

V F CORP
Form 10-Q
November 06, 2013
Table of Contents

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 September 28, 2013

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 | (I.R.S. employer |
| incorporation or organization) | identification number) |
| 105 Corporate Center Boulevard | |

Edgar Filing: V F CORP - Form 10-Q

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

On October 26, 2013, there were 110,076,207 shares of the registrant's common stock outstanding.

Table of Contents

VF CORPORATION

Table of Contents

| | Page No. |
|---|---------------------|
| <u>Part I Financial Information</u> | |
| <u>Item 1 Financial Statements (Unaudited)</u> | |
| <u>Consolidated Balance Sheets: September 2013, December 2012 and September 2012</u> | 3 |
| <u>Consolidated Statements of Income: Three and nine months ended September 2013 and September 2012</u> | 4 |
| <u>Consolidated Statements of Comprehensive Income: Three and nine months ended September 2013 and September 2012</u> | 5 |
| <u>Consolidated Statements of Cash Flows: Nine months ended September 2013 and September 2012</u> | 6 |
| <u>Consolidated Statements of Stockholders' Equity: Year ended December 2012 and nine months ended September 2013</u> | 7 |
| <u>Notes to Consolidated Financial Statements</u> | 8 |
| <u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 18 |
| <u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u> | 25 |
| <u>Item 4 Controls and Procedures</u> | 26 |
| <u>Part II Other Information</u> | |
| <u>Item 1 Legal Proceedings</u> | 27 |
| <u>Item 1A Risk Factors</u> | 27 |
| <u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u> | 27 |
| <u>Item 6 Exhibits</u> | 27 |
| <u>Signatures</u> | 28 |

Table of Contents**Part I Financial Information****Item 1 Financial Statements (Unaudited)****VF CORPORATION****Consolidated Balance Sheets****(Unaudited)****(In thousands, except share amounts)**

| | September 2013 | December 2012 | September 2012 |
|---|---------------------------|--------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and equivalents | \$ 315,661 | \$ 597,461 | \$ 304,603 |
| Accounts receivable, less allowance for doubtful accounts of: September 2013 \$56,733; December 2012 \$48,998; September 2012 \$55,606 | 1,663,118 | 1,222,345 | 1,612,579 |
| Inventories | 1,752,284 | 1,354,158 | 1,758,686 |
| Other current assets | 362,841 | 275,619 | 322,932 |
| Total current assets | 4,093,904 | 3,449,583 | 3,998,800 |
| Property, plant and equipment | 904,809 | 828,218 | 775,476 |
| Intangible assets | 2,939,371 | 2,917,058 | 2,922,233 |
| Goodwill | 2,014,717 | 2,009,757 | 2,003,855 |
| Other assets | 499,260 | 428,405 | 431,368 |
| Total assets | \$ 10,452,061 | \$ 9,633,021 | \$ 10,131,732 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Current liabilities | | | |
| Short-term borrowings | \$ 468,310 | \$ 12,559 | \$ 741,008 |
| Current portion of long-term debt | 2,987 | 402,873 | 402,838 |
| Accounts payable | 659,135 | 562,638 | 535,367 |
| Accrued liabilities | 924,228 | 754,142 | 756,629 |
| Total current liabilities | 2,054,660 | 1,732,212 | 2,435,842 |
| Long-term debt | 1,427,138 | 1,429,166 | 1,429,824 |
| Other liabilities | 1,341,386 | 1,346,018 | 1,339,282 |
| Commitments and contingencies | | | |
| Stockholders equity | | | |
| Preferred Stock, par value \$1; shares authorized, 25,000,000; no shares outstanding at September 2013, December 2012 or September 2012 | | | |

Edgar Filing: V F CORP - Form 10-Q

| | | | |
|---|-------------------|------------------|-------------------|
| Common Stock, stated value \$1; shares authorized, 300,000,000; shares outstanding; September 2013 109,805,011; December 2012 110,204,734; September 2012 109,937,451 | 109,805 | 110,205 | 109,937 |
| Additional paid-in capital | 2,702,110 | 2,527,868 | 2,497,795 |
| Accumulated other comprehensive income (loss) | (365,970) | (453,895) | (386,853) |
| Retained earnings | 3,182,932 | 2,941,447 | 2,705,905 |
| Total stockholders equity | 5,628,877 | 5,125,625 | 4,926,784 |
| Total liabilities and stockholders equity | \$ 10,452,061 | \$ 9,633,021 | \$ 10,131,732 |

See notes to consolidated financial statements.

Table of Contents**VF CORPORATION****Consolidated Statements of Income****(Unaudited)****(In thousands, except per share amounts)**

| | Three Months Ended September | | Nine Months Ended September | |
|---|-------------------------------------|--------------|------------------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 3,266,681 | \$ 3,119,614 | \$ 8,043,638 | \$ 7,762,660 |
| Royalty income | 30,588 | 28,740 | 85,911 | 83,935 |
| Total revenues | 3,297,269 | 3,148,354 | 8,129,549 | 7,846,595 |
| Costs and operating expenses | | | | |
| Cost of goods sold | 1,728,144 | 1,678,090 | 4,226,779 | 4,222,368 |
| Selling, general and administrative expenses | 989,422 | 933,372 | 2,764,005 | 2,609,248 |
| | 2,717,566 | 2,611,462 | 6,990,784 | 6,831,616 |
| Operating income | 579,703 | 536,892 | 1,138,765 | 1,014,979 |
| Interest income | 1,259 | 632 | 2,564 | 2,858 |
| Interest expense | (21,246) | (23,841) | (63,788) | (70,779) |
| Other income (expense), net | (1,250) | 1,569 | (1,723) | 44,872 |
| Income before income taxes | 558,466 | 515,252 | 1,075,818 | 991,930 |
| Income taxes | 124,705 | 133,934 | 233,366 | 239,960 |
| Net income | 433,761 | 381,318 | 842,452 | 751,970 |
| Net (income) loss attributable to noncontrolling interests | | | | (139) |
| Net income attributable to VF Corporation common stockholders | \$ 433,761 | \$ 381,318 | \$ 842,452 | \$ 751,831 |
| Earnings per common share attributable to VF Corporation common stockholders | | | | |
| Basic | \$ 3.96 | \$ 3.48 | \$ 7.68 | \$ 6.85 |
| Diluted | 3.89 | 3.42 | 7.55 | 6.72 |
| Cash dividends per common share | \$ 0.87 | \$ 0.72 | \$ 2.61 | \$ 2.16 |

See notes to consolidated financial statements.

Table of Contents

VF CORPORATION

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)

| | Three Months Ended September | | Nine Months Ended September | |
|--|------------------------------|-------------------|-----------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net income | \$ 433,761 | \$ 381,318 | \$ 842,452 | \$ 751,970 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation | | | | |
| Gains (losses) arising during the period | 99,395 | 40,466 | 60,374 | 10,238 |
| Less income tax effect | (933) | (7,348) | (560) | (7,214) |
| Defined benefit pension plans | | | | |
| Amortization of net deferred actuarial losses | 21,333 | 17,617 | 64,021 | 52,856 |
| Amortization of prior service cost | 317 | 837 | 974 | 2,514 |
| Less income tax effect | (8,473) | (6,966) | (26,065) | (21,273) |
| Derivative financial instruments | | | | |
| Gains (losses) arising during the period | (54,432) | (15,829) | (2,032) | 2,846 |
| Less income tax effect | 21,391 | 6,118 | 797 | (1,095) |
| Reclassification to net income for (gains) losses realized | (6,571) | (8,500) | (15,707) | (5,365) |
| Less income tax effect | 2,583 | 3,273 | 6,173 | 2,066 |
| Marketable securities | | | | |
| Gains (losses) arising during the period | 479 | (135) | 9 | (949) |
| Less income tax effect | (188) | | (59) | |
| Other comprehensive income (loss) | 74,901 | 29,533 | 87,925 | 34,624 |
| Comprehensive income | 508,662 | 410,851 | 930,377 | 786,594 |
| Comprehensive (income) attributable to noncontrolling interests | | | | (139) |
| Comprehensive income attributable to VF Corporation | \$ 508,662 | \$ 410,851 | \$ 930,377 | \$ 786,455 |

See notes to consolidated financial statements.

Table of Contents**VF CORPORATION****Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

| | Nine Months Ended September | |
|---|------------------------------------|-------------|
| | 2013 | 2012 |
| Operating activities | | |
| Net income | \$ 842,452 | \$ 751,970 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation | 112,989 | 104,628 |
| Amortization of intangible assets | 34,450 | 36,130 |
| Other amortization | 33,670 | 26,025 |
| Stock-based compensation | 70,258 | 73,149 |
| Provision for doubtful accounts | 14,747 | 15,521 |
| Pension expense in excess of (less than) contributions | (45,669) | 57,674 |
| Gain on sale of business | | (42,000) |
| Other, net | 65,740 | 188 |
| Changes in operating assets and liabilities, net of sale of business: | | |
| Accounts receivable | (455,712) | (502,501) |
| Inventories | (399,396) | (317,761) |
| Other current assets | (44,488) | (23,854) |
| Accounts payable | 96,246 | (100,101) |
| Accrued compensation | 9,816 | (20,153) |
| Accrued income taxes | (61,003) | (17,095) |
| Accrued liabilities | 133,646 | 42,078 |
| Other assets and liabilities | 10,330 | 18,707 |
| Cash provided by operating activities | 418,076 | 102,605 |
| Investing activities | | |
| Capital expenditures | (203,469) | (190,277) |
| Business acquisition, net of cash acquired | | (1,750) |
| Proceeds from sale of business | | 68,519 |
| Software purchases | (41,923) | (12,509) |
| Other, net | (9,896) | (3,429) |
| Cash used by investing activities | (255,288) | (139,446) |
| Financing activities | | |
| Net increase in short-term borrowings | 457,856 | 459,173 |
| Payments on long-term debt | (402,141) | (2,079) |
| Purchases of Common Stock | (283,433) | (306,422) |
| Cash dividends paid | (286,790) | (237,520) |
| Proceeds from issuance of Common Stock, net | 30,902 | 45,668 |

| | | |
|--|-------------------|-------------------|
| Tax benefits of stock option exercises | 41,946 | 39,455 |
| Cash used by financing activities | (441,660) | (1,725) |
| Effect of foreign currency rate changes on cash and equivalents | (2,928) | 1,941 |
| Net change in cash and equivalents | (281,800) | (36,625) |
| Cash and equivalents beginning of year | 597,461 | 341,228 |
| Cash and equivalents end of period | \$ 315,661 | \$ 304,603 |

See notes to consolidated financial statements.

Table of Contents**VF CORPORATION****Consolidated Statements of Stockholders Equity****(Unaudited)****(In thousands)**

| | VF Corporation Stockholders | | | | |
|--|------------------------------------|-------------------|----------------------|-----------------|--------------------|
| | Common | Additional | Other | Retained | Non- |
| | Stock | Paid-in | Comprehensive | Earnings | controlling |
| | | Capital | Income (Loss) | | Interests |
| Balance, December 2011 | \$ 110,557 | \$ 2,316,107 | \$ (421,477) | \$ 2,520,804 | \$ (816) |
| Net income | | | | 1,085,999 | 139 |
| Dividends on Common Stock | | | | (333,229) | |
| Purchase of treasury stock | (2,000) | | | (295,074) | |
| Stock compensation plans, net | 1,666 | 211,761 | | (34,435) | |
| Common Stock held in trust for deferred compensation plans | (18) | | | (2,618) | |
| Disposition of noncontrolling interests | | | | | 677 |
| Foreign currency translation | | | 47,091 | | |
| Defined benefit pension plans | | | (63,845) | | |
| Derivative financial instruments | | | (15,263) | | |
| Marketable securities | | | (401) | | |
| Balance, December 2012 | 110,205 | 2,527,868 | (453,895) | 2,941,447 | |
| Net income | | | | 842,452 | |
| Dividends on Common Stock | | | | (286,790) | |
| Purchase of treasury stock | (1,700) | | | (278,176) | |
| Stock compensation plans, net | 1,309 | 174,242 | | (33,087) | |
| Common Stock held in trust for deferred compensation plans | (9) | | | (2,914) | |
| Foreign currency translation | | | 59,814 | | |
| Defined benefit pension plans | | | 38,930 | | |
| Derivative financial instruments | | | (10,769) | | |
| Marketable securities | | | (50) | | |
| Balance, September 2013 | \$ 109,805 | \$ 2,702,110 | \$ (365,970) | \$ 3,182,932 | \$ |

See notes to consolidated financial statements.

Table of Contents

VF CORPORATION

Notes to Consolidated Financial Statements

(Unaudited)

Note A Basis of Presentation

VF Corporation and its subsidiaries (collectively known as VF) uses a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. For presentation purposes herein, all references to periods ended September 2013, December 2012 and September 2012 relate to the fiscal periods ended on September 28, 2013, December 29, 2012 and September 29, 2012, respectively.

The accompanying unaudited 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 (GAAP) in the United States of America for complete financial statements. Similarly, the December 2012 consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by GAAP. In the opinion of management, the accompanying unaudited consolidated financial statements contain all normal and recurring adjustments necessary to fairly present 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 September 2013 are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 28, 2013. 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 2012 (2012 Form 10-K).

Note B Disposition

On April 30, 2012, VF sold its 80% ownership in John Varvatos Enterprises, Inc. (John Varvatos). VF recorded a \$42.0 million gain on the sale which was included in other income (expense), net, during the second quarter of 2012.

Note C Sale of Accounts Receivable

VF has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis. Under the agreement, up to \$237.5 million of accounts receivable may be sold to the financial institution and remain outstanding at any point in time. After the sale, VF does not retain any interests in the accounts receivable and removes them from the Consolidated Balance Sheets, but continues to service and collect outstanding accounts receivable on behalf of the financial institution. At September 2013, December 2012 and September 2012, accounts receivable had been reduced by \$155.0 million, \$127.4 million and \$154.7 million, respectively, related to this program. During the first nine months of 2013, VF sold \$935.1 million of accounts receivable at their stated amounts, less a funding fee charged by the financial institution. The funding fee is recorded in other income (expense), net, and totaled \$1.3 million for the first nine months of 2013. Net proceeds of this program are classified in operating activities in the Consolidated Statements of Cash Flows.

Note D Inventories

In thousands

| | September 2013 | December 2012 | September 2012 |
|------------------------|---------------------------|--------------------------|---------------------------|
| Finished products | \$ 1,496,419 | \$ 1,099,229 | \$ 1,500,595 |
| Work in process | 99,367 | 98,191 | 99,035 |
| Materials and supplies | 156,498 | 156,738 | 159,056 |
| Total inventories | \$ 1,752,284 | \$ 1,354,158 | \$ 1,758,686 |

Note E Property, Plant and Equipment

| In thousands | September 2013 | December 2012 | September 2012 |
|---|---------------------------|--------------------------|---------------------------|
| Land | \$ 52,879 | \$ 54,264 | \$ 52,425 |
| Buildings and improvements | 948,628 | 862,288 | 804,900 |
| Machinery and equipment | 1,130,388 | 1,066,865 | 1,068,276 |
| Property, plant and equipment, at cost | 2,131,895 | 1,983,417 | 1,925,601 |
| Less accumulated depreciation and amortization | 1,227,086 | 1,155,199 | 1,150,125 |
| Property, plant and equipment, net | \$ 904,809 | \$ 828,218 | \$ 775,476 |

Table of Contents**Note F Intangible Assets**

| Dollars in thousands | Weighted Average Amortization Period | Amortization methods | Cost | September 2013 Accumulated Amortization | Net Carrying Amount | December 2012 Net Carrying Amount |
|--|---|-------------------------------|------------|---|---------------------------|--|
| Amortizable intangible assets: | | | | | | |
| Customer relationships | 19 years | Accelerated | \$ 623,267 | \$ 200,748 | \$ 422,519 | \$ 442,446 |
| License agreements | 24 years | Accelerated and straight-line | 184,027 | 74,295 | 109,732 | 115,742 |
| Other | 8 years | Straight-line | 16,071 | 9,043 | 7,028 | 8,748 |
| Amortizable intangible assets, net | | | | | 539,279 | 566,936 |
| Indefinite-lived intangible assets: | | | | | | |
| Trademarks and trade names | | | | | 2,400,092 | 2,350,122 |
| Intangible assets, net | | | | | \$ 2,939,371 | \$ 2,917,058 |

Amortization expense for the third quarter and first nine months of 2013 was \$11.5 million and \$34.5 million, respectively. Estimated amortization expense for the next five years is:

| Year | Estimated Amortization Expense |
|------|-----------------------------------|
| 2013 | \$ 45.8 |
| 2014 | \$ 44.1 |
| 2015 | \$ 42.1 |
| 2016 | \$ 40.8 |
| 2017 | \$ 39.5 |

Note G Goodwill

Changes in goodwill are summarized by business segments as follows:

| In thousands | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Total |
|------------------------|----------------------------|------------|-----------|------------|------------------------|--------------|
| Balance, December 2012 | \$ 1,422,492 | \$ 228,843 | \$ 58,747 | \$ 157,314 | \$ 142,361 | \$ 2,009,757 |
| Currency translation | 6,899 | (1,939) | | | | 4,960 |

| | | | | | | |
|-------------------------|--------------|------------|-----------|------------|------------|--------------|
| Balance, September 2013 | \$ 1,429,391 | \$ 226,904 | \$ 58,747 | \$ 157,314 | \$ 142,361 | \$ 2,014,717 |
|-------------------------|--------------|------------|-----------|------------|------------|--------------|

Accumulated impairment charges as of December 2012 and September 2013 were \$43.4 million, \$58.5 million and \$195.2 million related to Outdoor & Action Sports, Sportswear and Contemporary Brands, respectively.

Note H Pension Plans

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

| In thousands | Three Months Ended September | | Nine Months Ended September | |
|--|------------------------------|-----------|-----------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost – benefits earned during the period | \$ 6,346 | \$ 5,755 | \$ 19,566 | \$ 17,360 |
| Interest cost on projected benefit obligations | 17,988 | 19,236 | 54,017 | 57,734 |
| Expected return on plan assets | (23,635) | (20,148) | (70,945) | (60,462) |
| Amortization of deferred amounts: | | | | |
| Net deferred actuarial losses | 21,333 | 17,617 | 64,021 | 52,856 |
| Deferred prior service cost | 317 | 837 | 974 | 2,514 |
| Net periodic pension cost | \$ 22,349 | \$ 23,297 | \$ 67,633 | \$ 70,002 |

Table of Contents

During the first nine months of 2013, VF contributed \$113.3 million to its defined benefit plans, which included a \$100.0 million discretionary contribution to its domestic defined benefit plan. VF intends to make approximately \$6.5 million of additional contributions during the remainder of 2013.

Note I Business Segment Information

VF's businesses are grouped into product categories, and by brands within those product categories, for internal financial reporting used by management. These groupings of businesses within VF are referred to as coalitions and are the basis for VF's reportable business segments. Financial information for VF's reportable segments is as follows:

| In thousands | Three Months Ended September | | Nine Months Ended September | |
|-----------------------------------|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Coalition revenues: | | | | |
| Outdoor & Action Sports | \$ 1,971,963 | \$ 1,852,267 | \$ 4,459,845 | \$ 4,156,208 |
| Jeanswear | 747,241 | 718,812 | 2,076,919 | 2,054,529 |
| Imagewear | 284,480 | 284,526 | 779,064 | 813,540 |
| Sportswear | 155,208 | 154,190 | 416,919 | 394,593 |
| Contemporary Brands | 104,998 | 104,165 | 307,339 | 339,016 |
| Other | 33,379 | 34,394 | 89,463 | 88,709 |
| Total coalition revenues | \$ 3,297,269 | \$ 3,148,354 | \$ 8,129,549 | \$ 7,846,595 |
| Coalition profit: | | | | |
| Outdoor & Action Sports | \$ 421,177 | \$ 413,012 | \$ 748,137 | \$ 697,181 |
| Jeanswear | 158,334 | 131,447 | 410,551 | 335,566 |
| Imagewear | 40,698 | 37,463 | 107,343 | 110,753 |
| Sportswear | 23,987 | 18,499 | 52,481 | 40,711 |
| Contemporary Brands | 9,456 | 13,436 | 29,910 | 40,286 |
| Other | (47) | 1,377 | (2,195) | 133 |
| Total coalition profit | 653,605 | 615,234 | 1,346,227 | 1,224,630 |
| Corporate and other expenses | (75,152) | (76,773) | (209,185) | (164,779) |
| Interest expense, net | (19,987) | (23,209) | (61,224) | (67,921) |
| Income before income taxes | \$ 558,466 | \$ 515,252 | \$ 1,075,818 | \$ 991,930 |

Note J Capital and Accumulated Other Comprehensive Income (Loss)

Common Stock outstanding is net of shares held in treasury which are, in substance, retired. There were 4,250,851 treasury shares at September 2013, 2,530,401 at December 2012 and 2,524,771 at September 2012. The excess of the cost of treasury shares acquired over the \$1 per share stated value of Common Stock is deducted from retained earnings. In addition, 176,416 shares of Common Stock at September 2013, 187,456 shares at December 2012 and 187,226 shares at September 2012 were held in connection with deferred compensation plans. These shares, having a cost of \$8.2 million, \$8.8 million and \$8.6 million at the respective dates, are treated as treasury shares for financial reporting purposes.

Edgar Filing: V F CORP - Form 10-Q

The deferred components of other comprehensive income (loss) are reported in accumulated other comprehensive income (loss) in stockholders' equity, net of related income taxes, as follows:

| In thousands | September 2013 | December 2012 | September 2012 |
|--|---------------------------|--------------------------|---------------------------|
| Foreign currency translation | \$ 55,746 | \$ (4,068) | \$ (48,135) |
| Defined benefit pension plans | (381,608) | (420,538) | (322,596) |
| Derivative financial instruments | (40,199) | (29,430) | (15,715) |
| Marketable securities | 91 | 141 | (407) |
| Accumulated other comprehensive income (loss) | \$ (365,970) | \$ (453,895) | \$ (386,853) |

Table of Contents

The changes in accumulated other comprehensive income (loss) are as follows:

| In thousands | Three Months Ended September 2013 | | | | |
|--|------------------------------------|-------------------------------------|--|--------------------------|--------------|
| | Foreign Currency Translation | Defined Benefit Pension Plans | Derivative Financial Instruments | Marketable Securities | Total |
| Balance, June 2013 | \$ (42,716) | \$ (394,785) | \$ (3,170) | \$ (200) | \$ (440,871) |
| Other comprehensive income (loss) before reclassifications | 98,462 | | (33,041) | 291 | 65,712 |
| Amounts reclassified from accumulated other comprehensive income (loss) | | 13,177 | (3,988) | | 9,189 |
| Net other comprehensive income (loss) | 98,462 | 13,177 | (37,029) | 291 | 74,901 |
| Balance, September 2013 | \$ 55,746 | \$ (381,608) | \$ (40,199) | \$ 91 | \$ (365,970) |

| In thousands | Nine Months Ended September 2013 | | | | |
|--|------------------------------------|-------------------------------------|--|--------------------------|--------------|
| | Foreign Currency Translation | Defined Benefit Pension Plans | Derivative Financial Instruments | Marketable Securities | Total |
| Balance, December 2012 | \$ (4,068) | \$ (420,538) | \$ (29,430) | \$ 141 | \$ (453,895) |
| Other comprehensive income (loss) before reclassifications | 59,814 | | (1,235) | (50) | 58,529 |
| Amounts reclassified from accumulated other comprehensive income (loss) | | 38,930 | (9,534) | | 29,396 |
| Net other comprehensive income (loss) | 59,814 | 38,930 | (10,769) | (50) | 87,925 |
| Balance, September 2013 | \$ 55,746 | \$ (381,608) | \$ (40,199) | \$ 91 | \$ (365,970) |

Reclassifications out of accumulated other comprehensive income (loss) are as follows:

| In thousands | Amount Reclassified From Accumulated Other Comprehensive Income (Loss) | | | |
|--------------|---|--|---|--|
| | Details About Accumulated Other Comprehensive Income (Loss) Components | Affected Line Item in the Consolidated Statements of Income (Loss) | Three Months Ended September 2013 | Nine Months Ended September 2013 |
| | Amortization of defined benefit pension plans: | | | |
| | Net deferred actuarial losses | (a) | \$ (21,333) | \$ (64,021) |

Edgar Filing: V F CORP - Form 10-Q

| | | | |
|---|-----------------------------|-------------|-------------|
| Deferred prior service cost | (a) | (317) | (974) |
| | Total before tax | (21,650) | (64,995) |
| | Tax benefit (expense) | 8,473 | 26,065 |
| | Net of tax | \$ (13,177) | \$ (38,930) |
| Gains and losses on derivative financial instruments: | | | |
| Foreign exchange contracts | Net sales | \$ 6,195 | \$ 7,418 |
| Foreign exchange contracts | Cost of goods sold | 3,574 | 11,115 |
| Foreign exchange contracts | Other income (expense), net | (2,218) | 83 |
| Interest rate contracts | Interest expense | (980) | (2,909) |
| | Total before tax | 6,571 | 15,707 |
| | Tax benefit (expense) | (2,583) | (6,173) |
| | Net of tax | 3,988 | 9,534 |
| Total reclassifications for the period | Net of tax | \$ (9,189) | \$ (29,396) |

- (a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost (see Note H for additional details).

Table of Contents**Note K Stock-based Compensation**

During the first nine months of 2013, VF granted options to employees and the Board of Directors to purchase 900,118 shares of common stock at a weighted average exercise price of \$162.55 per share. The exercise price of each option granted was equal to the fair market value of VF Common Stock on the option grant date. Employee stock options vest in equal annual installments over three years. Options granted to VF's Board of Directors become exercisable one year from the date of grant. The grant date fair value of each option award is calculated using a lattice option pricing valuation model, which incorporates a range of assumptions for inputs as follows:

| | 2013 | 2012 |
|--|--------------|--------------|
| Expected volatility | 24% to 29% | 27% to 31% |
| Weighted average expected volatility | 26.6% | 30% |
| Expected term (in years) | 5.6 to 7.4 | 5.6 to 7.5 |
| Dividend yield | 2.3% | 2.5% |
| Risk-free interest rate | 0.1% to 2.0% | 0.1% to 2.1% |
| Weighted average grant date fair value | \$33.37 | \$33.44 |

Also during the first nine months of 2013, VF granted 184,267 performance-based restricted stock units to employees that enable them to receive shares of VF Common Stock at the end of a three year period. Each RSU has a potential final value ranging from zero to two shares of VF Common Stock. The number of shares earned by participants, if any, is based on achievement of a three year baseline profitability goal and annually established performance goals set by the Compensation Committee of the Board of Directors. The actual number of shares earned may also be adjusted upward or downward by 25% of the target award, based on how VF's total stockholder return (TSR) over the three year period compares to the TSR for companies included in the Standard & Poor's 500 Index. Shares are issued to participants in the year following the conclusion of each three year performance period. The weighted average fair market value of VF Common Stock on the date the units were granted was \$162.56 per share.

VF granted 4,081 nonperformance-based restricted stock units to members of the Board of Directors during the first nine months of 2013. These units vest upon grant and will be settled in shares of VF Common Stock one year from the date of grant. The fair market value of VF Common Stock at the date the units were granted was \$161.95 per share.

VF granted 42,500 nonperformance-based restricted stock units to employees during the first nine months of 2013. These units vest in four years and each RSU entitles the holder to one share of VF Common Stock. The weighted average fair market value of VF Common Stock at the date the units were granted was \$156.35 per share.

VF granted 80,000 restricted shares of VF Common Stock to employees during the first nine months of 2013. The weighted average fair market value of VF Common Stock at the date the units were granted was \$155.15 per share. These shares will vest in four years, assuming the grantees remain employed through the vesting date.

Note L Income Taxes

The effective income tax rate for the first nine months of 2013 was 21.7% compared with 24.2% in the first nine months of 2012. The first nine months of 2013 included net discrete tax benefits of \$19.0 million, which included \$8.3 million of tax benefits related to the extension of certain tax credits and other provisions of the Internal Revenue Code enacted in 2013 which are retroactive to 2012, and \$6.9 million of tax benefits related to the realization of previously unrecognized tax benefits and interest. The net discrete tax benefits reduced the effective income tax rate for the first nine months of 2013 by 1.8% compared with a reduction of 2.0% in the first nine months of 2012. The remaining

reduction in the effective income tax rate for the first nine months of 2013 compared with the 2012 period related primarily to a higher percentage of income in lower tax rate jurisdictions.

VF files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous states and foreign jurisdictions. In the United States, the Internal Revenue Service (IRS) examination for tax years 2007, 2008 and 2009 was completed in 2012. VF has appealed the results of the 2007 to 2009 examination to the IRS Appeals office. Tax years examined prior to 2007 have been effectively settled with the IRS. The IRS is scheduled to begin its examination of VF s 2010 and 2011 tax returns during the fourth quarter of 2013. The IRS commenced an examination of Timberland s 2010 and 2011 tax years during 2012. The IRS examination of Timberland s 2008 and 2009 tax years was settled during 2012. In addition, VF is currently subject to examinations 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 to ensure VF s provision for income taxes is sufficient. 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 examinations and negotiations will conclude during the next 12 months.

During the first nine months of 2013, the amount of net unrecognized tax benefits and associated interest increased by \$3.2 million to \$120.3 million. Management believes that it is reasonably possible that the amount of unrecognized income tax benefits may decrease during the next 12 months by approximately \$49.1 million related to the completion of examinations and other settlements with tax authorities and the expiration of statutes of limitations, of which \$38.8 million would reduce income tax expense.

Table of Contents**Note M Earnings Per Share**

| In thousands, except per share amounts | Three Months Ended September | | Nine Months Ended September | |
|--|-------------------------------------|-------------|------------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Earnings per share basic: | | | | |
| Net income | \$ 433,761 | \$ 381,318 | \$ 842,452 | \$ 751,970 |
| Net (income) loss attributable to noncontrolling interests | | | | (139) |
| Net income attributable to VF Corporation | \$ 433,761 | \$ 381,318 | \$ 842,452 | \$ 751,831 |
| Weighted average common shares outstanding | | | | |
| | 109,545 | 109,557 | 109,629 | 109,800 |
| Earnings per common share attributable to VF Corporation common stockholders | \$ 3.96 | \$ 3.48 | \$ 7.68 | \$ 6.85 |
| Earnings per share diluted: | | | | |
| Net income attributable to VF Corporation | \$ 433,761 | \$ 381,318 | \$ 842,452 | \$ 751,831 |
| Weighted average common shares outstanding | | | | |
| | 109,545 | 109,557 | 109,629 | 109,800 |
| Incremental shares from stock options and other dilutive securities | 1,860 | 1,931 | 1,991 | 2,049 |
| Adjusted weighted average common shares outstanding | | | | |
| | 111,405 | 111,488 | 111,620 | 111,849 |
| Earnings per common share attributable to VF Corporation common stockholders | \$ 3.89 | \$ 3.42 | \$ 7.55 | \$ 6.72 |

Outstanding options to purchase 0.1 million and 0.8 million shares of Common Stock for the three month periods ended September 2013 and 2012, respectively, were excluded from the calculations of diluted earnings per share because the effect of their inclusion would have been antidilutive. Outstanding options to purchase 0.3 million and 0.9 million shares of Common Stock for the nine month periods ended September 2013 and 2012, respectively, were excluded from the calculations of diluted earnings per share because the effect of their inclusion would have been antidilutive. In addition, 0.4 million performance-based restricted stock units were excluded from the computation of diluted earnings per share for the three and nine month periods ended September 2013 and September 2012 because these units have not yet been earned in accordance with the vesting requirements of the plan.

Note N 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. Inputs would normally be VF's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

Table of Contents

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 |
| September 2013 | | | | |
| Financial assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | \$ 109,867 | \$ 109,867 | \$ | \$ |
| Time deposits | 20,264 | 20,264 | | |
| Derivative instruments | 12,732 | | 12,732 | |
| Investment securities | 214,267 | 189,037 | 25,230 | |
| Other marketable securities | 4,579 | 4,579 | | |
| Financial liabilities: | | | | |
| Derivative instruments | 37,691 | | 37,691 | |
| Deferred compensation | 263,912 | | 263,912 | |
| December 2012 | | | | |
| Financial assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | \$ 181,635 | \$ 181,635 | \$ | \$ |
| Time deposits | 17,042 | 17,042 | | |
| Derivative instruments | 16,153 | | 16,153 | |
| Investment securities | 188,307 | 157,230 | 31,077 | |
| Other marketable securities | 4,513 | 4,513 | | |
| Financial liabilities: | | | | |
| Derivative instruments | 29,468 | | 29,468 | |
| Deferred compensation | 230,733 | | 230,733 | |

(a) There were no transfers among the levels within the fair value hierarchy during the first nine months of 2013 or the year ended December 2012.

The fair value of derivative instruments, which consist of forward foreign exchange contracts, is determined based on observable market inputs, 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 the Company's deferred compensation plans and primarily include mutual funds (Level 1) that are valued based on quoted prices in active markets. Investment securities also include collective trust funds (Level 2) that are valued based on the net asset values of the underlying assets.

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 September 2013 and December 2012, their carrying values approximated their fair values. Additionally, at September 2013 and December 2012, the carrying value of VF's long-term debt, including the current portion, was \$1,430.1 million and \$1,832.0 million, respectively, compared with a fair value of \$1,556.0 million and

\$2,111.4 million at those dates. Fair value for long-term debt is a Level 2 estimate based on quoted market prices or values of comparable borrowings.

Note O Derivative Financial Instruments and Hedging Activities

Summary of Derivative Instruments

All of VF's outstanding derivative instruments are forward foreign currency exchange contracts. Most derivatives meet the criteria for hedge accounting at the inception of the hedging relationship, but a limited number of derivative contracts intended to hedge assets and liabilities are not designated as hedges for accounting purposes. The notional amounts of outstanding derivative contracts at September 2013, December 2012 and September 2012 totaled \$2.1 billion, \$1.9 billion and \$1.4 billion, respectively, primarily consisting of contracts hedging exposures to the euro, British pound, Canadian dollar, Mexican peso, Japanese yen and Polish zloty. Derivative contracts have maturities up to 24 months.

Table of Contents

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 | | |
|---|--|------------------|-------------------|---|--------------------|--------------------|
| | September 2013 | December 2012 | September 2012 | September 2013 | December 2012 | September 2012 |
| Foreign exchange contracts designated as hedging instruments | \$ 12,685 | \$ 15,847 | \$ 26,664 | \$ (37,376) | \$ (27,267) | \$ (22,910) |
| Foreign exchange contracts dedesignated as hedging instruments | | 15 | 64 | | (2,160) | (4,976) |
| Foreign exchange contracts not designated as hedging instruments | 47 | 291 | 115 | (315) | (41) | (569) |
| Total derivatives | \$ 12,732 | \$ 16,153 | \$ 26,843 | \$ (37,691) | \$ (29,468) | \$ (28,455) |

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. However, if VF were to offset and record the asset and liability balances of all of its forward foreign currency exchange contracts on a net basis in accordance with the terms of its master netting agreements, the amounts presented in the Consolidated Balance Sheets as of September 2013, December 2012 and September 2012 would be adjusted from the current gross presentation as detailed in the following table:

| In thousands | September 2013 | | December 2012 | | September 2012 | |
|--|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Derivative Asset | Derivative Liability | Derivative Asset | Derivative Liability | Derivative Asset | Derivative Liability |
| Gross amounts presented in the Consolidated Balance Sheets | \$ 12,732 | \$ (37,691) | \$ 16,153 | \$ (29,468) | \$ 26,843 | \$ (28,455) |
| Gross amounts not offset in the Consolidated Balance Sheets | (10,497) | 10,497 | (5,225) | 5,225 | (4,760) | 4,760 |
| Net amount | \$ 2,235 | \$ (27,194) | \$ 10,928 | \$ (24,243) | \$ 22,083 | \$ (23,695) |

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

| In thousands | September 2013 | December 2012 | September 2012 |
|--------------------------------|-------------------|------------------|-------------------|
| Other current assets | \$ 12,257 | \$ 13,629 | \$ 23,648 |
| Accrued liabilities (current) | (28,743) | (22,013) | (22,766) |
| Other assets (noncurrent) | 475 | 2,524 | 3,195 |
| Other liabilities (noncurrent) | (8,948) | (7,455) | (5,689) |

Cash Flow Hedge Strategies and Accounting Policies

VF uses derivative contracts primarily to hedge a portion of the exchange risk for its forecasted sales, purchases, production 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:

| In thousands | Gain (Loss) on Derivatives Recognized in OCI | | Gain (Loss) on Derivatives Recognized in OCI | |
|--|---|------------------------------|---|------------------------------|
| | Three Months Ended September | Three Months Ended September | Three Months Ended September | Three Months Ended September |
| Cash Flow Hedging Relationships | 2013 | 2012 | 2013 | 2012 |
| Foreign exchange | \$ (54,432) | \$ (15,829) | \$ (2,032) | \$ 2,846 |

Table of Contents

| In thousands Location of Gain (Loss) | Gain (Loss) Reclassified from Accumulated OCI into Income Three Months Ended September | | Gain (Loss) Reclassified from Accumulated OCI into Income Nine Months Ended September | |
|---|---|-----------------|--|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 6,195 | \$ (2,150) | \$ 7,418 | \$ (3,931) |
| Cost of goods sold | 3,574 | 9,694 | 11,115 | 10,291 |
| Other income (expense), net | (2,218) | 1,890 | 83 | 1,777 |
| Interest expense | (980) | (934) | (2,909) | (2,772) |
| Total | \$ 6,571 | \$ 8,500 | \$ 15,707 | \$ 5,365 |

Derivative Contracts Dedicatid as Hedges

Cash flow hedges of some forecasted sales to third parties have historically been dedesignated as hedges when the sales were recognized. At that time, hedge accounting was discontinued and the amount of unrealized hedging gain or loss was recognized in net sales. These derivatives remained outstanding as an economic hedge of foreign currency exposures associated with the ultimate collection of the related accounts receivable, during which time changes in the fair value of the derivative contracts were recognized directly in earnings. As discussed below in *Derivative Contracts Not Designated as Hedges*, VF now utilizes separate derivative contracts to manage foreign currency risk related to balance sheet exposures. Accordingly, the third quarter of 2013 is the last period during which dedesignations were recognized related to these cash flow hedges.

For the three and nine month periods ended September 2013, VF recorded net gains of \$0.2 million and \$1.5 million, respectively, in other income (expense), net, for derivatives dedesignated as hedging instruments. For the three and nine month periods ended September 2012, VF recorded net losses of \$0.6 million and \$2.4 million, respectively, in other income (expense), net, for dedesignated derivatives.

Derivative Contracts Not Designated as Hedges

VF uses derivative contracts to manage foreign currency exchange risk on intercompany loans, as well as intercompany and third party accounts receivable and payable. 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 remeasurement gains or losses on the related assets and liabilities. Following is a summary of these hedges included in VF's Consolidated Statements of Income:

| In thousands Derivatives Not Designated as Hedges | Location of Gain (Loss) Recognized in Income on Derivatives | Gain (Loss) on Derivatives Recognized in Income Three Months Ended September | | Gain (Loss) on Derivatives Recognized in Income Nine Months Ended September | |
|--|---|--|------------|---|----------|
| | | 2013 | 2012 | 2013 | 2012 |
| Foreign exchange | Other income (expense), net | \$ (6,402) | \$ (2,253) | \$ (2,404) | \$ (877) |

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 September 2013 and September 2012.

At September 2013, accumulated other comprehensive income (OCI) included \$11.4 million of net pretax deferred losses for foreign 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 pretax net deferred loss in accumulated OCI was \$36.6 million at September 2013, which will be reclassified into interest expense in the Consolidated Statements of Income over the remaining terms of the associated debt instruments.

Note P Recently Issued Accounting Standards

In July 2013, the FASB issued an update to their accounting guidance which requires unrecognized tax benefits to be netted with net operating loss or tax credit carryforwards in the Consolidated Balance Sheets if specific criteria are met. The guidance is effective January 2014 for interim and annual periods. The adoption of this accounting guidance is not expected to have an impact on VF s Consolidated Financial Statements.

Table of Contents**Note Q Subsequent Events**

On October 16, 2013, VF's Board of Directors declared a quarterly cash dividend of \$1.05 per share, payable on December 20, 2013 to stockholders of record on December 10, 2013.

On October 16, 2013, VF's Board of Directors approved a 4-for-1 stock split of VF's Common Stock to be payable in the form of a stock dividend. The stock dividend will be distributed on December 20, 2013 to stockholders of record on December 10, 2013. Upon completion of the split, the number of issued and outstanding shares of VF Common Stock will increase from approximately 110 million to approximately 440 million. Additionally, the Board of Directors amended VF's Articles of Incorporation to increase the number of authorized shares of Common Stock from 300 million to 1.2 billion and reduce the stated value applicable to the Common Stock from \$1.00 per share to \$0.25 per share.

Share and per share data presented in the accompanying interim consolidated financial statements have not been adjusted for the stock split. Pro forma share and per share data, giving retroactive effect to the stock split, are as follows (rounded to the nearest cent):

| | Three Months Ended September | | Nine Months Ended September | |
|---|------------------------------|---------|-----------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Earnings per common share attributable to VF Corporation common stockholders: | | | | |
| Basic - as reported (pre-stock split) | \$ 3.96 | \$ 3.48 | \$ 7.68 | \$ 6.85 |
| Basic - pro forma (post-stock split) | 0.99 | 0.87 | 1.92 | 1.71 |
| Diluted - as reported (pre-stock split) | 3.89 | 3.42 | 7.55 | 6.72 |
| Diluted - pro forma (post-stock split) | 0.97 | 0.86 | 1.89 | 1.68 |
| Weighted average shares outstanding: | | | | |
| Basic - as reported (pre-stock split) | 109,545 | 109,557 | 109,629 | 109,800 |
| Basic - pro forma (post-stock split) | 438,180 | 438,228 | 438,516 | 439,200 |
| Diluted - as reported (pre-stock split) | 111,405 | 111,488 | 111,620 | 111,849 |
| Diluted - pro forma (post-stock split) | 445,620 | 445,952 | 446,480 | 447,396 |
| Cash dividends per common share: | | | | |
| As reported (pre-stock-split) | \$ 0.87 | \$ 0.72 | \$ 2.61 | \$ 2.16 |
| Pro forma (post-stock-split) | 0.22 | 0.18 | 0.65 | 0.54 |

Table of Contents**Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations****Overview****Highlights of the Third Quarter of 2013**

All per share amounts are presented on a diluted basis.

Revenues grew to \$3.3 billion, an increase of 5% from the 2012 quarter.

Outdoor & Action Sports revenues rose 6% and increased to 60% of VF's total revenues in the quarter.

International revenues rose 7% over the 2012 quarter and represented 40% of total revenues in the quarter.

Direct-to-consumer revenues increased 14% and accounted for 19% of VF's total revenues in the quarter.

Gross margin improved by 90 basis points to 47.6% in the quarter.

Earnings per share increased 14% from \$3.42 in the 2012 quarter to \$3.89 in the 2013 quarter.

In October 2013, VF's Board of Directors approved a quarterly cash dividend increase of 21% to \$1.05 per share and announced a four-for-one stock split to be payable in the form of a stock dividend. The cash and stock dividends will be paid in December 2013.

Analysis of Results of Operations**Consolidated Statements of Income**

The following table presents a summary of the changes in total revenues from the comparable periods in 2012:

| In millions | | Third Quarter | Nine Months |
|--|------|----------------------|--------------------|
| Total revenues | 2012 | \$ 3,148.4 | \$ 7,846.6 |
| Operations | | 116.9 | 273.1 |
| Disposition in prior year | | | (23.7) |
| Impact of foreign currency translation | | 32.0 | 33.5 |
| Total revenues | 2013 | \$ 3,297.3 | \$ 8,129.5 |

Third quarter and year to date revenue growth was driven by strength in the Outdoor & Action Sports, international and direct-to-consumer businesses. The sale of John Varvatos Enterprises, Inc. (John Varvatos) in April 2012 had a slight negative impact on the nine month revenue growth comparison. Additional details on revenues are provided in the section titled Information by Business Segment.

VF's foreign currency exposure primarily relates to business conducted in euro-based countries. The weighted average translation rate for the euro was \$1.33 for the third quarter of 2013 and \$1.32 for the first nine months of 2013, compared with \$1.25 for the third quarter of 2012 and \$1.28 for the first nine months of 2012. Changes in foreign currency translation rates positively impacted total revenue by 1% for the third quarter of 2013 and less than 1% for the first nine months of 2013.

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

| | Third Quarter | | Nine Months | |
|---|----------------------|-------------|--------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Gross margin (total revenues less cost of goods sold) | 47.6% | 46.7% | 48.0% | 46.2% |
| Selling, general and administrative expenses | 30.0% | 29.6% | 34.0% | 33.3% |
| Operating income | 17.6% | 17.1% | 14.0% | 12.9% |

Gross margin increased 90 basis points in the third quarter and 180 basis points in the first nine months of 2013 with improvements in nearly every coalition. The higher gross margins in both periods reflect lower product costs and the continued shift in our revenue mix towards higher margin businesses, including Outdoor & Action Sports, international and direct-to-consumer.

Selling, general and administrative expenses as a percentage of total revenues increased 40 basis points during the third quarter and 70 basis points in the first nine months of 2013, primarily resulting from increased investments in marketing and direct-to-consumer, partially offset by the leverage of operating expenses on higher revenues.

Table of Contents

Net interest expense decreased by \$3.2 million in the third quarter of 2013 and \$6.7 million in the first nine months of 2013 from the comparable periods in 2012, due to lower average levels of short-term borrowings, the repayment of \$400 million of floating rate notes during the third quarter of 2013 and increased amounts of interest capitalized for significant projects. Total outstanding debt averaged \$1.9 billion for the first nine months of 2013 and \$2.5 billion for the same period in 2012. The weighted average interest rates on total outstanding debt were 4.4% and 3.7% for the first nine months of 2013 and 2012, respectively.

Other income (expense) in the third quarter of 2013 netted to expense of \$1.3 million compared with income of \$1.6 million in 2012, and netted to expense of \$1.7 million in the first nine months of 2013 compared with income of \$44.9 million in 2012. The income in the nine month 2012 period was primarily due to the \$42.0 million gain on the sale of John Varvatos.

The effective income tax rate for the first nine months of 2013 was 21.7% compared with 24.2% in the first nine months of 2012. The first nine months of 2013 included net discrete tax benefits of \$19.0 million, which included \$8.3 million of tax benefits related to the extension of certain tax credits and other provisions of the Internal Revenue Code enacted in 2013 which were retroactive to 2012, and \$6.9 million of tax benefits related to the realization of previously unrecognized tax benefits and interest. The net discrete tax benefits reduced the effective income tax rate for the first nine months of 2013 by 1.8% compared with a reduction of 2.0% in the first nine months of 2012. The remaining reduction in the effective income tax rate for the first nine months of 2013 compared with the 2012 period related primarily to a higher percentage of income in lower tax rate jurisdictions.

Net income attributable to VF Corporation for the third quarter of 2013 increased to \$433.8 million (\$3.89 per share), compared with \$381.3 million (\$3.42 per share) in the 2012 quarter. The third quarter of 2013 was negatively impacted by \$0.02 per share in expenses related to the acquisition of The Timberland Company (Timberland) compared with \$0.10 per share in the 2012 period. The third quarter of 2013 was positively impacted by \$0.10 per share from foreign currency rate fluctuations.

Net income attributable to VF Corporation for the first nine months of 2013 increased to \$842.5 million (\$7.55 per share), compared with \$751.8 million (\$6.72 per share) in 2012. The first nine months of 2013 was positively impacted by \$0.17 per share from discrete tax benefits and \$0.12 per share from foreign currency rate fluctuations, partially offset by a negative impact of \$0.07 per share in Timberland acquisition-related expenses. The first nine months of 2012 was positively impacted by \$0.18 per share from discrete tax benefits and a \$0.32 per share gain on the sale of John Varvatos, partially offset by the negative impact of \$0.16 per share in Timberland acquisition-related expenses.

The remainder of the changes in earnings per share during the third quarter and first nine months of 2013 resulted from operating performance, as discussed in the Information by Business Segment section below.

Information by Business Segment

VF's businesses are grouped into product categories, and by brands within those product categories, for management and internal financial reporting purposes. These groupings of businesses within VF are referred to as coalitions. These coalitions are the basis for VF's reportable business segments.

See Note I to the Consolidated Financial Statements for a summary of results of operations by coalition, along with a reconciliation of coalition profit to income before income taxes.

The following tables present a summary of the changes in coalition revenues for the third quarter and first nine months of 2013 from the comparable periods in 2012:

| | | Third Quarter | | | | | | | | |
|--|------|--|----------|----------|---------------------------------|----------|---------|--------------------------------|--------------|--------------|
| | | Outdoor & Action Sportswear | | | Imagewear Sportswear | | | Contemporary Brands | Other | Total |
| In millions | | | | | | | | | | |
| Coalition revenues | 2012 | \$ 1,852.3 | \$ 718.8 | \$ 284.5 | \$ 154.2 | \$ 104.2 | \$ 34.4 | \$ 3,148.4 | | |
| Operations | | 87.7 | 29.1 | 0.6 | 1.0 | (0.5) | (1.0) | 116.9 | | |
| Impact of foreign currency translation | | 32.0 | (0.7) | (0.6) | | 1.3 | | 32.0 | | |
| Coalition revenues | 2013 | \$ 1,972.0 | \$ 747.2 | \$ 284.5 | \$ 155.2 | \$ 105.0 | \$ 33.4 | \$ 3,297.3 | | |

Table of Contents

| | | Nine Months | | | | | | | |
|--|------|--|------------|--------------------------------|----------|------------------------------|---------|--------------|--------------|
| | | Outdoor & Action Sports | | Jeanswear Imagewear | | Sportswear Brands | | Other | Total |
| In millions | | | | | | | | | |
| Coalition revenues | 2012 | \$ 4,156.2 | \$ 2,054.5 | \$ 813.5 | \$ 394.6 | \$ 339.0 | \$ 88.8 | \$ 7,846.6 | |
| Operations | | 267.2 | 25.9 | (33.1) | 22.3 | (9.9) | 0.7 | 273.1 | |
| Disposition in prior year | | | | | | (23.7) | | (23.7) | |
| Impact of foreign currency translation | | 36.4 | (3.5) | (1.3) | | 1.9 | | 33.5 | |
| Coalition revenues | 2013 | \$ 4,459.8 | \$ 2,076.9 | \$ 779.1 | \$ 416.9 | \$ 307.3 | \$ 89.5 | \$ 8,129.5 | |

The following tables present a summary of the changes in coalition profit for the third quarter and first nine months of 2013 from the comparable periods in 2012:

| | | Third Quarter | | | | | | | |
|--|------|--|----------|--------------------------------|---------|------------------------------|----------|--------------|--------------|
| | | Outdoor & Action Sports | | Jeanswear Imagewear | | Sportswear Brands | | Other | Total |
| In millions | | | | | | | | | |
| Coalition profit | 2012 | \$ 413.0 | \$ 131.4 | \$ 37.5 | \$ 18.5 | \$ 13.4 | \$ 1.4 | \$ 615.2 | |
| Operations | | (1.7) | 25.5 | 3.2 | 5.5 | (4.1) | (1.5) | 26.9 | |
| Impact of foreign currency translation | | 9.9 | 1.4 | | | 0.2 | | 11.5 | |
| Coalition profit | 2013 | \$ 421.2 | \$ 158.3 | \$ 40.7 | \$ 24.0 | \$ 9.5 | \$ (0.1) | \$ 653.6 | |

| | | Nine Months | | | | | | | |
|--|------|--|----------|--------------------------------|---------|------------------------------|----------|--------------|--------------|
| | | Outdoor & Action Sports | | Jeanswear Imagewear | | Sportswear Brands | | Other | Total |
| In millions | | | | | | | | | |
| Coalition profit | 2012 | \$ 697.2 | \$ 335.6 | \$ 110.7 | \$ 40.7 | \$ 40.3 | \$ 0.1 | \$ 1,224.6 | |
| Operations | | 38.4 | 73.1 | (3.5) | 11.8 | (11.2) | (2.3) | 106.3 | |
| Disposition in prior year | | | | | | 0.5 | | 0.5 | |
| Impact of foreign currency translation | | 12.5 | 1.9 | 0.1 | | 0.3 | | 14.8 | |
| Coalition profit | 2013 | \$ 748.1 | \$ 410.6 | \$ 107.3 | \$ 52.5 | \$ 29.9 | \$ (2.2) | \$ 1,346.2 | |

The following section discusses the changes in revenues and profitability by coalition:

Outdoor & Action Sports:

| Dollars in millions | Third Quarter | | Percent | Nine Months | | Percent |
|---------------------|----------------------|-------------|----------------|--------------------|-------------|----------------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |

Edgar Filing: V F CORP - Form 10-Q

| | | | | | | |
|--------------------|------------|------------|------|------------|------------|------|
| Coalition revenues | \$ 1,972.0 | \$ 1,852.3 | 6.5% | \$ 4,459.8 | \$ 4,156.2 | 7.3% |
| Coalition profit | 421.2 | 413.0 | 2.0% | 748.1 | 697.2 | 7.3% |
| Operating margin | 21.4% | 22.3% | | 16.8% | 16.8% | |

Coalition revenues for Outdoor & Action Sports increased 6% in the third quarter of 2013 compared with the 2012 period. *The North Face*®, *Vans*® and *Timberland*® brands achieved global revenue growth of 3%, 16% and 2%, respectively. U.S. revenues for the third quarter increased 5% and were negatively impacted by retailer caution and a calendar shift for key retailers, which pushed approximately \$40 million of shipments from the third quarter into the fourth quarter of 2013. International revenues rose 8%, reflecting growth in Europe, Asia Pacific and the Americas (non-U.S.).

Coalition revenues for Outdoor & Action Sports increased 7% in the first nine months of 2013 compared with the 2012 period. *The North Face*®, *Vans*® and *Timberland*® brands achieved global revenue growth of 4%, 18% and 1%, respectively. U.S. revenues for the first nine months increased 6% and were negatively impacted by the aforementioned retailer calendar shift. International revenues rose 9%, reflecting growth in Europe, Asia Pacific and the Americas (non-U.S.).

Direct-to-consumer revenues increased 16% and 14% in the third quarter and first nine months of 2013, respectively, with growth in nearly all brands. New store openings and comparable store growth, including the e-commerce business, contributed to the direct-to-consumer revenue growth.

The decrease in operating margin for the third quarter of 2013 is primarily due to a deleverage of expenses related to the aforementioned retailer calendar shift, as well as incremental marketing investments for the Coalition's three largest brands - *The North Face*®, *Vans*® and *Timberland*®. Operating margin for the first nine months of 2013 was flat compared to 2012.

Table of Contents**Jeanswear:**

| Dollars in millions | Third Quarter | | Percent | Nine Months | | Percent |
|---------------------|---------------|----------|---------|-------------|------------|---------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| Coalition revenues | \$ 747.2 | \$ 718.8 | 4.0% | \$ 2,076.9 | \$ 2,054.5 | 1.1% |
| Coalition profit | 158.3 | 131.4 | 20.5% | 410.6 | 335.6 | 22.3% |
| Operating margin | 21.2% | 18.3% | | 19.8% | 16.3% | |

Global Jeanswear revenues increased 4% in the third quarter of 2013 compared with the 2012 period, driven by a 5% increase in the Americas region, which included a 7% increase in the Mass business. Jeanswear revenues for the European business increased 11%, primarily due to a 15% increase in the *Wrangler*[®] brand revenues. Jeanswear revenues in Asia Pacific decreased 9%, as the *Lee*[®] brand continues to be impacted by an industry-wide inventory build-up in China that began during the latter part of 2012.

Global Jeanswear revenues increased 1% during the first nine months of 2013 compared with the 2012 period. This increase was primarily due to a 2% increase in revenues for both the Americas and European regions, offset by a 9% decrease in the Asia Pacific region.

Operating margin increased 290 basis points during the third quarter of 2013 and 350 basis points for the first nine months of 2013. The increase in operating margin for the third quarter and first nine months of 2013 was driven by lower product costs across all regions and improvement in international performance. The *Wrangler*[®] and *Lee*[®] brands posted improved profitability in nearly every global region for the three and nine month periods.

Imagewear:

| Dollars in millions | Third Quarter | | Percent | Nine Months | | Percent |
|---------------------|---------------|----------|---------|-------------|----------|---------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| Coalition revenues | \$ 284.5 | \$ 284.5 | 0.0% | \$ 779.1 | \$ 813.5 | (4.2%) |
| Coalition profit | 40.7 | 37.5 | 8.5% | 107.3 | 110.7 | (3.1%) |
| Operating margin | 14.3% | 13.2% | | 13.8% | 13.6% | |

Imagewear revenues were flat in the third quarter and decreased 4% during the first nine months of 2013 compared with the 2012 periods. The reduction in revenues for the nine month period is due to an arrangement with a customer that shipped throughout the first nine months of 2012, but did not have significant shipments in 2013 until late in the third quarter, along with general softness in the business.

Operating margin increased 110 basis points during the third quarter of 2013, primarily driven by improved gross margin due to lower product costs. The 20 basis point increase in operating margin for the first nine months of 2013 was due to lower product costs, partially offset by lower shipment and production volumes.

Sportswear:

| Dollars in millions | Third Quarter | | Percent | Nine Months | | Percent |
|---------------------|---------------|------|---------|-------------|------|---------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |

| | | | | | | |
|--------------------|----------|----------|-------|----------|----------|-------|
| Coalition revenues | \$ 155.2 | \$ 154.2 | 0.6% | \$ 416.9 | \$ 394.6 | 5.7% |
| Coalition profit | 24.0 | 18.5 | 29.7% | 52.5 | 40.7 | 29.0% |
| Operating margin | 15.5% | 12.0% | | 12.6% | 10.3% | |

Sportswear revenues increased 1% and 6% in the third quarter and first nine months of 2013, respectively, compared with the 2012 periods. Third quarter revenues were driven by a 39% increase in sales of the *Kipling*[®] brand. Partially offsetting this increase was a 5% decline in *Nautica*[®] brand revenues due to a retailer calendar shift in wholesale revenues, which pushed what normally would be third quarter shipments into the fourth quarter of 2013. Revenues for the first nine months of 2013 reflected growth in both the *Nautica*[®] and *Kipling*[®] brands, primarily driven by the direct-to-consumer businesses of both brands.

The increases in operating margin during the third quarter and first nine months of 2013 are due to a shift in the business mix toward higher margin direct-to-consumer businesses, improvements in the profitability of the wholesale and direct-to-consumer businesses, as well as the leverage of operating expenses on higher revenues.

Table of Contents**Contemporary Brands:**

| Dollars in millions | Third Quarter | | Percent Change | Nine Months | | Percent Change |
|---------------------|---------------|----------|-------------------|-------------|----------|-------------------|
| | 2013 | 2012 | | 2013 | 2012 | |
| Coalition revenues | \$ 105.0 | \$ 104.2 | 0.8% | \$ 307.3 | \$ 339.0 | (9.4%) |
| Coalition profit | 9.5 | 13.4 | (29.1%) | 29.9 | 40.3 | (25.8%) |
| Operating margin | 9.0% | 12.9% | | 9.7% | 11.9% | |

Revenues for Contemporary Brands increased 1% in the third quarter and declined 9% during the first nine months of 2013 compared with the 2012 periods. The absence of John Varvatos accounted for nearly 7% of the decrease in the first nine months of 2013. The remaining decline for the nine month period is primarily attributable to weakness in premium denim in the high-end department store channel, partially offset by higher direct-to-consumer revenues.

Operating margin declines for both the third quarter and first nine months of 2013 are primarily due to lower cost absorption resulting from a decline in sales volume, as well as an increase in investments in marketing and the direct-to-consumer businesses.

Other:

| Dollars in millions | Third Quarter | | Percent Change | Nine Months | | Percent Change |
|---------------------|---------------|---------|-------------------|-------------|---------|-------------------|
| | 2013 | 2012 | | 2013 | 2012 | |
| Coalition revenues | \$ 33.4 | \$ 34.4 | (2.9%) | \$ 89.5 | \$ 88.8 | 0.8% |
| Coalition profit | (0.1) | 1.4 | | (2.2) | 0.1 | |
| Operating margin | (0.3%) | 4.1% | | (2.5%) | 0.1% | |

VF Outlet® stores in the United States sell VF and other branded products. Revenues and profits of VF products sold in these stores are reported as part of the operating results of the applicable coalition, while revenues and profits of non-VF products are reported in this Other category.

Reconciliation of Coalition Profit to Income Before Income Taxes:

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

| Dollars in millions | Third Quarter | | Percent Change | Nine Months | | Percent Change |
|------------------------------|---------------|---------|-------------------|-------------|----------|-------------------|
| | 2013 | 2012 | | 2013 | 2012 | |
| Corporate and other expenses | \$ 75.2 | \$ 76.8 | (2.1%) | \$ 209.2 | \$ 164.8 | 26.9% |
| Interest expense, net | 20.0 | 23.2 | (13.8%) | 61.2 | 67.9 | (9.9%) |

Corporate and other expenses are those that have not been allocated to the coalitions for internal management reporting, including (i) information systems and shared services, (ii) corporate headquarters costs and (iii) other income and expenses. Other income and expenses includes costs of corporate programs and initiatives; costs of registering, maintaining and enforcing certain VF trademarks; and miscellaneous costs, the most significant of which is related to the expense of VF's centrally-managed U.S. defined benefit pension plans. The current year service cost

component of pension cost is allocated to the coalitions, while the remaining cost components, totaling \$15.2 million and \$45.7 million for the third quarter and first nine months of 2013, respectively, and \$16.8 million and \$50.4 million for the third quarter and first nine months of 2012, respectively, are reported in corporate and other expenses. The increase in corporate and other expenses for the first nine months of 2013 is primarily due to the \$42.0 million gain on the sale of John Varvatos, which was recorded as an offset to corporate and other expenses in the first nine months of 2012.

Analysis of Financial Condition

Balance Sheets

The following discussion refers to significant changes in balances at September 2013 compared with December 2012:

Increase in accounts receivable resulting from the seasonality of the business.

Increase in inventory due to the seasonality of the business partially offset by the impact of disciplined inventory management.

Increase in other current assets primarily due to higher prepaid income taxes.

Table of Contents

Increase in property, plant and equipment related to capital projects that support VF's continued expectations for high revenue growth, including a European headquarters, additional distribution facilities, new retail stores and technology upgrades.

Increase in other assets driven by an increase in deferred software costs and assets held for deferred compensation plans.

Increase in short-term borrowings due to an increase in commercial paper borrowings to support seasonal working capital needs and to fund the repayment of the \$400 million two-year notes issued to finance the acquisition of Timberland. VF expects to pay off all commercial paper by the end of 2013.

Decrease in current portion of long-term debt related to the repayment of the \$400 million two-year notes issued to finance the acquisition of Timberland.

Increase in accounts payable driven by the timing of inventory purchases.

Increase in accrued liabilities primarily due to timing of accruals for marketing, compensation and taxes.

The following discussion refers to significant changes in balances at September 2013 compared with September 2012:

Increase in property, plant and equipment related to capital projects that support VF's continued expectations for high revenue growth, including a European headquarters, a headquarters for the Outdoor & Action Sports businesses in the United States, additional distribution facilities, new retail stores and technology upgrades.

Increase in other assets driven by an increase in deferred software costs primarily related to systems implementation.

Decrease in short-term borrowings due to higher levels of cash available to fund working capital needs during the first nine months of 2013 as compared to 2012.

Decrease in current portion of long-term debt related to the repayment of the \$400 million two-year notes issued to finance the acquisition of Timberland.

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

Increase in accrued liabilities primarily due to timing of accruals for marketing, compensation and taxes.

Liquidity and Cash Flows

The financial condition of VF is reflected in the following:

| Dollars in millions | September 2013 | December 2012 | September 2012 |
|-----------------------------|-------------------|------------------|-------------------|
| Working capital | \$ 2,039.2 | \$ 1,717.4 | \$ 1,563.0 |
| Current ratio | 2.0 to 1 | 2.0 to 1 | 1.6 to 1 |
| Debt to total capital ratio | 25.2% | 26.5% | 34.3% |

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 ratio of net debt to total net capital (with net debt defined as debt less cash and equivalents and total net capital defined as total capital less cash and equivalents) was 21.9% at September 2013, 19.6% at December 2012 and 31.5% at September 2012.

In summary, our cash flows were as follows (in millions):

| In millions | Nine Months | |
|---|-------------|----------|
| | 2013 | 2012 |
| Net cash provided by operating activities | \$ 418.1 | \$ 102.6 |
| Net cash used by investing activities | (255.3) | (139.4) |
| Net cash used by financing activities | (441.7) | (1.7) |

Table of Contents*Cash Provided by Operating Activities*

VF's primary source of liquidity is the strong cash flow provided by operating activities, which is dependent on the level of net income and changes in working capital. Cash provided by operating activities for the first nine months of 2013 increased to \$418.1 million from \$102.6 million for the 2012 period. The improvement is due to an increase in net income and a reduction in net cash usage from working capital changes, partially offset by the payment of a \$100.0 million discretionary contribution to the defined benefit pension plan in the first quarter of 2013.

Cash Used by Investing Activities

Cash used by investing activities for the first nine months of 2013 increased to \$255.3 million from \$139.4 million in 2012. VF's investing activities relate primarily to capital expenditures and software purchases which increased \$42.6 million over the 2012 period. The higher level of capital expenditures and software purchases are related to a number of infrastructure projects that support VF's continued expectations for high revenue growth, as discussed in the Balance Sheets section above. The spending is funded by cash flow from operations.

In addition, cash used by investing activities during the first nine months of 2012 was reduced by \$68.5 million in proceeds from the sale of John Varvatos.

Cash Used by Financing Activities

Cash used by financing activities in the first nine months of 2013 was \$441.7 million, compared with \$1.7 million in the first nine months of 2012. This increase was primarily due to the repayment of the \$400 million two-year notes issued to finance the acquisition of Timberland and a \$49.3 million increase in cash dividends paid.

During the first nine months of 2013 and 2012, VF repurchased 1.7 million and 2.0 million shares, respectively, of its Common Stock in open market transactions. The cost was \$281.5 million and \$296.8 million with an average price per share of \$164.67 and \$147.49 for the September 2013 and September 2012 periods, respectively. Under its current authorization from the Board of Directors, VF may repurchase an additional 2.8 million shares. 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.

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. VF maintains a \$1.25 billion senior unsecured revolving line of credit (the Global Credit Facility), which supports our \$1.25 billion U.S. commercial paper program for short-term seasonal working capital requirements. The Global Credit Facility expires in December 2016. Commercial paper borrowings and standby letters of credit issued as of September 2013 were \$451.0 million and \$17.4 million, respectively, leaving \$781.6 million available for borrowing against this facility at September 2013.

VF's favorable credit agency ratings allow for access to additional liquidity at competitive rates. At the end of September 2013, VF's long-term debt ratings were A minus by Standard & Poor's Ratings Services and A3 by Moody Investors Service, and commercial paper ratings by those rating agencies were A-2 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 2017, 2021 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.

In October 2013, VF's Board of Directors approved a four-for-one split of VF's shares of Common Stock to be payable in the form of a stock dividend. Shareholders of record as of the close of business on December 10, 2013 will receive three additional shares of Common Stock for each share of Common Stock they own, payable on December 20, 2013. The New York Stock Exchange is expected to begin reporting the adjusted number of shares outstanding and adjusted per-share stock price on December 23, 2013.

Management's Discussion and Analysis in the 2012 Form 10-K provided a table summarizing VF's contractual obligations and commercial commitments at the end of 2012 that would require the use of funds. Since the filing of the 2012 Form 10-K, there have been no material changes in the disclosed amounts, except as noted below:

Inventory purchase obligations increased by approximately \$172.3 million at the end of September 2013 due to the seasonality of VF's businesses.

Table of Contents

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 dividend to stockholders at current and expected rates and (iii) flexibility to meet investment opportunities that may arise.

Recently Issued Accounting Standards

In July 2013, the FASB issued an update to their accounting guidance which requires unrecognized tax benefits to be netted with net operating loss or tax credit carryforwards in the Consolidated Balance Sheets if specific criteria are met. The guidance is effective January 2014 for the interim and annual periods. The adoption of this accounting guidance is not expected to have an impact on VF's Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Management has chosen accounting policies that 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. Accounting policies are applied in a consistent manner. Significant accounting policies are summarized in Note A to the Consolidated Financial Statements included in the 2012 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 2012 Form 10-K. 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 quarterly report on Form 10-Q include, but are not limited to, the level of consumer confidence and overall level of consumer demand for apparel; fluctuations in the price, availability and quality of raw materials and contracted products; disruption to VF's distribution system; disruption and volatility in the global capital and credit markets; VF's reliance on a small number

of large customers; the financial strength of VF's customers; VF's response to changing fashion trends; increasing pressure on margins; VF's ability to implement its growth strategy; VF's ability to grow its international and direct-to-consumer businesses; VF's ability to complete, successfully integrate and grow acquisitions, including the Timberland acquisition; VF's ability to maintain the strength and security of its information technology systems; adverse unseasonable weather conditions; 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; maintenance by VF's licensees and distributors of the value of VF's brands; foreign currency fluctuations; changes in tax liabilities; and legal, regulatory, political and economic risks in international markets. 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 2012 Form 10-K.

Table of Contents

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.

Table of Contents**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 2012 Form 10-K. There have been no material changes to the legal proceedings from those described in the 2012 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 2012 Form 10-K. There have been no material changes to the risk factors from those disclosed in the 2012 Form 10-K.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer purchases of equity securities:

| | Total Number of Shares Purchased | Weighted Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Maximum Number of Shares that May Yet be Purchased Under the Program (1) |
|--------------------------------|---|--|--|---|
| Third Quarter 2013 | | | | |
| June 30 - July 27, 2013 | 2,500 | \$ 195.89 | 2,500 | 2,764,956 |
| July 28 - August 24, 2013 | | | | 2,764,956 |
| August 25 - September 28, 2013 | | | | 2,764,956 |
| Total | 2,500 | | 2,500 | |

(1) During the quarter, 2,500 shares of Common Stock were purchased 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

- 31.1 Certification of the principal executive officer, Eric C. Wiseman, 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 the principal financial officer, Robert K. Shearer, 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 the principal executive officer, Eric C. Wiseman, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2

Edgar Filing: V F CORP - Form 10-Q

Certification of the principal financial officer, Robert K. Shearer, 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 |

Table of Contents

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/ Robert K. Shearer

Robert K. Shearer

Senior Vice President and Chief Financial Officer (Chief
Financial Officer)

Date: November 6, 2013

By: /s/ Scott A. Roe

Scott A. Roe

Vice President Controller (Chief Accounting Officer)