

V F CORP

Form 10-Q

February 04, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 29, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-5256

V. F. CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania

23-1180120

(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification number)

105 Corporate Center Boulevard

Greensboro, North Carolina 27408

(Address of principal executive offices)

(336) 424-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On January 26, 2019, there were 395,605,444 shares of the registrant's common stock outstanding.

VF CORPORATION
Table of Contents

	Page No.
<u>Part I — Financial Information</u>	
<u>Item 1 — Financial Statements (Unaudited)</u>	<u>3</u>
<u>Consolidated Balance Sheets: December 2018, March 2018 and December 2017</u>	<u>3</u>
<u>Consolidated Statements of Income: Three and nine months ended December 2018 and December 2017</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income: Three and nine months ended December 2018 and December 2017</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows: Nine months ended December 2018 and December 2017</u>	<u>6</u>
<u>Consolidated Statements of Stockholders' Equity: Three and nine months ended December 2018 and December 2017</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
<u>Item 3 — Quantitative and Qualitative Disclosures about Market Risk</u>	<u>47</u>
<u>Item 4 — Controls and Procedures</u>	<u>47</u>
<u>Part II — Other Information</u>	
<u>Item 1 — Legal Proceedings</u>	<u>48</u>
<u>Item 1A — Risk Factors</u>	<u>48</u>
<u>Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
<u>Item 6 — Exhibits</u>	<u>49</u>
<u>Signatures</u>	<u>50</u>

PART I — FINANCIAL INFORMATION
ITEM 1 — FINANCIAL STATEMENTS (UNAUDITED)
VF CORPORATION

Consolidated Balance Sheets
(Unaudited)

(In thousands, except share amounts)	December 2018	March 2018	December 2017
ASSETS			
Current assets			
Cash and equivalents	\$535,312	\$680,762	\$563,483
Accounts receivable, less allowance for doubtful accounts of: December 2018 – \$28,483; March 2018 – \$24,993; December 2017 – \$26,266	1,774,460	1,408,587	1,429,986
Inventories	1,866,075	1,861,441	1,706,609
Other current assets	436,244	358,953	296,986
Current assets of discontinued operations	—	373,580	380,700
Total current assets	4,612,091	4,683,323	4,377,764
Property, plant and equipment, net	1,041,640	1,011,617	1,014,638
Intangible assets, net	2,055,965	2,120,110	2,089,781
Goodwill	1,756,156	1,693,219	1,692,644
Other assets	818,458	803,041	783,675
TOTAL ASSETS	\$10,284,310	\$10,311,310	\$9,958,502
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	\$677,891	\$1,525,106	\$729,384
Current portion of long-term debt	5,576	6,265	6,165
Accounts payable	645,678	583,004	760,997
Accrued liabilities	1,233,902	938,427	1,146,535
Current liabilities of discontinued operations	—	86,027	101,019
Total current liabilities	2,563,047	3,138,829	2,744,100
Long-term debt	2,135,240	2,212,555	2,187,789
Other liabilities	1,285,399	1,271,830	1,306,713
Commitments and contingencies			
Total liabilities	5,983,686	6,623,214	6,238,602
Stockholders' equity			
Preferred Stock, par value \$1; shares authorized, 25,000,000; no shares outstanding at December 2018, March 2018 or December 2017	—	—	—
Common Stock, stated value \$0.25; shares authorized, 1,200,000,000; shares outstanding at December 2018 – 395,472,173; March 2018 – 394,313,070; December 2017 – 395,821,781	98,868	98,578	98,955
Additional paid-in capital	3,829,994	3,607,424	3,523,340
Accumulated other comprehensive income (loss)	(886,565)	(864,030)	(926,140)
Retained earnings	1,258,327	846,124	1,023,745
Total stockholders' equity	4,300,624	3,688,096	3,719,900
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,284,310	\$10,311,310	\$9,958,502

See notes to consolidated financial statements.

VF CORPORATION
Consolidated Statements of Income
(Unaudited)

	Three Months Ended December		Nine Months Ended December	
(In thousands, except per share amounts)	2018	2017	2018	2017
Net revenues	\$3,940,159	\$3,649,283	\$10,635,691	\$9,310,837
Costs and operating expenses				
Cost of goods sold	1,896,472	1,769,819	5,232,050	4,601,336
Selling, general and administrative expenses	1,451,782	1,394,845	3,922,185	3,489,679
Total costs and operating expenses	3,348,254	3,164,664	9,154,235	8,091,015
Operating income	591,905	484,619	1,481,456	1,219,822
Interest income	4,550	4,423	10,788	12,577
Interest expense	(28,397)	(26,971)	(84,032)	(78,269)
Other income (expense), net	(1,774)	(1,902)	(56,495)	(7,032)
Income from continuing operations before income taxes	566,284	460,169	1,351,717	1,147,098
Income taxes	103,158	533,148	221,517	639,165
Income (loss) from continuing operations	463,126	(72,979)	1,130,200	507,933
Income (loss) from discontinued operations, net of tax	383	(17,290)	788	(102,173)
Net income (loss)	\$463,509	\$(90,269)	\$1,130,988	\$405,760
Earnings (loss) per common share - basic				
Continuing operations	\$1.17	\$(0.18)	\$2.86	\$1.29
Discontinued operations	—	(0.04)	—	(0.26)
Total earnings (loss) per common share - basic	\$1.17	\$(0.23)	\$2.86	\$1.03
Earnings (loss) per common share - diluted				
Continuing operations	\$1.16	\$(0.18)	\$2.82	\$1.27
Discontinued operations	—	(0.04)	—	(0.26)
Total earnings (loss) per common share - diluted	\$1.16	\$(0.23)	\$2.82	\$1.02
Weighted average shares outstanding				
Basic	395,294	394,577	395,117	394,967
Diluted	399,767	400,378	400,418	399,425

See notes to consolidated financial statements.

VF CORPORATION

Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended December		Nine Months Ended December	
(In thousands)	2018	2017	2018	2017
Net income (loss)	\$463,509	\$(90,269)	\$1,130,988	\$405,760
Other comprehensive income (loss)				
Foreign currency translation and other				
Gains (losses) arising during the period	(67,820)	13,779	(241,578)	154,603
Income tax effect	(3,345)	7,984	(18,680)	41,477
Defined benefit pension plans				
Amortization of net deferred actuarial losses	6,676	10,026	22,153	30,058
Amortization of deferred prior service costs (credits)	(58)	646	552	1,934
Current period actuarial gains (losses)	1,428	(45,356)	53,470	(45,356)
Curtailment losses and settlement charges	662	6,230	18,329	6,230
Income tax effect	(2,313)	4,664	(24,530)	(3,094)
Derivative financial instruments				
Gains (losses) arising during the period	43,836	(21,136)	153,705	(128,622)
Income tax effect	(7,217)	5,892	(18,664)	13,076
Reclassification to net income for (gains) losses realized	5,391	8,352	35,554	(7,576)
Income tax effect	(889)	(2,325)	(2,846)	(830)
Other comprehensive income (loss)	(23,649)	(11,244)	(22,535)	61,900
Comprehensive income (loss)	\$439,860	\$(101,513)	\$1,108,453	\$467,660

See notes to consolidated financial statements.

VF CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended December	
(In thousands)	2018 ^(a)	2017 ^(a)
OPERATING ACTIVITIES		
Net income	\$1,130,988	\$405,760
Adjustments to reconcile net income to cash provided by operating activities:		
Impairment of goodwill	—	104,651
Depreciation and amortization	216,361	224,065
Stock-based compensation	80,501	66,600
Provision for doubtful accounts	16,325	18,481
Pension expense in excess of contributions	2,932	17,241
Loss on sale of businesses, net of tax	28,115	27,426
Other, net	(36,404)	(101,154)
Changes in operating assets and liabilities:		
Accounts receivable	(428,753)	(22,854)
Inventories	(58,401)	176,717
Accounts payable	62,175	228,727
Income taxes	(39,971)	494,406
Accrued liabilities	491,925	54,649
Other assets and liabilities	(29,130)	(9,893)
Cash provided by operating activities	1,436,663	1,684,822
INVESTING ACTIVITIES		
Business acquisitions, net of cash received	(320,405)	(740,541)
Proceeds from sale of businesses, net of cash sold	430,273	214,968
Capital expenditures	(195,250)	(128,697)
Software purchases	(42,548)	(44,520)
Other, net	(20,616)	(9,124)
Cash used by investing activities	(148,546)	(707,914)
FINANCING ACTIVITIES		
Net (decrease) increase in short-term borrowings	(852,547)	424,297
Payments on long-term debt	(4,675)	(253,410)
Payment of debt issuance costs	(2,123)	—
Purchases of treasury stock	(150,676)	(762,059)
Cash dividends paid	(565,176)	(511,966)
Proceeds from issuance of Common Stock, net of shares withheld for taxes	137,470	86,610
Cash used by financing activities	(1,437,727)	(1,016,528)
Effect of foreign currency rate changes on cash, cash equivalents and restricted cash	(681)	737
Net change in cash, cash equivalents and restricted cash	(150,291)	(38,883)
Cash, cash equivalents and restricted cash – beginning of year	689,190	608,280
Cash, cash equivalents and restricted cash – end of period	\$538,899	\$569,397
Balances per Consolidated Balance Sheets:		
Cash and cash equivalents	\$535,312	\$563,483
Other current assets	2,872	2,452
Current assets of discontinued operations	—	2,592
Other assets	715	870

Edgar Filing: V F CORP - Form 10-Q

Total cash, cash equivalents and restricted cash \$538,899 \$569,397

The cash flows related to discontinued operations have not been segregated, and remain included in the major (a) classes of assets and liabilities. Accordingly, the Consolidated Statements of Cash Flows include the results of continuing and discontinued operations.

See notes to consolidated financial statements.

VF Corporation Q3 FY19 Form 10-Q 6

VF CORPORATION

Consolidated Statements of Stockholders' Equity

(Unaudited)

(In thousands, except share amounts)	Three Months Ended December 2018					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amounts				
Balance, September 2018	397,161,808	\$99,290	\$3,795,395	\$ (862,916)	\$1,147,787	\$4,179,556
Net income	—	—	—	—	463,509	463,509
Dividends on Common Stock (\$0.51 per share)	—	—	—	—	(201,325)	(201,325)
Purchase of treasury stock	(1,863,724)	(466)	—	—	(149,730)	(150,196)
Stock-based compensation, net	174,089	44	34,599	—	(1,914)	32,729
Foreign currency translation and other	—	—	—	(71,165)	—	(71,165)
Defined benefit pension plans	—	—	—	6,395	—	6,395
Derivative financial instruments	—	—	—	41,121	—	41,121
Balance, December 2018	395,472,173	\$98,868	\$3,829,994	\$ (886,565)	\$1,258,327	\$4,300,624
	Three Months Ended December 2017					
(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amounts				
	Balance, September 2017	394,502,698	\$98,626	\$3,456,661	\$ (914,896)	\$1,297,029
Net income	—	—	—	—	(90,269)	(90,269)
Dividends on Common Stock (\$0.46 per share)	—	—	—	—	(181,686)	(181,686)
Purchase of treasury stock	—	—	—	—	—	—
Stock-based compensation, net	1,319,083	329	66,679	—	(1,329)	65,679
Foreign currency translation and other	—	—	—	21,763	—	21,763
Defined benefit pension plans	—	—	—	(23,790)	—	(23,790)
Derivative financial instruments	—	—	—	(9,217)	—	(9,217)
Balance, December 2017	395,821,781	\$98,955	\$3,523,340	\$ (926,140)	\$1,023,745	\$3,719,900

Continued on next page.

See notes to consolidated financial statements.

VF CORPORATION

Consolidated Statements of Stockholders' Equity

(Unaudited)

(In thousands, except share amounts)	Nine Months Ended December 2018					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amounts				
Balance, March 2018	394,313,070	\$98,578	\$3,607,424	\$ (864,030)	\$846,124	\$3,688,096
Adoption of new accounting standard	—	—	—	—	1,956	1,956
Net income	—	—	—	—	1,130,988	1,130,988
Dividends on Common Stock (\$1.43 per share)	—	—	—	—	(565,176)	(565,176)
Purchase of treasury stock	(1,868,934)	(467)	—	—	(150,209)	(150,676)
Stock-based compensation, net	3,028,037	757	222,570	—	(5,356)	217,971
Foreign currency translation and other	—	—	—	(260,258)	—	(260,258)
Defined benefit pension plans	—	—	—	69,974	—	69,974
Derivative financial instruments	—	—	—	167,749	—	167,749
Balance, December 2018	395,472,173	\$98,868	\$3,829,994	\$ (886,565)	\$1,258,327	\$4,300,624
	Nine Months Ended December 2017					
(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amounts				
	Balance, March 2017	406,964,289	\$101,741	\$3,367,026	\$ (988,040)	\$1,892,330
Net income	—	—	—	—	405,760	405,760
Dividends on Common Stock (\$1.30 per share)	—	—	—	—	(511,966)	(511,966)
Purchase of treasury stock	(13,993,773)	(3,498)	—	—	(758,561)	(762,059)
Stock-based compensation, net	2,851,265	712	156,314	—	(3,818)	153,208
Foreign currency translation and other	—	—	—	196,080	—	196,080
Defined benefit pension plans	—	—	—	(10,228)	—	(10,228)
Derivative financial instruments	—	—	—	(123,952)	—	(123,952)
Balance, December 2017	395,821,781	\$98,955	\$3,523,340	\$ (926,140)	\$1,023,745	\$3,719,900

See notes to consolidated financial statements.

VF Corporation Q3 FY19 Form 10-Q 8

VF CORPORATION

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

VF Corporation (together with its subsidiaries, collectively known as “VF” or the “Company”) changed to a 52/53 week fiscal year ending on the Saturday closest to March 31 of each year. VF previously used a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. The Company's current fiscal year runs from April 1, 2018 through March 30, 2019 (“Fiscal 2019”). Accordingly, this Form 10-Q presents our third quarter of Fiscal 2019. For presentation purposes herein, all references to periods ended December 2018, March 2018 and December 2017 relate to the fiscal periods ended on December 29, 2018, March 31, 2018 and December 30, 2017, respectively. The Nautica® brand business and the Licensing Business (which comprised the Licensed Sports Group and JanSport® brand collegiate businesses) have been reported as discontinued operations in our Consolidated Statements of Income, and the related held-for-sale assets and liabilities have been presented as assets and liabilities of discontinued operations in the Consolidated Balance Sheets, through their dates of disposal. These changes have been applied to all periods presented. Unless

otherwise noted, discussion within these notes to the consolidated financial statements relates to continuing operations. Refer to Note 5 for additional information on discontinued operations.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all of the information and notes required by generally accepted accounting principles in the United States of America (“GAAP”) for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to fairly state the consolidated financial position, results of operations and cash flows of VF for the interim periods presented. Operating results for the three and nine months ended December 2018 are not necessarily indicative of results that may be expected for any other interim period or for Fiscal 2019. For further information, refer to the consolidated financial statements and notes included in VF’s Annual Report on Form 10-K for the year ended December 30, 2017 (“2017 Form 10-K”).

NOTE 2 — RECENTLY ADOPTED AND ISSUED ACCOUNTING STANDARDS

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”, a new accounting standard on revenue recognition that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The FASB subsequently issued updates to the standard to provide additional clarification on specific topics. Collectively, the guidance is referred to as FASB Accounting Standards Codification Topic 606 (“ASC 606”). The standard prescribes a five-step approach to revenue recognition: (1) identify the contracts with the customer; (2) identify the separate performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when, or as, each performance obligation is satisfied. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The Company adopted this standard on April 1, 2018, utilizing the modified retrospective method and applying this approach to contracts not completed as of that date. The cumulative effect of initially applying the new standard has been recognized in retained earnings. Comparative prior period information has not been restated and continues to be reported under accounting standards in effect for those periods.

The adoption of ASC 606 resulted in a net increase of \$2.0 million in the retained earnings line item of the Consolidated Balance Sheet as of April 1, 2018. The cumulative effect adjustment relates primarily to i) recognition of revenues for certain wholesale and e-commerce transactions at shipment rather than upon delivery to the customer based on our evaluation of the transfer of control of the goods, ii) discontinued capitalization of certain costs related to

ongoing customer arrangements and iii) adjustments to the timing of recognition for certain royalty amounts. Other effects of the adoption include presentation of allowances for sales incentive programs, discounts, markdowns, chargebacks, and returns as refund liabilities rather than as a reduction to accounts receivable and presentation of the right of return asset within other current assets rather than as a component of inventory in the Consolidated Balance Sheet. Additionally, sourcing fees received from customers and advertising contributions from licensees that had previously been reported as an offset to costs or expenses are now reported as revenue in the Consolidated Statements of Income. Refer to Note 3 for additional revenue disclosures.

Edgar Filing: V F CORP - Form 10-Q

The following tables compare amounts reported in accordance with the requirements of ASC 606 to the amounts that would have been reported had the new standard not been applied:

Condensed Consolidated Balance Sheet

(In thousands)	December 2018		
	As Reported	Impact of Adoption	Balances without Adoption of ASC 606
ASSETS			
Cash and equivalents	\$535,312	\$—	\$535,312
Accounts receivable, net	1,774,460	(223,546)	1,550,914
Inventories	1,866,075	71,909	1,937,984
Other current assets	436,244	(64,794)	371,450
Total current assets	4,612,091	(216,431)	4,395,660
Property, plant and equipment, net	1,041,640	—	1,041,640
Goodwill and intangible assets, net	3,812,121	—	3,812,121
Other assets	818,458	345	818,803
TOTAL ASSETS	\$10,284,310	\$(216,086)	\$10,068,224
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short-term borrowings and current portion of long-term debt	\$683,467	\$—	\$683,467
Accounts payable	645,678	—	645,678
Accrued liabilities	1,233,902	(204,407)	1,029,495
Total current liabilities	2,563,047	(204,407)	2,358,640
Long-term debt	2,135,240	—	2,135,240
Other liabilities	1,285,399	(1,545)	1,283,854
Total liabilities	5,983,686	(205,952)	5,777,734
Total stockholders' equity	4,300,624	(10,134)	4,290,490
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,284,310	\$(216,086)	\$10,068,224

Condensed Consolidated Statements of Income

(In thousands)	Three Months Ended December 2018			Nine Months Ended December 2018		
	As Reported	Impact of Adoption	Balances	As Reported	Impact of Adoption	Balances
			without Adoption of ASC 606			without Adoption of ASC 606
Net revenues	\$3,940,159	\$7,702	\$3,947,861	\$10,635,691	\$(8,281)	\$10,627,410
Cost of goods sold	1,896,472	2,802	1,899,274	5,232,050	(17,603)	5,214,447
Selling, general and administrative expenses	1,451,782	6,266	1,458,048	3,922,185	15,060	3,937,245
Total costs and operating expenses	3,348,254	9,068	3,357,322	9,154,235	(2,543)	9,151,692
Operating income	591,905	(1,366)	590,539	1,481,456	(5,738)	1,475,718
Interest income (expense) and other income (expense), net	(25,621)	—	(25,621)	(129,739)	—	(129,739)
Income from continuing operations before income taxes	566,284	(1,366)	564,918	1,351,717	(5,738)	1,345,979
Income taxes	103,158	(242)	102,916	221,517	(1,016)	220,501
Income from continuing operations	463,126	(1,124)	462,002	1,130,200	(4,722)	1,125,478
Income (loss) from discontinued operations, net of tax	383	—	383	788	(3,456)	(2,668)
Net income	\$463,509	\$(1,124)	\$462,385	\$1,130,988	\$(8,178)	\$1,122,810

VF Corporation Q3 FY19 Form 10-Q 10

Condensed Consolidated Statement of Cash Flows - Operating Activities

(In thousands)	Nine Months Ended December 2018		
	As Reported	Impact of Adoption	without Adoption of ASC 606
OPERATING ACTIVITIES			
Net income	\$1,130,988	\$ (8,178)	\$1,122,810
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	216,361	190	216,551
Other adjustments, net	91,469	3,193	94,662
Changes in operating assets and liabilities:			
Accounts receivable	(428,753)	213,953	(214,800)
Inventories	(58,401)	(66,338)	(124,739)
Accounts payable	62,175	—	62,175
Income taxes	(39,971)	(1,016)	(40,987)
Accrued liabilities	491,925	(204,726)	287,199
Other assets and liabilities	(29,130)	62,922	33,792
Cash provided by operating activities	\$1,436,663	\$—	\$1,436,663
There was no impact to investing or financing activities within the Consolidated Statement of Cash Flows as a result of the adoption of ASC 606.			

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities", an update to the accounting guidance related to the recognition and measurement of certain financial instruments. This guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. This guidance became effective for VF in the first quarter of Fiscal 2019, but did not impact VF's consolidated financial statements. The FASB has subsequently issued an update to clarify the previous guidance. The amendments in this updated guidance became effective for VF in the second quarter of Fiscal 2019, but did not impact VF's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-04, "Liabilities—Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products", an update to the accounting guidance on extinguishments of financial liabilities that exempts prepaid stored-value products, or gift cards, from the existing guidance. The updated guidance requires that financial liabilities related to prepaid stored-value products be subject to breakage accounting, consistent with ASC 606. This guidance became effective for VF in the first quarter of Fiscal 2019, but did not impact VF's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments", an update to the accounting guidance that addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance became effective for VF in the first quarter of Fiscal 2019 but did not impact VF's Consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business", an update that provides a more narrow framework to be used in evaluating whether a set of assets and activities constitutes a business. This guidance became effective for VF in the first quarter of Fiscal 2019 and was applied when accounting for the acquisitions

completed subsequent to the adoption date, but did not impact our conclusions on whether they were a business. Refer to Note 4 for further information related to acquisitions.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost", an update which requires employers to disaggregate the service cost component from other components of net periodic benefit costs. The

standard requires employers to report the service cost component in the same line item as other compensation costs and to report the other components of net periodic benefit costs (which include interest cost, expected return on plan assets, amortization of prior service costs or credits and deferred actuarial gains and losses) separately and outside of operating income. The update specifies that only the service cost component is eligible for capitalization, which is consistent with VF's current practice. The presentation change in the Consolidated Statements of Income requires application on a retrospective basis. The ASU was adopted by the Company on April 1, 2018, and as a result, VF reported increases in operating income and non-operating expense of \$3.3 million and \$6.4 million for the three and nine months ended December 2017, respectively. VF applied the practical expedient permitted under the guidance which allows entities to use information previously disclosed in the pension and other post-retirement benefit plans footnote as the basis to apply the retrospective presentation requirements. Refer to pension disclosure in Note 10. In May 2017, the FASB issued ASU No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting", an update that amends the scope of modification accounting for share-based payment arrangements. This update provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. This guidance became effective for VF beginning in the first quarter of Fiscal 2019, but did not impact VF's consolidated financial statements.

In January 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income ("GILTI") provisions of the Tax Cuts and Jobs Act ("Tax Act"). The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance indicates that companies must make a policy decision to either record deferred taxes related to GILTI inclusions or treat any taxes on GILTI inclusions as period costs. The Company has completed its analysis related to this accounting policy election and has determined it will treat the taxes resulting from GILTI as a current-period expense, which is consistent with the treatment prior to the accounting policy election.

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118", which allowed the Company to record provisional amounts in earnings for the year ended December 30, 2017 due to the complexities involved in accounting for the enactment of the Tax Act. The Company recognized the estimated income tax effects of the Tax Act in its 2017 consolidated financial statements in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 118 ("SAB 118") and recorded revisions of our provisional estimate during the three months ended March 2018, June 30, 2018 ("June 2018") and September 29, 2018 ("September 2018"). VF finalized its accounting for the impact of the Tax Act during the three months ended December 2018. Refer to Note 13 for more information regarding the amounts recorded.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", a new accounting standard on leasing. The FASB has subsequently issued updates to the standard to provide additional clarification on specific topics, including permitted transition methods. This new standard will require companies to record most leased assets and related liabilities on the balance sheet, and also retains a dual model approach for assessing lease classification and recognizing expense. VF's cross-functional implementation team has completed the design phase of the project, which involved reviewing the standard's provisions, evaluating real estate and non-real estate lease arrangements and identifying arrangements that may contain embedded leases. This project is now in the final stages of the implementation phase which included collecting information from lease contracts, assessing potential embedded leases, evaluating accounting policy elections and implementing a new lease management system. Additionally, VF is updating processes and internal controls over systems and financial reporting to respond to relevant risks associated with the new standard including the preparation of the required financial information and new disclosures. VF expects this standard will have a material impact on the Consolidated Balance Sheets but does not expect it to have a material impact on the Consolidated Statements of Income. The Company will adopt the new standard in the first quarter of the year ended March 28, 2020 ("Fiscal 2020") utilizing the modified retrospective method and will recognize a cumulative-effect adjustment in retained earnings, if any, at the beginning of the period of adoption.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which requires entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The FASB has subsequently issued updates to the standard to provide additional clarification on specific topics.

This guidance will be effective for VF in the first quarter of the year ended April 3, 2021 ("Fiscal 2021") with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", an update that amends and simplifies certain aspects of hedge accounting rules to better portray the economic results of risk management activities in the financial statements. The FASB has subsequently issued updates to the standard to provide additional guidance on specific topics. This guidance will be effective for VF in the first quarter of Fiscal 2020 with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on VF's consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", an update that addresses the effect of the change in the U.S. federal corporate income tax rate due to the enactment of the Tax Act on items within accumulated other comprehensive income (loss). The guidance will be effective for VF in the first

quarter of Fiscal 2020 with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting", an update that expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance will be effective for VF in the first quarter of Fiscal 2020 with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on VF's consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, "Codification Improvements", an update that provides technical corrections, clarifications and other improvements across a variety of accounting topics. The transition and effective date guidance is based on the facts and circumstances of each update; however, many of them will be effective for VF in the first quarter of Fiscal 2020. The Company does not expect the adoption of this guidance to have a material impact on VF's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", an update that modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The guidance will be effective for VF in the first quarter of Fiscal 2021 with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's disclosures.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation— Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans", an update that modifies the disclosure requirements for employers who sponsor defined benefit pension or other postretirement plans. The guidance will be effective for VF in Fiscal 2021 with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's disclosures.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract", an update that aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with

the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance will be effective for VF in the first quarter of Fiscal 2021 with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

NOTE 3 — REVENUES

Revenue is recognized when performance obligations under the terms of a contract with the customer are satisfied based on the transfer of control of promised goods or services. The transfer of control typically occurs at a point in time based on consideration of when the customer has i) an obligation to pay for, ii) physical possession of, iii) legal title to, iv) risks and rewards of ownership of and v) accepted the goods or services. The timing of revenue recognition within the wholesale channel occurs either on shipment or delivery of goods based on contractual terms with the customer. The timing of revenue recognition in the direct-to-consumer channel generally occurs at the point of sale within VF-operated or concession retail stores and either on shipment or delivery of goods for e-commerce transactions based on contractual terms with the customer. For finished products shipped directly to customers from our suppliers, the Company's promise to the customer is a performance obligation to provide the specified goods, and thus the Company is the principal in the arrangement and revenue is recognized on a gross basis at the transaction price. For sourcing arrangements, the Company's promise to the customer is to arrange for certain goods, typically finished products, to be provided and thus the Company is acting as an agent and revenue is recognized on a net basis at the fee amount earned.

The duration of contractual arrangements with our customers in the wholesale and direct-to-consumer channels is typically less than one year. Payment terms with customers are generally between 30 and 60 days. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as it is expected, at contract inception, that the period between the transfer of the promised good or service to the customer and the customer payment for the good or service will be one year or less.

The amount of revenue recognized in both wholesale and direct-to-consumer channels reflects the expected consideration to be received for providing the goods or services to the customer, which includes estimates for variable consideration. Variable consideration includes allowances for trade terms, sales incentive programs, discounts, markdowns, chargebacks and product returns. Estimates of variable consideration are determined at contract inception and reassessed at each reporting date, at a minimum, to reflect any changes in facts and circumstances. The Company utilizes the expected value method in determining its estimates of variable consideration, based on evaluations of specific product and customer circumstances, historical and anticipated trends, and current economic conditions. Certain products sold by the Company include an assurance warranty. Product warranty costs are estimated based on historical and anticipated trends, and are recorded as cost of goods sold at the time revenue is recognized.

Revenue from the sale of gift cards is deferred and recorded as a contract liability until the gift card is redeemed by the customer, factoring in breakage as appropriate.

Various VF brands maintain customer loyalty programs where customers earn rewards from qualifying purchases or activities, which are redeemable for discounts on future purchases or other rewards. For its customer loyalty programs, the Company estimates the stand-alone selling price of the loyalty rewards and allocates a portion of the consideration for the sale of products to the loyalty points earned. The deferred amount is recorded as a contract liability, and is recognized as revenue when the points are redeemed or when the likelihood of redemption is remote.

The Company has elected to treat all shipping and handling activities as fulfillment costs and recognize the costs as selling, general and administrative expenses at the time the related revenue is recognized. Shipping and handling costs billed to customers are included in net revenues. Sales taxes and value added taxes collected from customers and remitted directly to governmental authorities are excluded from the transaction price.

The Company has licensing agreements for its symbolic intellectual property, most of which include minimum guaranteed royalties. Royalty income is recognized as earned over the respective license term based on the greater of minimum guarantees or the licensees' sales of licensed products at rates specified in the licensing contracts. Royalty income related to the minimum guarantees is recognized using a measure of progress with variable amounts recognized only when the cumulative earned royalty exceeds the minimum guarantees. As of December 2018, the Company expects to recognize \$97.8 million of fixed consideration related to the future minimum guarantees in effect under its licensing agreements and expects such amounts to be recognized over time through December 2024. The variable consideration is not disclosed as a remaining performance obligation as the licensing arrangements qualify for the sales-based royalty exemption.

The Company has applied the practical expedient to recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less.

Performance Obligations

Disclosure is required for the aggregate transaction price allocated to performance obligations that are unsatisfied at the end of a reporting period, unless the optional practical expedients are applicable. VF is electing the practical expedients to not disclose the transaction price allocated to remaining performance obligations for i) variable consideration related to sales-based royalty arrangements and ii) contracts with an original expected duration of one year or less.

As of December 2018, there were no arrangements with transaction price allocated to remaining performance obligations other than contracts for which the Company has applied the practical expedients and fixed consideration related to future minimum guarantees discussed above.

For the three and nine months ended December 2018, revenue recognized from performance obligations satisfied, or partially satisfied, in prior periods was not material.

Contract Balances

Accounts receivable represent the Company's unconditional right to receive consideration from a customer and are recorded at net invoiced amounts, less an estimated allowance for doubtful accounts.

Contract assets are rights to consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. Once the Company has an unconditional right to consideration

under a contract, amounts are invoiced and contract assets are reclassified to accounts receivable. The Company's primary contract assets relate to sales-based royalty arrangements, which are discussed in more detail above.

Contract liabilities are recorded when a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional, before the transfer of a good or service to the customer and thus represent the Company's obligation to transfer the good or service to the customer at a future date. The Company's primary contract liabilities relate to gift cards, loyalty programs and sales-based royalty arrangements, which are discussed in more detail above.

The following table provides information about accounts receivable, contract assets and contract liabilities:

(In thousands)	At	
	December 2018	Adoption - April 1, 2018 ^(a)
Accounts receivable, net	\$1,774,460	\$1,408,587
Contract assets ^(b)	3,368	2,600
Contract liabilities ^(c)	40,615	28,252

^(a) The Company adopted ASC 606 on April 1, 2018. Refer to Note 2 for additional information.

^(b) Included in the other current assets line item in the Consolidated Balance Sheets.

^(c) Included in the accrued liabilities and other liabilities line items in the Consolidated Balance Sheets.

For the three and nine months ended December 2018, the Company recognized \$19.7 million and \$44.1 million, respectively, of revenue that was previously included in the contract liability balance. The change in the contract asset and contract liability balances primarily results from the timing differences between the Company's satisfaction of performance obligations and the customer's payment.

Disaggregation of Revenue

The following tables disaggregate our revenues by channel and geography, which provides a meaningful depiction of how the nature, timing and uncertainty of revenues are affected by economic factors. The wholesale channel includes fees generated from sourcing activities as the customers and point-in-time revenue recognition are similar to other wholesale arrangements.

(In thousands)	Three Months Ended December 2018					
	Outdoor	Active	Work	Jeans	Other	Total
Channel revenues						
Wholesale	\$839,579	\$490,985	\$434,409	\$557,642	\$3,559	\$2,326,174
Direct-to-consumer	769,775	642,571	50,788	91,514	29,975	1,584,623
Royalty	3,251	9,024	8,390	8,697	—	29,362
Total	\$1,612,605	\$1,142,580	\$493,587	\$657,853	\$33,534	\$3,940,159

Geographic revenues

United States	\$889,298	\$638,179	\$400,739	\$494,575	\$33,534	\$2,456,325
International	723,307	504,401	92,848	163,278	—	1,483,834
Total	\$1,612,605	\$1,142,580	\$493,587	\$657,853	\$33,534	\$3,940,159

VF Corporation Q3 FY19 Form 10-Q 14

Edgar Filing: V F CORP - Form 10-Q

Three Months Ended December 2017						
(In thousands)	Outdoor	Active	Work	Jeans	Other	Total
Channel revenues						
Wholesale	\$735,349	\$441,521	\$421,709	\$591,729	\$—	\$2,190,308
Direct-to-consumer	718,199	535,704	54,347	92,933	33,313	1,434,496
Royalty	3,106	6,758	6,771	7,844	—	24,479
Total	\$1,456,654	\$983,983	\$482,827	\$692,506	\$33,313	\$3,649,283
Geographic revenues						
United States	\$789,583	\$522,250	\$385,002	\$510,029	\$33,313	\$2,240,177
International	667,071	461,733	97,825	182,477	—	1,409,106
Total	\$1,456,654	\$983,983	\$482,827	\$692,506	\$33,313	\$3,649,283
Nine Months Ended December 2018						
(In thousands)	Outdoor	Active	Work	Jeans	Other	Total
Channel revenues						
Wholesale	\$2,280,071	\$1,829,861	\$1,267,633	\$1,643,404	\$21,074	\$7,042,043
Direct-to-consumer	1,358,287	1,728,779	123,051	226,294	83,899	3,520,310
Royalty	9,350	20,838	18,332	24,818	—	73,338
Total	\$3,647,708	\$3,579,478	\$1,409,016	\$1,894,516	\$104,973	\$10,635,691
Geographic revenues						
United States	\$1,826,230	\$1,934,778	\$1,127,168	\$1,364,659	\$104,973	\$6,357,808
International	1,821,478	1,644,700	281,848	529,857	—	4,277,883
Total	\$3,647,708	\$3,579,478	\$1,409,016	\$1,894,516	\$104,973	\$10,635,691
Nine Months Ended December 2017						
(In thousands)	Outdoor	Active	Work	Jeans	Other	Total
Channel revenues						
Wholesale	\$2,091,005	\$1,575,246	\$834,934	\$1,707,810	\$—	\$6,208,995
Direct-to-consumer	1,272,275	1,389,219	58,041	232,266	91,003	3,042,804
Royalty	10,626	18,424	6,771	23,217	—	59,038
Total	\$3,373,906	\$2,982,889	\$899,746	\$1,963,293	\$91,003	\$9,310,837
Geographic revenues						
United States	\$1,730,340	\$1,525,746	\$791,610	\$1,391,102	\$91,003	\$5,529,801
International	1,643,566	1,457,143	108,136	572,191	—	3,781,036
Total	\$3,373,906	\$2,982,889	\$899,746	\$1,963,293	\$91,003	\$9,310,837

NOTE 4 — ACQUISITIONS

Williamson-Dickie

On October 2, 2017, VF acquired 100% of the outstanding shares of Williamson-Dickie Mfg. Co. (“Williamson-Dickie”) for \$800.7 million in cash, subject to working capital and other adjustments. The purchase price was primarily funded with short-term borrowings. During the three months ended March 2018, the purchase consideration was reduced by \$2.3 million associated with the final working capital adjustment, resulting in a revised purchase price of \$798.4 million. No additional adjustments have been made since that date, and the purchase price allocation was finalized during the three months ended September 2018.

Williamson-Dickie was a privately held company based in Ft. Worth, Texas, and was one of the largest companies in the workwear sector with a portfolio of brands including Dickies®, Workrite®, Kodiak®, Terra® and Walls®. The acquisition of Williamson-Dickie brings together complementary assets and capabilities, and creates a workwear business that will now serve an even broader set of consumers and industries around the world.

For the six months ended September 2018, Williamson-Dickie contributed revenues of \$471.9 million and net income of \$33.3 million. Given the ongoing integration and change in operating nature of the acquired business, it is impracticable to determine the revenues or operating results contributed in the three months ended December 2018. The following table summarizes the fair values of the Williamson-Dickie assets acquired and liabilities assumed at the date of acquisition:

(In thousands)	October 2, 2017
Cash and equivalents	\$60,172
Accounts receivable	146,403
Inventories	251,778
Other current assets	8,447
Property, plant and equipment	105,119
Intangible assets	397,755
Other assets	9,665
Total assets acquired	979,339
Short-term borrowings	17,565
Accounts payable	88,052
Other current liabilities	109,964
Deferred income tax liabilities	15,160
Other noncurrent liabilities	33,066
Total liabilities assumed	263,807
Net assets acquired	715,532
Goodwill	82,863
Purchase price	\$798,395

The goodwill is attributable to the acquired workforce of Williamson-Dickie and the significant synergies expected to arise as a result of the acquisition. All of the goodwill was assigned to the Work segment and \$52.3 million is expected to be deductible for tax purposes.

The Dickies®, Kodiak®, Terra® and Walls® trademarks, which management determined to have indefinite lives, have been valued at \$316.1 million. The Workrite® trademark, valued at \$0.8 million, is being amortized over three years.

Amortizable intangible assets have been assigned values of \$78.6 million for customer relationships and \$2.3 million for distribution agreements. Customer relationships are being amortized using an accelerated method over periods

ranging from 10-13 years. Distribution agreements are being amortized on a straight-line basis over four years. Total transaction expenses for the Williamson-Dickie acquisition were \$15.0 million, all of which were recognized in the year ended December 2017 in the selling, general and administrative expenses line item in the Consolidated Statements of Income.

VF Corporation Q3 FY19 Form 10-Q 16

The following unaudited pro forma summary presents consolidated information of VF as if the acquisition of Williamson-Dickie had occurred on January 3, 2016:

(In thousands)	Three Months Ended December 2017 (unaudited)	Nine Months Ended December 2017 (unaudited)
Net revenues	\$3,649,283	\$9,766,005
Income (loss) from continuing operations	(61,494) 544,094
Earnings (loss) per common share from continuing operations		
Basic	\$(0.16) \$1.38
Diluted	(0.15) 1.36

These pro forma amounts have been calculated after applying VF's accounting policies and adjusting the results of Williamson-Dickie to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had been applied from January 3, 2016, with related tax effects.

Pro forma financial information is not necessarily indicative of VF's operating results if the acquisition had been effected at the date indicated, nor is it necessarily indicative of future operating results. Amounts do not include any marketing leverage, operating efficiencies or cost savings that VF believes are achievable.

Icebreaker

On April 3, 2018, VF acquired 100% of the stock of Icebreaker Holdings Limited ("Icebreaker") for NZ\$274.4 million (\$198.5 million) in cash, subject to working capital and other adjustments. The purchase price was primarily funded with short-term borrowings. The purchase price was unchanged during the three months ended December 2018 and decreased NZ\$2.3 million (\$1.6 million) during the nine months ended December 2018, related to working capital adjustments. The revised purchase price as of December 2018 is NZ\$272.1 million (\$197.0 million).

Icebreaker was a privately held company based in Auckland, New Zealand. Icebreaker®, the primary brand, specializes in high-performance apparel based on natural fibers, including Merino wool, plant-based fibers and recycled fibers. It is an ideal complement to VF's Smartwool® brand, which also features Merino wool in its clothing and accessories. Together, the Smartwool® and Icebreaker® brands will position VF as a global leader in the Merino wool and natural fiber categories.

For the three and nine months ended December 2018, Icebreaker contributed revenues of \$47.7 million and \$127.1 million, respectively, representing 1.2% of VF's revenues in both periods. Icebreaker contributed net income of \$3.9 million and \$10.1 million in the three and nine months ended December 2018, respectively, representing 0.8% and 0.9% of VF's net income in the respective periods.

The allocation of the purchase price is preliminary and subject to change for certain income tax matters. Accordingly, further adjustments may be made to the value of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances that existed at the acquisition date.

The following table summarizes the estimated fair values of the Icebreaker assets acquired and liabilities assumed at the date of acquisition:

(In thousands)	April 3, 2018
Cash and equivalents	\$6,444
Accounts receivable	16,781
Inventories	31,728
Other current assets	3,931
Property, plant and equipment	3,858
Intangible assets	98,041
Other assets	4,758
Total assets acquired	165,541
Short-term borrowings	7,235
Accounts payable	2,075
Other current liabilities	21,919
Deferred income tax liabilities	22,802
Other noncurrent liabilities	433
Total liabilities assumed	54,464
Net assets acquired	111,077
Goodwill	85,875
Purchase price	\$196,952

The goodwill is attributable to the acquired workforce of Icebreaker and the significant synergies expected to arise as a result of the acquisition. All of the goodwill has been assigned to the Outdoor segment and none is expected to be deductible for tax purposes.

The Icebreaker® trademark, which management determined to have an indefinite life, has been valued at \$70.1 million. Amortizable intangible assets have been assigned values of \$27.8 million for customer relationships and \$0.2 million for distribution agreements. Customer relationships are being amortized using an accelerated method over 11.5 years. Distribution agreements are being amortized on a straight-line basis over four years.

Total transaction expenses for the Icebreaker acquisition of \$7.4 million have been recognized in the selling, general and administrative expenses line item in the Consolidated Statements of Income, of which \$4.1 million was recognized during the three months ended June 2018 and the remainder was recognized prior to Fiscal 2019. In addition, the Company has recognized a \$9.9 million gain on derivatives used to hedge the purchase price of Icebreaker in the other income (expense), net line item in the Consolidated Statements of Income, of which \$0.3 million was recognized during the three months ended June 2018 and the remainder was recognized prior to Fiscal 2019.

Pro forma results of operations of the Company would not be materially different as a result of the Icebreaker acquisition and therefore are not presented.

Altra

On June 1, 2018, VF acquired 100% of the stock of Icon-Altra LLC, plus certain assets in Europe ("Altra"). The purchase price was \$131.7 million in cash, subject to working capital and other adjustments and was primarily funded with short-term borrowings. The purchase price was unchanged during the three months ended December 2018 and decreased \$0.1 million during the nine months ended December 2018, related to working capital adjustments, resulting in a revised purchase price of \$131.6 million. The allocation of the purchase price was finalized during the three months ended December 2018, resulting in a decrease of goodwill by \$1.5 million related to a final adjustment to working capital balances.

Altra®, the primary brand, is an athletic and performance-based lifestyle footwear brand, based in Logan, Utah. Altra provides VF with a unique and differentiated technical footwear brand and a capability that, when applied across VF's footwear platforms, will serve as a catalyst for growth.

For the three and nine months ended December 2018, Altra contributed revenues of \$9.9 million and \$30.9 million, respectively. During the three and nine months ended December 2018, Altra had a net loss of \$1.1 million and net income of \$0.7 million, respectively.

VF Corporation Q3 FY19 Form 10-Q 18

The following table summarizes the estimated fair values of the Altra assets acquired and liabilities assumed at the date of acquisition:

(In thousands)	June 1, 2018
Accounts receivable	\$11,629
Inventories	9,310
Other current assets	575
Property, plant and equipment	1,107
Intangible assets	59,700
Total assets acquired	82,321
Accounts payable	5,068
Other current liabilities	7,415
Total liabilities assumed	12,483
Net assets acquired	69,838
Goodwill	61,719
Purchase price	\$131,557

The goodwill is attributable to the significant growth and synergies expected to arise as a result of the acquisition. All of the goodwill was assigned to the Outdoor segment and is expected to be deductible for tax purposes. The Altra[®] trademark, which management determined to have an indefinite life, has been valued at \$46.4 million. Amortizable intangible assets have been assigned values of \$13.0 million for customer relationships and \$0.3 million for distribution agreements. Customer relationships are being amortized using an accelerated method over 15 years. Distribution agreements are being amortized on a straight-line basis over four years.

Total transaction expenses for the Altra acquisition were \$2.3 million, all of which were recognized in the selling, general and administrative expenses line item in the Consolidated Statements of Income during the three months ended June 2018.

Pro forma results of operations of the Company would not be materially different as a result of the Altra acquisition and therefore are not presented.

NOTE 5 — DISCONTINUED OPERATIONS AND OTHER DIVESTITURES

The Company continuously assesses the composition of its portfolio to ensure it is aligned with its strategic objectives and positioned to maximize growth and return to shareholders.

Discontinued Operations

Nautica[®] Brand Business

During the three months ended December 30, 2017, the Company reached the strategic decision to exit the Nautica[®] brand business, and determined that it met the held-for-sale and discontinued operations accounting criteria. Accordingly, the Company has reported the results of the Nautica[®] brand business as discontinued operations in the Consolidated Statements of Income and presented the related held-for-sale assets and liabilities as assets and liabilities of discontinued operations in the Consolidated Balance Sheets through the date of sale.

On April 30, 2018, VF completed the sale of the Nautica[®] brand business. The Company received proceeds of \$285.8 million, net of cash sold, resulting in a final after-tax loss on sale of \$38.2 million, of which a \$0.4 million and \$5.4 million decrease in the estimated loss on sale is included in the income (loss) from discontinued operations, net of tax line item in the Consolidated Statements of Income for the three and nine months ended December 2018, respectively. The three and nine months ended December 2017 include a \$25.5 million estimated loss on sale.

The results of the Nautica® brand's North America business were previously reported in the former Sportswear segment, and the results of the Asia business were previously reported in the former Outdoor & Action Sports segment. The results of the Nautica® brand business recorded in the income (loss) from discontinued operations, net of tax line item in the Consolidated Statements of Income were income of \$0.4 million (including a \$0.4 million decrease in the estimated loss on sale) and \$0.8 million (including a \$5.4 million decrease in the estimated loss on sale) for the three and nine months ended December 2018, respectively, and losses of \$17.4 million and \$96.7 million for the three and nine months ended December 2017, respectively, including a \$25.5 million estimated loss on sale in both periods and a \$104.7 million impairment charge recorded during the three months ended September 30, 2017 ("September 2017").

Certain corporate overhead costs and segment costs previously allocated to the Nautica® brand business for segment reporting purposes did not qualify for classification within discontinued operations and have been reallocated to continuing operations.

Under the terms of the transition services agreement, the Company is providing certain support services for periods up to 12 months from the closing date of the transaction. Revenue and related expense items associated with the transition services are recorded in the Other category, and operating expense reimbursements are recorded within the corporate and other expenses line item, in the reconciliation of segment revenues and segment profit in Note 14.

Licensing Business

During the three months ended April 1, 2017, the Company reached the strategic decision to exit its Licensing Business, which comprised the Licensed Sports Group ("LSG") and the JanSport® brand collegiate businesses. Accordingly, the Company has reported the results of the businesses as discontinued operations in the Consolidated Statements of Income and presented the related held-for-sale assets and liabilities as assets and liabilities of discontinued operations in the Consolidated Balance Sheets through their respective dates of sale.

LSG included the Majestic® brand and was previously reported within the former Imagewear segment. On April 28, 2017, VF completed the sale of LSG to Fanatics, Inc. The Company received proceeds of \$213.5 million, net of cash sold, resulting in a final after-tax loss on sale of \$4.1 million, of which \$2.7 million is included in the income (loss) from discontinued operations, net of tax line item in the Consolidated Statements of Income for the nine months ended December 2017. The final adjustment to the after-tax loss on sale was \$0.3 million in the three months ended September 2017.

The LSG results recorded in the income (loss) from discontinued operations, net of tax line item in the Consolidated Statements of Income were losses of \$4.3 million (including a \$2.7 million

adjustment to the estimated loss on sale) for the nine months ended December 2017.

During the three months ended December 30, 2017, VF completed the sale of the assets associated with the JanSport® brand collegiate business, which was previously included within the former Outdoor & Action Sports segment. The Company received net proceeds of \$1.5 million and recorded a final after-tax loss on sale of \$0.2 million, of which a \$0.6 million and \$0.8 million decrease in the estimated loss on sale is included in the income (loss) from discontinued operations, net of tax line item in the Consolidated Statements of Income for the three and nine months ended December 2017, respectively.

The JanSport® brand collegiate results recorded in the income (loss) from discontinued operations, net of tax line item in the Consolidated Statements of Income were income of \$0.1 million (including a \$0.6 million decrease to the estimated loss on sale) and losses of \$1.2 million (including a \$0.8 million decrease to the estimated loss on sale) for the three and nine months ended December 2017, respectively.

Certain corporate overhead and other costs previously allocated to the Licensing Business for segment reporting purposes did not qualify for classification within discontinued operations and have been reallocated to continuing operations.

Under the terms of the transition services agreement, the Company is providing certain support services for periods up to 24 months from the closing date of the transaction. Revenue and related expense items associated with the transition services are recorded in the Work segment, and operating expense reimbursements are recorded within the corporate and other expenses line item in the reconciliation of segment revenues and segment profit in Note 14.

Summarized Discontinued Operations Financial Information

The following table summarizes the major line items for the Nautica® brand business and the Licensing Business that are included in the income (loss) from discontinued operations, net of tax line item in the Consolidated Statements of Income:

	Three Months Ended December		Nine Months Ended December	
(In thousands)	2018	2017	2018	2017
Net revenues	\$—	\$139,878	\$21,913	\$385,716
Cost of goods sold	—	77,888	14,706	218,081
Selling, general and administrative expenses	—	44,356	12,391	129,825
Impairment of goodwill	—	—	—	104,651

Edgar Filing: V F CORP - Form 10-Q

Interest expense, net	—	(1)	—	(9)
Other income (expense), net	—	(3)	272	5
Income (loss) from discontinued operations before income taxes	—	17,630	(4,912)	(66,845)
Gain (loss) on the sale of discontinued operations before income taxes	383	(24,513)	4,589	(30,488)
Total income (loss) from discontinued operations before income taxes	383	(6,883)	(323)	(97,333)
Income tax (expense) benefit	—	(10,407)	1,111	(4,840)
Income (loss) from discontinued operations, net of tax	\$383	\$(17,290)	\$788	\$(102,173)

VF Corporation Q3 FY19 Form 10-Q 20

The following table summarizes the carrying amounts of major classes of assets and liabilities of discontinued operations for each of the periods presented:

(In thousands)	December 2018	March 2018	December 2017
Cash	\$ —	\$2,330	\$2,592
Accounts receivable, net	—	26,298	27,941
Inventories	—	55,610	43,297
Other current assets	—	1,247	2,497
Property, plant and equipment, net	—	15,021	14,914
Intangible assets	—	262,202	262,352
Goodwill	—	49,005	49,005
Other assets	—	3,961	3,631
Allowance to reduce assets to estimated fair value, less costs to sell	—	(42,094)	(25,529)
Total assets of discontinued operations	\$ —	\$373,580	\$380,700
Accounts payable	\$ —	\$11,619	\$16,993
Accrued liabilities	—	10,658	18,203
Other liabilities	—	11,912	12,011
Deferred income tax liabilities ^(a)	—	51,838	53,812
Total liabilities of discontinued operations	\$ —	\$86,027	\$101,019

^(a) Deferred income tax balances reflect VF's consolidated netting by jurisdiction.

The cash flows related to discontinued operations have not been segregated, and are included in the Consolidated Statements of Cash Flows. There were no significant capital expenditures for any periods presented. Depreciation and amortization expense was \$10.2 million for the nine months ended December 2017. An operating noncash item of \$104.7 million related to the impairment of goodwill for the Nautica[®] brand business is included in the Consolidated Statement of Cash Flows for the nine months ended December 2017.

Other Divestitures

Reef[®] Brand Business

During the three months ended September 2018, the Company reached the decision to sell the Reef[®] brand business, which was included in the Active segment.

VF signed a definitive agreement for the sale of the Reef[®] brand business on October 2, 2018, and completed the transaction on October 26, 2018. VF received cash proceeds of \$139.4 million, and recorded an estimated \$14.4 million loss, of which \$4.5 million and \$14.4 million were included in the other income (expense), net line item in the Consolidated Statements of Income for the three and nine months ended December 2018, respectively. The estimated loss is subject to working capital and other adjustments.

Under the terms of the transition services agreement, the Company is providing certain support services for periods up to 21 months from the closing date of the transaction. Revenue and related expense items associated with the transition services and operating expense reimbursements are recorded in the Other category in the reconciliation of segment revenues and segment profit in Note 14.

Van Moer Business

During the three months ended September 2018, the Company reached the decision to sell the Van Moer business acquired with Williamson-Dickie, which was included in the Work segment. VF recorded a \$22.4 million estimated loss on the sale which was included in the other income (expense), net line item in the Consolidated Statement of Income for the three months ended September 2018.

VF completed the sale of the Van Moer business on October 5, 2018, and received cash proceeds of €7.0 million (\$8.1 million). There were no changes during the three months ended December 2018 to the estimated loss previously

recorded.

Spin-Off of Jeans Business

On August 13, 2018, VF announced its intention to spin-off its Jeans business, which will include the Wrangler®, Lee® and Rock & Republic® brands, as well as the VF Outlet business, into an independent, publicly-traded company. For the three and nine months ended December 2018, the Company incurred \$51.3 million and \$63.8 million, respectively, of separation and related expenses associated with the spin-off. Of these expenses, VF recognized \$40.4 million and \$52.9 million in selling, general and administrative expenses for the three and nine months ended December 2018, respectively, and \$10.9 million in cost of goods sold for both the three and nine months ended December 2018.

NOTE 6 — SALE OF ACCOUNTS RECEIVABLE

VF has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis. This agreement was amended in August 2018 to permit up to \$377.5 million of VF's accounts receivable to be sold to the financial institution and remain outstanding at any point in time, compared to the \$367.5 million limit in place at March 2018 and December 2017. VF removes the accounts receivable from the Consolidated Balance Sheets at the time of sale. VF does not retain any interests in the sold accounts receivable but continues to service and collect outstanding accounts receivable on behalf of the financial institution. During the nine months ended December 2018 and 2017, VF sold total accounts receivable of \$865.7 million and \$895.6

million, respectively. As of December 2018, March 2018 and December 2017, \$190.9 million, \$191.2 million and \$219.1 million, respectively, of the sold accounts receivable had been removed from the Consolidated Balance Sheets but remained outstanding with the financial institution. The funding fee charged by the financial institution is included in the other income (expense), net line item in the Consolidated Statements of Income, and was \$1.5 million and \$4.4 million for the three and nine months ended December 2018, respectively, and \$1.2 million and \$3.0 million for the three and nine months ended December 2017, respectively. Net proceeds of this program are classified as operating activities in the Consolidated Statements of Cash Flows.

NOTE 7 — INVENTORIES

(In thousands)	December 2018	March 2018	December 2017
Finished products	\$1,638,028	\$1,654,137	\$1,490,788
Work-in-process	110,438	103,757	110,467
Raw materials	117,609	103,547	105,354
Total inventories	\$1,866,075	\$1,861,441	\$1,706,609

NOTE 8 — INTANGIBLE ASSETS

(In thousands)	Weighted Average Amortization Period	Amortization Method	December 2018		March 2018	
			Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Amortizable intangible assets:						
Customer relationships	17 years	Accelerated	\$344,757	\$ 139,230	\$205,527	\$201,544
License agreements	19 years	Accelerated	7,663	4,743	2,920	6,256
Trademarks	16 years	Straight-line	58,932	11,236	47,696	50,623
Other	8 years	Straight-line	8,283	3,935	4,348	5,170
Amortizable intangible assets, net					260,491	263,593
Indefinite-lived intangible assets:						
Trademarks and trade names					1,795,474	1,856,517
Intangible assets, net					\$2,055,965	\$2,120,110

Intangible assets decreased during the nine months ended December 2018 due to the divestiture of the Reef[®] brand business and foreign currency fluctuations, which were partially offset by the addition of intangible assets from the Icebreaker and Altra acquisitions.

Amortization expense for the three and nine months ended December 2018 was \$7.5 million and \$23.3 million, respectively.

Based on the carrying amounts of amortizable intangible assets noted above, estimated amortization expense for the next five years beginning in Fiscal 2019 is \$32.4 million, \$31.2 million, \$29.7 million, \$27.8 million and \$26.3 million, respectively.

VF Corporation Q3 FY19 Form 10-Q 22

NOTE 9 — GOODWILL

Changes in goodwill are summarized by reportable segment as follows:

(In thousands)	Outdoor	Active	Work	Jeans	Total
Balance, March 2018	\$844,726	\$463,187	\$172,472	\$212,834	\$1,693,219
Fiscal 2019 acquisitions	147,594	—	—	—	147,594
Fiscal 2019 divestitures	—	(48,329)	(52)	—	(48,381)
Currency translation	(11,726)	(17,016)	(1,816)	(5,718)	(36,276)
Balance, December 2018	\$980,594	\$397,842	\$170,604	\$207,116	\$1,756,156

In connection with the realignment of the Company's segment reporting structure, the Company allocated goodwill to any newly identified reporting units using a relative fair value approach as of the first day of the first quarter of Fiscal 2019. Balances as of March 2018 have been retrospectively adjusted to reflect the reallocation. Refer to Note 14 for additional information regarding the Company's reportable segments.

During the three months ended December 2018, the Company completed the sales of the Reef® brand and Van Moer businesses, at which time the remaining goodwill of \$48.4 million related to

these reporting units was removed from the Consolidated Balance Sheet. Accumulated impairment charges for the goodwill removed from the Active segment were \$31.1 million as of December 2018 and March 2018. Refer to Note 5 for additional information regarding the divestitures.

No impairment charges were recorded during the nine months ended December 2018 and there are no remaining accumulated impairment charges.

NOTE 10 — PENSION PLANS

The components of pension cost for VF's defined benefit plans were as follows:

(In thousands)	Three Months Ended December		Nine Months Ended December	
	2018	2017	2018	2017
Service cost – benefits earned during the period	\$6,097	\$6,157	\$17,882	\$18,474
Interest cost on projected benefit obligations	15,807	14,735	47,638	44,174
Expected return on plan assets	(23,185)	(23,830)	(70,216)	(71,452)
Pension settlement charges	662	—	8,846	—
Pension curtailment losses	—	1,671	9,483	1,671
Amortization of deferred amounts:				
Net deferred actuarial losses	6,676	10,026	22,153	30,058
Deferred prior service costs (credits)	(58)	646	552	1,934
Net periodic pension cost	\$5,999	\$9,405	\$36,338	\$24,859

The amounts reported in these disclosures have not been segregated between continuing and discontinued operations.

On April 1, 2018, VF adopted ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost", which requires the Company to disaggregate the service cost component from other components of net periodic pension cost.

Accordingly, in the Consolidated Statements of Income, VF has reported the service cost component within operating income and the other components of net periodic pension cost (which include interest cost, expected return on plan assets, amortization of prior service costs or credits and deferred actuarial gains and losses) in the other income (expense), net line item.

VF contributed \$33.4 million to its defined benefit plans during the nine months ended December 2018, and intends to make approximately \$6.7 million of contributions during the remainder of Fiscal 2019.

In the first quarter of Fiscal 2019, VF approved a freeze of all future benefit accruals under the U.S. qualified defined benefit pension

plan and the supplemental defined benefit pension plan, effective December 31, 2018. Accordingly, the Company recognized a \$9.5 million pension curtailment loss in the other income (expense), net line item in the Consolidated Statement of Income for the three months ended June 2018. Actuarial valuations were obtained as of June 30, 2018. Additionally, VF reported \$0.7 million and \$8.8 million in settlement charges in the other income (expense), net line item in the Consolidated Statements of Income for the three and nine months ended December 2018, respectively, related to the recognition of deferred actuarial losses resulting from lump sum payments of retirement benefits in the supplemental defined benefit pension plan. Actuarial valuations were obtained as of April 30, 2018, September 29, 2018 and December 29, 2018.

Actuarial assumptions used in the interim valuations were reviewed and revised as appropriate. The discount rates used to determine pension obligations were as follows:

	December 29, 2018	September 29, 2018	June 30, 2018	April 30, 2018
U.S. qualified defined benefit pension plan	N/A	N/A	4.25%	N/A
Supplemental defined benefit pension plan	4.36 %	4.29 %	4.24%	4.22%

NOTE 11 — CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Common Stock

During the nine months ended December 2018, the Company purchased 1.9 million shares of Common Stock in open market transactions for \$150.0 million under its share repurchase program authorized by VF's Board of Directors. These transactions were treated as treasury stock transactions.

Common Stock outstanding is net of shares held in treasury which are, in substance, retired. During the nine months ended December 2018, VF restored 2.0 million treasury shares to an unissued status, after which they were no longer recognized as shares held in treasury. There were no shares held in treasury at the end of December 2018, March 2018 or December 2017. The

excess of the cost of treasury shares acquired over the \$0.25 per share stated value of Common Stock is deducted from retained earnings.

VF Common Stock is also held by the Company's deferred compensation plans and is treated as treasury shares for financial reporting purposes. During the nine months ended December 2018, the Company purchased 7,680 shares of Common Stock in open market transactions related to its deferred compensation plans for \$0.7 million.

Balances related to shares held for deferred compensation plans were as follows:

(In thousands, except share amounts)	December 2018	March 2018	December 2017
Shares held for deferred compensation plans	147,464	284,785	317,515
Cost of shares held for deferred compensation plans	\$ 2,126	\$ 3,621	\$ 3,901

Accumulated Other Comprehensive Income (Loss)

Comprehensive income consists of net income and specified components of other comprehensive income ("OCI"), which relates to changes in assets and liabilities that are not included in net income under GAAP but are instead deferred and accumulated within a separate component of stockholders' equity in the balance sheet. VF's comprehensive income is presented in the Consolidated Statements of Comprehensive Income. The deferred components of OCI are reported, net of related income taxes, in accumulated OCI in stockholders' equity, as follows:

(In thousands)	December 2018	March 2018	December 2017
Foreign currency translation and other	\$(737,127)	\$(476,869)	\$(546,201)
Defined benefit pension plans	(219,644)	(289,618)	(291,949)
Derivative financial instruments	70,206	(97,543)	(87,990)
Accumulated other comprehensive income (loss)	\$(886,565)	\$(864,030)	\$(926,140)

The changes in accumulated OCI, net of related taxes, were as follows:

(In thousands)	Three Months Ended December 2018			Total
	Foreign Currency Translation and Other	Defined Benefit Pension Plans	Derivative Financial Instruments	

Edgar Filing: V F CORP - Form 10-Q

Balance, September 2018	\$ (665,962)	\$ (226,039)	\$ 29,085	\$ (862,916)
Other comprehensive income (loss) before reclassifications	(71,165)	1,065	36,619	(33,481)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5,330	4,502	9,832
Net other comprehensive income (loss)	(71,165)	6,395	41,121	(23,649)
Balance, December 2018	\$ (737,127)	\$ (219,644)	\$ 70,206	\$ (886,565)

VF Corporation Q3 FY19 Form 10-Q 24

Three Months Ended December 2017

(In thousands)	Foreign Currency Translation and Other	Defined Benefit Pension Plans	Derivative Financial Instruments	Total
Balance, September 2017	\$(567,964)	\$ (268,159)	\$ (78,773)	\$(914,896)
Other comprehensive income (loss) before reclassifications	21,763	(30,223)	(15,244)	(23,704)
Amounts reclassified from accumulated other comprehensive income (loss)	—	6,433	6,027	12,460
Net other comprehensive income (loss)	21,763	(23,790)	(9,217)	(11,244)
Balance, December 2017	\$(546,201)	\$ (291,949)	\$ (87,990)	\$(926,140)

Nine Months Ended December 2018

(In thousands)	Foreign Currency Translation and Other	Defined Benefit Pension Plans	Derivative Financial Instruments	Total
Balance, March 2018	\$(476,869)	\$ (289,618)	\$ (97,543)	\$(864,030)
Other comprehensive income (loss) before reclassifications	(260,258)	39,877	135,041	(85,340)
Amounts reclassified from accumulated other comprehensive income (loss)	—	30,097	32,708	62,805
Net other comprehensive income (loss)	(260,258)	69,974	167,749	(22,535)
Balance, December 2018	\$(737,127)	\$ (219,644)	\$ 70,206	\$(886,565)

Nine Months Ended December 2017

(In thousands)	Foreign Currency Translation and Other	Defined Benefit Pension Plans	Derivative Financial Instruments	Total
Balance, March 2017	\$(742,281)	\$ (281,721)	\$ 35,962	\$(988,040)
Other comprehensive income (loss) before reclassifications	196,080	(30,223)	(115,546)	50,311
Amounts reclassified from accumulated other comprehensive income (loss)	—	19,995	(8,406)	11,589
Net other comprehensive income (loss)	196,080	(10,228)	(123,952)	61,900
Balance, December 2017	\$(546,201)	\$ (291,949)	\$ (87,990)	\$(926,140)

Edgar Filing: V F CORP - Form 10-Q

Reclassifications out of accumulated OCI are as follows:

(In thousands)		Three Months Ended		Nine Months Ended	
Details About Accumulated	Affected Line Item in the	December	December	December	December
Other Comprehensive Income	Consolidated Statements of Income				
(Loss) Components		2018	2017	2018	2017
Amortization of defined benefit pension plans:					
Net deferred actuarial losses	Other income (expense), net	\$(6,676)	\$(10,026)	\$(22,153)	\$(30,058)
Deferred prior service (costs) credits	Other income (expense), net	58	(646)	(552)	(1,934)
Pension curtailment losses and settlement charges	Other income (expense), net	(662)	(566)	(18,329)	(566)
Total before tax		(7,280)	(11,238)	(41,034)	(32,558)
Tax benefit		1,950	4,805	10,937	12,563
Net of tax		(5,330)	(6,433)	(30,097)	(19,995)
Gains (losses) on derivative financial instruments:					
Foreign exchange contracts	Net sales	772	8,567	6,244	27,228
Foreign exchange contracts	Cost of goods sold	(4,570)	(12,153)	(31,146)	(10,664)
Foreign exchange contracts	Selling, general and administrative expenses	(1,020)	(2,398)	(5,240)	(3,523)
Foreign exchange contracts	Other income (expense), net	690	(1,163)	(1,673)	(1,900)
Interest rate contracts	Interest expense	(1,263)	(1,205)	(3,739)	(3,565)
Total before tax		(5,391)	(8,352)	(35,554)	7,576
Tax benefit		889	2,325	2,846	830
Net of tax		(4,502)	(6,027)	(32,708)	8,406
Total reclassifications for the period, net of tax		\$(9,832)	\$(12,460)	\$(62,805)	\$(11,589)

VF Corporation Q3 FY19 Form 10-Q 26

NOTE 12 — STOCK-BASED COMPENSATION

During the nine months ended December 2018, VF granted stock options to employees to purchase 89,471 shares of its Common Stock at a weighted average exercise price of \$80.84 per share. The exercise price of each option granted was equal to the fair market value of VF Common Stock on the date of grant. Employee stock options vest in equal annual installments over three years.

The grant date fair value of each option award was calculated using a lattice option-pricing valuation model, which incorporated a range of assumptions for inputs as follows:

	Nine Months Ended December 2018
Expected volatility	22% to 29%
Weighted average expected volatility	25%
Expected term (in years)	6.1 to 7.5
Weighted average dividend yield	2.6%
Risk-free interest rate	2.1% to 3.2%
Weighted average fair value at date of grant	\$16.74

Also during the nine months ended December 2018, VF granted 17,233 performance-based restricted stock units (“RSU”) to employees that enable them to receive shares of VF Common Stock at the end of a three-year performance cycle. Each performance-based RSU has a potential final payout ranging from zero to two shares of VF Common Stock. The number of shares earned by participants, if any, is based on achievement of three-year financial targets set by the Talent and Compensation Committee of the Board of Directors. Shares will be issued to participants in the year following the conclusion of the three-year performance period. The weighted average fair market value of VF Common Stock at the dates the units were granted was \$80.18 per share.

The actual number of performance-based RSUs earned may also be adjusted upward or downward by 25% of the target award, based on how VF’s total shareholder return (“TSR”) over the three-year period compares to the TSR for companies included in the Standard & Poor’s 500 Consumer Discretionary Index. The grant date fair value of the TSR-based adjustment related to the performance-based RSU grants was determined using a Monte Carlo simulation technique that incorporates option-pricing model inputs, and was \$4.61 per share.

VF granted 51,166 nonperformance-based RSUs to certain key employees in international jurisdictions during the nine months ended December 2018. These units generally vest over periods of

up to four years from the date of grant and each unit entitles the holder to one share of VF Common Stock. The weighted average fair market value of VF Common Stock at the dates the units were granted was \$76.82 per share. In addition, VF granted 27,707 nonperformance-based RSUs to employees during the nine months ended December 2018. These awards generally vest 50% over a two-year period and 50% over a four-year period from the date of grant and entitle the holder to one share of VF Common Stock. The weighted average fair market value of VF Common Stock at the dates the units were granted was \$83.15 per share.

For all nonperformance-based RSUs granted during the nine months ended December 2018, dividend equivalents accrue and are payable in additional shares of VF Common Stock at the vesting date. Dividend equivalents are subject to the same risk of forfeiture as the nonperformance-based RSUs.

VF granted 69,476 restricted shares of VF Common Stock to certain members of management during the nine months ended December 2018. These shares vest over periods of up to four years from the date of grant. The weighted average fair market value of VF Common Stock at the dates the shares were granted was \$79.66 per share.

NOTE 13 — INCOME TAXES

On December 22, 2017, the U.S. government enacted the Tax Act, which included a broad range of complex provisions impacting the taxation of multi-national companies. Generally, accounting for the impacts of newly enacted tax legislation is required to be completed in the period of enactment; however, in response to the complexities and ambiguity surrounding the Tax Act, the SEC released SAB 118 to provide companies with relief around the initial accounting for the Tax Act. Pursuant to SAB 118, the SEC provided a one-year measurement period

for companies to analyze and finalize accounting for the Tax Act. During the one-year measurement period, SAB 118 allows companies to recognize provisional amounts when reasonable estimates can be made for the impacts resulting from the Tax Act.

During the fourth quarter of 2017, VF recognized a provisional charge of approximately \$465.5 million to reflect the impacts resulting from the Tax Act, primarily comprised of approximately

\$512.4 million related to the transition tax and approximately \$89.5 million of tax benefits related to revaluing U.S. deferred tax assets and liabilities using the new U.S. corporate tax rate of 21%. Other provisional charges of \$42.6 million were primarily related to U.S. federal and state tax on foreign income and dividends, and establishing a deferred tax liability for foreign withholding taxes as the Company is not asserting indefinite reinvestment on short-term liquid assets of certain foreign subsidiaries. All other foreign earnings, including basis differences of certain foreign subsidiaries, continue to be considered indefinitely reinvested.

During the three months ended December 2018, VF finalized its accounting for the impact of the Tax Act, which resulted in additional net charges of \$10.4 million. During the one-year measurement period provided for under SAB 118, VF recognized additional net charges of \$18.2 million, primarily comprised of \$14.3 million of charges related to the transition tax, additional tax

benefits of \$0.3 million related to revaluing U.S. deferred tax assets and liabilities using the new U.S. corporate tax rate of 21%, and other charges of \$4.2 million related to establishing a deferred tax liability for foreign withholding taxes, resulting in a cumulative net charge of \$483.7 million. The measurement period adjustments include \$5.1 million of net tax benefit recognized in the three months ended March 2018 and \$23.3 million of net tax expense recognized during Fiscal 2019.

The Tax Act has significant complexity and guidance continues to be issued by the U.S. Treasury Department, the Internal Revenue Service ("IRS") and state and local tax authorities. After quarter-end, final regulations under Section 965 related to the transition tax were made available on the IRS website. The Company is currently evaluating these regulations and any tax effect will be accounted for during VF's fourth quarter of Fiscal 2019, which is the period in which these final regulations were issued.

Under GAAP, companies are allowed to make an accounting policy election to either treat taxes resulting from GILTI as a current-period expense when they are incurred or factor such amounts into the measurement of deferred taxes.

The Company has completed its analysis related to this accounting policy election and has determined it will treat the taxes resulting from GILTI as a current-period expense, which is consistent with the treatment prior to the accounting policy election. See Note 2 for additional discussion on the GILTI policy election.

The effective income tax rate for the nine months ended December 2018 was 16.4% compared to 55.7% in the 2017 period. The nine months ended December 2018 included a net discrete tax expense of \$12.9 million, which included \$23.3 million of net tax expense related to adjustments to provisional amounts recorded in 2017 under the Tax Act, \$20.2 million of tax benefit related to stock compensation, \$10.2 million of net tax expense related to unrecognized tax benefits and interest, \$1.9 million of tax benefit related to adjustments of previously recorded amounts based on proposed regulations and \$1.6 million of tax expense related to adjustments to previously recognized state income tax credits. The \$12.9 million net discrete tax expense in the nine months ended December 2018, increased the effective income tax rate by 1.0%. The 2017 period included a net discrete tax expense of \$440.0 million, which included \$465.5 million of net tax expense related to the Tax Act, \$22.2 million of tax benefit related to stock compensation, \$5.6 million of net tax benefits related to the realization of previously unrecognized tax benefits and interest, and \$1.9 million of discrete tax expense related to the effects of tax rate changes. The \$440.0 million net discrete tax expense in the 2017 period increased the effective income tax rate by 38.3%. Without discrete items, the effective income tax rate for the nine months ended December 2018 decreased by 2.0% compared with the 2017 period primarily due to a lower U.S. corporate income tax rate that was effective beginning January 1, 2018.

VF files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous state and international jurisdictions. In the U.S., the IRS examinations for tax

years through 2014 have been effectively settled. The examination of Timberland's 2011 tax return is ongoing. The IRS has proposed material adjustments to Timberland's 2011 tax return that would significantly impact tax expense and assessment of interest charges. The Company has formally disagreed with the proposed adjustments. During 2015, VF filed a petition to the U.S. Tax Court to begin the process of resolving this matter, but it has not yet reached a resolution.

In addition, VF is currently subject to examination by various state and international tax authorities. Management regularly assesses the potential outcomes of both ongoing and future examinations for the current and prior years, and has concluded that VF's provision for income taxes is adequate. The outcome of any one examination is not expected to have a material impact on VF's consolidated financial statements. Management believes that some of these audits and negotiations will conclude during the next 12 months.

VF was granted a ruling which lowered the effective income tax rate on taxable earnings for years 2010 through 2014 under Belgium's excess profit tax regime. In February 2015, the European Union Commission ("EU") opened a state aid investigation into Belgium's rulings. On January 11, 2016, the EU announced its decision that these rulings were illegal and ordered that tax benefits granted under these rulings should be collected from the affected companies, including VF. On March 22, 2016, the Belgium government filed an appeal seeking annulment of the EU decision. Additionally, on June 21, 2016, VF Europe BVBA filed its own application for annulment of the EU decision. Both of the listed requests for annulment remain open and unresolved.

On December 22, 2016, Belgium adopted a law which entitled the Belgium tax authorities to issue tax assessments, and demand timely payments from companies which benefited from the excess profits regime. On January 10, 2017, VF Europe BVBA received an assessment for €31.9 million tax and interest related to excess profits benefits received in prior years. VF Europe BVBA remitted €31.9 million (\$33.9 million) on January 13, 2017, which was recorded as an income tax receivable based on the expected success of the aforementioned requests for annulment. An additional assessment of €3.1 million (\$3.8 million) was received and paid in January 2018. If this matter is adversely resolved, these amounts will not be collected by VF.

During the nine months ended December 2018, the amount of net unrecognized tax benefits and associated interest increased by \$9.9 million to \$178.9 million. Management believes that it is reasonably possible that the amount of unrecognized income tax benefits and interest may decrease during the next 12 months by approximately \$7.9 million related to the completion of examinations and other settlements with tax authorities and the expiration of statutes of limitations, of which \$5.5 million would reduce income tax expense.

VF Corporation Q3 FY19 Form 10-Q 28

NOTE 14 — REPORTABLE SEGMENT INFORMATION

In light of recently completed portfolio management actions and organizational realignments, the Company realigned its internal reporting structure in the first quarter of Fiscal 2019 to reflect the organizational changes to better support and assess the operations of the business. The chief operating decision maker allocates resources and assesses performance based on a global brand view which represents VF's operating segments. The

operating segments have been evaluated and combined into reportable segments because they have met the similar economic characteristics and qualitative aggregation criteria set forth in the relevant accounting guidance. Based on this assessment, the Company's reportable segments have been identified as: Outdoor, Active, Work and Jeans.

Below is a description of VF's reportable segments and the primary brands included within each:

REPORTABLE SEGMENT

Outdoor - Outdoor apparel, footwear and equipment

PRIMARY BRANDS

The North Face®

Timberland® (excluding Timberland PRO®)

Smartwool®

Icebreaker®

Altra®

Active - Active apparel, footwear and accessories

Vans®

Kipling®

Napapijri®

JanSport®

Reef®

Eastpak®

Eagle Creek®

Work - Work and work-inspired lifestyle apparel, footwear and occupational apparel

Dickies®

Bulwark®

Red Kap®

Timberland PRO®

Wrangler® RIGGS

Walls®

Terra®

Kodiak®

Horace Small®

Jeans - Denim and casual apparel

Wrangler® (excluding Wrangler® RIGGS)

Lee®

Rock and Republic®

Other - included in the tables below for purposes of reconciliation of revenues and profit, but it is not considered a reportable segment. Includes sales of non-VF products at VF Outlet® stores and results from transition services related to the sales of the Nautica® and Reef® brand businesses.

In the tables below, the Company has recast historical financial information to reflect the new reportable segments. The recast historical information has no impact on the Company's previously reported consolidated financial statements.

The results of Williamson-Dickie have been included in the Work segment since the October 2, 2017 acquisition date. The results of Kipling North America, which were previously included in the former Sportswear segment, have been

included in the Active segment for all periods presented. The results of Icebreaker and

Altra have been included in the Outdoor segment since their acquisition dates of April 3, 2018 and June 1, 2018, respectively.

The results of the Van Moer business have been included in the Work segment through the October 5, 2018 date of sale. The results of the Reef[®] brand business have been included in the Active segment through the October 26, 2018 date of sale.

The primary financial measures used by management to evaluate the financial results of VF's reportable segments are segment

revenues and segment profit. Segment profit comprises the operating income and other income (expense), net line items of each segment.

Accounting policies used for internal management reporting at the individual segments are consistent with those in Note A of the 2017 Form 10-K, except as stated below. Corporate costs (other than common costs allocated to the segments), impairment charges and net interest expense are not controlled by segment management and therefore are excluded from the measurement of segment profit. Common costs such as information systems processing, retirement benefits and insurance are allocated from corporate costs to the segments based on appropriate metrics such as usage or employment. Corporate costs that are not

allocated to the segments consist of corporate headquarters expenses (including compensation and benefits of corporate management and staff, certain legal and professional fees and administrative and general costs) and other expenses which include a portion of defined benefit pension costs, development costs for management information systems, costs of registering, maintaining and enforcing certain of VF's trademarks and miscellaneous consolidated costs. Defined benefit pension plans in the U.S. are centrally managed. The current year service component of pension costs is allocated to the segments, while the remaining pension cost components are reported in corporate and other expenses.

Financial information for VF's reportable segments is as follows:

	Three Months Ended December		Nine Months Ended December	
(In thousands)	2018	2017	2018	2017
Segment revenues:				
Outdoor	\$1,612,605	\$1,456,654	\$3,647,708	\$3,373,906
Active	1,142,580	983,983	3,579,478	2,982,889
Work	493,587	482,827	1,409,016	899,746
Jeans	657,853	692,506	1,894,516	1,963,293
Other	33,534	33,313	104,973	91,003
Total segment revenues	\$3,940,159	\$3,649,283	\$10,635,691	\$9,310,837
Segment profit:				
Outdoor	\$338,009	\$275,509	\$512,635	\$464,087
Active	272,862	198,872	893,110	656,592
Work	62,491	57,509	175,652	125,928
Jeans	67,804	93,196	252,511	292,017
Other	(151)	209	2,548	(895)
Total segment profit	741,015	625,295	1,836,456	1,537,729
Corporate and other expenses ^(a)	(150,884)	(142,578)	(411,495)	(324,939)
Interest expense, net	(23,847)	(22,548)	(73,244)	(65,692)
Income from continuing operations before income taxes	\$566,284	\$460,169	\$1,351,717	\$1,147,098

Certain corporate overhead and other costs of \$4.1 million and \$12.5 million for the three and nine-month periods ^(a) ended December 2017, respectively, previously allocated to the former Sportswear and Outdoor & Action Sports segments for segment reporting purposes, have been reallocated to continuing operations as discussed in Note 5.

NOTE 15 — EARNINGS PER SHARE

	Three Months Ended		Nine Months Ended	
	December		December	
(In thousands, except per share amounts)	2018	2017	2018	2017
Earnings per share – basic:				
Income (loss) from continuing operations	\$463,126	\$(72,979)	\$1,130,200	\$507,933
Weighted average common shares outstanding	395,294	394,577	395,117	394,967
Earnings (loss) per share from continuing operations	\$1.17	\$(0.18)	\$2.86	\$1.29
Earnings per share – diluted:				
Income (loss) from continuing operations	\$463,126	\$(72,979)	\$1,130,200	\$507,933
Weighted average common shares outstanding	395,294	394,577	395,117	394,967
Incremental shares from stock options and other dilutive securities	4,473	5,801	5,301	4,458
Adjusted weighted average common shares outstanding	399,767	400,378	400,418	399,425
Earnings (loss) per share from continuing operations	\$1.16	\$(0.18)	\$2.82	\$1.27

Outstanding options to purchase approximately 0.1 million and 0.6 million shares were excluded from the calculations of diluted earnings per share for the three and nine-month periods ended December 2018, respectively, and outstanding options to purchase 2.0 million and 5.7 million shares were excluded from the calculations of diluted earnings per share for the three and nine-month periods ended December 2017, respectively, because the effect of their inclusion would have been antidilutive.

In addition, 0.9 million shares of performance-based RSUs were excluded from the calculations of diluted earnings per share for both the three and nine-month periods ended December 2018, and 0.6 million and 0.9 million shares of performance-based RSUs were excluded from the calculations of diluted earnings per share for the three and nine-month periods ended December 2017, respectively, because these units were not considered to be contingent outstanding shares in those periods.

NOTE 16 — FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities measured and reported at fair value are classified in a three-level hierarchy that prioritizes the inputs used in the valuation process. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy is based on the observability and objectivity of the pricing inputs, as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities or (iii) information derived from or corroborated by observable market data.

Level 3 — Prices or valuation techniques that require significant unobservable data inputs. These inputs would normally be VF's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

The following table summarizes financial assets and financial liabilities that are measured and recorded in the consolidated financial statements at fair value on a recurring basis:

(In thousands)	Total Fair Value	Fair Value Measurement Using ^(a)		
		Level 1	Level 2	Level 3
December 2018				
Financial assets:				
Cash equivalents:				
Money market funds	\$ 193,607	\$ 193,607	\$ —	—
Time deposits	6,124	6,124	—	—
Derivative financial instruments	88,910	—	88,910	—
Investment securities	161,720	152,381	9,339	—
Financial liabilities:				
Derivative financial instruments	7,361	—	7,361	—
Deferred compensation	182,262	—	182,262	—
(In thousands)	Total Fair Value	Fair Value Measurement Using ^(a)		
		Level 1	Level 2	Level 3
March 2018				
Financial assets:				
Cash equivalents:				
Money market funds	\$ 185,118	\$ 185,118	\$ —	—
Time deposits	7,714	7,714	—	—
Derivative financial instruments	31,400	—	31,400	—
Investment securities	194,160	183,802	10,358	—
Financial liabilities:				
Derivative financial instruments	106,174	—	106,174	—
Deferred compensation	227,808	—	227,808	—

^(a) There were no transfers among the levels within the fair value hierarchy during the nine months ended December 2018 or the three months ended March 2018.

VF's cash equivalents include money market funds and short-term time deposits that approximate fair value based on Level 1 measurements. The fair value of derivative financial instruments, which consist of foreign exchange forward contracts, is determined based on observable market inputs (Level 2), including spot and forward exchange rates for foreign currencies, and considers the credit risk of the Company and its counterparties. Investment securities are held in VF's deferred compensation plans as an economic hedge of the related deferred compensation liabilities. These investments are classified as trading securities and primarily include mutual funds (Level 1) that are valued based on quoted prices in active markets and a separately managed fixed-income fund (Level 2) with underlying investments that are valued based on quoted prices for similar assets in active markets or quoted prices in inactive markets for identical assets. Liabilities related to VF's deferred compensation plans are recorded at amounts due to participants, based on the fair value of the participants' selection of hypothetical investments.

All other financial assets and financial liabilities are recorded in the consolidated financial statements at cost, except life insurance contracts which are recorded at cash surrender value. These other financial assets and financial liabilities include cash held as demand deposits, accounts receivable, short-term borrowings, accounts payable and accrued liabilities. At December 2018 and March 2018, their carrying values approximated fair value. Additionally, at December 2018 and March 2018, the carrying values of VF's long-term debt, including the current portion, were \$2,140.8 million and \$2,218.8 million, respectively, compared with fair values of \$2,282.6 million and \$2,403.9 million at those respective dates. Fair value for long-term debt is a Level 2 estimate based on quoted market prices or

values of comparable borrowings.

VF Corporation Q3 FY19 Form 10-Q 32

NOTE 17 — DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Summary of Derivative Financial Instruments

All of VF's outstanding derivative financial instruments are foreign exchange forward contracts. Although derivatives meet the criteria for hedge accounting at the inception of the hedging relationship, a limited number of derivative contracts intended to hedge assets and liabilities are not designated as hedges for accounting purposes. The notional amounts of all outstanding derivative

contracts were \$2.7 billion at December 2018 and \$2.9 billion at both March 2018 and December 2017, consisting primarily of contracts hedging exposures to the euro, British pound, Canadian dollar, Mexican peso, Swiss franc, Swedish krona, South Korean won, New Zealand dollar, Japanese yen and Polish zloty. Derivative contracts have maturities up to 20 months.

The following table presents outstanding derivatives on an individual contract basis:

(In thousands)	Fair Value of Derivatives with Unrealized Gains			Fair Value of Derivatives with Unrealized Losses		
	December 2018	March 2018	December 2017	December 2018	March 2018	December 2017
Foreign currency exchange contracts designated as hedging instruments	\$88,910	\$21,496	\$17,639	\$(7,197)	\$(105,795)	\$(99,606)
Foreign currency exchange contracts not designated as hedging instruments	—	9,904	5,331	(164)	(379)	(432)
Total derivatives	\$88,910	\$31,400	\$22,970	\$(7,361)	\$(106,174)	\$(100,038)

VF records and presents the fair values of all of its derivative assets and liabilities in the Consolidated Balance Sheets on a gross basis, even though they are subject to master netting agreements. If VF were to offset and record the asset and liability balances of its foreign exchange forward contracts on a net basis in accordance with the terms of its master netting agreements, the amounts presented in the Consolidated Balance Sheets would be adjusted from the current gross presentation to the net amounts as detailed in the following table:

(In thousands)	December 2018		March 2018		December 2017	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
Gross amounts presented in the Consolidated Balance Sheets	\$88,910	\$(7,361)	\$31,400	\$(106,174)	\$22,970	\$(100,038)
Gross amounts not offset in the Consolidated Balance Sheets	(7,273)	7,273	(20,918)	20,918	(18,313)	18,313
Net amounts	\$81,637	\$(88)	\$10,482	\$(85,256)	\$4,657	\$(81,725)

Derivatives are classified as current or noncurrent based on maturity dates, as follows:

(In thousands)	December 2018	March 2018	December 2017
Other current assets	\$78,594	\$26,741	\$20,771
Accrued liabilities	(5,540)	(96,087)	(87,205)
Other assets	10,316	4,659	2,199
Other liabilities	(1,821)	(10,087)	(12,833)

Cash Flow Hedges

VF uses derivative contracts primarily to hedge a portion of the exchange risk for its forecasted sales, purchases, production costs, operating costs and intercompany royalties. The effects of cash flow hedging included in VF's Consolidated Statements of Income and Consolidated Statements of Comprehensive Income are summarized as follows:

Edgar Filing: V F CORP - Form 10-Q

(In thousands)	Gain (Loss) on Derivatives Recognized in OCI Three Months Ended December		Gain (Loss) on Derivatives Recognized in OCI Nine Months Ended December	
	2018	2017	2018	2017
Cash Flow Hedging Relationships				
Foreign currency exchange	\$ 43,836	\$ (21,136)	\$ 153,705	\$ (128,622)

Edgar Filing: V F CORP - Form 10-Q

(In thousands)	Gain (Loss) Reclassified from Accumulated OCI into Income Three Months Ended December		Gain (Loss) Reclassified from Accumulated OCI into Income Nine Months Ended December	
	2018	2017	2018	2017
Location of Gain (Loss)				
Net sales	\$ 772	\$ 8,567	\$ 6,244	\$ 27,228
Cost of goods sold	(4,570)	(12,153)	(31,146)	(10,664)
Selling, general and administrative expenses	(1,020)	(2,398)	(5,240)	(3,523)
Other income (expense), net	690	(1,163)	(1,673)	(1,900)
Interest expense	(1,263)	(1,205)	(3,739)	(3,565)
Total	\$ (5,391)	\$ (8,352)	\$ (35,554)	\$ 7,576

Derivative Contracts Not Designated as Hedges

VF uses derivative contracts to manage foreign currency exchange risk on third-party accounts receivable and payable, as well as intercompany borrowings. These contracts are not designated as hedges and are recorded at fair value in the Consolidated Balance

Sheets. Changes in the fair values of these instruments are recognized directly in earnings. Gains or losses on these contracts largely offset the net transaction losses or gains on the related assets and liabilities.

Following is a summary of these derivatives included in VF's Consolidated Statements of Income:

(In thousands)	Location of Gain (Loss) on Derivatives Recognized in Income	Gain (Loss) on Derivatives Recognized in Income Three Months Ended December		Gain (Loss) on Derivatives Recognized in Income Nine Months Ended December	
		2018	2017	2018	2017
Derivatives Not Designated as Hedges					
Foreign currency exchange	Cost of goods sold	\$ (1,565)	\$ (1,635)	\$ (2,195)	\$ (2,203)
Foreign currency exchange	Other income (expense), net	35)	3,106	634	1,497
Total		\$ (1,600)	\$ 1,471	\$ (1,561)	\$ (706)

Other Derivative Information

There were no significant amounts recognized in earnings for the ineffective portion of any hedging relationships during the three and nine-month periods ended December 2018 and December 2017.

At December 2018, accumulated OCI included \$69.1 million of pre-tax net deferred gains for foreign currency exchange contracts that are expected to be reclassified to earnings during the next 12 months. The amounts ultimately reclassified to earnings will depend on exchange rates in effect when outstanding derivative contracts are settled. VF entered into interest rate swap derivative contracts in 2011 and 2003 to hedge the interest rate risk for issuance of long-term debt due in 2021 and 2033, respectively. In each case, the contracts were terminated concurrent with the issuance of the debt, and the realized gain or loss was deferred in accumulated OCI. The remaining pre-tax net deferred loss in accumulated OCI was \$13.0 million at December 2018, which will be reclassified into interest expense in the Consolidated Statements of Income over the remaining terms of the associated debt instruments. VF reclassified \$1.3 million and \$3.7 million of net deferred losses from accumulated OCI into interest expense for the three and nine-month periods ended December 2018, respectively, and \$1.2 million and \$3.6 million for the three and nine-month periods ended December 2017, respectively. VF expects to reclassify \$5.2 million to interest expense during the next 12 months.

Net Investment Hedge

The Company has designated its €850.0 million of euro-denominated fixed-rate notes as a net investment hedge of VF's investment in certain foreign operations. Because this debt qualified as a nonderivative hedging instrument, foreign currency transaction gains or losses of the debt are deferred in the foreign currency translation and other component of accumulated OCI as an offset to the foreign currency translation adjustments on the hedged investments. During the

three and nine-month periods ended December 2018, the Company recognized an after-tax gain of \$10.9 million and \$55.8 million, respectively, in OCI related to the net investment hedge, and an after-tax loss of \$27.4 million and \$85.1 million for the three and nine-month periods ended December 2017, respectively. Any amounts deferred in accumulated OCI will remain until the hedged investment is sold or substantially liquidated. The Company recorded no ineffectiveness from its net investment hedge during the three and nine-month periods ended December 2018 and December 2017.

VF Corporation Q3 FY19 Form 10-Q 34

NOTE 18 — RESTRUCTURING

The Company typically incurs restructuring charges related to strategic initiatives and cost optimization of business activities, primarily related to severance and employee-related benefits. During the three and nine months ended December 2018, VF leadership approved \$21.0 million and \$44.6 million, respectively, of restructuring charges. VF recognized \$9.9 million and \$27.7 million in selling, general and administrative expenses for the three and nine months ended December 2018, respectively, and \$11.1 million and \$16.9 million in cost of goods sold for the three and nine months ended December 2018, respectively. The

Company has not recognized significant incremental costs related to the 2016 and 2017 initiatives. Management expects to recognize additional expense for activities during Fiscal 2019.

Of the \$55.1 million total restructuring accrual at December 2018, \$47.8 million is expected to be paid out within the next 12 months and is classified within accrued liabilities. The remaining \$7.3 million will be paid out beyond the next 12 months and thus is classified within other liabilities.

The activity in the restructuring accrual for the nine-month period ended December 2018 is as follows:

(In thousands)	Severance	Other	Total
Accrual at March 2018	\$ 43,145	\$ 444	\$ 43,589
Charges	42,003	2,639	44,642
Cash payments	(26,238)	(1,017)	(27,255)
Adjustments to accruals	(5,641)	—	(5,641)
Currency translation	(253)	(11)	(264)
Accrual at December 2018	\$ 53,016	\$ 2,055	\$ 55,071

Restructuring charges were incurred as follows:

(In thousands)	Three Months Ended December 2018	Nine Months Ended December 2018
Outdoor	\$ 2,276	\$ 15,171
Active	485	3,537
Work	—	3,939
Jeans	17,172	18,449
Corporate and other	1,045	3,546
Total	\$ 20,978	\$ 44,642

NOTE 19 — SUBSEQUENT EVENTS

On January 15, 2019, VF's Board of Directors declared a quarterly cash dividend of \$0.51 per share, payable on March 18, 2019 to stockholders of record on March 8, 2019.

ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

VF Corporation (together with its subsidiaries, collectively known as “VF” or the “Company”) changed to a 52/53 week fiscal year ending on the Saturday closest to March 31 of each year. VF previously used a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. The Company's current fiscal year runs from April 1, 2018 through March 30, 2019 (“Fiscal 2019”). Accordingly, this Form 10-Q presents our third quarter of Fiscal 2019. For presentation purposes herein, all references to periods ended December 2018, March 2018 and December 2017 relate to the fiscal periods ended on December 29, 2018, March 31, 2018 and December 30, 2017, respectively.

All per share amounts are presented on a diluted basis and all percentages shown in the tables below and the following discussion have been calculated using unrounded numbers. All references to foreign currency amounts below reflect the changes in foreign currency exchange rates from the same period in 2017 and their impact on translating foreign currencies into U.S. dollars. VF's most significant foreign currency exposure relates to business conducted in euro-based countries. Additionally, VF conducts business in other developed and emerging markets around the world with exposure to foreign currencies other than the euro.

In light of the recently completed portfolio management actions and organizational realignments, the Company realigned its internal reporting structure in the first quarter of Fiscal 2019 to reflect the organizational changes to better support and assess the operations of the business. The chief operating decision maker allocates resources and assesses performance based on a global brand view with the reportable segments: Outdoor, Active, Work and Jeans. In the tables below, the Company has recast historical financial information to reflect the new reportable segments. These changes had no impact on previously reported consolidated results of operations. Refer to additional discussion in the “Information by Reportable Segment” section below and Note 14 to VF's consolidated financial statements.

On October 2, 2017, VF acquired 100% of the outstanding shares of Williamson-Dickie Mfg. Co. (“Williamson-Dickie”) and the business results have been included in the Work segment. On April 3, 2018, VF acquired 100% of the stock of Icebreaker Holdings

Limited (“Icebreaker”). On June 1, 2018, VF acquired 100% of the stock of Icon-Altra LLC, plus certain assets in Europe (“Altra”). The business results for Icebreaker and Altra have been included in the Outdoor segment. All references to contributions from acquisitions below represent the operating results of Williamson-Dickie through the one-year anniversary of the acquisition and the operating results of Icebreaker and Altra from their respective dates of acquisition. Refer to Note 4 to VF's consolidated financial statements for additional information on acquisitions.

On October 5, 2018, VF completed the sale of the Van Moer business, which was included in the Work segment. On October 26, 2018, VF completed the sale of the Reef[®] brand business, which was included in the Active segment. All references to dispositions below represent the impact of operating results of the Reef[®] brand and the Van Moer business, beginning in the period of disposition.

The Nautica[®] brand business and the Licensing Business (which comprised the Licensed Sports Group and JanSport[®] brand collegiate businesses) have been reported as discontinued operations in our Consolidated Statements of Income, and the related held-for-sale assets and liabilities have been presented as assets and liabilities of discontinued operations in the Consolidated Balance Sheets, through their respective dates of disposal. Unless otherwise noted, amounts, percentages and discussion for all periods included below reflect the results of operations and financial condition from VF's continuing operations.

On August 13, 2018, VF announced its intention to spin-off its Jeans business, which will include the Wrangler[®], Lee[®] and Rock & Republic[®] brands, as well as the VF Outlet business. The spin-off will create two independent, publicly-traded companies. The transaction is expected to be tax-free to VF and its shareholders and will be effected through a pro-rata distribution of the new company's stock to existing VF shareholders. The spin-off is expected to be completed in the first quarter of Fiscal 2020.

Refer to Note 5 to VF's consolidated financial statements for additional information on discontinued operations and other divestitures.

HIGHLIGHTS OF THE THIRD QUARTER OF FISCAL 2019

- Revenues were up 8% to \$3.9 billion compared to the three months ended December 2017, including a \$57.6 million contribution from acquisitions and a 2% unfavorable impact from foreign currency.
- Active segment revenues increased 16% to \$1.1 billion compared to the three months ended December 2017, including a 2% unfavorable impact from foreign currency.
- Outdoor segment revenues increased 11% to \$1.6 billion compared to the three months ended December 2017, including a \$57.6 million contribution from acquisitions and a 1% unfavorable impact from foreign currency.
- Direct-to-consumer revenues were up 10% over the 2017 period, including a 2% unfavorable impact from foreign currency. E-commerce revenues increased 24% in the current period, including a 2% unfavorable impact from foreign currency. Direct-to-consumer revenues accounted for 40% of total revenues for the three months ended December 2018.
- International revenues increased 5% compared to the three months ended December 2017, including a 4% unfavorable impact from foreign currency. International revenues represented 38% of total revenues in the current period.
- Gross margin increased 40 basis points to 51.9% compared to the three months ended December 2017 driven by a mix-shift to higher margin businesses.
- Earnings per share increased to \$1.16 from a loss per share of \$(0.18) in the 2017 period. The three months ended December 2017 included a \$1.16 negative transitional impact from the enactment of the Tax Cuts and Jobs Act (“Tax Act”) compared to a \$0.03 negative impact in the three months ended December 2018. The increase was also driven by organic growth in the Active, Outdoor and Work segments, continued strength in our direct-to-consumer and international businesses and contributions from acquisitions. These improvements were partially offset by expenses related to the acquisition, integration and separation of businesses, declines in the Jeans segment and an unfavorable impact from foreign currency.

ANALYSIS OF RESULTS OF OPERATIONS

Consolidated Statements of Income

The following table presents a summary of the changes in total revenues for the three and nine months ended December 2018 from the comparable periods in 2017:

(In millions)	Three	Nine
	Months	Months
	Ended	Ended
	December	December
Net revenues — 2017	\$ 3,649.3	\$ 9,310.8
Organic growth	313.7	770.5
Acquisitions	57.6	629.9
Dispositions	(23.0)	(23.0)
Impact of foreign currency	(57.4)	(52.5)
Net revenues — 2018	\$ 3,940.2	\$ 10,635.7

VF reported an 8% and 14% increase in revenues for the three and nine months ended December 2018, respectively, compared to the 2017 periods. The revenue increase in both periods was attributable to organic growth in the Active, Outdoor and Work segments, continued strength in our direct-to-consumer and

international businesses and contributions from acquisitions. The increases were partially offset by an unfavorable impact from foreign currency, lower revenues due to dispositions and declines in the Jeans segment. International sales grew in every region in both the three and nine months ended December 2018.

Additional details on revenues are provided in the section titled “Information by Reportable Segment.”

The following table presents the percentage relationships to total revenues for components of the Consolidated Statements of Income:

	Three Months Ended December		Nine Months Ended December	
	2018	2017	2018	2017
Gross margin (total revenues less cost of goods sold)	51.9%	51.5%	50.8%	50.6%
Selling, general and administrative expenses	36.8	38.2	36.9	37.5
Operating income	15.0%	13.3%	13.9%	13.1%

Gross margin increased 40 basis points and 20 basis points in the three and nine months ended December 2018, respectively, compared to the 2017 periods. Gross margin in the three and nine months ended December 2018 was positively impacted by a mix-shift to higher margin businesses and increased pricing, partially offset by costs related to the acquisition, integration and separation of businesses and certain increases in product costs.

Selling, general and administrative expenses as a percentage of total revenues decreased 140 basis points and 60 basis points during the three and nine months ended December 2018, respectively, compared to the 2017 periods. The decrease in both periods was due to leverage of operating expenses on higher revenues and was partially offset by expenses related to the acquisition, integration and separation of businesses. The three and nine months ended December 2018 also include costs related to the relocation of our global headquarters and certain brands to Denver, Colorado.

Net interest expense increased \$1.3 million and \$7.6 million during the three and nine months ended December 2018, respectively, compared to the 2017 periods. The increase in net interest expense in the three months ended December 2018 was primarily due to higher interest rates on short-term borrowings. The increase in net interest expense for the nine months ended December 2018 was due to higher interest rates on increased levels of short-term borrowings. The increases in both periods were partially offset by lower interest on long-term debt due to the payoff of the \$250 million of 5.95% fixed rate notes on November 1, 2017. Total outstanding debt averaged \$3.6 billion in the nine months ended December 2018 and \$3.5 billion in the same period in 2017, with weighted average interest rates of 3.0% and 2.9%, respectively.

The effective income tax rate for the nine months ended December 2018 was 16.4% compared to 55.7% in the 2017 period. The nine months ended December 2018 included a net discrete tax expense of \$12.9 million, which included \$23.3 million of net tax expense related to adjustments to provisional amounts recorded in 2017 under the Tax Act, \$20.2 million of tax benefit related to stock compensation, \$10.2 million of net tax expense related to unrecognized tax benefits and interest, \$1.9 million of tax benefit related to adjustments of previously recorded amounts based on proposed regulations and \$1.6 million of tax expense related to adjustments to previously recognized state income tax credits. The \$12.9 million net discrete tax expense in the nine months ended December 2018 increased the effective income tax rate by 1.0%. The 2017 period included a net discrete tax expense of \$440.0 million, which included \$465.5 million of tax expense related to the Tax Act, \$22.2 million of tax benefit related to stock compensation, \$5.6 million of net tax benefits related to the realization of previously unrecognized tax benefits and interest, and \$1.9 million of discrete tax expense related to the effects of tax rate changes. The \$440.0 million net discrete tax benefit in the 2017 period increased the effective income tax rate by 38.3%. Without discrete items, the effective income tax rate for the nine months ended December 2018 decreased by 2.0% compared with the 2017 period primarily due to a lower U.S. corporate income tax rate that was effective beginning January 1, 2018.

As a result of the above, income from continuing operations in the three months ended December 2018 was \$463.1 million (\$1.16 income per share) compared to a loss of \$73.0 million (\$0.18 loss per share) in the 2017 period, and income from continuing operations in the nine months ended December 2018 was \$1,130.2 million (\$2.82 per share) compared to \$507.9 million (\$1.27 per share) in the 2017 period. Refer to additional discussion in the "Information by Reportable Segment" section below.

Information by Reportable Segment

As discussed above, VF realigned its internal reporting structure in the first quarter of Fiscal 2019 to reflect organizational changes to better support and assess the operations of the business. The new reportable segments are: Outdoor, Active, Work and Jeans. We have included an other category in the tables below for purposes of reconciliation of revenues and profit, but it is not considered a reportable segment. The Company has recast

historical financial information to reflect the new reportable segments. These changes had no impact on previously reported consolidated results of operations.

Refer to Note 14 to the consolidated financial statements for a summary of results of operations by segment, along with a reconciliation of segment profit to income before income taxes.

The following tables present a summary of the changes in segment revenues and profit in the three and nine months ended December 2018 from the comparable periods in 2017:

Segment Revenues:

(In millions)	Three Months Ended December					
	Outdoor	Active	Work	Jeans	Other	Total
Segment revenues — 2017	\$1,456.7	\$984.0	\$482.8	\$692.5	\$33.3	\$3,649.3
Organic	120.9	189.2	23.6	(20.2)	0.2	313.7
Acquisitions	57.6	—	—	—	—	57.6
Dispositions	—	(12.1)	(10.9)	—	—	(23.0)
Impact of foreign currency	(22.6)	(18.5)	(1.9)	(14.4)	—	(57.4)
Segment revenues — 2018	\$1,612.6	\$1,142.6	\$493.6	\$657.9	\$33.5	\$3,940.2

(In millions)	Nine Months Ended December					
	Outdoor	Active	Work	Jeans	Other	Total
Segment revenues — 2017	\$3,373.9	\$2,982.9	\$899.7	\$1,963.3	\$91.0	\$9,310.8
Organic	138.4	612.3	49.8	(44.0)	14.0	770.5
Acquisitions	158.0	—	471.9	—	—	629.9
Dispositions	—	(12.1)	(10.9)	—	—	(23.0)
Impact of foreign currency	(22.6)	(3.6)	(1.5)	(24.8)	—	(52.5)
Segment revenues — 2018	\$3,647.7	\$3,579.5	\$1,409.0	\$1,894.5	\$105.0	\$10,635.7

Segment Profit:

(In millions)	Three Months Ended December					
	Outdoor	Active	Work	Jeans	Other	Total
Segment profit — 2017	\$275.5	\$198.9	\$57.5	\$93.2	\$0.2	\$625.3
Organic	62.3	75.1	5.9	(27.5)	(0.4)	115.4
Acquisitions	3.8	—	—	—	—	3.8
Dispositions	—	2.4	(0.7)	—	—	1.7
Impact of foreign currency	(3.6)	(3.5)	(0.2)	2.1	—	(5.2)
Segment profit — 2018	\$338.0	\$272.9	\$62.5	\$67.8	\$(0.2)	\$741.0

(In millions)	Nine Months Ended December					
	Outdoor	Active	Work	Jeans	Other	Total
Segment profit — 2017	\$464.1	\$656.6	\$125.9	\$292.0	\$(0.9)	\$1,537.7
Organic	42.9	232.7	11.0	(41.6)	3.5	248.5
Acquisitions	14.7	—	39.7	—	—	54.4
Dispositions	—	2.4	(0.7)	—	—	1.7
Impact of foreign currency	(9.1)	1.4	(0.2)	2.1	—	(5.8)
Segment profit — 2018	\$512.6	\$893.1	\$175.7	\$252.5	\$2.6	\$1,836.5

The following sections discuss the changes in revenues and profitability by segment. For purposes of this analysis, royalty revenues have been included in the wholesale channel for all periods.

Outdoor

(Dollars in millions)	Three Months Ended December			Nine Months Ended December		
	2018	2017	Percent Change	2018	2017	Percent Change
Segment revenues	\$1,612.6	\$1,456.7	10.7 %	\$3,647.7	\$3,373.9	8.1 %
Segment profit	338.0	275.5	22.7 %	512.6	464.1	10.5 %
Operating margin	21.0 %	18.9 %		14.1 %	13.8 %	

The Outdoor segment includes the following brands: The North Face®, Timberland® (excluding Timberland PRO®), Smartwool®, Icebreaker® and Altra®.

Global revenues for Outdoor increased 11% in the three months ended December 2018 compared to 2017, including a 1% unfavorable impact due to foreign currency. Revenues in the Americas region increased 13%. Revenues in the Europe region increased 5%, including a 4% unfavorable impact from foreign currency. Revenues in the Asia-Pacific region increased 12%, with a 3% unfavorable impact from foreign currency. Included in these results are revenues from the Icebreaker acquisition of \$47.7 million and revenues from the Altra acquisition of \$9.9 million. Excluding revenues from Icebreaker and Altra, Outdoor revenues increased 7% in the three months ended December 2018, including a 1% unfavorable impact from foreign currency.

Global revenues for Outdoor increased 8% in the nine months ended December 2018 compared to the 2017 period, including a 1% unfavorable impact due to foreign currency. Revenues in the Americas region increased 6%, including a 1% unfavorable impact due to foreign currency. Revenues in the Europe region increased 10%, including a 1% unfavorable impact from foreign currency. Revenues in the Asia-Pacific region increased 11%, with a 1% unfavorable impact from foreign currency. Included in these results are revenues from the Icebreaker acquisition of \$127.1 million and revenues from the Altra acquisition of \$30.9 million. Excluding revenues from Icebreaker and Altra, Outdoor revenues increased 3% in the nine months ended December 2018, including a 1% unfavorable impact from foreign currency.

Global revenues for The North Face® brand increased 14% and 10% in the three and nine months ended December 2018, respectively, compared to the 2017 periods. This includes a 2% unfavorable impact from foreign currency in the three months ended December 2018. The increase in both periods was due to strong operational growth across all channels and regions, including strong wholesale performance and growth in the direct-to-consumer channel driven by an expanding e-commerce business, comparable store growth and new store openings.

Global revenues for the Timberland® brand (excluding Timberland PRO®) remained flat and decreased 1% in the three and nine months ended December 2018, respectively, compared to the 2017 periods. This includes a 2% and 1% unfavorable impact from foreign currency in the three and nine months ended December 2018, respectively. In the three months ended December 2018,

direct-to-consumer revenues increased 1%, including a 2% unfavorable impact from foreign currency, driven by comparable store growth in the Americas region and e-commerce growth across all regions. Global wholesale revenues decreased 1% in the three months ended December 2018 as operational growth in the Americas region was more than offset by declines in the Asia-Pacific and Europe regions and a 2% unfavorable impact from foreign currency. In the nine months ended December 2018, revenues across the direct-to-consumer and wholesale channels decreased 1%, including a 1% unfavorable impact from foreign currency. Declines in the direct-to-consumer channel across the Europe and Asia-Pacific regions were partially offset by comparable store growth in the Americas region and e-commerce growth across all regions.

Global direct-to-consumer revenues for Outdoor increased 7% in both the three and nine months ended December 2018 compared to the 2017 periods. This includes a 2% unfavorable impact from foreign currency in the three months ended December 2018. Excluding revenues from acquisitions, global direct-to-consumer revenues increased 4% and

3% in the three and nine months ended December 2018, respectively, including a 2% unfavorable impact from foreign currency in the three months ended December 2018. The increase was primarily due to a growing e-commerce business across all regions. Wholesale revenues increased 14% and 9% in the three and nine months ended December 2018, respectively, compared to the 2017 periods, driven by global growth in The North Face® brand in both periods and included a 2% and 1% unfavorable impact from foreign currency in the three and nine months ended December 2018, respectively. Excluding revenues from acquisitions, wholesale revenues increased 9% and 4% in the three and nine months ended December 2018, respectively, compared to the 2017 periods, including a 2% unfavorable impact from foreign currency in the three months ended December 2018. The increase in both periods was driven by growth across all regions.

Operating margin increased 210 and 30 basis points in the three and nine months ended December 2018, respectively, compared to the 2017 periods primarily due to leverage of operating expenses on higher revenues. This was partially offset by costs related to the relocation of certain brands to Denver, Colorado.

VF Corporation Q3 FY19 Form 10-Q 40

Active

(Dollars in millions)	Three Months Ended December			Nine Months Ended December		
	2018	2017	Percent Change	2018	2017	Percent Change
Segment revenues	\$1,142.6	\$984.0	16.1 %	\$3,579.5	\$2,982.9	20.0 %
Segment profit	272.9	198.9	37.2 %	893.1	656.6	36.0 %
Operating margin	23.9 %	20.2 %		25.0 %	22.0 %	

The Active segment includes the following brands: Vans[®], Kipling[®], Napapijri[®], JanSport[®], Reef[®] (through the date of sale), Eastpak[®] and Eagle Creek[®].

Global revenues for Active increased 16% in the three months ended December 2018, compared to the 2017 period, driven by growth across all channels and regions, including a 2% unfavorable impact from foreign currency. The direct-to-consumer growth was driven by strong e-commerce and comparable store growth and new store openings. Revenues in the Americas region increased 21%, including a 1% unfavorable impact from foreign currency. Revenues in the Europe region increased 2%, including a 3% unfavorable impact from foreign currency. Revenues in the Asia-Pacific region increased 21%, with a 4% unfavorable impact from foreign currency.

Global revenues for Active increased 20% in the nine months ended December 2018, compared to the 2017 period, driven by growth across all channels and regions. The direct-to-consumer growth was driven by strong e-commerce and comparable store growth and new store openings. Revenues in the Americas region increased 25%, with a 1% unfavorable impact from foreign currency. Revenues in the Europe region increased 10%, including a 1% favorable impact from foreign currency. Revenues in the Asia-Pacific region increased 20%.

Vans[®] brand global revenues increased 25% and 28% in the three and nine months ended December 2018, respectively, compared to the 2017 periods, including a 2% and 1% unfavorable impact from

foreign currency in the three and nine months ended December 2018, respectively. The increase in both periods was due to strong operational growth across all channels and regions, including strong wholesale performance and direct-to-consumer growth driven by an expanding e-commerce business, comparable store growth and new store openings.

Global direct-to-consumer revenues for Active grew 20% and 24% in the three and nine months ended December 2018, respectively, compared to the 2017 periods, including a 1% unfavorable impact from foreign currency in both periods. Growth in the direct-to-consumer channel for both periods was driven by a growing e-commerce business, comparable store growth and new store openings. Wholesale revenues increased 12% and 16% in the three and nine months ended December 2018, respectively, driven by global growth in the Vans[®] brand in both periods, and included a 2% unfavorable impact from foreign currency in the three months ended December 2018.

Operating margin increased 370 and 300 basis points in the three and nine months ended December 2018, respectively, compared to the 2017 periods, reflecting gross margin expansion driven by a mix-shift to higher margin businesses and products and leverage of operating expenses on higher revenues.

Work

	Three Months Ended December			Nine Months Ended December		
	2018	2017	Percent Change	2018	2017	Percent Change
(Dollars in millions)						
Segment revenues	\$493.6	\$482.8	2.2 %	\$1,409.0	\$899.7	56.6 %
Segment profit	62.5	57.5	8.7 %	175.7	125.9	39.5 %
Operating margin	12.7 %	11.9 %		12.5 %	14.0 %	

The Work segment consists of occupational apparel and uniform product categories including the Bulwark®, Red Kap®, Timberland PRO®, Wrangler® RIGGS and Horace Small® brand industrial businesses, as well as the workwear apparel brands from the Williamson-Dickie acquisition including Dickies®, Workrite®, Walls®, Terra® and Kodiak®. The Work segment also includes the results of certain transition services related to the sale of the Licensed Sports Group (the "LSG transition services") that commenced in the second quarter of 2017.

Global Work revenues increased 2% and 57% in the three and nine months ended December 2018, respectively, compared to the 2017 periods. The three months ended December 2018 included a 1% unfavorable impact from foreign currency. Included in the results for the nine months ended December 2018 were revenues from the Williamson-Dickie acquisition of \$471.9 million through the one-year anniversary of the acquisition which, if excluded, resulted in a 4% increase in Work revenues during the period. The revenue increase in both periods was primarily due to growth in the Timberland PRO®, Wrangler® RIGGS, Bulwark® and Red Kap®, brands, partially offset by a decline in LSG transition services revenues. Revenues in the three months ended December 2018 also increased due to growth in the Dickies® brand. The three and nine months ended December 2018 were also negatively impacted by the sale of the Van Moer business in October 2018, which resulted

in lower revenues of \$10.9 million. Excluding the impact of acquisitions and divestitures, revenues in the three and nine months ended December 2018 increased 5%, compared to the 2017 periods.

Operating margin increased 80 basis points and decreased 150 basis points in the three and nine months ended December 2018 compared to the 2017 period. Excluding amounts related to the acquisition, integration and operating results of Williamson-Dickie through the one-year anniversary of the acquisition, operating margin increased 50 basis points in the nine months ended December 2018. The increase in both periods reflected gross margin expansion driven by a mix-shift to higher margin businesses and pricing, partially offset by higher product costs.

Jeans

	Three Months Ended December			Nine Months Ended December		
	2018	2017	Percent Change	2018	2017	Percent Change
(Dollars in millions)						
Segment revenues	\$657.9	\$692.5	(5.0)%	\$1,894.5	\$1,963.3	(3.5)%
Segment profit	67.8	93.2	(27.2)%	252.5	292.0	(13.5)%
Operating margin	10.3 %	13.5 %		13.3 %	14.9 %	

The Jeans segment consists of the global jeans businesses, led by the Wrangler® (excluding Wrangler® RIGGS) and Lee® brands.

Global Jeans revenues decreased 5% and 4% in the three and nine months ended December 2018, respectively, compared to the 2017 periods. The decrease in both periods was driven by declines in the wholesale channel and a 2% unfavorable impact from foreign currency. Revenues in the Americas region decreased 6% and 3% in the three and nine months ended December 2018, respectively, driven by declines in the wholesale channel and a 2% and 1%

unfavorable impact from foreign currency in the three and nine months ended December 2018, respectively. The wholesale channel revenues in both periods were negatively impacted by a U.S. customer bankruptcy. Revenues in the Asia-Pacific region increased 2% and decreased 1% in the three and nine months ended December 2018, respectively, including a 6% and 2% unfavorable impact from foreign currency in the respective periods. The increase in the three months ended December 2018 was primarily due to growth in both the wholesale and direct-to-consumer channels. The decrease in the nine months ended December 2018 was primarily due to declines in the wholesale channel. Revenues in the Europe region decreased 6% in both the three and nine months ended December 2018 due to declines in the wholesale and direct-to-consumer channels. The three months ended December 2018 included a 4% unfavorable impact from foreign currency.

Global revenues for the Wrangler® brand (excluding Wrangler® RIGGS) decreased 3% and 2% in the three and nine months ended December 2018, respectively, primarily due to declines in the wholesale channel in both periods. The three and nine months ended December 2018 included a 2% and 1% unfavorable impact from foreign currencies, respectively. Global revenues for the Lee® brand decreased 9% and 6% in the three and nine months ended December 2018, respectively, primarily due to declines in the wholesale channel in both periods. The three and nine months ended December 2018 included a 2% and 1% unfavorable impact from foreign currencies, respectively. The wholesale channel revenues of both brands for both periods were negatively impacted by a U.S. customer bankruptcy. Operating margin decreased 320 and 160 basis points in the three and nine months ended December 2018, respectively, compared to the 2017 periods. The decrease in both periods was primarily due to higher product costs, business mix, expenses related to the separation of businesses and lower leverage of operating expenses due to decreased revenues, partially offset by increased pricing.

Other

	Three Months Ended December			Nine Months Ended December		
	2018	2017	Percent Change	2018	2017	Percent Change
(Dollars in millions)						
Segment revenues	\$33.5	\$33.3	0.7 %	\$105.0	\$91.0	15.4 %
Segment profit (loss)	(0.2)	0.2	*	2.6	(0.9)	*
Operating margin	(0.5)%	0.6 %		2.4 %	(1.0)%	

*Calculation not meaningful

VF Outlet® stores in the U.S. sell both VF and non-VF products. Revenues and profits of VF products sold in these stores are reported as part of the operating results of the applicable segment, while revenues and profits of non-VF products are reported in this “other” category. Also included in this category are results from transition services related to the sales of the Nautica® and Reef® brands that commenced in the three months ended June 2018 and December 2018, respectively.

Reconciliation of Segment Profit to Income Before Income Taxes

There are two types of costs necessary to reconcile total segment profit, as discussed in the preceding paragraphs, to consolidated income from continuing operations before income taxes. These costs are (i) corporate and other expenses, discussed below, and (ii) interest expense, net, which was discussed in the “Consolidated Statements of Income” section.

	Three Months Ended December			Nine Months Ended December		
	2018	2017	Percent Change	2018	2017	Percent Change
(Dollars in millions)						
Corporate and other expenses	\$150.9	\$142.6	5.8 %	\$411.5	\$324.9	26.6 %
Interest expense, net	23.8	22.5	5.8 %	73.2	65.7	11.5 %

Corporate and other expenses are those that have not been allocated to the segments for internal management reporting, including (i) information systems and shared service costs, (ii) corporate headquarters costs and (iii) certain other income and expenses. Corporate and other expenses included the estimated loss on sale of the Reef® brand business of \$4.5 million and \$14.4 million in the three and nine months ended December 2018, respectively. The nine months ended December 2018 also included a loss on sale of \$22.4 million related to the divestiture of the Van

Moer business. The increase in both periods was also due to higher compensation costs and investments in our key strategic initiatives, including expenses related to the acquisition, integration and separation of businesses. Certain corporate overhead costs previously allocated in 2017 to the former Sportswear and Outdoor & Action Sports segments for segment reporting purposes have been reallocated to continuing operations as discussed in Note 5 to the consolidated financial statements.

International Operations

International revenues increased 5% and 13% in the three and nine months ended December 2018, respectively, compared to the 2017 periods. Foreign currency negatively impacted international revenue growth by 4% and 2% in the three and nine months ended December 2018, respectively. Revenues in Europe increased 2% and 11% in the three and nine months ended December 2018, respectively, reflecting operational growth in both periods. Foreign currency negatively impacted revenues in Europe by 3% in the three months ended December 2018. In the Asia-Pacific region, revenues increased 14% and 18% in the three and nine months ended December 2018, respectively, driven by growth in China. Foreign currency negatively impacted revenues in the Asia-Pacific region

by 3% in the three months ended December 2018. Revenues in the Americas (non-U.S.) region increased 3% and 14% in the three and nine months ended December 2018, respectively, reflecting operational growth, partially offset by an 8% and 7% unfavorable impact from foreign currencies in the three and nine months ended December 2018, respectively. International revenue growth in the three and nine months ended December 2018 included a 2 percent and 7 percent contribution from acquisitions, respectively. International revenues were 38% and 39% of total revenues in the three-month periods ended December 2018 and 2017, respectively, and 40% and 41% of total revenues in the nine-month periods ended December 2018 and 2017, respectively.

Direct-to-Consumer Operations

Direct-to-consumer revenues grew 10% and 16% in the three and nine months ended December 2018, respectively, reflecting growth in all regions. Foreign currency negatively impacted direct-to-consumer revenue growth by 2% in the three months ended December 2018. The increase in direct-to-consumer revenues for both periods was due to comparable store growth for locations

open at least twelve months at each reporting date, and an expanding e-commerce business, which grew 24% and 36% in the three and nine months ended December 2018, respectively. The e-commerce growth includes a 2% unfavorable impact from foreign currency in the three months ended December 2018. Acquisitions contributed 1 percent and 4 percent to the direct-to-consumer

revenue growth and 3 percent and 10 percent to the e-commerce revenue growth in the three and nine months ended December 2018, respectively. There were 1,552 VF-owned retail stores at December 2018, including 34 Icebreaker and Altra stores compared to 1,518 at December 2017. Direct-to-consumer

revenues were 40% of total revenues for the three-month period ended December 2018 compared to 39% in the 2017 period. Direct-to-consumer revenues were 33% of total revenues in both of the nine-month periods ended December 2018 and 2017.

ANALYSIS OF FINANCIAL CONDITION

Consolidated Balance Sheets

The following discussion refers to significant changes in balances at December 2018 compared to March 2018:

Increase in accounts receivable — primarily due to the reclassification of certain allowances to accrued liabilities due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("ASC 606"), higher wholesale shipments and the timing of cash collections.

Increase in other current assets — primarily due to the reclassification of the right of return asset from inventories due to the adoption of ASC 606 and an increase in derivative assets.

Decrease in short-term borrowings — due to net repayment of commercial paper borrowings.

Increase in accounts payable — driven by the timing of inventory purchases and payments to vendors.

Increase in accrued liabilities — primarily due to the reclassification of certain allowances from accounts receivable due to the adoption of ASC 606 and higher accrued compensation, partially offset by a decrease in derivative liabilities and accrued income taxes.

The following discussion refers to significant changes in balances at December 2018 compared to December 2017:

Increase in accounts receivable — primarily due to the reclassification of certain allowances to accrued liabilities due to the adoption of ASC 606, higher wholesale shipments and the timing of cash collections.

Increase in inventories — driven by organic growth in the business and additional inventory related to the Icebreaker and Altra acquisitions, partially offset by the reclassification of the right of return asset to other current assets due to the adoption of ASC 606.

Increase in other current assets — primarily due to the reclassification of the right of return asset from inventories due to the adoption of ASC 606, an increase in derivative assets and higher levels of prepaid expenses.

Decrease in short-term borrowings — due to net repayment of commercial paper borrowings.

Decrease in accounts payable — driven by the timing of inventory purchases and payments to vendors.

Increase in accrued liabilities — primarily due to the reclassification of certain allowances from accounts receivable due to the adoption of ASC 606 and higher accrued compensation, partially offset by a decrease in accrued income taxes and derivative liabilities.

Liquidity and Capital Resources

The financial condition of VF is reflected in the following:

	December	March	December
(Dollars in millions)	2018	2018	2017
Working capital	\$2,049.0	\$1,256.9	\$1,354.0
Current ratio	1.8 to 1	1.4 to 1	1.5 to 1
Debt to total capital	39.6%	50.4%	44.0%

The increase in the current ratio at December 2018 compared to March 2018 was primarily due to a net decrease in current liabilities driven by lower short-term borrowings and a net increase in current assets driven by higher accounts receivable balances, as discussed in the "Consolidated Balance Sheets" section above. The increase in the current ratio at December 2018 compared to December 2017 was primarily due to a net increase in current assets driven by higher accounts receivable and inventories balances, as discussed in the "Consolidated Balance Sheets" section above.

For the ratio of debt to total capital, debt is defined as short-term and long-term borrowings, and total capital is defined as debt plus stockholders' equity. The decrease in the debt to total capital ratio at December 2018 compared to March 2018 and December 2017 was attributed to the increase in stockholders' equity which was

driven by net income and stock-based compensation activity, partially offset by payments of dividends and purchases of treasury stock. The decrease in the debt to total capital ratio at December 2018 compared to March 2018 was also due to the decrease in short-term borrowings, as discussed in the "Consolidated Balance Sheets" section above. VF's primary source of liquidity is the strong annual cash flow from operating activities. Cash from operations is typically lower in the first half of the calendar year as inventory builds to support peak sales periods in the second half of the calendar year. Cash provided by operating activities in the second half of the calendar year is substantially higher as inventories are sold and accounts receivable are collected. Additionally, direct-to-consumer sales are highest in the fourth quarter of the calendar year.

VF Corporation Q3 FY19 Form 10-Q 44

In summary, our cash flows were as follows:

	Nine Months Ended September	
(In thousands)	2018	2017
Cash provided by operating activities	\$1,436,663	\$1,684,822
Cash used by investing activities	(148,546)	(707,914)
Cash used by financing activities	(1,437,727)	(1,016,528)

The cash flows related to discontinued operations and held-for-sale assets and liabilities have not been segregated, and remain included in the major classes of assets and liabilities within the Consolidated Statements of Cash Flows.

Accordingly, the information in the table above and cash flow discussion below include the results of continuing and discontinued operations.

Cash Provided by Operating Activities

Cash flow related to operating activities is dependent on net income, adjustments to net income and changes in working capital. The decrease in cash provided by operating activities in the nine months ended December 2018 compared to December 2017 is primarily due to an increase in net cash usage for working capital, partially offset by higher net income in the nine months ended December 2018.

Cash Used by Investing Activities

The decrease in cash used by investing activities in the nine months ended December 2018 related primarily to \$320.4 million of net cash paid for acquisitions in the nine months ended December 2018 compared with \$740.5 million of net cash paid for acquisitions during the same period in 2017. Investing activities also included \$430.3 million of proceeds received from the sale of businesses in the nine months ended December 2018, which is \$215.3 million higher than the proceeds received from the sale of businesses during the same period in 2017. Capital expenditures increased \$66.6 million compared to the 2017 period.

Cash Used by Financing Activities

The increase in cash used by financing activities during the nine months ended December 2018 was primarily due to a \$1.3 billion net decrease in cash generated by short-term borrowings driven by lower net borrowings during the nine months ended December 2018 compared to the same period in 2017, partially offset by a \$611.4 million decrease in treasury stock purchases and a \$248.7 million decrease in payments on long-term debt.

During the nine months ended December 2018, VF purchased 1.9 million shares of its Common Stock in open market transactions at a total cost of \$150.7 million (average price per share of \$80.62) under the share repurchase program authorized by VF's Board of Directors in 2017. During the nine months ended December 2017, VF purchased 14.0 million shares of its Common Stock in open market transactions at a total cost of \$762.1 million (average price per share of \$54.46).

As of the end of December 2018, the Company had \$3.8 billion remaining for future repurchases under its share repurchase program. VF will continue to evaluate its use of capital, giving first priority to business acquisitions and then to direct shareholder return in the form of dividends and share repurchases.

VF relies on continued strong cash generation to finance its ongoing operations. In addition, VF has significant liquidity from its available cash balances and credit facilities. In December 2018, VF entered into a \$2.25 billion senior unsecured revolving line of credit (the "Global Credit Facility") that expires December 2023. The Global Credit Facility replaced VF's \$2.25 billion revolving facility which was scheduled to expire in April 2020. VF may request an unlimited

number of one year extensions so long as each extension does not cause the remaining life of the Global Credit Facility to exceed five years, subject to stated terms and conditions. The Global Credit Facility may be used to borrow funds in both U.S. dollar and certain non-U.S. dollar currencies, and has a \$50.0 million letter of credit sublimit. In addition, the Global Credit Facility supports VF's U.S. commercial paper program for short-term, seasonal working capital requirements and general corporate purposes, including share repurchases and acquisitions. Outstanding short-term balances may vary from period to period depending on the level of corporate requirements.

VF has a commercial paper program that allows for borrowings of up to \$2.25 billion to the extent that it has borrowing capacity under the Global Credit Facility. Commercial paper borrowings and standby letters of credit issued as of December 2018 were \$670.0 million and \$15.3 million, respectively, leaving approximately \$1.6 billion available for borrowing against the Global Credit Facility at December 2018.

VF has \$181.0 million of international lines of credit with various banks, which are uncommitted and may be terminated at any time by either VF or the banks. Total outstanding balances under these arrangements were \$7.9 million at December 2018.

VF's favorable credit agency ratings allow for access to additional liquidity at competitive rates. At the end of December 2018, VF's long-term debt ratings were 'A' by Standard & Poor's Ratings Services and 'A3' by Moody's Investors Service, and commercial paper ratings by those rating agencies were 'A-1' and 'Prime-2', respectively. None of VF's long-term debt agreements contain acceleration of maturity clauses based solely on changes in credit ratings. However, if there were a change in control of VF and, as a result of the change in control, the 2021, 2023 and 2037 notes were rated below investment grade by recognized rating agencies, VF would be obligated to repurchase the notes at 101% of the aggregate principal amount, plus any accrued and unpaid interest.

Management's Discussion and Analysis in the 2017 Form 10-K provided a table summarizing VF's contractual obligations and commercial commitments at the end of 2017 that would require the use of funds. As of December 2018, there have been no material changes in the amounts disclosed in the 2017 Form 10-K, except as noted below:

• Inventory purchase obligations increased by approximately \$230 million at December 2018 due to increases in product demand, timing of purchases and the impact of acquisitions.

• Future minimum lease payments increased by approximately \$250 million at the end of December 2018, primarily due to new office leases.

In addition, the Company entered into a 10-year power purchase agreement to procure electricity generated from renewable energy sources to meet a portion of the electricity needs for certain facilities in Mexico. The contract has a total purchase commitment of \$44.4 million over the contract term and requires delivery of electricity to commence no later than March 2020.

Management believes that VF's cash balances and funds provided by operating activities, as well as its Global Credit Facility,

additional borrowing capacity and access to capital markets, taken as a whole, provide (i) adequate liquidity to meet all of its current and long-term obligations when due, (ii) adequate liquidity to fund capital expenditures and to maintain the planned dividend payout rate and (iii) flexibility to meet investment opportunities, including acquisitions, that may arise.

Recent Accounting Pronouncements

Refer to Note 2 to VF's consolidated financial statements for information on recently issued and adopted accounting standards, including reclassifications made to 2017 amounts.

Critical Accounting Policies and Estimates

Management has chosen accounting policies it considers to be appropriate to accurately and fairly report VF's operating results and financial position in conformity with generally accepted accounting principles in the United States of America. Our critical accounting policies are applied in a consistent manner. Significant accounting policies are summarized in Note A to the consolidated financial statements included in the 2017 Form 10-K.

The application of these accounting policies requires management to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses, contingent assets and liabilities, and related disclosures. These estimates, assumptions and judgments are based on historical experience, current trends and other factors believed to be reasonable under the circumstances. Management

evaluates these estimates and assumptions, and may retain outside consultants to assist in the evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known.

The accounting policies that involve the most significant estimates, assumptions and management judgments used in preparation of the consolidated financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis in the 2017 Form 10-K. Except as disclosed in Note 2 and Note 3 to VF's consolidated financial statements, pertaining to adoption of new accounting pronouncements, there have been no material changes in these policies.

Cautionary Statement on Forward-looking Statements

From time to time, VF may make oral or written statements, including statements in this quarterly report that constitute "forward-looking statements" within the meaning of the federal securities laws. These include statements concerning plans, objectives, projections and expectations relating to VF's operations or economic performance and assumptions related thereto. Forward-looking statements are made based on management's expectations and beliefs concerning future events impacting VF and therefore involve a number of risks and uncertainties. Forward-looking statements are not guarantees, and actual results could differ materially from those expressed or implied in the forward-looking statements.

Potential risks and uncertainties that could cause the actual results of operations or financial condition of VF to differ materially from those expressed or implied by forward-looking statements in this release include, but are not limited to: risks associated with the proposed spin-off of our Jeanswear business, including the risk that the spin-off will not be consummated within the anticipated time period or at all; the risk of disruption to our business in connection with the proposed spin-off and that we could lose revenue as a result of such disruption; the risk that the companies resulting from the spin-off do not realize all of the expected benefits of the spin-off; the risk that the spin-off will not be tax-free for U.S. federal income tax purposes; the risk that there will be a loss of synergies from separating the businesses that could negatively impact the balance sheet, profit margins or earnings of both businesses; and the risk

that the combined value

of the common stock of the two publicly-traded companies will not be equal to or greater than the value of VF Corporation common stock had the spin-off not occurred. There are also risks associated with the relocation of our global headquarters and a number of brands to the metro Denver area, including the risk of significant disruption to our operations, the temporary diversion of management resources and loss of key employees who have substantial experience and expertise in our business, the risk that we may encounter difficulties retaining employees who elect to transfer and attracting new talent in the Denver area to replace our employees who are unwilling to relocate, the risk that the relocation may involve significant additional costs to us and that the expected benefits of the move may not be fully realized. Other risks include foreign currency fluctuations; the level of consumer demand for apparel, footwear and accessories; disruption to VF's distribution system; VF's reliance on a small number of large customers; the financial strength of VF's customers; fluctuations in the price, availability and quality of raw materials and contracted products; disruption and volatility in the global capital and credit markets; VF's response to changing fashion trends, evolving consumer preferences and changing patterns of consumer behavior, intense competition from online retailers, manufacturing and product innovation; increasing pressure on margins; VF's ability to implement its business strategy; VF's ability to grow its international and direct-to-consumer businesses; VF's and its vendors' ability to maintain the strength and security of information technology systems; the risk that VF's facilities and systems and those of our third-party service providers may be vulnerable to and

VF Corporation Q3 FY19 Form 10-Q 46

unable to anticipate or detect data security breaches and data or financial loss; VF's ability to properly collect, use, manage and secure consumer and employee data; stability of VF's manufacturing facilities and foreign suppliers; continued use by VF's suppliers of ethical business practices; VF's ability to accurately forecast demand for products; continuity of members of VF's management; VF's ability to protect trademarks and other intellectual property rights; possible goodwill and other asset impairment; maintenance by VF's licensees and distributors of the value of VF's brands; VF's ability to execute and integrate

acquisitions; changes in tax laws and liabilities; legal, regulatory, political and economic risks; the risk of economic uncertainty associated with the pending exit of the United Kingdom from the European Union ("Brexit") or any other similar referendums that may be held; and adverse or unexpected weather conditions. More information on potential factors that could affect VF's financial results is included from time to time in VF's public reports filed with the Securities and Exchange Commission, including VF's Annual Report on Form 10-K.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in VF's market risk exposures from what was disclosed in Item 7A in the 2017 Form 10-K.

ITEM 4 — CONTROLS AND PROCEDURES

Disclosure controls and procedures:

Under the supervision of the Chief Executive Officer and Chief Financial Officer, a Disclosure Committee comprising various members of management has evaluated the effectiveness of the disclosure controls and procedures at VF and its subsidiaries as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded as of the Evaluation Date that such controls and procedures were effective.

Changes in internal control over financial reporting:

There have been no changes during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, VF's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

Information on VF's legal proceedings is set forth under Part I, Item 3, "Legal Proceedings," in the 2017 Form 10-K. There have been no material changes to the legal proceedings from those described in the 2017 Form 10-K.

ITEM 1A — RISK FACTORS

You should carefully consider the risk factors set forth under Part I, Item 1A, "Risk Factors," in the 2017 Form 10-K, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under Part II, Item 1A, "Risk Factors." Other than as so amended or supplemented, there have been no material changes to the risk factors from those disclosed in the 2017 Form 10-K.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer purchases of equity securities:

The following table sets forth VF's repurchases of our Common Stock during the fiscal quarter ended December 29, 2018 under the share repurchase program authorized by VF's Board of Directors in 2017.

Third Quarter 2019	Total Number of Shares Purchased (1)	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Dollar Value of Shares that May Yet be Purchased Under the Program
September 30 - October 27, 2018	351,500	\$ 78.47	351,500	\$ 3,959,595,548
October 28 - November 24, 2018	1,511,834	81.08	1,511,834	3,837,011,506
November 25 - December 29, 2018	390	74.19	390	3,836,982,574
Total	1,863,724		1,863,724	

(1) Includes 2,470 shares of Common Stock that were purchased during the quarter in connection with VF's deferred compensation plans.

VF will continue to evaluate future share repurchases, considering funding required for business acquisitions, VF's Common Stock price and levels of stock option exercises.

ITEM 6 — EXHIBITS

- 10.1 Five-Year Revolving Credit Agreement by and among V.F. Corporation, VF Investments S.A.R.L., VF Enterprises S.A.R.L., VF Europe B.V.B.A. and VF International SAGL, as borrowers, lenders named therein, JPMorgan Chase Bank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Bank PLC, HSBC Securities (USA) Inc., U.S. Bank National Association and Wells Fargo Securities LLC, as Joint-Lead Arrangers and Joint Bookrunners, Bank of America, N.A., Barclays Bank PLC, HSBC Bank USA, National Association, U.S. Bank National Association and Wells Fargo Bank, N.A., as Co-Syndication Agents, and Citibank, N.A., ING Bank N.V., Dublin Branch, PNC Bank National Association and TD Bank, N.A., as Co-Documentation Agents, dated December 17, 2018.
- 31.1 Certification of Steven E. Rendle, Chairman, President and Chief Executive Officer, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Scott A. Roe, Vice President and Chief Financial Officer, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Steven E. Rendle, Chairman, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Scott A. Roe, Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

V.F. CORPORATION
(Registrant)

By: /s/ Scott A. Roe
Scott A. Roe
Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: February 4, 2019 By: /s/ Bryan H. McNeill
Bryan H. McNeill
Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

VF Corporation Q3 FY19 Form 10-Q 50