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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Under Armour, Inc. First Quarter Earnings Webcast and Conference Call. At this time all participants are in a listen-only mode. Later we will conduct the question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder this conference call is being recorded.

I would now like to turn the conference over to your host, Mr. Tom Shaw, Director of Investor Relations. Mr. Shaw, you may begin.

Thomas D. Shaw  
Director-Investor Relations, Under Armour, Inc.

Thanks and good morning to everyone joining us on today’s first quarter conference call. During the course of this call we’ll be making projections or other forward-looking statements regarding future events or future financial performance of the company. We wish to caution that such statements are subject to risks and uncertainties that could cause actual events or results to differ materially.

These risks and uncertainties are described in our press release and in the risk factors section of our filings with the SEC. The company assumes no obligation to update forward-looking statements to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Joining us on today’s call will be Kevin Plank, Chairman and CEO, followed by Brad Dickerson, our Chief Financial Officer, who will discuss the company’s financial performance for the first quarter followed by an update to our 2014 outlook. After the prepared remarks Kevin and Brad will be available for a Q&A session that will end...
Kevin A. Plank  
*Chairman, President & Chief Executive Officer, Under Armour, Inc.*

Thanks, Tom, and good morning, everyone. Our first quarter results are a great example of what happens when we execute at a high level. We grew revenues 36% this quarter and the strength was evident across genders, categories, geographies and both our wholesale and direct distribution channel. Our top line growth exceeded 20% for the 16th consecutive quarter, that's four straight years and we saw meaningful acceleration in both our footwear and international businesses.

Our first quarter results also illustrate two key elements of what I’d like to discuss today, first what we are capable of delivering today as a North American-based brand and second the boundless opportunities that exist for our brand, both here at home and in markets beyond our shores. I want to start today by addressing three product categories that demonstrate both our ability to execute and the opportunity that still lies out in front of us. I’ll hit running first, then cover golf and then outdoor.

Of the three categories, running represents the biggest revenue opportunity for us, given the size of both the footwear and apparel components, as well as the fact that it's an important category across all geographies. We've always had a strong running presence in Apparel, but have focused a tremendous amount of resources the past few years in cracking the code in footwear.

I think it’s safe to say that given the strong launch this past quarter of our SpeedForm Apollo footwear, we are on a trajectory to become a significant player in the global running marketplace. While the number of pairs we sold then was limited, we did a great job of executing the SpeedForm launch and set ourselves up to broaden and deepen the platform for the balance of 2014 and beyond.

So, while we saw the benefits this quarter with the great SpeedForm launch, I think the important takeaway is how well it positions us to benefit from the flow of footwear to apparel products our team is working on in running. We are unique in that we came to the running category through apparel and are therefore in a great position to have successful platforms like SpeedForm help ignite our entire apparel business, be it in running, training or other pieces of our core business. We believe our opportunity to grow running in an integrated way with footwear, apparel and accessories, combined with what we will bring to market with our Connected Fitness initiative truly positions our running business as a key building block of our global growth story for the foreseeable future.

Part of that confidence comes from the growing strength of team we are building in running. It’s a team where we’ve made significant investment in human resources; a team that understands the importance of building multiple platforms for all different types of athletes; a team that continues to break the rules about footwear construction as we did with SpeedForm to create the precision feel, fit and comfort consumers have come to expect from our apparel.

The second piece of business that speaks to the scope of our opportunity is golf. I’m sure that a lot of people watching the Masters a couple of weeks ago, who said to themselves, hey look, Under Armour is making golf shirts now. But as most of you know, the golf category was one of our first steps outside of our core compression apparel. That original insight came from the football field when some of our coaches saw how dry our compression was keeping their players and asked us for polo shirts that they could wear on the sidelines with a little looser fit, but
the same performance properties. Then those sideline polos started making their way to the golf course and we quickly understood the opportunity to authenticate ourselves with that consumer.

We built the UA golf business systematically by doing what we do in every category we enter, bringing performance innovation to the consumer and maintaining a premium position wherever we do business. And the business started to change along with Under Armour. When we started out the overwhelming majority of polos sold in golf pro shops were cotton. I think any of you who have been in a pro shop in the last year or two have noticed how that map has absolutely flipped and the overwhelming majority of golf polos are made now from performance materials.

Then last year we signed a 19-year old kid who we thought was a great fit for the Under Armour brand for one simple reason, he had the talent and drive to be a game changer. What we saw in that first year of our relationship with Jordan Spieth was an athlete with little fear and high confidence in his ability to compete with the world’s best golfers. We talked about that at our Investor Day last June and he went out in July and became the youngest winner on the PGA tour in 82 years.

We continue to grow our golf business, which approached the $100 million mark in 2013 with an increased focus on fit and style in both our shirts and pants to accompany the technology we build into our golf apparel. And we also thought that Jordan had the opportunity to be something special and make sure we were in position to capitalize on his presence over the long-term. He proved that at the Masters with not only a great finish playing in the final pairing, but in the manner that he comported himself both on and off the course.

So, again our golf business is a great example of not only our ability to execute today, but to position ourselves for sustainable growth by partnering with a great stable of young golfers like Hunter Mahan, Scott Stallings, Gary Woodland and of course Jordan Spieth.

The third category I’d like to discuss today is outdoor. It’s not a category that we talk to you about a lot, but it’s one that has been a critical piece of our growth and brings a new dimension to our brand. You’ve heard us talk consistently about being a premium brand wherever we show up and outdoor is a great example of this.

In both the hunt and fish categories, we’ve been an authentic brand with our consumer from day one. We’ve seen a very strong six-month trend across the board and we’re seeing great growth across specialty outdoor accounts as well as our bigger wholesale partners, all driven by great product and innovation like our UA scent control and MagZip.

We will continue to grow this category from a comp perspective as well as through our new categories like outerwear and boots. That has enabled us to reach more athletes off the playing field and expand our presence in their closets with product that is more lifestyle based. Our outdoor business is another great example of Under Armour authenticating itself with our consumer, earning their trust and expanding our share of their closet.

There are three big categories of business for us: running, golf and outdoor, all of which are helping drive our business today and where we are setting ourselves up to be major players on a global level.

Better understanding the scope of opportunity we have outside North America has been a focus of our organization for at least the past 44 months. We talked at our Investor Day last June about how we would ensure building our brand globally in the same authentic manner we did here in the United States. Since then we’ve progressed against several of our key global initiatives, including transitioning our distributor in Mexico to a wholly-owned subsidiary, launching our brand in Brazil and Chile, and signing several sports marketing agreements in global football.
Two of those teams Toluca in Mexico and Colo-Colo in Chile have had outstanding launch with Colo-Colo winning their first Chilean Primera Division title in five years and in just the first year wearing Under Amour kits. Toluca played in a CONCACAF Champions League final last night at home against fellow Mexican league team Cruz-Azul for a spot in prestigious FIFA World Cup in December against many of the world's best club teams. And while Toluca did not advance, Under Armour will still be represented in the tournament as we've just signed an agreement to outfit Cruz-Azul starting later this year.

Our strong 79% increase in international revenues this quarter is a positive sign that these new initiatives are off to a strong start, and that the story of our brand continues to play well as we expand into new markets outside North America. And the strength this quarter internationally was really across all regions, including in especially Europe, where the Under Armour brand continues to gain traction.

In key markets like Germany and France our brand awareness doubled year-over-year and in the U.K., where we are in the second year of outfitting Tottenham Hotspur in the English Premier League, it grew three times as we continue to bring new consumers into our brand through global football.

One last area that I want to touch on is the opening today of our first new store in New York City, which will highlight the largest presentation of the Under Armour brand anywhere in the world. When we opened our first brand house here in Baltimore we talked about how the deeper presentation of footwear and women's would help our wholesale partners get a better understanding of the opportunity we see in these key categories.

This morning when we opened the doors in our SoHo store, that breadth of product will be on display in full force. And the timing will be particularly good for our women's business as we activate our next brand holiday later this summer. It will be our first holiday focused exclusively on women's and we believe it will help call attention how Under Armour is constantly evolving to meet the needs of both the female athlete and the athletic female.

In summary, when we look at the 16 consecutive quarters of revenues up 20-plus%, it's clear that we are executing well during a period of tremendous growth. There is going to be variability in any given quarter and this consistent growth can mask inefficiencies in our business where we can improve. We are becoming better merchandisers and what you see in our New York store today should be the standard for how we want our brand to look around the world in all channels of distribution. Within our supply chain we are constantly looking to improve our inventory turns while balancing consistently high demand for our products.

We are a growth company. And as a part of that growth story we will not always make the perfect decision, but we promise that when that happens it will be done full speed and we will never make the same ones twice. So whether it's categories like running, golf and outdoor, key growth drivers like women's and footwear, early stage businesses like basketball and Connected Fitness or new markets like Brazil and China, it's equally clear that the opportunities for the Under Armour brand are abundant and our philosophy around growth is unchanged.

Our North American growth and cash creation will be the engine that feeds and fuels our global ambitions. We still have tremendous runway here in North American market that will fuel our business and enable us to invest early and often to capitalize on the opportunities that will drive our growth in the years to come.

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

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Brad Dickerson  
Chief Financial Officer, Under Armour, Inc.
Thanks, Kevin. I would now like to spend some time discussing our first quarter 2014 financial results followed by our updated outlook for 2014. Our net revenues for the first quarter of 2014 increased 36% to $642 million. As expected, we experienced a strong rate of growth during the quarter given sustained momentum in apparel, a broader range of products in running footwear and international market expansion. This quarter marks the first time since the third quarter of 2011 where each of these key growth drivers surpassed 30% growth.

Taking a look at apparel, we grew this category 33% during the quarter to $459 million compared to $346 million in the prior-year. This represents the 18th straight quarter of at least 20% growth for our largest product category. Overall, we saw strong apparel growth from our training, golf, hunting and fishing lines. In women’s, our Studio line remains a standout while youth registered notable gains in training and baseball during the period.

Taking a look at some of our product programs, we experienced broad-based strength in Fleece, UA Tech and baselayers, also offering new innovations with ColdGear Infrared and Armour Tech.

First quarter footwear net revenues increased 41% to $114 million from $81 million in the prior year, representing approximately 18% of net revenues for the period. We were encouraged by the strong sell-through rates of our SpeedForm Apollo running shoe while also offering a broader running assortment at key price points including the Assert, Engage and Spine Evo styles. We are also seeing success in baseball with our cleated business taking market share despite a somewhat slower start to the season given adverse weather conditions.

Our accessories net revenues during the first quarter increased 43% to $52 million from $36 million in the prior period, primarily driven by our headwear lines. Our direct-to-consumer net revenues increased 33% for the quarter, representing approximately 26% of net revenues. During the quarter we opened our first of what we expect to be seven new Factory House stores for the year. Our first quarter ending store count in North America totaled 118 locations compared to 103 a year ago. We also expanded two existing locations during the quarter as part of our current full year plan to expand 12 locations.

Looking at our full price brand house stores, we are excited to open our third location in SoHo following our 2013 openings at Harbor East in Baltimore and Tyson’s Corner near D.C. These three brand house locations will provide valuable learnings as our full price retail strategy continues to evolve. In e-commerce, we continue to see strong results driven primarily by traffic gains. Our efforts throughout the duration of 2014 will include an enhanced mobile experience, improved consumer marketing segmentation efforts and increased engagement in Connected Fitness.

International net revenues increased 79% to $55 million in the first quarter and represented 9% of total net revenues. We experienced broad-based geographic strength during the quarter. In Europe, we are starting to see the combined benefits of higher brand awareness and a more focused in-country strategy around our three key markets of the U.K., Germany and France. In Asia, we are starting to accelerate our franchise store model in China and driving growth through e-commerce and expanded distributor relationships. Finally, in Latin America, our growth was primarily driven by conversion of our Mexican distributor to an Under Armour subsidiary at the beginning of the year.

Moving onto margins, first quarter gross margins expanded 100 basis points to 46.9% compared with 45.9% in the prior-year’s quarter. The following factors contributed to this improvement. First, our sales mix remained favorable due primarily to a lower mix of excess inventories built into our Factory House outlook stores, contributing approximately 40 basis points of gross margin improvement. Second, improvements in our supply chain drove lower air freight expenses year-over-year, contributing approximately 30 basis points of gross margin improvement. Finally, we experienced lower product input costs primarily in our accessories business, contributing approximately 20 basis points of gross margin improvement.
Selling, general and administrative expenses as a percentage of net revenues leveraged 40 basis points to 42.7% in the first quarter of 2014 from 43.1% in the prior-year's period. Details around our four SG&A buckets are as follows: first marketing costs increased to 13.7% of net revenues for the quarter from 13.3% in the prior-year period primarily driven by the launch of our first brand holiday of 2014 and international marketing efforts. Second, selling costs increased slightly to 10.8% of net revenues for the quarter from 10.7% in the prior-year period as our direct-to-consumer business grew roughly in line with our overall business combined with increased investments around our brand house store strategy.

Third, product innovation and supply chain costs decreased to 10.4% of net revenues for the quarter from 10.5% in the prior-year period as costs tied to our Connected Fitness efforts were offset by lapping prior-year costs tied to the startup of our expanded West Coast distribution facility. Finally, corporate services declined to 7.8% of net revenues for the quarter from 8.6% in the prior-year period primarily reflecting lower incentive compensation expenses.

Operating income for the first quarter increased 99% to $27 million compared with $13 million in the prior-year period. Operating margin expanded 130 basis points during the quarter to 4.2% compared to 2.9% in the prior-year period. Our first quarter tax rate of 46.1% was unfavorable to the 39.9% rate last year primarily due to an R&D tax credit reported in the first quarter of 2013, as well as higher international investment primarily associated with the 2014 market entries in Brazil and Chile.

Our net income in the first quarter increased 73% to $14 million compared with $8 million in the prior-year period. First quarter diluted earnings per share increased 71% to $0.06 compared to $0.04 last year. The EPS calculations for both periods reflect a two-for-one stock split, which was effective April 14.

On the balance sheet, total cash and cash equivalents for the quarter decreased 30% to $180 million compared with $256 million at March 31, 2013. We continue to utilize the $100 million of our $300 million revolving credit facility, which was used to fund a portion of our $150 million purchase of MapMyFitness in December. Inventory at quarter-end increased 46% to $472 million compared to $324 million at March 31, 2013.

Our investment and capital expenditures was approximately $31 million for the first quarter compared with $11 million in the prior-year period. We continue to plan 2014 capital expenditures in the range of $140 million to $150 million primarily driven by incremental investments to support our direct-to-consumer and international business and further develop and expand our global office footprint.

Now moving onto our updated outlook for 2014, based on current visibility, we expect 2014 net revenues of $2.88 billion to $2.91 billion, representing growth of 24% to 25%, and 2004 (sic) [2014] (21:03) operating income of $331 million to $334 million, representing growth of 25% to 26%. Both expected growth rates are outpacing the long-term growth rates laid out at our investor day last June.

Below operating results we continue to anticipate higher interest expense in 2014 given the financing of the MapMyFitness acquisition. We now expect the full year effective tax rate of approximately 40% ahead of our prior guidance of approximately 39% given additional investments to our international expansion. Adjusted for the two-for-one stock split fully diluted weighted average shares outstanding are now expected to be approximately $219 million.

Given these updated full-year parameters, we’d like to provide a few more details on how we currently see the quarterly cadence playing out. Looking at net revenues we currently anticipate our growth rate for the remainder of the year to be roughly in line with our long-term Investor Day compounded annual growth target of 22%. We
currently have planned a growth rate for the second quarter slightly higher than this target, and for the fourth quarter slightly lower than this target.

Relative to the fourth quarter, we grew 35% last year given favorable weather, our improved year-over-year ability to better service demand, a strong new innovation story around ColdGear Infrared and better than expected direct-to-consumer performance. But we are taking a more balanced approach in planning the business for the fourth quarter, particularly around weather expectation and our direct-to-consumer business, which represented approximately 40% of our total business during the fourth quarter of last year.

Next, on gross margins, where we continue to expect modest overall gains for the full year following the 48.7% level achieved in 2013. From a cadence standpoint we currently expect year-over-year rates to be relatively flat during the second quarter, up strongly during the third quarter and down in the fourth quarter. Looking at the second quarter we do not expect the three primary drivers of our positive performance during the first quarter to carry forward into the current period.

This includes the normalization of our Factory House product mix, a more consistent comparison on our supply chain performance year-over-year, and the lapping of our bags re-launch which carried higher margins commencing in the second quarter of last year. During the third quarter the primary consideration is higher U.S. import duties, which negatively impacted the year-ago period by 90 basis points.

For the fourth quarter our forecast reflects a higher mix of our lower-margin international business as well as our approach to planning the direct-to-consumer business considering the prior factors I previously mentioned.

Moving onto SG&A, as we indicated in January, we plan to allocate more dollars to marketing, international and Connected Fitness throughout 2014, areas that we believe are key to our long-term global success. The timing of these investments this year is currently planned to create sustainable de-leverage of our SG&A rate in both the second and third quarters. The magnitude of this de-leverage is expected to be greatest in the second quarter as higher marketing and price innovation and supply chain investments contribute to approximately 250 basis points of total expense rate de-leverage year-over-year.

We expect overall de-leverage of SG&A to ease somewhat during the third quarter before showing significant leverage during the fourth quarter. As a reminder the fourth quarter of last year included significantly higher incentive compensation expenses and MapMyFitness deal related costs. Overall, we continue to expect modest SG&A de-leverage for the full year, inclusive of a marking expense rate of approximately 11% of net revenues.

To reiterate, our focus will remain on driving operating income dollar growth balanced with making the right investments to drive our long-term global success. Below operating results we expect the elevated effective tax rate from the first quarter will persist during the second quarter before turning more in line with our full-year guidance during the second half of the year.

And finally, a quick update on our inventory position for the balance of the year. As we outlined last call, we expect the inventory growth rate to return to more in-line levels with our revenue growth rate during the balance of the year.

We would now like to open the call for your questions. We ask that you limit your questions to two per person so we can get to as many of you as possible. Operator?
QUESTION AND ANSWER SECTION

Operator: Thank you very much. [Operator Instructions] Our first question is from Matt McClintock with Barclays. Your line is open.

Matthew J. McClintock  
Analyst, Barclays Capital, Inc.

Hello. Yeah. Good morning. Can you hear me?

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

Yeah, Matt. How are you doing?

Matthew J. McClintock  
Analyst, Barclays Capital, Inc.

Thank you. Good morning. Great quarter. Kevin, you talked a little bit about the women's business and you've had great success with the Studio line and you talked about the brand holiday, I was just wondering if you could maybe go into some more detail on the product that's coming out this year that gets you excited? And maybe some of the innovation that you plan to launch throughout the year or layer into the year surrounding the brand holiday? Thank you.

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

Sure. So, a few things -- essentially it feels like every time we talk about women's people give us the perspective of congratulations on launching women's. We forget sometimes we have a $500 million wholesale business of women's today, so we are certainly not in launch mode, we are in perfecting mode. And I think we are incredibly proud of the team and that always begins with leadership. Leanne who joined our company little less than two years ago, her first season will be hitting floors this fall and partner with the outstanding leadership that we already had here of really understanding what the female athlete wanted in transitioning I think and evolving with our consumer into what the athletic female wants.

We want to make sure as well we never lose that active credibility that we want 16-year old girls that are playing field hockey and volleyball and basketball and soccer and lacrosse. We want them to feel like Under Armour is their brand. We just want to demonstrate that we've got additional chapters in two and three and four that we can grow up and we can grow older with her as well. I think the one thing you will see and I guess the innovation in a second, is the commitment that we have as being successful in the women's space. You won't see that any more clearly articulated than what we are going to be doing with our second holiday that will be hitting as I mentioned in my comments later in the summer and holiday two for us is 100% committed and without limits.

Brands are about points of view and I think we're incredibly excited about the creative that we have and the statement that this is making about Under Armour's commitment to this space and I think, more importantly, our thought leadership in the space. The campaign's going to be about increasing awareness and the breadth of the line and frankly the first case of where we really see taking this consumer to. When you think about innovation, Under Armour, I think we've been coined and I think we haven't shied away from positioning ourselves as an innovation company, and we take no exception with that with what we are doing with women's. So whether it's
something as core and basic and as important to the female athlete or the athletic female as the sports bra with things like Armour Bra, but taking it from being a really great functional bra to making it sexy and beautiful and ensuring that she has the use for wearing it beyond the athletic field.

So, I think you will see us take that, and to be honest with you, I know a lot of people on the call are dialing in from New York. I can't emphasize enough if you want to see what does Under Armour women's look like, take a walk down to our new brand house in SoHo, which opens today. It's a soft opening, so we're just getting going. We'll have a grand opening next week. So, be nice when you go as we work out the cobwebs. But I think we're incredibly excited by what's on the floor, the presentation of products that we have there and the commitment to A, innovation. The thing that makes Under Armour unique is every product does something, wicks moisture, keeps you light, keeps you cool, but that doesn't mean it didn't have to – we couldn't allow it to be beautiful, or sexy, or cute. And I think that when you walk in there anyone who has an idea or picture of what they thought Under Armour women's is, or was, will absolutely be blown away in change. And I want to be clear, the goal that we have as you walk into our brand house in SoHo is that you will see A, a great breadth, but frankly, this is the inspiration that we are hoping to bring all of our partners at every general distribution to have Under Armour presented in this way.

So beyond just the authentic and things really for that athletic female, I think you're going to see a beautiful presentation of Under Armour women's product that we're really proud of and then backing that up with some great storytelling coming later this year of driving home Under Armour to be successful in the women's space.

Matthew J. McClintock
Analyst, Barclays Capital, Inc.

Thanks for that, Kevin. We’ll make sure to make it down there today.

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

Thanks, Matt.

Operator: Thank you. And your next question is from Michael Binetti with UBS, your line is open.

Michael Binetti
Analyst, UBS Securities LLC

Hey, guys. Thanks and congrats on a great quarter.

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

Thank you.

Michael Binetti
Analyst, UBS Securities LLC

Brad, one quick question for you, can you discuss a little bit, in case I missed it, how much the improvement in the fulfillment rate you guys had? Which obviously continued in the first quarter from the fourth quarter, is there any way you can help us estimate how much that contributed in the first quarter? And then does that completely go away as an opportunity in the second quarter? And then I have a quick follow-up.
Brad Dickerson
Chief Financial Officer, Under Armour, Inc.

Yeah the metrics from the fill rates are relatively comparable year-over-year, the change though I think is the way we got there relative to achieving those fill rates, so fill rates by request date, and fill rates by cancel date, the fill rates by request date were around 70 and the fill rates by cancel date were kind of in the mid-90s. The difference being last year, while we took some more unnatural ways to get there relative to airfreighting product in to get here on time, where this year that product flowed a little more naturally so that buffed the call out of the benefit in margin because of air freight expense. So as it gets poured into the rest of the year we'll start to see in Q2, Q3 and Q4 as we start to comp better supply chain performance last year, so we're going to see less of that benefit in Q2, Q3 and Q4, especially in the back half of the year where we had started to improve that supply chain performance in the back half of last year. So you're still seeing some product benefit in Q1 here, that will start to fade into Q2 and then become less so in Q3 and Q4.

Michael Binetti
Analyst, UBS Securities LLC

Okay. Great. And then, Kevin, if I could ask you this, a bigger picture question. Since you guys announced your acquisition there's been a lot of media coverage on what's going on in the digital part of the athletic industry, you guys obviously acquired MapMyFitness. Recently you've seen headlines that Nike has moving away from, at least from the hardware side of their Fuel business. Can you give us the state of the union on how the integration is going and maybe how you see the industry moving forward with digital investments like this and how it fits into your longer term thinking?

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

Yeah. Thanks very much, Michael. It's a great question and I think it's an opportunity that everyone looks at and is wondering where is this category going and what does it mean? So, let me start by saying that proactive health or as we've now coined the term, Connected Fitness, we believe is a massive opportunity. I think as a company we are positioning ourselves to put ourselves in a position to really look, is this thing one of the next major industries?

Proactive health means not waiting until you're sick to go to the hospital, but how you're being preventative of that and things like predictive analytics and the science and the technology that are out there are things that just aren't being applied to your own body. And think about it for a second, people know more about their car today than they do about their own body. You know how fast you're going. You know how much gas is in the car. You know how much oil is in there. You know the tire pressure. Yet you don't have an idea yourself of when you think about your own health you go see the doctor every 12, 18 or 24 months. You walk in, he pulls out a manila folder and he starts with the subjective question of how do you feel? And you're thinking, my gosh, there's got to be more data and more analytics available to the world than that.

So, we've been positioning ourselves for quite some time around the space of biometric measurement and understanding the best way that Under Armour can play there. Where we did and frankly going back to last year we made the decision is looking at things like the wearables and the hardware, but that wasn't really where the future was. And the reason for that is because there has yet to be a single market leader that has stepped forward. And we think about listening to some of the really exciting launches that are coming up around the wearable community. Well frankly there's always going to be new and additional exciting launches coming up with someone trumping someone else. And the idea of that capital intensive business of sitting on a piece of hardware versus us sitting back and maybe saying, who is the best player in the world?
The key to the acquisition we made last year with MapMyFitness was the idea of their being agnostic, their being open and acceptable to over 400 different devices that work within their community. When you look and you think about the community what we purchased last December was a community of MapMyFitness of 20 million registered users. And as you think about just in the last five months, as of today I got, I spoke with Robin Thurston, the CEO and co-founder of MMF and now the head of Digitals for Under Armour. And as of this morning around 11 o'clock we're going to pass 24 million users. On Monday we signed up more than 46,000 people in a single day to the MMF platform.

Now, if you think about that size and scale and our prediction has us, we'll be over 30 million users by year-end. And as we sit here and we dream and we play out how big can this community be, it's tens of millions and frankly we believe it can be hundreds of millions some day. So the big question is what's the product that we're selling them and what's the role that we play in that space? And you think about 30 million people by the end of the year, that's the size of Canada. So, we're definitely having an input, and I think, an impact and again, this world and this phrase, Connected Fitness of what it means. So the way we're thinking about is not building individual products, but more importantly building a platform with our own community that one day we envision to have that huge, huge scale and size.

As I said when I started, this category is incredibly large. We're working on products and we're continuing to operate the MMF platform today as it stood and existed prior to our acquisition and Robin and his team are driving toward that because there's a great product there. But we also understand with the engineering and, frankly, the vision of one of the founders of this industry and Robin and his partner Kevin, that we feel we're incredibly well positioned to see where this market is going. Because as we know, our competition is not stepping away from this from any side. Everyone is getting involved and sort of trying to get into the game, but figuring out what is the game, I think, is the next big question. And so, we're anticipating additional announcements of large partnerships that our competition will be stepping up with but frankly we feel that we are in the lead, that we've got the largest community and that we're the ones that are dictating the tempo of this space.

And so, we're not making predictions about perfection, as I mentioned in my comments before, but we like where we are and we think that we've got the best insight into being an important place for the athletes to turn to as they're thinking about, how is my body doing. And frankly, expanding the definition of exactly who is an athlete as we think about how big this opportunity could potentially be for our company and for our brand.

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Michael Binetti
Analyst, UBS Securities LLC

All right. Thanks a lot. Again, congrats.

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

Thank you very much.

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Operator: Thank you. And our next question is from Sharon Zackfia with William Blair. Your line is open.

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Sharon M. Zackfia
Analyst, William Blair & Co. LLC

Hi. Good morning and congratulations on a really great quarter.
Kevin A. Plank  
Chairman, President & Chief Executive Officer, Under Armour, Inc.

Thanks.

Sharon M. Zackfia  
Analyst, William Blair & Co. LLC

Question on the international side. So as we think international longer term and the way you grow internationally, could you talk about direct-to-consumer and the role it will play in the international growth? I'm assuming and maybe incorrectly that direct-to-consumer will be a bigger driver of how you grow overseas given the distribution, but would love to some perspective on that.

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

Sure. Let me grab that and I've been doing a good job of giving long answers, so this one isn't going to get short. The world's a big place. I've spent a lot of time on the road in the last couple of years and beyond Investor Day, but just as we made that commitment to being a truly global company, which our definition of that is someday more than half of our revenues will come from outside of our home country. And standing here today where less than 10% of revenues are coming from outside North America, that's an incredibly large statement to make.

Last year I did over 230,000 miles of travel. This year I'm on pace to break that. Just in the first quarter alone been Latin America to launch our brand in Brazil, visit a couple of our other markets down there. I've been to Europe and our headquarters in Amsterdam, as well as to London to see Tottenham Hotspur play in London, where they won. The Middle East to meet with – select our future distribution partners there and heading to Asia in just a few weeks here. So we are without question focused on global and I love that statement that, we've claimed of, what is the role of global there, and we've always got this horse in North America. And as we say we believe that our North American growth in cash creation are going to be the engine that feeds our global ambition. That means we need to continue to win in the U.S. And so I want to be really clear that we are giving and providing the resources to the U.S. to be successful, but ultimately to give us the ability to deploy resources outside the United States and North America in front of some the real revenue, but we believe that real revenue is there and it’s coming.

For instance, this year for this quarter we posted 79% growth on our international business, but we haven't even started selling product in Brazil yet. The product that we've been selling in Chile for instance has just been Colo-Colo kits, so they haven't even got our full in-line sporting goods. So as we look at it, we extrapolate the numbers, we think that there's incredible opportunity. Now granted it's coming off of a relatively small base, but frankly, all these things come back to leadership and Charlie's been in the chair now for coming up on two years and has been doing just an excellent job building out a team of leaders around the globe. So, Under Armour today is doing business in 61 countries. I think we've got 31 different MDs that are managing that in offices all over the world. And we're doing a good job.

So, let me give you a quick run-down on just how the world looks for us. So Latin America, I mentioned it briefly, but one of the things we said we are going to do is we completed the transition of our distributor in Mexico. It's now being a wholly-owned subsidiary of our brand. The signings that we did that CONCACAF last night, final with Toluca wearing our kit and Cruz-Azul who we begin to outfit at the end of this year in July. So we'll have a winner that will be in the Latin American Club Championships down there. In Brazil, great feedback from the launch that we did in both Rio and São Paulo and the event turnout I think was really exciting, I think Under Armour is bringing a different energy and a different point of view to the brand that they don't have anyone like us today. The fashion role that other brands are playing is not the performance that Under Armour can bring still the
product that looks great. We’re going to have 70 shop in shops that’ll be going up as I mentioned by the end of this week. We’re going to start selling products there and is a big idea. Chile was the first year in five years, Colo-Colo hasn’t won the Primera Cup title and our first year out again they do that. So we’re getting our brand awareness out there in a big way.

So speaking of brand awareness, Europe is something that it’s been since 2006, we’re proud to say this is the first year Europe will break $100 million for us as a company, and I believe we’re really taking control in driving alignment across all of our European markets and countries. The one thing with that is aided and unaided awareness and so there’s a lot of things that work. We’re spending a lot more money from a marketing standpoint deploying resources there. There’s the addition of Tottenham Hotspur, which has been critical I think from a brand awareness standpoint and being on the pitch in an authentic way within the EPL is massive. And then getting to the point you make, it’s more impactful direct consumer. Our e-commerce there is doing a better job, we’ve used some third-party partners to distribute our product via the web in Europe and we’re bringing that in-house and with the addition of Henry and Jason LaRose here in North America, figuring out how we can be better from a supply chain standpoint, to have more and a broader array of our products available online. And that in the past has been pretty limited what you are able to get in other markets and we really edited hard for them, so we’re happy to be able to make much more of that as we understand and become better from a distribution supply chain logistics and frankly knowing how to get product to market.

That isn’t any different in Asia either. And quickly on the direct consumer side, in China specifically, we’ve got nearly 20 stores in China by the end of April. That will be growing to over 50 stores by the end of 2014. Now most of this is going to be utilizing a franchise store model, but we’re expanding from two cities to 10 cities and we’re seeing incredibly strong results with e-commerce, and we’re also going to be launching our brand on e-commerce front in Hong Kong and few other markets throughout South East Asia as well. And again, all this, when you talk about Asia for us, is anchored by our partners in Japan, up more than 50% in the quarter growth and that’s on a real number. They continue to grow for us and to be an anchor in Asia with brand appropriate retail stores, driving authenticity with the athletes, building incredibly strong Under Armour culture, impressive personality. And I can’t point over and over that it all comes back to leadership and we’ve got a great leader in Shuichi Yasuda running that business for us in Japan.

And the one thing that we’ve found when you look at it, and I don’t know if I’ve given you enough detail on the e-commerce side of it, the world isn’t quite as caught up as we are here in the States. Some markets are in front of us, and some markets are lagging a little bit, but one thing we recognize is, number one, we don’t have to go at these new markets the way that our competitors have gone at them in the past. I don’t know if that model is perfected by anyone yet, but we’re keeping enough flexibility, we’re putting enough resources behind it to give ourselves the ability to make the best decision, and not just the decision that someone else had done. So, we expect to write the book and again, not unlike Connected Fitness we expect to be dictating the tempo as to how we enter these markets. And the good news, the world is a big place and we’ve found that the Under Armour brand translates and we’ve got a big opportunity.

Sharon M. Zackfia
Analyst, William Blair & Co. LLC

That's super helpful. Thank you.

Operator: Thank you. And our next question is from Omar Saad with the ISI Group. Your line is open.

Omar Saad
Analyst, International Strategy & Investment Group LLC
Thanks, guys.

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

Hey, Omar.

Omar Saad  
Analyst, International Strategy & Investment Group LLC

Wanted to ask a question about your philosophical approach to SG&A, so to speak. You’ve had this kind of sales acceleration the last couple of quarters, you talked about boundless opportunities for the brand. It’s still a very early stage growth company in so many ways. How do you think about pouring money back into the business to take advantage of this and perhaps extending a higher kind of growth rate curve looking out over a longer period of time versus kind of providing upside in the number? I think you even had some, a little bit of SG&A leverage this quarter because the top line number was so strong. What is your philosophy around reinvesting back in the business?

Brad Dickerson  
Chief Financial Officer, Under Armour, Inc.

Omar, a couple of things on that I think. One, there’s always going to be some nuances in timing quarter-by-quarter so we tend to look more on an annual basis of how we want to invest in our business and the timing of how we want to invest in our business to best support what we’re trying to do and initiatives we're trying to do during the course of the year and the timing of that. So you'll see some nuances, and we're calling those out relative to marketing spend and so forth, and we've had some incentive compensation nuances also last year and this year as far as timing also.

But as far as the level of investment, how we approach that, we really have consistently kind of looked at investing in our current growth drivers that are performing for us at the highest level, by also balancing that with some mid-term and longer term needs of our business. So as an example of that, investing in our Direct-to-Consumer business in the near term around expanding the square footage in our Factory House stores, building Brand House out and putting money into our e-Commerce business here in North America is a return that we tend to get right away in our business. So we tend to put more of our SG&A investment into those kind of short-term and the return is parts of our business.

That doesn’t mean though we're going to ignore some of the longer term successes we need, and Kevin just talked about international and absolutely international is in a deep investment mode right now relative to not only growing our existing business in Europe, starting our business up in Asia the last few years, but obviously just getting into some of these markets in Latin America.

So, we definitely want to make sure we balance our investment kind of in the near term and over the next couple of years and a lot of that investment going to short-term gain relative to getting ROI out of it right away, sprinkled with some mid-term and long-term investments that we know are going to pay off down the road later but are much, much needed investments today.

As far as how we look at how things go during the course of the year, we’ve talked a lot about this over the course of the last probably 12 months to 18 months that we see a lot of opportunity in our brands across all of our growth drivers near-term and long-term and we will definitely use benefits that we have in top line or margin and the benefits of how that drops through into SG&A we’ll take advantage of that and accelerate and escalate SG&A investment to do one of two things: one, that would give us an insurance policy on the execution of near-term
initiatives, especially around things like launching international markets and getting into markets for the first time in Latin America and Asia and so forth.

Or two, accelerating investments that would pull forward maybe hopefully by a year or two some benefits we might have in some of our growth drivers that are in investment mode. So we’ve talked about focusing on operating income dollar growth and really taking any benefit we have in top line and margin to reinvest in our business to give us again, that insurance policy we’ll deliver and execute on our initiatives or continue to drive growth going forward.

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

Let me jump on the back end of that too. Brad and I, we've got a couple of deals and agreements that we keep with one another and number one, first of all when we talk to the Street, we're committed I think to the operating line, that we're committed to and the ability that we see in our business to maintain and at times, show leverage and grow that. At the same time with the top line growing the way that it is, it means a dollar invested in Under Armour has the benefit of the top line growth that we're enjoying.

By the end of this year based on our latest outlook as we see the year, we'll be adding roughly $600 million in revenues over what we did in 2013 and 2014. So that is just south of $3 billion for the year and with an 11%, roughly, commitment to marketing, we've got $330 million to spend in marketing. And you look at the largest sports marketing assets out there in the world, it really doesn't put us out of the game for anything. We could theoretically go buy anything we wanted to do, but we don't have all the money in the world, so we just have to be really thoughtful and we have to pick the right deals.

Two great examples of doing that, number one I mentioned in my script regarding Jordan Spieth, hopefully you know we use the phrase here at Under Armour, humble and hungry, we placed a bet on Jordan really ahead of the curve when he was still a sophomore at the University of Texas and making the decision to turn pro that we would get behind in sponsor endorsement. And so we're incredibly proud of finding someone like Jordan, and look, he didn't come out of nowhere, but he was certainly a bet that our company took in a really large way, and he's done everything that he said he would do and more. And hopefully our company is delivering on that way and more as well. And so we want to remain opportunistic about staying close enough to the athlete and the consumer to find those Jordan Spieths out there, and as you know, they're incredibly rare. And you can beat your chest a little bit once you do find them. But I promise that's what we're trying to do is find athletes before they're really out in the open and the market really has a chance to understand what we're doing.

The second would be Notre Dame. In the last, I guess, it was within this quarter where we announced our new partnership with Notre Dame. It was announced as the largest sports marketing deal at the collegiate level in the country. And as we see that and just understand the size of it is that we have the ability to go buy the best deals and the best assets. But we have to I think remain true to a philosophy we have about the operating line because one thing I’m incredibly emphatic about is that winning is a culture and winning is a habit. I saw some people, we talked about SoHo and there's been some commentary about it and it's just a flagship, which is more about marketing than it is about profitability. Let me be clear, every activity that we involve ourselves in has a line of sight to profitability and winning.

We don't do anything that we see as being just good for the brand, just for marketing. Everything must have a return and that commitment is something that I think is cultural and I think it plays to what and who the Under Armour brand is. It doesn't mean we win all the time, but we don't go into things thinking that we're going to lose. And so when we sign athletes and assets and when we did that deal with Notre Dame, it's because we put a business model behind us and said if we really focused on this, we can make this a profitable business for us,
which will make more money for Notre Dame, which will give them the resources that they need to compete at the highest level. And everybody basically wins. It just means our being really good at what we do.

So whether that's Notre Dame, Jordan Spieth, Colo-Colo or any of the assets, Tottenham Hotspur or any one that we've signed, it's about having the resources behind the initial investment to make sure that we make those resources valuable. So within that we haven't had an instance where we believe we have to change anything about the way that we're growing. We think we can deliver growth with the outlook that we provided at our Investor Day last June and we expect to deliver on that going forward. But I don't think that we're not doing anything because of the commitment that we have to growth and frankly, with that growth the commitment that we have to profitability.

Omar Saad
Analyst, International Strategy & Investment Group LLC

Q

Thanks, guys. That's really helpful. I actually wanted to ask one quick follow-up on your Speed Skating business. No, I'm just kidding. I know it's a big business for you. Quick question on ASPs, it seems like there's a premiumization trend going on in the marketplace in the whole kind of athletic active lifestyle space. Are you guys seeing that in your business or feeling that in the marketplace? That's my last question.

Brad Dickerson
Chief Financial Officer, Under Armour, Inc.

A

Yeah. ASPs, they've been trending kind of in that mid single-digit range for us over the course of the last couple of quarters or so, maybe a little below that to mid-range. Again that does go back to what you're talking about, Omar, a lot of our new innovations coming at higher price points and so forth. So, yeah, we're definitely seeing some of that kind of in that 3% to 5% range over the course of the last few quarters.

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

A

One thing we've seen too, Omar, is that discounting does not, we've talked to some of our partners about that and in a way it works the market. I mean, go back to the last holiday season and there was a tremendous amount of discounting happening in the marketplace and frankly, we didn't participate. And I think we're really proud of the 35% growth that we put up in the fourth quarter and look, whether it makes us all a lot smarter, but it wasn't a consumer coming in and just choosing price. There is a consumer that needs and is making a decision based on price, but there is a bit of a barbell effect that continues to take place and Under Armour continues to differentiate itself as the premium player in any market.

So, as long as we are delivering newness and innovation and whether that newness is SpeedForm, whether it's Alter Ego, whether it's our ColdGear Infrared, which is an incredible product if you haven't tried it when it's cold outside, whether it's our new MagZip zipper, we're going to be introducing on 400,000 pieces of jackets and outerwear at the end of this year, what it effectively is, it's a zipper that has a magnetic lock on the bottom of it that allows you to zip your jacket with one hand.

And it's things like that, that we need to make sure we continue to do in the market and not relying on playing the price game. There is plenty of people doing that. So Under Armour wants to stand for innovation. We're going to stand for newness on the floor and we'll continue to give our partners reasons for their consumers, all of our consumers and customers to walk into their stores and find what's next and what's latest and greatest at Under Armour.
Omar Saad  
Analyst, International Strategy & Investment Group LLC  

Thanks, guys. Very helpful to us.

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

Thanks very much, Omar.

Operator: All right. Thank you. And our last question is from Camilo Lyon with Canaccord Genuity.

Camilo R. Lyon  
Analyst, Canaccord Genuity, Inc.  

Thanks. Good morning, guys. Also a great quarter.

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

Thanks.

Camilo R. Lyon  
Analyst, Canaccord Genuity, Inc.  

So, Kevin, you started the conversation about talking about Running and the momentum you're seeing on the product side. But you also mentioned human capital and I think about a month ago or so you made a pretty significant hire in Fritz Taylor. I was wondering if you could just shed some light on what you think he'll bring to the category, to the business? What he can do and where do you think he can take the business to?

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

Well, first of all, it's great when you have industry veterans and who Camilo is referring to is Fritz Taylor who's our new Head of Running for Under Armour, a 25-plus year vet, Mizuno, Brooks, Nike. And he is someone who brings a really strong point of view of what the consumer is looking for. I think we're really proud specifically of Footwear business overall, but Running is probably the most, the easiest way for us to define where are we and where are we going.

So a company that started as an apparel company, I think it's taken us, as we are in our eighth year in the Footwear business as a whole, to really find our stride as to what is the product that really comes through from Under Armour. Again, not unlike our Women's business. In 2013 we finished our Footwear at just under $300 million in revenues. This year we're north of a $400 million business with Footwear in 2014. Now we've got a long way to go but we're beginning to create some scale and it will allow us to grow much faster in the future.

SpeedForm for us was something again, this happened prior to Fritz being here. The most difficult thing about the Footwear business is the long lead times, the long time it takes to get people on board. The good news is, as excited as we are about Spieth, this is not one person. I know I think we've got three or four people coming off of non-competes at the end of this month, going to be joining our offices both here in Baltimore as well as in Portland.
Every month it's like that, people are coming off of non-competes and we're lucky to have put ourselves in a position where we are looking for, who's someone we can hire right now to getting to the ability to take the long view and saying we're going to be in this business for a long time, $300 million business is going to turn into a $400 million business, could be a $500 million business with a line of sight to $1 billion and like I've said over and over again, we believe that Footwear has the potential to be larger than apparel for us. So within that this is factory relationships, this is supply chain, this is getting the right design talent on board, this is really having I think the ability to develop a point of view both for our products, as well as from a distribution standpoint and beyond things like SpeedForm, which again, with the largest number of pairs, but it certainly articulates the point of view of our company in running of what Under Armour at $100 running shoe looks and feels like. But within that we've also got a $70.00 Assert and $80.00 Engage and $90.00 Spine Evo that our products that we have in the market and that we believe in, and these are price points that work within our largest distribution today, which is sporting goods.

At the same time, take a look and just go from what we're doing there, Under Armour today as you look or think about us, we're the sixth or seventh running brand I guess when you look at the charts, but we're the number two running brand in youth. With a number two youth brand in footwear period, running, training, basketball, kids love our products. And so we have a consumer who's demanding us, and who we're willing to grow old with. And frankly as they're nine today, we have six years to deal with them until they're 15 years old and 16 years old and to continue to improve and enhance the product and enhance the team.

And within that what we're doing I think the way that we're showing up on fields, our baseball business, our football business, the oldest business, the longest footwear business that we've been in continue to do well, continue to bring innovation like Highlight, continue to bring things like Alter Ego, the Cleats, we've got Captain America, Superman, the Flash, in some of our footwear that we have. And then you take something from a little more serious standpoint is like sport or basketball which we've been pinned on since we entered basketball in 2011 and believing that we have an incredible opportunity there.

We found a game changer in Stephen Curry and someone that we believe can really be a difference-maker for our brand. And we're seeing that through little small things, like exclusive color lays that we're doing at some of our key partners like Foot Locker and Finish Line where they're blowing out. And these are several hundred units, but they're blowing out in a matter of minutes, selling online and other things to these player exclusives. So we are finding and we're doing the work to figure out how to crack the code. But we believe that we've got a lot of momentum going in the right direction.

And I want the world to know that becoming great in running with things like the SpeedForm platform leading the way, continuing to find the sweet spot within our existing wholesale sporting goods distribution, and finding the relevant mix that we have to make ourselves important in our key mall partners. We're down this road. We're on it every day. We've got great people that we're not making the calls or having to make the calls, people coming to us and saying, I want to be a part of what's being built at Under Armour. So I think the energy, the heat, the momentum is there. It's just a matter of our execution. And I feel pretty good about the team that we have in place to make that happen.

Great. And then just my final question for Brad. Brad, just on the guidance and how to think about the clear deceleration that you're talking about here in Q2 and Q3, could you just help us understand why the strength that we've been seeing in Q4 on the top line and now in Q1 should not continue into Q2 and Q3? And then just finally, on the fourth quarter, could you remind us what you think the benefit from weather was in the fourth quarter of
2013? And really because that seems to be the tougher comparison of the business. So if you could just provide some color on that that would be great?

Brad Dickerson  
Chief Financial Officer, Under Armour, Inc.

Sure. As far as the flow from the first quarter to the second quarter, there's a couple things going on there. One, there's just some timing in the quarters on the seasonal basis front half of the year in some of our business of footwear and international. We're seeing stronger growth in Q1 versus Q2. And it's just a timing issue in the season. Both of those businesses, obviously, are going to have strong growth rates for the full year. But a little more escalated in Q1 versus Q2. So that's part of it. Also in the second quarter, if you can recall last year, we kind of re-launched our bags business with better margin products in the second quarter of last year.

So that will be the first quarter that we're comping that over the last four quarters. So we had a little bit of a benefit there in Q1 of comping our bags business where we're kind of pulling back last year in anticipation of our relaunch in Q2. And the supply chain performance, as I talked about earlier, Q1 is probably the last quarter of some pretty decent year-over-year comparisons just in performance and how we're getting products to the retail floor. By the time we get to the second quarter, we start to see a little bit tougher comps against as we started doing much better than that last year in the second quarter. So those three things are why you're seeing some of the growth from Q1 to Q2 – changes in Q2.

As far as the back half of the year, specifically around Q4, a couple of things in Q4. You mentioned the weather, that was definitely one thing that we're taking into consideration. I believe in our last earnings call at the end of January we talked about Q4 and the impact of weather in our strong growth rate in Q4 last year. It's really tough to say how that impacts your business. We said it could have had an impact of a couple of percentage points possibly of the growth rate in Q4 last year by having a cold winter in Q4.

Also I think when you look at the fourth quarter, it's important to note how we're looking and how we're approaching planning our Direct-to-Consumer business. 40% of our Direct-to-Consumer business for the whole year was sitting in the fourth quarter of last year, so DTC is huge in the fourth quarter for us. Obviously weather played a part in that last year in the fourth quarter, but we do have some nuances there also as you look to the fourth quarter of this year versus last year. Q2 and Q3 were actually, we have a positive comp on two new stores in Q2 and Q3 with New York opening today and Tysons Corner being opened where it wasn’t opened last year. As we get to the fourth quarter we just have a positive one-store comp there with New York in the fourth quarter because Tysons was opened by then.

We also have just square footage growth in Factory House. We've talked about the door count growth going down and we start to focus more on square footage growth. The reality in total when you look at new doors and square footage growth, last year in the back half of the year we were in the upper 20%s as far as square footage growth. In Factory House for this year we'll kind of be more down the low teens. So that's obviously impacting, especially against fourth quarter where a lot of our DTC business sits.

So our approach to the fourth quarter right now for this year is, we don’t want to approach it like the weather will be a tailwind like it was for us last year. We don't want to approach it that the strength we saw in DTC last year will necessarily be duplicated this year. That doesn't mean that we’re not putting ourselves in a position if those two things turn into tailwinds for us that we can’t deliver on it. We’re definitely putting ourselves in a position we can deliver if things work in our favor. But as far as how we’re approaching the plan right now in our guidance, we’re not assuming much of that in our current guidance.
Camilo R. Lyon  
*Analyst, Canaccord Genuity, Inc.*

So to be clear, you will have the ability to chase product and go after more sales if those headwinds that you’re planning for become tailwinds?

Brad Dickerson  
*Chief Financial Officer, Under Armour, Inc.*

Yes, yes. We’re putting ourselves in a position if weather is cold again this fourth quarter, we’re putting ourselves in a position to be able to deliver, and we’re also putting ourselves in a position of DTC overdrive like it did last year, we’re putting ourselves in a position to be able to deliver. But we want to be very careful, obviously, in how we approach that relative to our guidance and our expectations.

Camilo R. Lyon  
*Analyst, Canaccord Genuity, Inc.*

Sounds prudent. Thanks a lot and good luck with the rest of the year, guys.

Brad Dickerson  
*Chief Financial Officer, Under Armour, Inc.*

Thanks, Camilo.

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

Thanks, Camilo.

Thomas D. Shaw  
*Director-Investor Relations, Under Armour, Inc.*

All right. Thanks to everybody for joining us on the call today as we look forward to report you our second quarter 2014 results that’s tentatively have been scheduled for Thursday, July 24 at 8:30 a.m. Eastern Time. Thanks again and goodbye.

**Operator:** Thank you, ladies and gentlemen. This does conclude the program. Thank you for participating in today’s conference. Everyone have a great day.