted ourselves to a level that we felt would be able to sustain the growth that we were planning and we're still at that level.

And the way we think about it going forward is really in a balanced way. In other words, we will invest in SKUs where we see opportunity, but we're also very diligent about taking things out through our life management cycle.
for our products, ensuring that we're not getting on top of our skis in terms of the balance of this holistically across the company.

The other interesting thing is also the fact that at that point in time in 2017, 2018, in our first round of transformation, we also took down our trims and our materials both by about 80% and we've been able to maintain those levels too.

So, coming back a little bit to what Dave talked about previously here in terms of our operating model and our efficiencies, because we now have a way to make sure that we are holding ourselves accountable to what different products should be doing in our line to help grow the brand and the business, the teams are doing an excellent job maintaining the discipline and as a consequence, we'll grow our SKUs a little bit as we grow as a brand going forward, but it's always going to be in a controlled way where we're holding ourselves accountable.

Randal J. Konik
Analyst, Jefferies LLC

Very helpful. Thanks, guys.

Operator: Thank you. And our next question will come from the line of Sam Poser with Williams Trading. Your line is now open.

Sam Poser
Analyst, Williams Trading LLC

Thank you for taking my questions. I want to follow up on some of the supply chain stuff. Can you give us some idea of – it's going to hurt you a bit in the March quarter and maybe a little beyond that, but could you give us some idea like sort of where these problems are happening, what's your exposure to Southern Vietnam? I noticed that you have lots of, especially on the apparel side, a lot of products are spread all over the place. So, is this an issue that's going to face footwear more than apparel? Can you give us a little color on maybe your sourcing situation?

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

Sure, Sam. This is Patrik. First of all, I think in terms of how we are positioned from a sourcing perspective, we feel that we are balanced across the globe. In other words, we have about 50% of everything that we make coming out of APAC and the rest of it is split between Middle East, Europe and the Latin America. So, we have a balanced portfolio in terms of how we think about sourcing, first of all.

In terms of what's happening right now, the factories have been closed, especially impacting the industry, I would say, out of Vietnam, because there is a mix of apparel and footwear that's coming out of there, especially South Vietnam. All those factories are now– at least our factories are open. However, it's going to take the remainder of this year to really get them ramped up to full capacity and full speed.

So, for us, in terms of how we think about what's really going to be affecting us going forward more so because we've taken actions already to let's say prune our order books for the beginning of next year to make sure that we're able to deliver against the expectation of our partners and our own direct consumer, what we're seeing now is more of a logistics and transportation challenge and the majority we believe in the medium term here, in other words from the end of this coming quarter going forward, is going to be inbound more so than outbound. And that
has to do with just congestion at every step of the chain, right, whether it's a container or a chassis or access to port or unloading at port and then the entire journey once it lands inbound.

So we see the logistics and shipment being the biggest concern for us, let's say, in the medium-term here as we turn the corner into 2022.

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

And I guess, Sam, just to give a little quarterly color I guess, we see some minimal impacts for Q4 of this year which is already assumed in outlook we gave, definitely incurring a fair amount more in inbound freight costs to get things here and catch up a little bit, and that is an impact for Q4 on gross margin.

And then calendar Q1 and calendar Q2 is probably where we see a little bit of the bigger revenue impact because of the canceled POs to be able to realistically get the factories back up and caught up and not be missing POs to customers so we work with our customers on those PO cancellations, so that's a bigger impact on calendar Q1, calendar Q2.

And then after that, it should start to dissipate, and we're continuing to work through it. So, I think, we have really good partnerships with our suppliers, but some of the challenges down the pipeline that Patrik mentioned on once the product actually gets to the inbound port are still pretty big challenge.

Sam Poser  
Analyst, Williams Trading LLC

And then, Patrik, this is for you. I know that a lot of these problems facing you are good, but are they ending up being good to the brand in the long-term? Like you wish you didn't have them, but it helps make your brand more premium and get more focus because of the supply chain delays?

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

Well, that's a great question, Sam, and I think it's a good observation. I think, when you — any time when you're faced with a constraint, right, that forces you to make choices, and I think we've had to make some choices to Dave's earlier point especially as you think about the first quarter of next year, not so much perhaps this year, but certainly going into next year. As we were very — we have to be strategic, right, in what we're actually delivering into the market based on the capacity that we're able to get through the pipes. So, the question could probably be answered with a yes, somewhat, because I think it is helping us to make the right prioritization of what's going to go where and ultimately help us continue to drive this premiumization that we're driving right now with the brand.

So, I think, it's a good observation, Sam, and probably there — there's probably some truth to that.

Sam Poser  
Analyst, Williams Trading LLC

Okay. Thank you very much. Continued success.

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

Thanks, Sam.
Operator: Thank you. Our next question will come from the line of Simeon Siegel with BMO Capital Markets. Your line is now open.

Simeon Siegel
Analyst, BMO Capital Markets Corp.

Hey, guys. Congrats on the ongoing progress. Great job.

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

Thanks, Simeon.

Simeon Siegel
Analyst, BMO Capital Markets Corp.

Patrik, maybe just a follow-up on that. So, obviously the flip side to Sam’s point, the flip side of supply chain issues is just an industry-wide lid on discounts. Just curious, what’s your view on industry promotions for holiday and then more thinking into next year, and maybe talk about what you think happens when promotions ultimately do come back across the industry, just speaking to where you believe you’ve elevated the brand and your ability to hold the line there.

And then, Dave, just you’ve made a bunch of really impressive strategic changes in your marketing approach. So, could you just talk to how you’re thinking about marketing expense going forward into next year, whether it’s dollar growth, percent of sales, or just how strategically you guys are focused on it? Thank you.

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

Yes. Hi, Simeon. This is Patrik. Yeah, so I think in terms of how we’re thinking about driving the brand going forward, we’re going to be continuing to follow our strategy, which is ultimately now a consumer-led strategy, right? So, in other words, we’re laser-focused on the consumer and understanding the consumer, understanding how the consumer moves through his or her journey as they’re on their way to do an activity in sports, and really this year, to pivot a little bit into your second question around marketing, we have really activated against this concept of the journey to compete. Through the same campaign that we started last year, The Only Way Is Through, Change Your Game and being on the offensive, and I think for us, and that marketing spend and the activation that we’re able to do is being done much better now and it’s being done better because we understand through our return on marketing investment models that we’re able to run how to do it better.

So, we’re more effective. We’re more efficient, and it’s having a better effect on the consumer as we’re activating against it. We’re going to continue to do that into the future and invest into marketing for the brand.

And I don’t know, Dave, if you want to add a little bit more on that?

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

Yeah, I guess relative to the dollar investment, we’ve talked a lot about kind of heavying up our investment this year based on our overdrive and being able to reinvest a fair amount of that back into the brand which has been really exciting to do and is definitely back half weighted this year. A lot of top-of-funnel marketing around brand...
awareness consideration which we’re super excited about, what that could mean for us as we go into next year with that kind of behind our backs.

But I would say that although we’re going to run a higher percentage of revenue this year, we do expect to be able to leverage marketing as a percentage of revenue as we go into next year and the following year because we need to leverage every area of our cost structure going forward and we feel confident about being able to do that and still get more return and more bang for the buck based on what we’ve been doing this year and based on all the ROI work we’ve been doing from a marketing perspective and changing the mix and how we spend through the restructuring activities as well.

So, you will probably see some leverage in marketing as a percentage of revenue as we go into next year and beyond, but I don’t think you will see any decrease in the power of our marketing. If anything, you should see an increase in the power.

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

Yeah, that's right. And I would just add a comment around your question around holiday and promotional environment.

I think that there currently is a perceived scarcity around product in general across different sectors in the marketplace, and I think that's going to enable us to continue to drive a more premium position for our brand.

What is unclear is a little bit around traffic patterns. We're seeing some things going on with the consumer around the world, which is not necessarily consistent, but in terms of our offering and how we think about promotions, we're going to be less promotional than 2020 and 2019 and we're going to continue to drive the brand to higher levels. That really is our approach going into holiday this year.

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

Great, guys. Congrats again. Thanks a lot, and best of luck for holiday.

**Operator:** Thank you. Our next question will come from the line of Brian Nagel with Oppenheimer. Your line is now open.

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


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

Thanks, Brian.

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

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

So, a couple questions. I do want to focus on this supply chain, I'll merge the questions together. Bear with me. First off, you've laid out kind of the trajectory here through the holiday and then into early next year. The question I have there, are there particularly as you look at, look towards the first part of next year, are there levers you can pull, namely like others have mentioned air freight and bringing products in potentially at a higher cost and would you pull that?

And then, the second question I have is as you look at the data now, include this continued nice sales acceleration for your brand, particularly in United States, do you believe that the ability of your company to manage supply chain relatively well here is actually serving as a driver of incremental market share?

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

Well, I feel – thanks, Brian. I'll start off and I'll pass it over to Dave. I think, Dave, if you've got any additional comments once I've commented on this.

I think, in general, in terms of the operating ability that we currently have, the agility that we have and the improvements we've made in our supply chain and our vendor base over the last years have now put us in a position where we can go both ways. We've talked a little bit here today about our ability to navigate through a pandemic where we had to scale our orders back by 30% and then ramping it up again for 2021 and kind of going through what is now a logistic and transportation quagmire and navigating through that, adjusting again our order base a little bit for the first half of 2022.

All of those different things are not possible unless you run an efficient and effective machine and I think that's what you're really seeing from Under Armour at this point in time. It's an ability to navigate anything that's thrown at us and do so in the most efficient way possible.

Just think about the last two quarters. I mean our inventory position in the last quarter was down 26%. It's now down 21%. And we're guiding to a flattish end to the year. I think that is a testament to how we're able to navigate and understand demand much better and then throwing that over to supply chain to execute more efficiently and better.

And I think also going back to what Dave talked about earlier as it relates to our off-price or what we're selling into that channel, being also able to manage that in combination with how we think about our wholesale and our own direct-to-consumer, all of that coming together and being able to navigate the last two years should give you an indication of the ability of this team's ability to execute.

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

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

Yeah. I guess, Brian, to add a little bit to that, you touched on air freight, we are, I would say, employing every lever possible to try and mitigate as best we can and keep the experience to our customers and our consumers strong. So, we have used a fair – a lot of air freight this year which we're not excited about, but it's a necessary thing with the challenges that we're all being faced with. And I think as we approach next year, we would expect...
the use of air freight to be something that we would still employ, probably not as much as we did in this year in 2021, but still more than pre-COVID 2020.

And I would say that that is probably going to be more front half calendar 2022 focused which will put a little bit of pressure on gross margin, but it’s helping us to mitigate some of those challenges from a timing perspective and try and keep that impact from being not as significant.

So, it is a work in process. There’s a lot of pieces to that puzzle as we’re driving through, but our supply chain has been excellent in working with our partners, not just the factories, but also our logistics providers to mitigate this as best we can. And so, we feel very good about how we can navigate through and we’re trying to stay ahead of it relative to the POs and the relationships that we have.

Brian Nagel
Analyst, Oppenheimer & Co., Inc.

Great. I appreciate it. Thank you very much.

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

Thank you, Brian.

Operator: Thank you. And our next question will come from the line of Bob Drbul with Guggenheim Securities. Your line is now open.

Robert Drbul
Analyst, Guggenheim Securities LLC

Hi. Good morning. Just a couple of questions for me. Thanks. The first one is you talked about the recent trends in China. I was just wondering if you can elaborate a little bit with what you saw in the quarter and sort of what you’re seeing this quarter to-date and how you have that planned into the fourth quarter.

And then, I think you called out running as a category. I was just wondering if you could give us maybe a little more color on basketball and even the kids business. Thanks.

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

Hi, Bob. This is Patrik. But I think, China, we’re still seeing COVID effects if you like in terms of how the consumer is navigating the landscape. There are lots of ins and outs on a, I would say, weekly or monthly basis in terms of localized closures as it relates to brick and mortar and the traffic in terms of – full price traffic really has not returned to pre-COVID levels yet. It's just the way it is.

And I think we’re also seeing somewhat of a tempered traffic pattern in eCommerce and I think that is – a lot of that has to do with the big platforms, right, Tmall and JD that are seeing also a diminished traffic pattern on their platform. So, the digital landscape in China is shifting. You’re seeing a resurgence of smaller platforms and commercial ventures starting up around these bigger platforms.

And the good news for us, I guess, is that we've made a lot of investments into our digital teams over there over the last few years and when we feel that we’re able to navigate this, this new landscape, but it is a varied
landscape and it isn't necessarily 100% clear how this holiday period is going to pan out in China. So, there's a softness I would say in the traffic patterns in China right now.

Robert Drbul
Analyst, Guggenheim Securities LLC

Can you talk a little about maybe basketball and the kids business?

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

Oh, yeah, basketball and the kids business. Sorry about that, Bob. Yeah, basketball, we're very excited about and this comes back to a little bit what I talked about earlier, both basketball and kids. As we've seen a more normalized back-to-school this year, it's absolutely the case that all of our team sports are doing better and basketball is certainly a part of that.

We're also very excited about our latest release for women that just came into the market and our Breakthru Basketball Shoe, that's been doing great. Our Curry business is doing great. And we just think that there is just a vitality if you like in the team sports business right now that we haven't seen for a few years.

So, and that goes across kids and also basketball, but also the other team sports, American football as well as baseball.

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

And I would just say that in total this year versus 2020, we are seeing youth growth rates higher than kind of the Men's and Women's, which is a great sign as well.

Robert Drbul
Analyst, Guggenheim Securities LLC

Great. Thank you very much.

Operator: Thank you. And our next question will come from the line of Paul Lejuez with Citi. Your line is now open.

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.

Hey, guys. Thanks. Curious, prior to your purchase cancellations that you mentioned, curious how you were thinking about your unit buys for 2022 and how were you thinking about that differently in your direct-to-consumer business versus the units that would be required to service your wholesale accounts.

And then post PO cancellations, how is that unit buy shaking out? So just what percentage did you have to cancel? Thanks.

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

Hi, Paul. This is Dave. We haven't been giving real unit numbers as far as in our expectations, and I appreciate the interest in next year's unit growth, but it's not something we're ready to give color on yet. We'll be talking about
that more on the upcoming call or the one following that, knowing that our fiscal year change happens on April 1 as well. So, we're kind of being careful relative to how much detail we give on the go-forward.

Paul Lejuez  
Analyst, Citigroup Global Markets, Inc.

Okay. Thanks. And just to follow up on a couple of other questions that were asked. You mentioned I think maybe you saw some differences in geographies from a consumer perspective. How would you characterize the promotional environment as you think about the different regions? Are you seeing big differences in APAC versus EMEA compared to the more tame promotional environment that we're seeing here in the US?

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

Hi, Paul. This is Patrik. I'll give you my kind of high-level around the globe, if you like. I think that you're seeing more of a discounted environment in China right now in APAC with softness in traffic patterns. In Europe, we see a pretty interesting phenomenon where actually the consumer has gone back to brick and mortar more strongly than we would have anticipated, actually creating a bit of softness in the eCommerce digital channels, not just for us but also for the pure players in Europe. So, the consumer really is enjoying being back out and shopping in stores, and they're doing so at a let's say premium level. So not really a very discounted level.

And in North America, I think the consumer has stayed in digital and had continued to go back at higher rates in terms of traffic to the stores at a more – and less discounts in an elevated level for us. So, I think, it's a mixed bag across the world. The three regions are behaving a little bit differently right now, which makes it a little challenging perhaps to let's say understand exactly how they're going to navigate through this next couple of months.

But at the end of the day, we feel confident that the forecast that we currently have given today is going to be kind of where we're heading. But it is interesting. I don't think I've seen it like this before where everybody is at different stages with COVID, everybody is at different stages with retail and eCommerce, but in general in the Western world, there is definitely less discounting and more so in China, at least in terms of how we think about our sector right now.

Paul Lejuez  
Analyst, Citigroup Global Markets, Inc.

Thanks a lot, Patrik. Good luck.

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

Thanks, Paul.

Operator: Thank you. And our next question will come from the line of Jonathan Komp with Baird. Your line is now open.

Jonathan Robert Komp  
Analyst, Robert W. Baird & Co., Inc.

Oh, yeah. Hi. Thank you. Just to follow up on the running category, would you say that's the best example for your strategy to move more premium is underway? And when you think about the broader brand metrics, I know you
track a lot of them internally, could you share maybe a couple of insights on the recent movement or improvement you're seeing across some of those metrics?

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

Yes. Hi, Jon. I'm very excited about our running category. It's been a category that we have methodically and strategically and tactically really worked on in a meaningful way since 2018 when we launched our HOVR platform. This year, we came out with our Flow platform with the Velociti Wind and the Velociti SE on the back of the Curry release last year in basketball. And I think, what you're seeing now with Under Armour is really an ability to execute on running head to toe and we're doing that across the globe, which I'm very excited about, in a premium way.

So really what you've seen over the last three years is this running effort evolving into becoming a new platform for Under Armour across both Men's and Women's, across Apparel and Footwear. And we're very excited about the innovation that we continue to drive in this category and how we think about it going forward into 2022 and beyond.

So more to come on this from Under Armour, but we're here. We're in it. We're in it to win it, and we're going to stay in running and do a better job there as we go forward. So very excited about that.

Jonathan Robert Komp  
Analyst, Robert W. Baird & Co., Inc.

Okay. That's really helpful. And then, Dave, just one follow-up. I know you mentioned the stub quarter, the March quarter could grow low-single digits for revenue even with the headwinds that you mentioned. So, should we be thinking that overall you're moving more towards sort of a low – or sort of a mid- to high-single digit growth rate given that Q1 you'll be still low-single digits even with the constraints. Just trying to get a sense of more of the underlying pace that you might be at.

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

So, Jonathan, great question, and I'd love to give you more details on that, but we're not ready to give that exact numbers or impacts yet for calendar Q1 or for the new fiscal 2023 next year. So, definitely appreciate the question.

We wouldn't call out the impact of the supply chain cancellations if it was not material. So, it is definitely a pretty big impact. But kind of giving a normalized or run rate growth isn't something that we're ready to give at this point, but definitely appreciate the question.

Jonathan Robert Komp  
Analyst, Robert W. Baird & Co., Inc.

All right. Understood. Thanks again.

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

Thank you.
Operator: Thank you. This concludes our question-and-answer session for today. Everyone, this also concludes our webcast and conference call today. Thank you very much for your participation. You may now disconnect. Everybody have a wonderful day.