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MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, everyone. Thank you for standing by, and welcome to the Transition Quarter Ended March 31 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]

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

**Lance Allega**  
*Senior Vice President, Investor Relations & Corporate Development, Under Armour, Inc.*  
Good morning, and thank you to everyone for joining us for Under Armour’s transition quarter ended March 31, 2022 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 May 6, 2022. Statements made are subject to risks and uncertainties 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.underarmour.com.

It is important to note that the ongoing uncertainty related to COVID-19 and its potential impact to the global retail environment could continue to impact our business results.

We may reference non-GAAP financial information on today's call including adjusted and currency-neutral terms, which is 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 also 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 today on today's call is Under Armour President and CEO, Patrik Frisk; and CFO, David Bergman. Go ahead, Patrik.

**Patrik Frisk**  
*President, Chief Executive Officer & Director, Under Armour, Inc.*  
Thanks, Lance, and good morning to everyone. On today's call we'll review results from our transition quarter that ended March 31, 2022 and provide our initial outlook for fiscal 2023. Having successfully executed a multiyear transformation after delivering the best year in Under Armour's history in 2021, results for our transition period came in lighter than we had expected due to ongoing supply challenges and emergent COVID-19 impacts on our Asia-Pacific business. These trends, which we believe to be temporary, are also expected to impact how fiscal 2023 is shaping up.

Dave will discuss these elements later in our call, yet despite these near-term headwinds, I’d underscore the confidence we have in our long-term growth potential.

Over the past few years, following the completion of the multiyear transformation, including work to re-center our strategy, operations, and financial discipline, we strengthened our brand to deliver higher-quality revenue and are managing our business for improved profitability including improved margins, cash flow, and return on capital.
The engine that makes this model work most efficiently is profitable top-line growth. This is my number-one priority as CEO. We believe our direct-to-consumer Footwear, Women’s, and International businesses will drive this growth over the long-term. Across these drivers, our growth strategy is anchored in five platforms engineered to accelerate our ability to scale and grow the Under Armour brand.

First, is consumer centricity which lies at the core of our reason for being. To activate our purpose of empowering those who strive for more, we are committed to having a deep understanding of our athletes, their functional and emotional needs, and their behaviors and preferences as they complete their journey from discovery to purchase to advocacy. By incorporating insights, data and analytics, we work to ensure we evolve as consumers evolve, creating repeatable connection points.

Our second platform, product engine, is the creation of industry-leading innovations. These inventions wrapped in art enable athletes to train, compete, and recover at the highest level possible. Leveraging consumer insights ensures our product is optimized for performance, style, and cultural relevance. Through our train, compete, and recover architecture, our cost and focus is on delivering tangible performance advantages to drive loyalty, always ensuring we deliver products that athletes didn’t know they needed and now can’t imagine living without.

Third is our go-to-market platform, which is how we manage the marketplace, balancing product creations, storytelling, and experiences, with strong commercial relationships among our wholesale partners. We made considerable progress here by optimizing our work process calendar, delivering increasingly better segmentation and ultimately ensuring that wherever and whenever we show up, consumers are engaging with us the brand-right premium way.

Fourth is end-to-end planning which is another Under Armour innovating product platform. As we work to solve complexity among our product creation and lifecycle management, sustainability, logistics and financial forecasting, we’re collaborating on ways to bring supply chain discipline, company functions, suppliers and customers in sync to create the most optimal ecosystem possible. Having completed work on many of the individual components of this effort, we are now focused on connecting them to get even sharper and more efficient as we grow.

Finally is omni-channel excellence, which targets delivering a seamless premium experience across all brand touchpoints. By establishing a voice of the consumer capability, we’re utilizing a channel agnostic approach to map an athlete’s purchase journey identifying and reducing friction points along the way. Furthermore, harnessing the power of our eCommerce platform to improve performance and speed along with endless aisle, Buy Online and Pick Up In Store, and flex payment capabilities for driving a more enjoyable digital experience.

Adding even more horsepower to this effort and taking lessons learned from the successful program implemented in China over the past year, we plan to launch a loyalty test pilot in North America by the end of 2022. This program will engage consumers more deeply with all facets of our human performance system by our content, events, rewards and community-based interactions, all to make the focused performer better.

Additionally, we continue to evolve our Brand House and Factory House store concepts, strengthening our ability to deliver an efficient and well-balanced multichannel experience.

When combined, these platforms activate the powerful ecosystem of how we show up to empower and deliver performance for Under Armour athletes. At the short point of connectivity and inspiration, we lead with team sports and our incredible roster of sports assets, and so far in 2022, we’ve seen incredible examples of Under Armour making this happen.
Starting in basketball, we were thrilled to see 29 Under Armour NCAA teams qualify for this year's men's and women's March Madness tournament and they left it all on the court, playing with 100 grit and swagger that our athletes are known for. By starting and ending the season in first place and playing in our women-specific Flow Breakthru 2 shoes, the South Carolina women's basketball team brought their second national championship home to Columbia. Built and designed for women, the Breakthru 2 is optimized anatomically for the best fit, support and grip on the court. Looking to this fall, we're excited to add Number 3 to this highly-coveted franchise.

In the NBA, Stephen Curry hit a record 16 three pointers on his way to 50 points to win MVP in his 8th consecutive All-Star Game appearance in February wearing his signature Curry 9 basketball shoe. Steph's impact off the court is equally impressive and Under Armour is proud to stand with him having donated to the Cleveland metro school district to support their basketball programming.

In the other conference, Joel Embiid is having his best year ever, becoming the first international player in history to win the NBA scoring title and is in the running for overall MVP for the current season.

We are also honored that our partner Dow and Under Armour won gold at the 2022 Edison Awards in the performance-based design category. The rubberless unitsole technology used in our UA Flow lightweight basketball and running shoes was designed to bring energy return shock absorption and traction to enhance field, cushion, and speed without sacrificing durability. We are proud of the work we've done together with Dow to bring this innovative technology to market that serves our purpose of making athletes better while improving manufacturing efficiency and reducing material usage.

From a global football perspective, we recently announced our partnership with Aston Villa center-back and captain, Tyrone Mings in addition to our training product and his boot of choice, the UA Clone Identical, Mings cited our values as a significant factors in signing with us, which is well-aligned with his plan for community give-backs and empowering access to sport. This is an outstanding example of how Under Armour being purpose-led is attracting the talent we believe exemplifies the balance necessary to build an eternal brand.

Next up, Major League Baseball is well under way, and we're excited to watch our athletes build on their momentum from last season, from Bryce Harper's 2021 national MVP and his signature UA Harper 6 Cleat that delivers speed, traction and power, to Freddie Freeman building off last year's World Series performance, there's another fantastic season of baseball ahead of us.

And we'd be remiss not to call out Jordan Spieth for taking home his 13th PGA Tour victory with his RBC Heritage triumph in Hilton Head pulling out a win following a sudden death playoff. Building on the excitement of this win, we're also incredibly proud to share that our 10-year partnership with Jordan has been extended by another four years through 2029.

These are just a few examples of how we drive brand affinity utilizing the best athletes on the planet, a halo that manifests itself through our run, train, and recover products, and in the second-half of 2022, we have several exciting innovations coming.

In our run business, we are driving loyalty through our innovation franchises, a strategy that hits two of our long-term growth drivers, Footwear and Women's. Translating success from our basketball business, we are excited to launch our first-ever women-specific running Footwear with the UA Flow Synchronicity expected this fall. With the midsole optimized for ground feel and geometry engineered around her anatomical differences, we see this as a game-changer in how Under Armour makes her better.
Also launching this fall are reimagined versions of two of our most popular HOVR franchises. The UA HOVR Phantom 3 delivers improved stepping comfort with newly-developed knit advancements and for the very first time a 100% full HOVR platform for even more advanced cushioning. The UA HOVR Infinite 4, a long-distance running shoe, features less rubber under foot for a more flexible sensation balanced by a firmer carrier for a more efficient foot plan as the miles fly by.

We're equally excited about upcoming apparel launches as well. A few highlights in our train business includes expanding our high-performance UA RUSH technology this fall. RUSH is designed with mineral lined fabrics to return infrared energy to your body helping you work harder and recover. Combined with our seamless and smart form technologies, we're redefining fit, form, and function across performance tops, bottoms, and bras.

And finally, when athletes recover consistently, they're able to push themselves to become better, enabling higher performance levels than ever thought possible. In this respect, it's time we reinvented a classic, and we're doing just that. This fall, we are launching our next evolution of fleece across all collections. This new incredibly warm and lightweight material will be featured in one of Under Armour's most popular franchises, Armour Fleece, with an improved athletic fit, premium finishing details, has the right amount of stretch. Additionally this [ph] false fleece fills (11:42) over 80% sustainable recycled fibers on our way to targeting 100% recycled materials in 2023.

Another highlight, and in-line with our core value of acting sustainably, are our investments in amplifying our sustainability efforts, including building a new global headquarter here in Baltimore. This new brand center will help fuel our next chapter of growth and our goal of using 80% renewable energy by 2025 and a 30% reduction in greenhouse gas emissions by 2030.

Within sustainability, we are focused on three main areas. First, from a materials perspective, we are working to redefine yarns to include fabrics that have improved stretch, dry faster, perform better, and most importantly, are 100% recyclable.

Second, from a chemistry standpoint, we are leveraging solutions and high efficiency dying processes that yield improved colors while reducing water usage and improving wastewater quality.

And finally, from a process viewpoint, as we continue to utilize even more recycled material in our own manufacturing methods, we are working hard to establish a circularity model to ensure we're leaving our home field cleaner and less depleted than before. More will come on this when we release our 2022 Sustainability Report, which is expected this fall.

Turning to our longer-term view, I'd like to emphasize my confidence in the balance we struck among our strategic operational and financial principles to fuel sustainable, profitable growth, and while we work down to grow the brand over the past few years has come to fruition, growth for the company, at least in fiscal 2023, will be tempered compared to how we see the trajectory developing in the years that follow.

I'll close by underscoring that Under Armour is a growth company with an incredible opportunity ahead of us. Our fundamentals are strong, our underlying brand strength is improving, and our confidence remain unchanged. That said, it's essential to look past near-term pressures and focus on the long-standing influxes, the price of freight, supply chain challenges, and COVID-19 are not as powerful as the global passion for sport. I'm confident that we are well-positioned to deliver on our promise of growth as we work through 2023 and beyond.

And now, I'll turn it over to Dave.
David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

Thanks, Patrik. With that, let's review our results for the transition quarter that ended March 31, 2022. Our revenue increased 3% to $1.3 billion in the quarter compared to the prior year. As a reminder, we mentioned on our last call that we expected transition quarter revenue to be up at a mid-single-digit rate. That expectation included an estimated 10 percentage points of revenue headwinds related to reductions in our spring/summer 2022 wholesale order book from supply constraints associated with ongoing COVID-19 pandemic impacts.

Since providing that outlook, our APAC revenue has been affected by inbound shipping delays driven by COVID-19 disruptions. In addition, we encountered restricted store hours and store closures in China due to COVID-19, which caused significant reductions in retail traffic. Together, these developing challenges weighed on our transition quarter revenue by about 1.5 percentage points, so revenue would have been in the middle of our expected range excluding the impact of these events.

Clicking into revenue by channel, Wholesale was up 4% to $829 million, driven primarily by increases in our distributor and off-price businesses. Keep in mind our off-price business was still within 3% to 4% of our total revenue, where we expect it to remain for fiscal 2023.

Our direct-to-consumer business was up 1% with 2% growth in eCommerce sales and flat results in our owned and operated stores. Of this, eCommerce represented 45% of total DTC sales in the transition quarter.

Our licensing revenue was up 23%, driven by a timing shift in APAC and solid growth in North America.

From a regional perspective, North America revenue was up 4% to $841 million, including growth in our Wholesale and DTC businesses. EMEA saw strong results with revenue up 18%, driven by growth in our Wholesale and DTC channels. Revenue in Asia-Pacific was down 14% due to COVID-related inbound shipping delays and challenging market conditions amplified by retail store closures and restrictions in China. And in Latin America, revenue was down 6%, impacted by shifts in our business towards a distributor model which we completed in the third quarter of fiscal 2021.

By product type, Apparel revenue was up 8%, primarily due to strength in our train and team sports categories. Footwear was down 4%, primarily due to COVID-19-related supply constraints. Despite this, we saw growth in our train and outdoor categories.

And finally, our accessories business was down 18%, due to expected lower sales of our SPORTSMASKs compared to last year, which we anticipate normalizing by the second quarter of fiscal 2023.

Our transition quarter gross margin fell 350 basis points year-over-year to 46.5%. This was driven by: 330 basis points of COVID-related supply chain impacts driven by elevated freight costs, particularly for ocean freight, which came in considerably higher than we had expected, along with increased air freight utilization; 80 basis points of unfavorable channel mix related to higher sales to the off-price and distributor channels, which carry a lower gross margin; 30 basis points of unfavorable regional mix; and 20 basis points of negative impact from changes in foreign currency.

These headwinds were partially offset by 120 basis points of pricing improvements due to better pricing of sales to the off-price channel and lower promotional activity within our DTC business.
SG&A expenses were up 16% to $594 million, primarily due to increased marketing investments, higher salaried and non-salaried workforce wages due to last year’s compensation increases for our teammates, and higher consulting services.

Related to our 2020 restructuring plan, we recorded $57 million in the transition quarter, bringing our planned total to $571 million of pre-tax restructuring and related charges. And with this, I am pleased to announce that we do not anticipate any further charges under this plan. And, thus, our 2020 restructuring plan is now considered closed.

Next, operating loss was $46 million in the quarter. Excluding restructuring and other charges, adjusted operating income was $11 million, which was below our outlook due to lower-than-planned APAC revenue and higher freight costs.

After-tax, we realized a net loss of $60 million, or $0.13 of diluted loss per share in the quarter. Excluding restructuring charges of $57 million, our adjusted net loss was $3 million, or $0.01 of adjusted diluted loss per share.

Moving to the balance sheet, at the end of the transition quarter, inventory was down 3% to $824 million, driven primarily by inbound shipping delays due to COVID-related supply chain pressures.

Our cash and cash equivalents were $1 billion. And we had no borrowings under our $1.1 billion revolving credit facility.

And we’re putting that cash to work. In February, we announced our share repurchase program, a two-year $500 million authorization that helps create value for shareholders. Having already executed $300 million of this program, we’re well underway.

Next, let’s dive into our fiscal 2023 outlook. Given our fiscal year change, please keep in mind that the comparable periods we are using are the corresponding quarters from the trailing 12-month period from April 1, 2021 through March 31, 2022. Accordingly, we’ll refer to this as our baseline period.

With that, let’s dive in. As supply challenges and COVID-19-related impacts in China conspired to impact fiscal 2023, we expect these headwinds to impact Under Armour in the near-term with more positive momentum developing as the year progresses, and what we believe to be temporary issues normalize. As a reminder, the achievement of our outlook is dependent on current macroeconomic factors, including supply challenges, COVID-19 impacts, inflationary pressures, and geopolitical risks not getting worse from what we are seeing today.

With that, we expect revenue to be up 5% to 7% in fiscal 2023 compared to the baseline period of $5.7 billion, reflecting mid-single-digit growth in North America and low-teens growth in our International business. This expectation includes approximately 3 percentage points of headwinds related to our strategic decision to work with our vendors and customers to cancel orders affected by capacity issues, supply chain delays, and emergent COVID-19 impacts in China.

To click down a bit more, we expect the first half of fiscal 2023 to be the most heavily impacted by order cancellations and supply chain delays. We also expect the emergent COVID-19 impacts in China to lessen as the year progresses. As a result, we expect total company sales growth to gradually improve as the year develops with our highest year-over-year revenue increase expected to be in our fourth quarter.
For gross margin, we expect the full year rate to be down 150 basis points to 200 basis points from the baseline period rate of 49.6% due to expected inflationary pressures on freight and product costs, unfavorable channel mix, and changes in foreign currency. We anticipate our most significant declines in gross margin to be in the second quarter as elevated freight costs, particularly for ocean shipments, peak against our year-over-year comparisons. And then, as these costs find balance, we expect a smaller decline in the third quarter with year-over-year gross margin improvement anticipated in the fourth quarter as we finish out the year.

From an SG&A perspective, we expect total spending growth to be slightly below our 5% to 7% revenue growth rate in fiscal 2023, as compared to the baseline period.

Considering these factors, we expect fiscal 2023 operating income to reach $375 million to $400 million compared to the baseline period of $424 million in adjusted operating income.

As a percent of revenue, this represents an operating margin of approximately 6% to 6.5%, which compares to a baseline period adjusted rate of 7.4%.

We expect diluted earnings per share for the fiscal 2023 to be in the range of $0.79 to $0.84 versus a comparable baseline of $0.47. This includes a $0.28 benefit from a favorable tax allowance release related to anticipated profitability in key tax jurisdictions we expect to realize in the fourth quarter.

Of this $0.28 benefit, $0.16 of this amount is related to prior restructuring charges, and therefore, our adjusted diluted earnings per share is expected to be between $0.63 and $0.68. This compares to adjusted diluted earnings per share for the baseline period of $0.68.

Next, I'd like to provide some color for the first quarter of fiscal 2023 where we expect revenue to be flat to down slightly versus the prior year quarter. This includes about 10 percentage points of headwinds from proactive reductions and cancellations to our order book due to COVID-19-related supply constraints previously discussed.

Due to higher freight costs, we expect our first quarter gross margin to be down approximately 250 basis points compared to the prior year.

Taking this to the bottom line, we expect a first quarter operating income of $25 million to $35 million. This should translate to $0.02 to $0.03 of diluted earnings per share.

In closing, we are on offense, even amid this continued, highly-uncertain environment, and though the year ahead faces temporary headwinds, we are confident that the work we have done to transform our business along with the strength of the Under Armour brand sets us up to grow more meaningfully, delivering sustainable, profitable growth over the long-term.

Now, we'll turn it back to the operator for questions. Operator?
QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from the line of Jay Sole of UBS. Jay, your line is now open.

Jay Sole
Analyst, UBS Securities LLC

Q

Great. Thank you so much. I guess, I just want to ask about the revenue guidance for the fiscal year, talking about mid-single-digit growth rate in North America. Could you just talk about where that growth is going to come from, whether by channel, by product category? Thank you so much.

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

A

Yeah, Jay, this is Dave. You know, we haven't really broken it down too much yet in detail within the release, but in general, we did say that for the full year, we expect North America to be mid-single-digit and for International growth to be low-teens.

If you break that down a little bit further, we definitely believe Footwear will be growing much higher than our Apparel growth, and we think about some of the supply challenges we've been talking about more affected Footwear last year as well. So definitely expecting Footwear to grow a fair amount faster than Apparel in fiscal 2023, but we're not actually breaking down by channel at this point.

Jay Sole
Analyst, UBS Securities LLC

Q

All right. If I could follow-up then, maybe, Patrik, you talked about your confidence in the long-term outlook. Could you sort of maybe connect what fiscal 2023 is going to look like versus your longer-term view of what kind of sales growth you expect from Under Armour and what kind of margins you expect?

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

A

Sure. I think, first of all, thanks for the question, Jay, and I just wanted to make sure that I set the record straight a little bit here. We came into our last call being very adamant that we saw some of these developments that currently are still with us here on the supply chain and logistics side. What we weren't seeing as visibly at that point in time was what happened towards the end of the last quarter which was the developments in China, and also the even further acceleration in freight costs.

All of these things being what we believe are temporary and of course, there's a somewhat of a frustration I would say in the team because we do feel that we have demand for the brand in the marketplace across the world, and the actions that we've taken both in the quarter that we just came out of where we had also pulled back on our order stock simply to make sure that we could get things here in time, again staying disciplined making sure that we're not getting ahead and top of our skis in terms of building too much inventory in an uncertain environment.

The same thing plays into 2023, right? Like Dave just said, we have a 10-point headwind just in the first quarter in orders that we've canceled and that demand that was actually there. So there's certainly a bit of frustration but at the same time, it's temporary. The underlying demand for the brand is there. The brand is getting stronger. The
work we’ve done around transformation is working. Our operating model is foundationally – the fundamentals are really good right now for us. So we have to get through this temporary time that we’re in right now, get out on the other side, and like Dave said and I also said in my script, we feel good about growth going forward, and also we feel good about an ability to continue to grow our margins back again.

So, this is a temporary state for this brand, and there’s certainly a bit of frustration in the teams because we had to make these decisions that if we hadn’t made them, we would have been sitting most likely with inventory coming in late and we want to continue to stay disciplined. We’ve done so much great work over the last few years, making sure that we have the right level of inventories.

We came again into this quarter, I would say even lean, right, with a negative 3% inventory. Would I like to have that a little bit higher? Probably, right, at this point, but reality is also when I look at it longer-term, we will start to build back inventory in the back half of the year, to Dave’s earlier point, and we’ll start to get healthier from a revenue growth perspective as well in the back half of the year as we accelerate out of this temporary situation.

So I just wanted to give a little bit more color for everyone on the call in terms of how we see the situation right now.

And Jay, maybe to take that a little bit further – this is Dave – we talked about the 3 percentage points of headwinds in fiscal 2023, so if you kind of adjust it for that, you would point to an 8% to 10% kind of underlying range for fiscal 2023. But based on where we are with our relationships and where we are with our long-term planning, we see fiscal 2024 with the ability to grow more than that.

So, we’re excited about that, we’re excited about continuing to improve gross margin after fiscal 2023, and then also even deeper leverage on the SG&A with all the cost structure work and finally bringing our restructuring plan to closure. So definitely excited about launching into fiscal 2024.

Got it. Very helpful. Thank you so much.

Operator: Next question comes from the line of Matthew Boss of JPMorgan. Matthew, your line is now open.

Great. Thanks. So Patrik, to your comments there, so a number of moving parts that are outside of your control, but is your overall assessment that you’re getting at that underlying demand for the Under Armour brand today relative to three months ago is unchanged?

And then, Dave, just on the 5% to 7% revenue outlook for this year and your visibility, I guess what are you seeing in terms of the order book, visibility, and the supply situation as you see it today? Just trying to get a sense of your confidence in the 5% to 7% today given the moving parts.

President, Chief Executive Officer & Director, Under Armour, Inc.
Sure, Matthew, I'll take the first part of that. Yes, the demand is there, the same way it was on our last call. And again, I reiterate, remember we had to cancel product in the transition quarter. We talked about that already actually last fall in our earnings call last fall, the last one for the year. And again, in February, we talked about it, and we also then mentioned as visibility we had into the first part of 2023, that they now quantified for you today but the underlying demand is there.

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

And Matthew, I guess further your question more towards my angle, I would say that from a revenue perspective, we've got on the Wholesale side very good visibility for the first three quarters based on orders that we have, and we're comfortable with that. Q4 is something that we'll be kind of working through here in the coming weeks. So I would say that we have very good visibility so far on the Wholesale side.

DTC side, I think we're planning very appropriately based on traffic and what we're seeing and our ability to drive conversion, and then when you think about the supply chain side, we've talked a lot about this on the last few calls about how the constraints with the factories created situations with the delays and the cancellations that we've had to proactively work through. But our supply chain team is not sleeping. They are pushing hard for us every day and we believe that the availability is really going to open up for us in the back half of this year, especially as we kind of go through and finish out Q3 and start running into Q4 more uninhibited by some of these issues.

So I think we'll see a more complete quarter for us in Q4 and then really driving without these headwinds, per se, in fiscal 2024.

Matthew R. Boss  
Analyst, JPMorgan Securities LLC

Great. And then, Dave, on the gross margin outlook for the down 150 to 200 basis points, so if we think outside of freight, could you just help walk-through the assumptions you're embedding on underlying merchandise margin specifically promotions and pricing?

And I guess my point is, what's the overall health of full-price selling in the athletic channel? Again, a number of moving parts, but is the athletic inventory situation today any different than again what it was three or six months ago as we think about pricing and promotion and the rational environment, that I think we talked about on this call.

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

Yeah, I can start, Dave, by just giving a little bit of color around, what I see in the market, and then you can dig into some of the more detailed nuances there.

I would say that I think it's mixed at this point in terms of how I think about what's going on with inventory in the marketplace. One of the reasons why we have been so, let's say, considerate, in terms of how we have approached the inventory in the transition quarter and also in the beginning of 2023 is that we did not want to be getting product in late, that we would have to drive through a promotional liquidation. To Dave's earlier point, I mean, we're still looking to keep our liquidation number in that 3% to 4% range in 2023 and we see no reason why we couldn't do that and a lot of that is because we have been so diligent around this.
How that plays out for other players in our space, I think will depend on where you are in the world in terms of geography, but also in terms of how much product you have order potentially that might come in late, et cetera. So I think we'll see a mixed view here as we develop into the year a little bit more because simply, there's going to be pockets of inventory here and there, that is going to have to be liquidated. And that's not necessarily the case for Under Armour though.

Dave, do you want to add any more color?

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

Yeah, I mean, I guess a little bit more detail kind of on the year-over-year gross margin walk. As far as the headwinds, the largest we see is the freight cost mainly around ocean freight. We don't anticipate that to settle very much this fiscal year. And then the other piece of it is product costing, it's — when you think about the materials and the labor and the impacts of inflation, so we're feeling some of that as well.

Now, we are working to counter that with some price increases, but that work and the actualization of that isn't going to be until a little bit in Q3 and then more so in Q4 and then more of a full benefit of that in fiscal 2024.

Relative to region mix, not really much change or impact there on gross margin. As far as channel mix, there's a little bit of a headwind there with a little bit higher mix of distributor sales, which are a little bit lower gross margin. And then, we do have a tiny bit of headwind relative to Footwear growing faster than Apparel and Accessories. And obviously, Footwear, for us, we've talked about is a little bit lower gross margin than our Apparel.

But as far as a kind of promotional discounting aspect, we are not intending and nor are we planning on a big difference from 2021 at this point. We want to continue to hold premium and drive the brand.

Matthew R. Boss  
Analyst, JPMorgan Securities LLC

Great color. Best of luck.

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

Thanks, Matthew.

Operator: Next question comes from the line of Paul Lejuez of Citi. Paul, your line is now open.

Paul Lejuez  
Analyst, Citigroup Global Markets, Inc.

Hey, guys, thanks. I'm curious if you can talk about, are there any regions where you're seeing orders getting cancelled for demand reasons, rather than you guys working with your partners from a supply chain perspective, or is it all with you guys working with those guys — I mean, with your partners to make sure inventories stay clean? So just want to make sure I'm clear on whether or not you are seeing demand-driven cancellations at all.

And then just going back to the pricing question, how are you approaching pricing in trying to pass through higher prices on a regional basis? Where do you think you have more pricing power versus the regions where maybe you don't?
Hi, Paul. Yeah, I'll kick it off here. David, maybe you want to add a little bit on the pricing at the end. I'll give some color on that, too.

No, we're not seeing cancellations because of demand not being there, that's number one. Two, in terms of pricing, we're being careful in terms of how we think about pricing. It's not an across-the-board approach. We're being very thoughtful about how we do it in terms of our families and the product categories and the regionality of it all. But we see opportunity, we absolutely do.

And we have looked through, let's say, every single product that we make and we're making the appropriate adjustments where we feel confident that we can drive them to and sustain them, right? So there's opportunity here, we think, to sustain price increases here, on the back of also building a more premium brand, again. And that's really important as part of this journey that we're on. So we are making great progress there. But to Dave's point, again, it's going to be successively coming into play here throughout this year and then be fully implemented in 2024.

Dave, I don't know if you have any more color you'd like to add there?

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

No, I mean, I think that pretty much sums it up. I mean, we've been able to do some pricing action for fall/winter 2022 product, and then a fair amount more that we're executing for spring/summer 2023 product, and then there's a little bit of trail-out of things we still want – believe we have opportunity in, in fall/winter 2023.

So again, it'll be a build of the benefit on that pricing, but it's been very strategic, not generally across-the-board increases, but in areas where we really feel from a price, value, and innovation perspective, we have some opportunities. And we're excited to be able to drive that through and feel the benefit of that as we go further into the year.

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.

And, Dave, what sort of range should we be thinking about in terms of what you've already taken and what you plan to take in terms of price increases?

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

Well, we're not getting into that much detail publicly, but I would say that the majority of the benefit we will see towards the very end of Q4 and then a full-year run rate benefit in fiscal 2024. As far as the actual percentage increases, they vary depending on the product. It's very specific and targeted. It's not a broad X percent change.

Paul Lejuez
Analyst, Citigroup Global Markets, Inc.

All right. Thanks. Good luck.
David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

Thank you.

Operator: Next question comes from the line of Sam Poser of Williams Harding [sic] [Trading]. Sam, your line is now open.

Sam Poser  
Analyst, Williams Trading LLC

Williams Trading. Thank you very much. Let me ask you this. I'm going to go back on to the pricing. Is the pricing, like how much new product do you have as a percentage? And on the new product, are you including that as price increases? You brought up the new fleece that you're bringing in for fall? Is that something that is now 15% higher than it would have been a year ago because of all of this? I mean, or do you have to cycle through a new crop to bring enough new product in to get the payoff for the price increases that you're planning into 2024?

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

Yes, Sam...

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

Hi, Sam. It's Patrik. Maybe I'll start, Dave, and you can take it on the back. So, I just wanted to add some color there, because you were specific about some product. I think it's a combination, Sam, because, of course, a great opportunity is when you're actually introducing something new. And to your point, we have great newness coming in, in certain categories. And when we do that, that's absolutely an opportunity for us that we're going to take, and so that's correct.

So, Dave, do you have something else you want to...?

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

Yeah, no, it's definitely both to your point, Sam. And I think that there's definitely going to be a lot of opportunity relative to carryover styles as we start to ship them back in for the coming seasons. What we have not been doing much of is going out on the floor and re-ticketing what's out there. That has not been something that we've been pursuing a lot. It's more as we've been shipping into next season or, to Patrik's point, as we're launching new product. But it is a combination of both.

Sam Poser  
Analyst, Williams Trading LLC

So it just takes time to cycle through. And then, secondly, Patrik, you mentioned your confidence of how – of the direction that you're going. We have a pause because of some external factors, but looking back, is there anything, any indicator you may have missed earlier that you sort of hit yourself in the head and said if we had just responded to this three months earlier, we sort of saw it, but didn't take it as seriously as we should have, anything that you could – would have/could have kind of situation?
Well, I think, yeah, I think it's a great question, Sam. And believe me, you, I've spent many a night trying to pound that one through. But here's the reality. Could we have potentially, right, if you think about where we were in fall, and I'll just take everybody here back a little bit in time.

If you think about where we were last fall, when we were starting to experiencing the shutdowns in the factory base, and some of the impact that had, it was all like a rubber-band effect, right? It took some time to – and then it kind of accelerated and then actually you didn't have a lot of effect in the back half of last year. Rather, you had an effect coming into this year and our stub quarter.

And when we saw that developing, first of all, we didn't know how long we were going to be constrained. So we took the kind of the high road of saying, you know what? We're going to make sure that we can make the things that we can deliver as much on-time as possible, because we actually don't know, we don't have visibility right now to how much of a delay it's going to be. We could have at that point said no, let's make all of it, and gamble and then maybe sell some of it in future season.

I come back then to the discipline that we have been driving for the last three years, ever since 2018, if you remember, we've continued to wash through old inventory, get our inventory levels in check, improved our balance sheet to make sure that we're able to build a less-promotional, more full-price, more premium brand again. And I think we've been very successful with that, and that's what I mean in terms of the demand that we now see and also, the premiumization that we're coming back to in the brand.

So we could have done some of that, but we chose not to. And we took the same approach here early in 2023 (sic) [2022] where we also had the demand to Dave's earlier point, 3 points for the whole year and 10 points just in the first quarter of demand that was there.

The orders that we canceled because we knew that we were not going to be able to make it in time, and when I say in time, like way in time, right? So this isn't like 15 days, 30 days, it's much more than that. So it would have been high-risk for us. And in an environment where you have so much uncertainty, where COVID is still playing into things, where actually supply chain continues to play into things, we just did not want to jeopardize future seasons for short-term maybes at this point. And those were the decisions we made that were based on external circumstances. So that's the kind of color I can give you on that, Sam.

Sam Poser
Analyst, Williams Trading LLC

And I have one last thing. The average selling prices on your direct-to-consumer in the quarter year-over-year, could you give us some color there?

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

Dave? Dave?

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

Yes. And we haven't normally given that level of detail at this point.
Sam Poser
Analyst, Williams Trading LLC

But this isn't normal times, and it sort of talked to the health of the business. So I think maybe you could make an exception for today if you have it on hand?

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

We can circle back with you.

Sam Poser
Analyst, Williams Trading LLC

All right. Thank you very much. Good luck.

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

Thank you, Sam.

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

Thank you.

Operator: Next question comes from the line of Simeon Siegel of BMO Capital Markets. Simeon, your line is now open.

Simeon Siegel
Analyst, BMO Capital Markets Corp.

Thanks. Hey, guys. Good morning. Can you guys – how are inventory units versus the reported dollar change on the balance sheet? And then maybe to follow-up on that, that last one a little bit, within the 5% to 7% revenue growth, can you tell us how you're thinking about AUR versus units?

And then just with today's guidance bringing annual gross margin closer to the pre-pandemic levels, just how are you thinking about the right long-term gross margin level? Thanks, guys.

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

So, a couple of things. Relative to inventory, obviously, we have seen the cost of our inventory go up a little bit. So relative to that, it is more of a, units down than the actual inventory value or cost. And that's something that we would expect to, as we continue through the year, we know that our costing on inventory will continue to go up a little bit as we've discussed in our gross margin outlook.

And then relative to kind of a price-mix perspective, we do see pricing continuing to be something that has been a little bit stronger for us and therefore, the unit growth has been a little less than the pricing difference. And that's something that we want to continue driving.
Simeon Siegel  
Analyst, BMO Capital Markets Corp.

And then long-term gross margins?

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

Long-term gross margin, again, this year is more of a temporary situation, we believe, which is a lot of it is dealing with the freight situation, not just the ocean freight costs but also air freight utilization. And we believe that as we get into fiscal 2024, we'll see much more positive improvement relative to that front.

And then as we go forward long-term, we do believe that there's a lot of opportunity there to be able to get to that 50%-plus gross margin when you think about the APAC growth and that being a higher gross margin region for us, when you see the over-indexed growth that we're continuing to drive in the longer-term relative to direct-to-consumer as a mix of business and the gross margin benefits there as well. We will continue to see a little bit of long-term gross margin headwind because of the Footwear mix and intending to grow Footwear faster than Apparel. But we believe that the other opportunities would more than offset that.

Simeon Siegel  
Analyst, BMO Capital Markets Corp.

Great. Thanks. And then just one quick one, if I can. Just given where the shares are, you guys are obviously new to the repurchase game with the new authorization, so if there's any way to help us think about how you want to approach repurchases?

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

Yeah, I mean, right now, we executed the initial $300 million ASR of the $500 million commitment, and obviously, we'll be looking over the next year to two years on the right times to fulfill the remainder of that, the remaining $200 million.

Outside of that, we continue to look at our long-term planning and our long-term capital and the uses of that capital. We're not right now at a point where we're going to give an indication of, if we're going to roll right into another program or not, but it's definitely something that we continue to look at.

Simeon Siegel  
Analyst, BMO Capital Markets Corp.

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

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

Thanks.

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

Thanks.
Michael Binetti
Analyst, Credit Suisse Securities (USA) LLC

Hey, guys. Thanks for taking our questions here. I guess on SG&A, we're just looking at the math you guys laid out for the year versus the quarter. It looks like SG&A spend goes from like 9%, 10% in the first quarter down to like 1% to 4% rest of year. It's obviously below where it's been running the last few quarters. Is that a good run rate as you think out longer-term? And maybe a little bit of color on what slows in the spending lines after the June quarter to help us think alongside you there. And then it was nice to see, I guess we're looking at things on a three-year basis if you go back before COVID, it's nice to see the acceleration in D2C in the quarter in total versus December quarter. I'm curious on wholesale, though.

Thoughts on wholesale inventories in the channel today, what you're seeing from competitors. I know you said you don't have as much inventory as you wanted, Patrik, but do retailers in the US have enough in general, or are they still hungry, or are you starting to see inventories build?

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

Yeah, I think I'll start there, Dave, and then you can dig into. I'll start at the end and maybe then hand it off to you. I think what's interesting right now is the fact that I think everybody's inventory is coming in a somewhat disjointed fashion. What I mean by that is it's been hard in our industry to get the right stuff, the right place, the right time.

We might have stuff that you can get into the channel, but it's not necessarily always coordinated, and I think we'll continue to see some of that play out here early in 2023, so I don't think that the inventory levels are extraordinarily high or anything like that at this point in time. It's the quality and the – let's say, the consistency and the composition of it that might be a little bit out of sync, and out of order, so to speak, here and there.

And that's why it's so hard to give an exact indicator of the health of every channel is because it is a little bit helter-skelter in terms of how things have come in. Better in some places and worse in others, and also the same would be – could be said for categories, right? You're delivering some things better than other things.

So that's really what's going on right now. I think it's playing out across categories and across geographies and also across channels. So Dave, do you want to dig in?

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

Yeah, Michael, relative to SG&A, you're correct in that the transition quarter was a pretty high SG&A quarter, and that was planned that way. We actually closed the quarter pretty much right on where we had planned it to be, and that was mainly a higher marketing investment that we had strategically decided to make in the transition quarter, but then also the increased salary and non-salaried workforce wages that we had talked about previously and last year about the investments there.

And when you think about Q1 of 2023, we're kind of continuing that forward for one quarter, and so you do see a higher anticipated spend in the first quarter of the year, and part of that is to continue those investments in brand marketing and give us a little bit of a tailwind from a brand perspective as we push into the back half of the year.
when we have more inventory availability and more ability to kind of run there. So we do anticipate leveraging SG&A and keeping it under that revenue growth rate that we mentioned of 5% to 7%.

I would say that the leveraging is not as significant as I would normally like and that is because of the revenue headwinds that we’re talking about that we believe are temporary. So as we step into fiscal 2024, we would anticipate leveraging SG&A more so than what we’re planning to do here in fiscal 2023. But hopefully that gives you some extra color.

And then would you say, I mean, kind of looks like back of the year you’ve got revenues growing like 7% to 9% and SG&A only 1% to 4%. That’s a considerable amount of leverage. I mean, as you look to 2024, is that – I mean is that an appropriate framework do you think?

That might be a little bit aggressive assumption as we think about 2024, but definitely leveraging better than what you would see full year 2023.

Okay. Thanks a lot, guys.

Thank you.

Operator: Next question comes from the line of John Kernan of Cowen. John, your line is now open.

Good morning. Thanks for taking our question, guys. Dave, maybe you can talk to how you're planning the balance sheet as we go through the remainder of the year. It looks like the stub quarter did see a fair amount of working capital volatility. I think the cash flow from operations earned about – a little over $300 million. How do we plan working capital particularly inventory and the balance sheet as we go through the remainder of the year?

Sure, John. A couple things to think about there. As we go into the back half of the year and the supply chain challenges free up more and we’re able to meet more demand, we will be bringing in more inventory, so you will see the inventory growth go up a little bit in the back half of the year as we buy into that and get ready for that demand that we can actually service better in the back half of the year, and then also going into a bigger growth in fiscal 2024. So you will see that develop from an inventory perspective.
Relative to the rest of working capital, we're continuing to run it very tight. We're in a very healthy AR position. We're in some of the best AR aging positions around the world that we've been in now probably for the last six to nine months versus years back, so cash conversion cycle is still very tight.

The other aspect would probably be from a CapEx perspective. We are going to be investing a little bit more in CapEx this year than we have in the last few years, which hopefully should make sense. We tailored back during COVID and some of those challenges and also during the restructuring periods whereas we've talked publicly about being in that kind of 3% to 5% range CapEx-to-revenue.

We were running more like 2% or less for a few years, whereas this year, we'll probably run closer to the midpoint of that 3% to 5% range, and that is investing in retail store buildouts, that's investing in fixtures and shop-in-shops within wholesale partners around the world, that is investing in omni and digital. But it also has to do with starting to build-out our new long-term headquarters here in Baltimore as well, which we're super excited about for our teammates.

John Kernan
Analyst, Cowen and Company

That's really helpful. Thank you. Just one final question for me. Just how do we think about China within Asia Pac? Asia Pac had been a region that – a big growth region really during the pandemic and during your fiscal 2021. How do we think about Asia and China in fiscal 2023 and 2024?

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

I think – if you think about APAC as a region, the area outside of China – now I'm talking specifically about Southeast APAC, Australia, Singapore, Thailand, et cetera, and also I would say our market in South Korea is doing well. China is what China is right now. And we're affected, like everybody else in that market. And we'll continue to monitor and manage according to how things develop.

Dave, I don't know if you want to give some color on the magnitude of what we see there right now?

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

Yeah, I mean, again, APAC as a region is a very strong area for us to continue to grow. China specifically, as we've talked about, is experiencing some headwinds. We don't see that as a Under Armour brand thing. It is more of a market challenge. And then, obviously, right now, with the lockdowns and store restrictions that we're dealing with. So I think the team is doing an excellent job and we're ready to continue growing the brand there, but there are temporary challenges that we are absolutely experiencing there.

And it's a combination. It's the restrictions and the lockdowns. It's also the impact that that has on transportation and, therefore, our ability to be able to get product to the right place at the right time within China, and then just a little bit of overall softness continuing in the market for many of the international brands that aren't based in China. So a lot at play there, but we're continuing to move through and we see that situation improving a little bit as we get into Q2, and then even more so as we get into Q3 and Q4.

John Kernan
Analyst, Cowen and Company

Thanks, guys. Best of luck.
David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

Thank you.

Operator: Next question comes from the line of Kate Fitzsimons of Wells Fargo. Kate, your line is now open.

Kate Fitzsimons  
Analyst, Wells Fargo Securities LLC

Yes, hi. Good morning, and thanks for squeezing me in. Most of mine have been taken, but I was wondering if you could kind of expand maybe on some of the conversations at your wholesale partners, particularly here in North America looking to FY 2023. How would you – can you just – in terms of like the current health of the relationship – Patrik, you’ve obviously spoken to on the progress there, but when we’re thinking about fall, holiday, have your partners booked earlier, just given some of your supply chain constraints that they’re seeing? And just how should we think about how some of those conversations are evolving looking to spring?

And then, Dave, real quick, just a modeling question. Just any thoughts on the tax rate here in 2023? Thank you.

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

Yeah, sure. Thank you, Kate. From a wholesale perspective, with our wholesale partners in the US, first of all, we’re now through the exit of all the undifferentiated retail, so we’re incredibly focused in the North American marketplace. Our relationships are great, I would say. I would categorize it as the best I have felt about that since I got here. And we continue to make great progress across the board, I would say, so excited about that.

Some disappointment, of course, in terms of our ability to fulfill demand in the stub quarter to some extent, but also early in 2023, but, to Dave’s earlier point, we’ll see inventory start to build back, towards the back half of the year and into our fourth quarter. And I’m excited about the work that the teams are doing. Dave?

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

Yeah, and relative to the tax rate, it’s interesting. There’s obviously a lot going on within our taxes right now, but a couple things to consider. When you think about the benefit that we expect in Q4, that is a valuation allowance that we’re expecting to reverse based on rebuilding profitability and kind of hitting that 36-month trailing profitability factor, so that is definitely a benefit, but we’re looking at a tax rate that’s probably going to end up being in the high single to low double-digit range, when all things are considered.

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

Still there?

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

Yeah.
I think we lost Kate.

Operator? Kate, are you there?

I'm sorry.

[Indiscernible] (01:02:37).

Sorry. And I could just have one follow-up just on that inventory question. You guys are seeking some greater alignment of your supply and demand. How should we think about that prioritization maybe as we think about 3Q and into 4Q between wholesale and DTC, maybe just given some of the wholesale orders? This is the first half of the year and you guys haven't been able to meet that demand, I guess, I should say or [indiscernible] (01:03:05).

Dave, do you want to take it or...?

Yeah, to be honest, Kate, I was having a little bit of a hard time hearing you. I think you were talking about is it inventory availability to service back half demand? Is that what you're getting at?

And where it's going, how we are prioritizing it is what I heard.

Yeah, sorry.

...how we are prioritizing [indiscernible] (01:03:27) yeah. Yeah. So I think – yeah, Dave, go ahead.
Yeah, I was going to say, again, we do see a lot more availability opening up in Q3 and Q4, especially Q4. We are prioritizing our kind of our key wholesale partners the most and then also, in conjunction with that, our Brand House and eCom channel. But I think as we get to Q4, pretty much all of our retailers should be able to feel kind of the full open availability of getting product to them, so it shouldn't have to be as much prioritization as we get into Q4.

Kate Fitzsimons
Analyst, Wells Fargo Securities LLC

Okay. That's helpful. Thank you.

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

Thank you.

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

You're welcome.

Operator: Next question comes from the line of Bob Drbul of Guggenheim. Bob, your line is now open.

Robert Drbul
Analyst, Guggenheim Securities LLC

Hi. Good morning. Just a couple quick questions from me. On the marketing, can you address a little bit sort of how you're planning the marketing spend and/or endorsements in fiscal 2023 and into 2024? And I was just wondering if you can maybe just give us an update on your Kids business, sort of where the trends are there and what you're seeing with that segment? Thanks.

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

Sure. I think our general span of marketing in a normalized environment would be somewhere 10% to 11%. We've been spending a little bit higher, like Dave said, in the transition quarter. And we're going to spend a little higher here in the coming quarter, but should normalize towards the back half of the year. And we kind of aim to stay in that kind of span in terms of marketing going forward between 10% and 11%.

And, of course, when it comes to endorsements, we've been announcing some pretty exciting things, here lately. I talked about in my script around extending Jordan, for example, and Tyrone Mings, the center-back for Aston Villa, and others here and just lately. So we'll continue to adjust our portfolio in the way that it makes sense for us as a brand as we go forward.

The main thing for us when it comes to the relationships that we have is really our ability to activate them. And as we move into the future and we continue to get better and better in terms of understanding, first of all, what assets matter to us, and we do that through return of marketing investment modeling that we do and the mixed media approach that we have, where we now have these tools in place where we can understand what makes sense for the brand.
And also what makes sense for either the partner in this case, and for us, now feel very good about the mix that we have and the re-balancing that we've done also through the restructuring over the last three, four years. And that's really exciting for us, because we're now able to activate more of our partnerships than we ever have been able to do before, which is really exciting. Okay.

Robert Drbul  
*Analyst, Guggenheim Securities LLC*

And the Kids business? Sorry.

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

And the Kids business, sorry. I thought Dave was going to, okay – yeah, the youth business is healthy. Our youth business is healthy. And we saw an increase in both our team sports business and our youth business as we came into back-to-school in 2021 and that's started to normalize more. And that trend for us in terms of the strength of our youth business has continued. And we are very excited about how we think about that going forward, as we see a normalized back-to-school season this year, too, especially here in the US in the back half of the year.

Robert Drbul  
*Analyst, Guggenheim Securities LLC*

Thank you.

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

Thank you, Bob.

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

All right. Thanks, guys. That'll close us out for today. Appreciate you participating and attending the call today, and I look forward to catching up with you. Thank you.

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

Thank you.

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

Thank you, everybody. Thank you.

**Operator:** Thank you so much to our presenters and to everyone that participated. This concludes today's conference call. You may now disconnect. Have a great day.