



2013 INVESTOR DAY – JUNE 11, 2013

Eric Wiseman - VF Corporation - Chairman, President, CEO

Good morning, everyone. Thank you for being with us this morning. Some of you have been following VF for a long time. I can see, by the technology, moving in the room, some of you are already beginning today's coverage of VF. We have a long story to tell here today, and we're pretty excited about what's happened to our company over the last five to 10 years. As many of you know, we've changed VF in a lot of ways over the last five to 10 years. And today, our company is much stronger and much more capable than we were when we began our transformation.

At VF, we're both very proud of our past. But more importantly, we're very excited about our future. We believe we're just beginning to achieve the potential that we have to grow and to deliver shareholder value. And we've talked a lot about where we've been over the last few years, and today, we're going to share with you some of our plans and priorities for the next five years.

We're confident of achieving our plans as we've ever been. And if you look back, the best place for me to start is looking back at where we were in beginning of 2011, as Lance mentioned, when we announced the five-year plans to you. What we said at that time very simply was we were going to grow our company by \$5 billion, and that's \$5 in earnings per share by 2015. And greatly helped by the acquisition of Timberland, we've made substantial progress in the first two years of that five-year period.

You can see on this chart we're well ahead of the game everywhere that we should be. Our revenue, again greatly helped by the acquisition of Timberland and SmartWool, is two-thirds of the way to our plan target. We've made great progress in gross margins, again ahead of plan. Our operating margin, also ahead of plan. But as you know, Timberland and SmartWool have been a slight drag on our operating margin rate. Where they've also helped us, though, is in our earnings per share where we're also at about two-thirds of our target at \$9.63.

So as I think forward to that, to the guidance that we shared in April of this year, it gives you another look at how much progress we'll make based on this guidance in 2013, most importantly in the earnings per share line, achieving most of our target by the end of this year, which is why we're here today.

We're here today to help you understand what we're committed to achieving in the next five years and how we're going to get that done. And we have a whole bunch of our leadership team here today to take you through where we're going to grow, how we're going to grow and how we're going to enable that and achieve it.

When I think of VF Corporation, I really think about two things. I think about powerful brands and powerful platforms. Those powerful brands and platforms are so effectively managed by our leadership team that it's enabled consistent growth over time.

The powerful brands are the foundation of our business. We have brands that have really strong equity with consumers and, most importantly, have strong operating models. And those operating models let us invest in each brand to achieve growth while, at the same time, delivering superior shareholder return.

Our corporation is covered with brands. We have a really, really diverse portfolio of brands. But our business model empowers brand teams to focus on their brands to deliver operating performance while, at the same time, letting us leverage our size to drive efficiency and profitability. Our brands speak to a diverse set of consumers. We try to speak to them wherever they live, however they live their lifestyle, and wherever they shop.

We think our diversity is maybe our single biggest strength, if you think about how personal the shopping experience has become. If you want to be relevant to a skateboarder, a 20-year-old skateboarder living in Orange County, you better show up in an authentic way or they'll dismiss you.

And if you want to speak to somebody living a Western lifestyle, a 20-year-old living a Western lifestyle in Montana, you better show up in an authentic way or they'll dismiss you. The diversity of our brands lets us do that consistently, and the effectiveness of our operating model lets us do that in a way that drives superior shareholder value consistently over time.

Today, we're going to focus on seven of our largest brands, and our leaders will come up and share with you how each of those, our seven biggest brands, are going to enable their future.

One of the things that goes across all of our brands is the importance of innovation at our company. For us, innovation is about creating new opportunities for growth. We define innovation as something new that creates value. And our objective in being innovative is to



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shape the future of footwear and apparel. And over the next five years, our innovation platform is going to be much more important to us as we drive revenue growth, enhance our margin and strengthen our brands' connectivity with consumers.

What we talk about from is the mass channel to the mountaintop we have to innovate. What we've learned in our third year of our innovation platform is innovation is just as important to our mass channel Jeanswear business as it is to The North Face.

Also we innovate in how we run our businesses. Whether we're innovative in robotics in a factory or robotics in a distribution center, or whether we're staying out in front of the digital and social space, we know we have to stay innovative. And of course, in our products, we have to always give consumers reasons to believe in, trust and buy our brands.

But innovation only matters -- by matters, I mean create shareholder value -- if we connect it to consumers. So we take a holistic approach in our innovation strategy. We think about our relationships with consumers, connecting across their lifestyle and their aspirations and their passion for products.

Our consumer insights group uses both qualitative and quantitative data to shape product and brand strategies with the ultimate objective to drive loyalty from consumers and deeper brand equity connectivity. In every brand and in every geography that we do business, we try to combine the art of product design with the science of consumer insights to make sure we connect with consumers, always keeping them at the center of everything we do.

Now you're going to see this X a lot today. We're going to shape a lot of today's presentation about how we create shareholder value and how we win. And we're going to focus on four of VF's growth drivers, and I'm going to lay all four of them out for you now, and you'll see them in many of the brand presentations that you're about to see.

The first is we lead in innovation. And to us, that means a constant stream of new and better products, new and better store environments, new and better digital experiences that deliver what our consumers want.

Second, we connect with consumers, and we connect with consumers because we understand them. We believe that we invest more in developing and refining consumer insights and that we invested better than anybody else in the industry. We have an extraordinary robust consumer insight practice at our corporate headquarters in each of our brands and in each of our geographies that's connected to build terrific brand strategies that work with consumers with our products in each market.

The third plank, we serve our consumers wherever and however they want to engage with our brands. To us, this used to be a direct-to-consumer vocabulary. It's about serving consumers. It's recognizing that they are completely in charge of their relationship with our brands. So we want to make sure that we're effective as we do that in our stores, through e-commerce, at our partner stores and through social media. We need to make sure that they understand what our brands are doing and that they appreciate how authentic our brands are.

And the fourth growth driver for us is expanding geographically. We have a lot of potential left, a lot of growth potential left in the more mature US and European markets. And we have abundant opportunity in emerging markets around the world. Over the next five years, our international business will almost double again. And as a percentage of our revenues, it'll continue to climb.

And one thing that enables all this is our powerful platforms. Our powerful platforms around the world have consistently demonstrated that they can enable the growth and financial success of every brand we own and every brand we acquire. It's hard to find an example of a place where we have not been able to change the trajectory of a brand based on our global platforms. It's a critical thing to our future.

Our brands capitalize on these by understanding the power that they deliver to the brand. But in addition to physical platforms, we also had capability platforms that are critical to our success. Today, you're going to hear from Stephen Dull, who's going to speak to our front-end disciplines around strategy, consumer insight, innovation and brand management and how, importantly, we share best practices of our brands around the world.

Mike Gannaway is going to join us up here today, and he's going to talk about our direct-to-consumer business, how that's so important to our growth, our opening of stores and building e-com connections with consumers and how we share practices of that on a global basis.

Tom Glaser is going to come up and talk about our supply chain. And you'll see that it is complicated, and you'll see that we execute it very well. It's one of our critical enablers of our success. Quite frankly, some of us we're concerned when we were a \$5 billion company



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if we'd be able to execute as well when we were an \$11 billion company. That has been asked and answered. We are actually working more effectively now as an \$11 billion company through our supply chain than we were when we were a \$5 billion company.

And this afternoon, I'm going to have a bunch of our international leaders join me on stage, and we're going to talk about the business in each of the geographies and the importance of international growth to our future.

Before I have all those leaders come up and before we get with the agenda, and I know many of you have -- no, not true -- all of you have been looking through the books, but I will officially unveil kind of what the next five years are going to look like to you right now. And it's all about growth.

In 2017, VF will be a \$17 billion company. As I said earlier, we're confident that we can grow our business at 10% a year. We think 8% of that will come organically and 2% by acquisition. Why are we so confident? In January of 2008, we laid out a five-year plan for you that we met. In spring of 2011, we laid out a five-year plan for you that we're exceeding at such a big rate we have to have this meeting two years later and talk about what the next five years looks like. So we're confident we can get to the \$17 billion.

Over that time period, our gross margin will expand by 300 basis points to 49.5%. Over that time period, our operating margin will expand by 250 basis points to 16%. We know for us to achieve some of our growth rate, we need to invest more in our brands. And at the end of the day, Bob Shearer will lay out for you kind of what the shape of that will look like, but we're going to invest some of our gross margin growth rate expansion back into our brand so that we can deliver a \$17 billion VF in 2017.

Our earnings per share will be \$18 in 2017. It'll grow at a compound annual growth rate of 13%. We could have made it \$17. So we had in 2017 \$17 billion in revenue and \$17 per share, but we just couldn't help ourselves. \$18 is going to be the number. That's where we'll be in 2017.

And we're going to generate abundant cash flow over this period. Over the five-year period, \$9.5 billion of operating cash flow will come to us. We're about \$1.3 billion last year. We think we'll be at about \$2.4 billion in annual operating cash flow by 2017.

We're really excited about this story. A lot of you, as I said, have been following VF for a long time. Almost everybody you're going to hear from today at VF was part of the company back in 2004 and '05 when we were a \$5 billion company and aspired to be an \$8 billion company and then aspire to be an \$11 billion company. And we've accomplished all that. And here we are today talking about a commitment to being a \$17 billion company in 2017.

To understand that, you need to understand the pieces. And the first piece of that, and an important piece of it, is our Outdoor & Action Sports businesses globally. To talk to you about that, it is my pleasure to introduce the Group President of our Outdoor & Action Sports businesses in the Americas, and that is Steve Rendle. Steve, you're up. Thank you all very much. Good luck.