

V F CORP

Form 10-Q

August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

or

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

For the transition period from _____ to _____

Commission file number: 1-5256

V. F. CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania

23-1180120

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

105 Corporate Center Boulevard

Greensboro, North Carolina 27408

(Address of principal executive offices)

(336) 424-6000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 (§232.405 of this chapter) 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

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

Emerging growth company

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

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

On July 28, 2018, there were 396,461,022 shares of the registrant's common stock outstanding.

VF CORPORATION

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PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS (UNAUDITED)

VF CORPORATION

Consolidated Balance Sheets

(Unaudited)

(In thousands, except share amounts)

	June 2018	March 2018	June 2017
ASSETS			
Current assets			
Cash and equivalents	\$467,917	\$680,762	\$672,045
Accounts receivable, less allowance for doubtful accounts of: June 2018 – \$25,204; March 2018 – \$24,993; June 2017 – \$18,817	1,428,535	1,408,587	1,143,573
Inventories	1,993,825	1,861,441	1,663,052
Other current assets	439,870	358,953	355,283
Current assets of discontinued operations	—	373,580	63,697
Total current assets	4,330,147	4,683,323	3,897,650
Property, plant and equipment, net	1,018,164	1,011,617	903,024
Intangible assets, net	2,184,276	2,120,110	1,630,939
Goodwill	1,816,162	1,693,219	1,582,751
Other assets	843,005	803,041	722,578
Other assets of discontinued operations	—	—	436,786
TOTAL ASSETS	\$10,191,754	\$10,311,310	\$9,173,728
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	\$1,316,923	\$1,525,106	\$921,109
Current portion of long-term debt	6,189	6,265	253,783
Accounts payable	675,581	583,004	492,480
Accrued liabilities	996,863	938,427	738,050
Current liabilities of discontinued operations	—	86,027	25,721
Total current liabilities	2,995,556	3,138,829	2,431,143
Long-term debt	2,156,627	2,212,555	2,111,623
Other liabilities	1,308,455	1,271,830	896,581
Other liabilities of discontinued operations	—	—	90,042
Commitments and contingencies			
Total liabilities	6,460,638	6,623,214	5,529,389
Stockholders' equity			
Preferred Stock, par value \$1; shares authorized, 25,000,000; no shares outstanding at June 2018, March 2018 or June 2017	—	—	—
Common Stock, stated value \$0.25; shares authorized, 1,200,000,000; shares outstanding at June 2018 – 395,509,138; March 2018 – 394,313,070; June 2017 – 393,308,684	98,877	98,578	98,327
Additional paid-in capital	3,688,529	3,607,424	3,398,901
Accumulated other comprehensive income (loss)	(882,078)	(864,030)	(930,597)
Retained earnings	825,788	846,124	1,077,708
Total stockholders' equity	3,731,116	3,688,096	3,644,339
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,191,754	\$10,311,310	\$9,173,728

See notes to consolidated financial statements.

VF CORPORATION

Consolidated Statements of Income

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June	
	2018	2017
Net revenues	\$2,788,146	\$2,268,620
Costs and operating expenses		
Cost of goods sold	1,384,977	1,142,476
Selling, general and administrative expenses	1,172,287	966,468
Total costs and operating expenses	2,557,264	2,108,944
Operating income	230,882	159,676
Interest income	3,393	3,583
Interest expense	(27,277)	(24,190)
Other income (expense), net	(20,666)	(3,217)
Income from continuing operations before income taxes	186,332	135,852
Income taxes	26,379	28,760
Income from continuing operations	159,953	107,092
Income from discontinued operations, net of tax	405	2,797
Net income	\$160,358	\$109,889
Earnings per common share - basic		
Continuing operations	\$0.41	\$0.27
Discontinued operations	—	0.01
Total earnings per common share - basic	\$0.41	\$0.28
Earnings per common share - diluted		
Continuing operations	\$0.40	\$0.27
Discontinued operations	—	0.01
Total earnings per common share - diluted	\$0.40	\$0.27
Cash dividends per common share	\$0.46	\$0.42

See notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)	Three Months Ended	
	June	
	2018	2017
Net income	\$160,358	\$109,889
Other comprehensive income (loss)		
Foreign currency translation and other		
Gains (losses) arising during the period	(161,158)	87,343
Income tax effect	(13,712)	21,729
Defined benefit pension plans		
Amortization of net deferred actuarial losses	8,822	10,002
Amortization of deferred prior service costs	669	645
Current period actuarial gains	53,940	—
Curtailed losses and settlement charges	16,325	—
Income tax effect	(20,655)	(4,015)
Derivative financial instruments		
Gains (losses) arising during the period	94,629	(56,339)
Income tax effect	(11,358)	7,863
Reclassification to net income for (gains) losses realized	16,317	(11,319)
Income tax effect	(1,867)	1,534
Other comprehensive income (loss)	(18,048)	57,443
Comprehensive income	\$142,310	\$167,332

See notes to consolidated financial statements.

VF CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	June	
(In thousands)	2018 ^(a)	2017 ^(a)
OPERATING ACTIVITIES		
Net income	\$160,358	\$109,889
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	71,130	65,470
Stock-based compensation	26,772	19,420
Provision for doubtful accounts	2,809	3,793
Pension expense in excess of contributions	2,537	5,206
(Gain) loss on sale of businesses, net of tax	(5,003)	2,771
Other, net	10,525	11,526
Changes in operating assets and liabilities:		
Accounts receivable	(25,482)	127,500
Inventories	(140,751)	(48,272)
Accounts payable	87,126	49,100
Income taxes	(78,688)	(92,983)
Accrued liabilities	166,543	(47,408)
Other assets and liabilities	(732)	(396)
Cash provided by operating activities	277,144	205,616
INVESTING ACTIVITIES		
Business acquisitions, net of cash received	(321,395)	—
Proceeds from sale of businesses, net of cash sold	288,273	208,215
Capital expenditures	(68,919)	(37,355)
Software purchases	(21,546)	(13,074)
Other, net	(5,643)	(324)
Cash (used) provided by investing activities	(129,230)	157,462
FINANCING ACTIVITIES		
Net (decrease) increase in short-term borrowings	(214,383)	632,552
Payments on long-term debt	(1,557)	(917)
Purchases of treasury stock	—	(762,007)
Cash dividends paid	(181,517)	(164,893)
Proceeds from issuance of Common Stock, net of shares withheld for taxes	53,500	11,430
Cash used by financing activities	(343,957)	(283,835)
Effect of foreign currency rate changes on cash, cash equivalents and restricted cash	(19,998)	(10,583)
Net change in cash, cash equivalents and restricted cash	(216,041)	68,660
Cash, cash equivalents and restricted cash – beginning of year	689,190	608,280
Cash, cash equivalents and restricted cash – end of period	\$473,149	\$676,940
Balances per Consolidated Balance Sheets:		
Cash and cash equivalents	\$467,917	\$672,045
Other current assets	4,067	3,716
Current assets of discontinued operations	—	497
Other assets	1,165	682
Total cash, cash equivalents and restricted cash	\$473,149	\$676,940

^(a) The cash flows related to discontinued operations have not been segregated, and are included in the Consolidated Statements of Cash Flows.

See notes to consolidated financial statements.

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Consolidated Statement of Stockholders' Equity

(Unaudited)

(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
	Shares	Amounts			
Balance, March 2018	394,313,070	\$ 98,578	\$3,607,424	\$ (864,030)	\$ 846,124
Adoption of new accounting standard	—	—	—	—	1,956
Net income	—	—	—	—	160,358
Dividends on Common Stock	—	—	—	—	(181,517)
Stock-based compensation, net	1,196,068	299	81,105	—	(1,133)
Foreign currency translation and other	—	—	—	(174,870)	—
Defined benefit pension plans	—	—	—	59,101	—
Derivative financial instruments	—	—	—	97,721	—
Balance, June 2018	395,509,138	\$ 98,877	\$3,688,529	\$ (882,078)	\$ 825,788

See notes to consolidated financial statements.

VF CORPORATION

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

VF Corporation (together with its subsidiaries, collectively known as “VF” or the “Company”) changed to a 52/53 week fiscal year ending on the Saturday closest to March 31 of each year. VF previously used a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. The Company's current fiscal year will run from April 1, 2018 through March 30, 2019 (“Fiscal 2019”). This document reflects the Company's first quarter of Fiscal 2019. For presentation purposes herein, all references to periods ended June 2018, March 2018 and June 2017 relate to the fiscal periods ended on June 30, 2018, March 31, 2018 and July 1, 2017, respectively.

The Nautica® brand business and the Licensing Business (which comprised the Licensed Sports Group and JanSport® brand collegiate businesses) have been reported as discontinued operations in our Consolidated Statements of Income, and the related assets and liabilities have been presented as held-for-sale in the Consolidated Balance Sheets, through their dates of disposal. These changes have been applied to all periods presented. Unless otherwise noted, discussion within these notes

to the consolidated financial statements relates to continuing operations. Refer to Note 5 for additional information on discontinued operations.

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

NOTE 2 – RECENTLY ADOPTED AND ISSUED ACCOUNTING STANDARDS

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)”, a new accounting standard on revenue recognition that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The FASB subsequently issued updates to the standard to provide additional clarification on specific topics. Collectively, the guidance is referred to as FASB Accounting Standards Codification (“ASC”) 606. The standard prescribes a five-step approach to revenue recognition: (1) identify the contracts with the customer; (2) identify the separate performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when, or as, each performance obligation is satisfied. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The Company adopted this standard on April 1, 2018, utilizing the modified retrospective method and applying this approach to contracts not completed as of that date. The cumulative effect of initially applying the new standard has been recognized in retained earnings. Comparative prior period information has not been restated and continues to be reported under accounting standards in effect for those periods.

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

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

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

Condensed Consolidated Balance Sheet

(In thousands)	June 2018		
	As Reported	Impact of Adoption	Balances without Adoption of ASC 606
ASSETS			
Cash and equivalents	\$467,917	\$—	\$467,917
Accounts receivable, net	1,428,535	(179,981)	1,248,554
Inventories	1,993,825	54,368	2,048,193
Other current assets	439,870	(49,400)	390,470
Total current assets	4,330,147	(175,013)	4,155,134
Property, plant and equipment, net	1,018,164	—	1,018,164
Goodwill and intangible assets, net	4,000,438	—	4,000,438
Other assets	843,005	381	843,386
TOTAL ASSETS	\$10,191,754	\$(174,632)	\$10,017,122
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short-term borrowings and current portion of long-term debt	\$1,323,112	\$—	\$1,323,112
Accounts payable	675,581	—	675,581
Accrued liabilities	996,863	(167,292)	829,571
Total current liabilities	2,995,556	(167,292)	2,828,264
Long-term debt	2,156,627	—	2,156,627
Other liabilities	1,308,455	(1,545)	1,306,910
Total liabilities	6,460,638	(168,837)	6,291,801
Total stockholders' equity	3,731,116	(5,795)	3,725,321
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,191,754	\$(174,632)	\$10,017,122

Condensed Consolidated Statement of Income

(In thousands)	Three Months Ended June 2018		
	As Reported	Impact of Adoption	Balances without Adoption of ASC 606
Net revenues	\$2,788,146	\$(9,695)	\$2,778,451
Cost of goods sold	1,384,977	(12,806)	1,372,171
Selling, general and administrative expenses	1,172,287	3,576	1,175,863
Total costs and operating expenses	2,557,264	(9,230)	2,548,034
Operating income	230,882	(465)	230,417
Interest income (expense) and other income (expense), net	(44,550)	—	(44,550)
Income from continuing operations before income taxes	186,332	(465)	185,867
Income taxes	26,379	(82)	26,297
Income from continuing operations	159,953	(383)	159,570
Income (loss) from discontinued operations, net of tax	405	(3,456)	(3,051)
Net income	\$160,358	\$(3,839)	\$156,519

Condensed Consolidated Statement of Cash Flows - Operating Activities

(In thousands)	Three Months Ended June 2018		
	As Reported	Impact of Adoption	Activities without Adoption of ASC 606
OPERATING ACTIVITIES			
Net income	\$ 160,358	\$ (3,839)	\$ 156,519
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	71,130	144	71,274
Other adjustments, net	37,640	3,456	41,096
Changes in operating assets and liabilities:			
Accounts receivable	(25,482)	169,972	144,490
Inventories	(140,751)	(48,565)	(189,316)
Accounts payable	87,126	—	87,126
Income taxes	(78,688)	(82)	(78,770)
Accrued liabilities	166,543	(166,013)	530
Other assets and liabilities	(732)	44,927	44,195
Cash provided by operating activities	\$277,144	\$—	\$277,144
There was no impact to investing or financing activities within the Consolidated Statement of Cash Flows as a result of the adoption of ASC 606.			

In March 2018, the FASB issued ASU 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118", which allowed Securities and Exchange Commission ("SEC") registrants to record provisional amounts in earnings for the year ended December 30, 2017 due to the complexities involved in accounting for the enactment of the Tax Cuts and Jobs Act ("Tax Act"). The Company recognized the estimated income tax effects of the Tax Act in its 2017 consolidated financial statements in accordance with SEC Staff Accounting Bulletin No. 118 ("SAB 118") and recorded revisions of our provisional estimate during the three months ended June 2018 and March 2018. Refer to Note 13 for more information regarding the amounts recorded. In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities", an update to their accounting guidance related to the recognition and measurement of certain financial instruments. This guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. This guidance became effective for VF in the first quarter of Fiscal 2019, but did not impact VF's consolidated financial statements. The FASB has subsequently issued an update to clarify the previous guidance. The amendments in this updated guidance will be effective for VF in the second quarter of Fiscal 2019. The Company does not expect the adoption of this subsequent guidance to have a material impact on VF's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-04, "Liabilities—Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products", an update to their accounting guidance on extinguishments of financial liabilities that exempts prepaid stored-value products, or gift cards, from the existing guidance. The updated guidance requires that financial liabilities related to prepaid stored-value products be subject to breakage accounting, consistent with ASC 606. This guidance became effective for VF in the first quarter of Fiscal 2019, but did not impact VF's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments", an update to their accounting guidance that addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance became effective for VF in the first quarter of Fiscal 2019 but did not impact VF's Consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business", an update that provides a more narrow framework to be used in evaluating whether a set of assets and activities constitutes a business. This guidance became effective for VF in the first quarter of Fiscal 2019 and was applied when accounting for the acquisitions completed during the period, but did not impact our conclusions on whether they are a business. Refer to Note 4 for further information related to acquisitions.

In March 2017, the FASB issued ASU 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost", an update which requires employers to disaggregate the service cost component from other components of net periodic benefit costs. The standard requires employers to report the service cost component in the same line item as other compensation costs and to report the other components of net periodic benefit costs (which include interest cost, expected return on plan assets, amortization of prior service costs or credits and actuarial gains and losses) separately and outside of operating income. The update specifies that only the service cost component is eligible for capitalization, which is consistent with VF's current practice. The presentation change in the Consolidated Statements of Income requires application on a retrospective basis. The ASU was adopted by the Company on April 1, 2018, and as a result, operating income increased and non-operating expense increased \$1.6 million for the three months ended June 2017. VF applied the practical expedient permitted under the guidance which allows entities to use information previously disclosed in the pension and other post-retirement benefit plans footnote as the basis to apply the

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retrospective presentation requirements. Refer to pension disclosure in Note 10.

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting", an update that amends the scope of modification accounting for share-based payment arrangements. This update provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. This guidance became effective for VF beginning in the first quarter of Fiscal 2019, but did not impact VF's consolidated financial statements.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", a new accounting standard on leasing. The FASB has subsequently issued updates to the standard to provide additional clarification on specific topics, including permitted transition methods. This new standard will require companies to record most leased assets and related liabilities on the balance sheet, and also retains a dual model approach for assessing lease classification and recognizing expense. VF's cross-functional implementation team has completed the design phase of the project, which involved reviewing the standard's provisions, evaluating real estate and non-real estate lease arrangements and identifying arrangements that may contain embedded leases. This project is now in the implementation phase and the team is collecting information from lease contracts, assessing potential embedded leases and evaluating accounting policy elections. VF is also evaluating the impact of the new accounting standard on the Company's systems, processes and controls. Based on the efforts to date, VF expects this standard will have a material impact on the Consolidated Balance Sheets but does not expect it to have a material impact on the Consolidated Statements of Income. The Company will adopt the new standard in the first quarter of the year ended March 28, 2020 ("Fiscal 2020") utilizing the modified retrospective method and will recognize a cumulative-effect adjustment in retained earnings at the beginning of the period of adoption.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which requires entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. This guidance will be effective for VF in the first quarter of the year ended April 3, 2021 ("Fiscal 2021") with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", an update that amends and simplifies certain aspects of hedge accounting rules to better portray the economic results of risk management activities in the financial statements. This guidance will be effective for VF in the first quarter of Fiscal 2020 with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

In January 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income ("GILTI") provisions of the Tax Act. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance indicates that companies must make a policy decision to either record deferred taxes related to GILTI inclusions or treat any taxes on GILTI inclusions as period costs. The Company is continuing to evaluate these options and will make its decision regarding the accounting policy election within the measurement period as provided under SAB 118. The Company has considered the taxes resulting from GILTI as a current-period expense for the three months ended June 2018.

In February 2018, the FASB issued ASU 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", an update that addresses the effect of the change in the U.S. federal corporate income tax rate due to the enactment of the Tax Act on items within accumulated other comprehensive income (loss). The guidance will be effective for VF in the first quarter of Fiscal 2020 with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, "Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting", an update that expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance will be

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

In July 2018, the FASB issued ASU 2018-09, "Codification Improvements", an update that provides technical corrections, clarifications and other improvements across a variety of accounting topics. The transition and effective date guidance is based on the facts and circumstances of each amendment included in the ASU; however, many will be effective for VF in the first quarter of Fiscal 2020. The Company is evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

NOTE 3 - REVENUES

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

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

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

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

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

contract liability, and is recognized as revenue when the points are redeemed or when the likelihood of redemption is remote.

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

The Company has licensing agreements for its symbolic intellectual property, most of which include minimum guaranteed royalties. Royalty income is recognized as earned over the respective license term based on the greater of minimum guarantees or the licensees' sales of licensed products at rates specified in the licensing contracts. Royalty income related to the minimum guarantees is recognized using a measure of progress with variable amounts recognized only when the cumulative earned royalty exceeds the minimum guarantees. As of June 2018, the Company expects to recognize \$119.3 million of fixed consideration related to the future minimum guarantees in effect under its licensing agreements and expects such amounts to be recognized over time through December 2024. The variable consideration is not disclosed as a remaining performance obligation as the licensing arrangements

qualify for the sales-based royalty exemption.

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

Performance Obligations

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

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

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

Contract Balances

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

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

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under a contract, amounts are invoiced and contract assets are reclassified to accounts receivable. The Company's primary contract assets relate to sales-based royalty arrangements, which are discussed in more detail above. Contract liabilities are recorded when a customer pays consideration, or the Company has a right to an amount of

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

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

(In thousands)	June 2018	At Adoption - April 1, 2018
Accounts receivable, net	\$1,428,535	\$1,408,587
Contract assets ^(a)	2,931	2,600
Contract liabilities ^(b)	30,297	28,252

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

^(b) Included in the accrued liabilities line item in the Consolidated Balance Sheets.

For the three months ended June 2018, the Company recognized \$13.1 million of revenue that was previously included in the contract liability balance. The change in the contract asset and contract liability balances primarily results from the timing differences between the Company's satisfaction of performance obligations and the customer's payment.

Disaggregation of Revenue

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

(In thousands)	Three Months Ended June 2018					
	Outdoor	Active	Work	Jeans	Other	Total
Channel revenues						
Wholesale	\$309,776	\$654,848	\$399,673	\$525,455	\$10,137	\$1,899,889
Direct-to-consumer	255,964	475,536	37,838	70,365	26,103	865,806
Royalty	2,860	6,553	5,091	7,947	—	22,451
Total	\$568,600	\$1,136,937	\$442,602	\$603,767	\$36,240	\$2,788,146

Geographic revenues

United States	\$262,856	\$644,105	\$350,136	\$440,312	\$36,240	\$1,733,649
International	305,744	492,832	92,466	163,455	—	1,054,497
Total	\$568,600	\$1,136,937	\$442,602	\$603,767	\$36,240	\$2,788,146

Three Months Ended June 2017

(In thousands)	Outdoor	Active	Work	Jeans	Other	Total
Channel revenues						
Wholesale	\$290,237	\$541,476	\$205,010	\$509,851	\$—	\$1,546,574
Direct-to-consumer	242,904	362,280	1,847	70,665	28,320	706,016
Royalty	3,109	5,534	—	7,387	—	16,030
Total	\$536,250	\$909,290	\$206,857	\$587,903	\$28,320	\$2,268,620

Geographic revenues

United States	\$272,591	\$505,099	\$202,248	\$430,385	\$28,320	\$1,438,643
International	263,659	404,191	4,609	157,518	—	829,977

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Total \$536,250 \$909,290 \$206,857 \$587,903 \$28,320 \$2,268,620

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NOTE 4 — ACQUISITIONS

Williamson-Dickie

On October 2, 2017, VF acquired 100% of the outstanding shares of Williamson-Dickie Mfg. Co. (“Williamson-Dickie”) for \$800.7 million in cash, subject to working capital and other adjustments. The purchase price was primarily funded with short-term borrowings. During the three months ended March 2018, the purchase consideration was reduced by \$2.3 million associated with the final working capital adjustment, resulting in a revised purchase price of \$798.4 million.

Williamson-Dickie was a privately held company based in Ft. Worth, Texas, and was one of the largest companies in the workwear sector with a portfolio of brands including Dickies®, Workrite®, Kodiak®, Terra® and Walls®. The acquisition of Williamson-Dickie brings

together complementary assets and capabilities, and creates a workwear business that will now serve an even broader set of consumers and industries around the world.

For the three months ended June 2018, Williamson-Dickie contributed revenues of \$219.1 million and net income of \$14.8 million, including restructuring charges.

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

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

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

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

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

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Amortizable intangible assets have been assigned values of \$78.6 million for customer relationships and \$2.3 million for distribution

agreements. Customer relationships are being amortized using an accelerated method over periods ranging from 10-13 years. Distribution agreements are being amortized on a straight-line basis over four years.

Total transaction expenses for the Williamson-Dickie acquisition were \$15.0 million, all of which were recognized in the year ended December 30, 2017 in the selling, general and administrative expenses line item in VF's Consolidated Statements of Income.

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

(In thousands)	Three Months Ended June 2017 (unaudited)
Total revenues	\$ 2,484,272
Income from continuing operations	113,919
Earnings per common share from continuing operations	
Basic	\$ 0.29
Diluted	0.28

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

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

Icebreaker

On April 3, 2018, VF acquired 100% of the stock of Icebreaker Holdings Limited ("Icebreaker") for NZ\$274.4 million (\$198.5 million) in cash. The purchase price decreased NZ\$1.0 million (\$0.7 million) during the first quarter of Fiscal 2019 related to a working capital adjustment, and remains subject to further working capital

and other adjustments. The purchase price was primarily funded with short-term borrowings.

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

For the three months ended June 2018, Icebreaker contributed revenues of \$25.7 million and a net loss of \$0.8 million. The allocation of the purchase price is preliminary and subject to change, primarily for certain income tax matters. Accordingly, adjustments may be made to the value of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances that existed at the acquisition date.

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

(In thousands)	April 3, 2018
Cash and equivalents	\$6,444
Accounts receivable	16,781
Inventories	31,728
Other current assets	3,931
Property, plant and equipment	3,858
Intangible assets	98,041
Other assets	4,758
Total assets acquired	165,541
Short-term borrowings	7,235

Accounts payable	2,075
Other current liabilities	21,919
Deferred income tax liabilities	22,802
Other non-current liabilities	433
Total liabilities assumed	54,464
Net assets acquired	111,077
Goodwill	86,760
Purchase price	\$197,837

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

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

Total transaction expenses for the Icebreaker acquisition of \$7.4 million have been recognized in the selling, general and administrative expenses line item in the Consolidated Statements of Income, of which \$4.1 million was recognized during the three months ended June 2018. In addition, the Company has recognized a \$9.9 million gain on derivatives used to hedge the purchase price of Icebreaker in the other income (expense), net line item in the Consolidated Statements of Income, of which \$0.3 million was recognized during the three months ended June 2018. Pro forma results of operations of the Company would not be materially different as a result of the Icebreaker acquisition and therefore are not presented.

Altra

On June 1, 2018, VF acquired 100% of the stock of Icon-Altra LLC, plus certain assets in Europe ("Altra"). The purchase price was \$131.7 million in cash, subject to working capital and other adjustments and was primarily funded with short-term borrowings.

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

For the three months ended June 2018, Altra contributed revenues of \$4.0 million and net income of \$0.1 million. The Altra acquisition occurred late in the first quarter of Fiscal 2019, and VF is still in the process of valuing the assets acquired and liabilities assumed. Accordingly, the allocation of the purchase price is preliminary and subject to change, primarily for final adjustments to net working capital, income tax and limited other valuation matters.

Adjustments may be made to the values of the acquired assets and liabilities as additional information is obtained about the facts and circumstances that existed at the valuation date.

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

(In thousands)	June 1, 2018
Accounts receivable	\$10,101
Inventories	9,434
Other current assets	575
Property, plant and equipment	1,214
Intangible assets	59,700
Total assets acquired	81,024
Accounts payable	5,068
Other current liabilities	7,415
Total liabilities assumed	12,483
Net assets acquired	68,541
Goodwill	63,122
Purchase price	\$131,663

The goodwill is attributable to the significant growth and synergies expected to arise as a result of the acquisition. All of the goodwill was assigned to the Outdoor segment and is expected to be deductible for tax purposes. The Altra®

trademark, which management determined to have an indefinite life, has been valued at \$46.4 million. Amortizable intangible assets have been assigned values of \$13.0 million for customer relationships and \$0.3 million for distribution agreements. Customer relationships are being amortized using an accelerated method over 15 years. Distribution agreements are being amortized on a straight-line basis over four years.

Total transaction expenses for the Altra acquisition of \$2.3 million have been recognized in the selling, general and administrative expenses line item in the Consolidated Statements of Income during the three months ended June 2018. Pro forma results of operations of the Company would not be materially different as a result of the Altra acquisition and therefore are not presented.

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NOTE 5 — DISCONTINUED OPERATIONS

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

Nautica® Brand Business

During the three months ended December 30, 2017, the Company reached the strategic decision to exit the Nautica® brand business, and determined that it met the held-for-sale and discontinued operations accounting criteria.

Accordingly, the Company has reported the results of the Nautica® brand business as discontinued operations in the Consolidated Statements of Income and presented the related assets and liabilities as held-for-sale in the Consolidated Balance Sheets. These changes have been applied for all periods presented.

On April 30, 2018, VF completed the sale of the Nautica® brand business for \$289.1 million in cash. The estimated after-tax loss on sale is \$38.6 million, which is subject to working capital and other adjustments.

The results of the Nautica® brand's North America business were previously reported in the former Sportswear segment, and the results of the Asia business were previously reported in the former Outdoor & Action Sports segment. The results of the Nautica® brand business recorded in the income from discontinued operations, net of tax line item in the Consolidated Statements of Income were income of \$0.4 million (including a \$5.0 million decrease in the estimated loss on sale) for the three months ended June 2018 and income of \$7.8 million for the three months ended June 2017.

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

Under the terms of the transition services agreement, the Company will provide certain support services for periods up to 12 months from the closing date of the transaction. Revenue and expense items associated with the transition services are recorded in the other category included in the reconciliation of segment revenues and segment profit in Note 14.

Licensing Business

During the three months ended April 1, 2017, the Company reached the strategic decision to exit its Licensing Business, which comprised the Licensed Sports Group ("LSG") and the JanSport®

brand collegiate businesses. Accordingly, the Company has reported the results of the businesses as discontinued operations in the Consolidated Statements of Income and presented the related assets and liabilities as held-for-sale in the Consolidated Balance Sheets. These changes have been applied for all periods presented.

LSG included the Majestic® brand and was previously reported within the former Imagewear segment. On April 28, 2017, VF completed the sale of LSG to Fanatics, Inc. The Company received proceeds of \$213.5 million, net of cash sold, resulting in a final after-tax loss on sale of \$4.1 million, of which \$3.0 million is included in the income from discontinued operations, net of tax line item in the Consolidated Statements of Income for the three months ended June 2017.

The LSG results recorded in the income from discontinued operations, net of tax line item in the Consolidated Statements of Income were losses of \$4.6 million (including a \$3.0 million adjustment to the estimated loss on sale) for the three months ended June 2017.

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

The JanSport® brand collegiate results recorded in the income from discontinued operations, net of tax line item in the Consolidated Statements of Income were losses of \$0.4 million (including a \$0.2 million decrease to the estimated loss on sale) for the three months ended June 2017.

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

operations.

Under the terms of the transition services agreement, the Company is providing certain support services for periods up to 24 months from the closing date of the transaction. Revenue and expense items associated with the transition services are primarily recorded in the Work segment.

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Summarized Discontinued Operations Financial Information

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

(In thousands)	Three Months Ended	
	June 2018	June 2017
Revenues	\$21,913	\$123,456
Cost of goods sold	14,706	70,906
Selling, general and administrative expenses	12,391	45,602
Interest expense, net	—	(7)
Other income, net	272	5
Income (loss) from discontinued operations before income taxes	(4,912)	6,946
Gain (loss) on the sale of discontinued operations before income taxes	4,206	(6,386)
Total income (loss) from discontinued operations before income taxes	(706)	560
Income tax benefit	1,111	2,237
Income from discontinued operations, net of tax	\$405	\$2,797

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

(In thousands)	June 2018	March 2018	June 2017
	Cash	\$ —	\$2,330
Accounts receivable, net	—	26,298	12,101
Inventories	—	55,610	49,920
Other current assets	—	1,247	864
Property, plant and equipment, net	—	15,021	16,266
Intangible assets	—	262,202	264,348
Goodwill	—	49,005	153,656
Other assets	—	3,961	2,831
Allowance to reduce assets to estimated fair value, less costs to sell	—	(42,094)	—
Total assets of discontinued operations ^(a)	\$ —	\$373,580	\$500,483

Accounts payable	\$ —	\$11,619	\$10,428
Accrued liabilities	—	10,658	15,293
Other liabilities	—	11,912	12,311
Deferred income tax liabilities ^(b)	—	51,838	77,731
Total liabilities of discontinued operations ^(a)	\$ —	\$86,027	\$115,763

^(a) Amounts at June 2017 related to the Nautica® brand business have been classified as current and long-term in the Consolidated Balance Sheets.

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

The cash flows related to discontinued operations have not been segregated, and are included in the Consolidated Statements of Cash Flows. There were no significant capital expenditures and operating noncash items for any periods presented. Depreciation and amortization expense was \$3.1 million for the three months ended June 2017.

NOTE 6 — SALE OF ACCOUNTS RECEIVABLE

VF has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis. Under the agreement, up to \$367.5 million of VF's accounts receivable may be sold to the financial institution and remain outstanding at any point in time. VF removes the accounts receivable from the Consolidated Balance Sheets at the time of sale. VF does not retain any interests in the sold accounts receivable but continues to service and collect outstanding accounts receivable on behalf of the financial institution. During the three months ended June 2018 and 2017, VF sold total accounts receivable of \$317.6 million and \$299.7 million, respectively. As of

June 2018, March 2018 and June 2017, \$212.8 million, \$191.2 million and \$199.3 million, respectively, of the sold accounts receivable had been removed from the Consolidated Balance Sheets but remained outstanding with the financial institution. The funding fee charged by the financial institution is included in the other income (expense), net line item in the Consolidated Statements of Income, and was \$1.6 million and \$1.0 million for the three months ended June 2018 and 2017, respectively. Net proceeds of this program are classified in operating activities in the Consolidated Statements of Cash Flows.

NOTE 7 — INVENTORIES

(In thousands)	June 2018	March 2018	June 2017
Finished products	\$1,766,072	\$1,654,137	\$1,462,010
Work-in-process	116,935	103,757	101,728
Raw materials	110,818	103,547	99,314
Total inventories	\$1,993,825	\$1,861,441	\$1,663,052

NOTE 8 — INTANGIBLE ASSETS

(In thousands)	Weighted Average Amortization Period	Amortization Method	June 2018		March 2018	
			Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Amortizable intangible assets:						
Customer relationships	17 years	Accelerated	\$370,718	\$143,481	\$227,237	\$201,544
License agreements	20 years	Accelerated	19,798	13,894	5,904	6,256
Trademarks	16 years	Straight-line	58,932	9,283	49,649	50,623
Other	8 years	Straight-line	9,287	4,191	5,096	5,170
Amortizable intangible assets, net					287,886	263,593
Indefinite-lived intangible assets:						
Trademarks and trade names					1,896,390	1,856,517
Intangible assets, net					\$2,184,276	\$2,120,110

Intangible assets increased during the three months ended June 2018 due to the addition of intangible assets from the Icebreaker and Altra acquisitions, which was partially offset by the impact of foreign currency fluctuations.

Amortization expense for the three months ended June 2018 was \$7.9 million. Based on the carrying amounts of amortizable intangible assets noted above, estimated amortization expense for the next five years beginning in Fiscal 2019 is \$33.5 million, \$32.8 million, \$31.2 million, \$29.2 million and \$27.6 million, respectively.

Rock & Republic® Impairment Analysis

The Rock & Republic® brand has an exclusive wholesale distribution and licensing arrangement with Kohl's Corporation that covers all branded apparel, accessories and other merchandise. As of June 30, 2018, VF performed a quantitative impairment analysis of the

Rock & Republic® amortizing trademark intangible asset to determine if the carrying value was recoverable. We determined this testing was necessary based on the expectation that certain customer contract terms would be modified. Management used the income-based relief-from-royalty method and the contractual 4% royalty rate to calculate the pre-tax undiscounted future cash flows. Based on the analysis performed, management concluded that the trademark intangible asset does not require further testing as the undiscounted cash flows exceeded the carrying value of \$49.0 million.

It is possible that VF's conclusion regarding the recoverability of the intangible asset could change in future periods as there can be no assurance that the estimates and assumptions used in the analysis as of June 30, 2018 will prove to be accurate predictions of the future.

NOTE 9 — GOODWILL

Changes in goodwill are summarized by reportable segment as follows:

(In thousands)	Outdoor	Active	Work	Jeans	Total
Balance, March 2018	\$844,726	\$463,187	\$172,472	\$212,834	\$1,693,219
Fiscal 2019 acquisitions	149,882	—	—	—	149,882
Currency translation	(8,820)	(12,772)	(1,193)	(4,154)	(26,939)
Balance, June 2018	\$985,788	\$450,415	\$171,279	\$208,680	\$1,816,162

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

Refer to Note 14 for additional information regarding the Company's reportable segments.

Accumulated impairment charges for the Active segment were \$31.1 million as of June 2018 and March 2018. No impairment charges were recorded during the three months ended June 2018.

NOTE 10 - PENSION PLANS

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

(In thousands)	Three Months Ended June	
	2018	2017
Service cost – benefits earned during the period	\$6,224	\$6,115
Interest cost on projected benefit obligations	16,013	14,709
Expected return on plan assets	(23,834)	(23,797)
Pension settlement charges	6,842	—
Pension curtailment losses	9,483	—
Amortization of deferred amounts:		
Net deferred actuarial losses	8,822	10,002
Deferred prior service costs	669	645
Net periodic pension cost	\$24,219	\$7,674

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

On April 1, 2018, VF adopted ASU 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost", which requires the Company to disaggregate the service cost component from other components of net periodic pension cost. Accordingly, in the Consolidated Statements of Income, VF has reported the service cost component within operating income and the other components of net periodic pension cost (which include interest cost, expected return on plan assets, amortization of prior service costs or credits and actuarial gains and losses) in the other income (expense), net line item.

VF contributed \$21.7 million to its defined benefit plans during the three months ended June 2018, and intends to make approximately \$20.1 million of contributions during the remainder of Fiscal 2019.

In the first quarter of Fiscal 2019, VF approved a freeze of all future benefit accruals under the U.S. qualified defined benefit pension plan and the supplemental defined benefit pension plan, effective December 31, 2018. Accordingly, the Company recognized a \$9.5 million pension curtailment loss in the other income (expense), net line item in the Consolidated Statement of Income for the three months ended June 2018. Actuarial valuations were obtained as of June 30, 2018.

Additionally, VF reported \$6.8 million in settlement charges in the other income (expense), net line item in the Consolidated Statement of Income for the three months ended June 2018 related to the recognition of deferred actuarial losses resulting from lump sum payments of retirement benefits in the supplemental defined benefit pension plan. An actuarial valuation was obtained as of April 30, 2018 ("April 2018").

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

	June	April
	2018	2018
U.S. qualified defined benefit pension plan	4.25%	N/A
Supplemental defined benefit pension plan	4.24%	4.22%

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

Common Stock

During the three months ended June 2018, the Company did not purchase shares of Common Stock in open market transactions under its share repurchase program authorized by VF's Board of Directors.

Common Stock outstanding is net of shares held in treasury which are, in substance, retired. There were no shares held in treasury at the end of June 2018, March 2018 or June 2017. The excess of

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

VF Common Stock is also held by the Company's deferred compensation plans and is treated as treasury shares for financial reporting purposes. During the three months ended June 2018, the Company did not purchase shares of Common Stock in open market transactions related to its deferred compensation plans.

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

(In thousands, except share amounts)	June 2018	March 2018	June 2017
Shares held for deferred compensation plans	210,124	284,785	343,975
Cost of shares held for deferred compensation plans	\$ 2,663	\$ 3,621	\$ 4,167

Accumulated Other Comprehensive Income (Loss)

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

(In thousands)	June 2018	March 2018	June 2017
Foreign currency translation and other	\$(651,739)	\$(476,869)	\$(633,209)
Defined benefit pension plans	(230,517)	(289,618)	(275,089)
Derivative financial instruments	178	(97,543)	(22,299)
Accumulated other comprehensive income (loss)	\$(882,078)	\$(864,030)	\$(930,597)

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

(In thousands)	Three Months Ended June 2018			
	Foreign Currency Translation and Other	Defined Benefit Pension Plans	Derivative Financial Instruments	Total
Balance, March 2018	\$(476,869)	\$(289,618)	\$(97,543)	\$(864,030)
Other comprehensive income (loss) before reclassifications	(174,870)	40,228	83,271	(51,371)
Amounts reclassified from accumulated other comprehensive income (loss)	—	18,873	14,450	33,323
Net other comprehensive income (loss)	(174,870)	59,101	97,721	(18,048)
Balance, June 2018	\$(651,739)	\$(230,517)	\$ 178	\$(882,078)

(In thousands)	Three Months Ended June 2017			
	Foreign Currency	Defined Benefit	Derivative Financial	Total

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	Translation and Other	Pension Plans	Instruments	
Balance, March 2017	\$(742,281)	\$ (281,721)	\$ 35,962	\$(988,040)
Other comprehensive income (loss) before reclassifications	109,072	—	(48,476)	60,596
Amounts reclassified from accumulated other comprehensive income (loss)	—	6,632	(9,785)	(3,153)
Net other comprehensive income (loss)	109,072	6,632	(58,261)	57,443
Balance, June 2017	\$(633,209)	\$ (275,089)	\$ (22,299)	\$(930,597)

Reclassifications out of accumulated OCI are as follows:

(In thousands)		Three Months Ended	
Details About Accumulated Other	Affected Line Item in the Consolidated	June	
Comprehensive Income (Loss) Components	Statements of Income	2018	2017
Amortization of defined benefit pension plans:			
Net deferred actuarial losses	Other income (expense), net	\$(8,822)	\$(10,002)
Deferred prior service costs	Other income (expense), net	(669)	(645)
Pension curtailment losses and settlement charges	Other income (expense), net	(16,325)	—
Total before tax		(25,816)	(10,647)
Tax benefit		6,943	4,015
Net of tax		(18,873)	(6,632)
Gains (losses) on derivative financial instruments:			
Foreign exchange contracts	Net sales	945	7,047
Foreign exchange contracts	Cost of goods sold	(11,938)	5,653
Foreign exchange contracts	Selling, general and administrative expenses	(2,698)	(243)
Foreign exchange contracts	Other income (expense), net	(1,393)	37
Interest rate contracts	Interest expense	(1,233)	(1,175)
Total before tax		(16,317)	11,319
Tax benefit (expense)		1,867	(1,534)
Net of tax		(14,450)	9,785
Total reclassifications for the period, net of tax		\$(33,323)	\$3,153

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NOTE 12 — STOCK-BASED COMPENSATION

During the three months ended June 2018, VF granted stock options to employees to purchase 43,110 shares of its Common Stock at an exercise price of \$77.23 per share. The exercise price of each option granted was equal to the fair market value of VF Common Stock on the date of grant. Employee stock options vest in equal annual installments over three years.

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

	Three Months Ended June 2018
Expected volatility	24% to 29%
Weighted average expected volatility	25%
Expected term (in years)	6.1 to 7.5
Weighted average dividend yield	2.7%
Risk-free interest rate	2.1% to 3.0%
Weighted average fair value at date of grant	\$16.00

Also during the three months ended June 2018, VF granted 9,185 performance-based restricted stock units (“RSU”) to employees that enable them to receive shares of VF Common Stock at the end of a three-year performance cycle. Each performance-based RSU has a potential final payout ranging from zero to two shares of VF Common Stock. The number of shares earned by participants, if any, is based on achievement of three-year financial targets set by the Talent and Compensation Committee of the Board of Directors. Shares are issued to participants in the year following the conclusion of the three-year performance period. The fair market value of VF Common Stock at the date the units were granted was \$77.23 per share.

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

VF granted 41,666 nonperformance-based RSUs to certain key employees in international jurisdictions during the three months ended June 2018. These units generally vest over periods of up to three years from the date of grant and each unit entitles the holder to one share of VF Common Stock. The weighted average fair market value of VF Common Stock at the dates the units were granted was \$76.82 per share.

In addition, VF granted 10,676 nonperformance-based RSUs to employees during the three months ended June 2018. These awards generally vest 50% over a two-year period and 50% over a four-year period from the date of grant and entitle the holder to one share of VF Common Stock. The fair market value of VF Common Stock at the date the units were granted was \$77.23 per share.

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

VF granted 15,323 restricted shares of VF Common Stock to certain members of management during the three months ended June 2018. These shares vest over periods of up to four years from the date of grant. The weighted average fair market value of VF Common Stock at the dates the shares were granted was \$79.66 per share.

NOTE 13 — INCOME TAXES

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

During the fourth quarter of 2017, VF recognized a provisional charge of approximately \$465.5 million to reflect the impacts resulting from the Tax Act, primarily comprised of approximately \$512.4 million related to the transition tax and approximately \$89.5 million of tax benefits related to revaluing U.S. deferred tax assets and liabilities using the new U.S. corporate tax rate of 21%. Other provisional charges of \$42.6 million were primarily related to U.S. federal and state tax on foreign income and dividends and establishing a deferred tax liability for foreign withholding taxes as the Company is not asserting indefinite reinvestment on short-term liquid assets of certain foreign subsidiaries. All other foreign earnings, including basis differences of certain foreign subsidiaries, continue to be considered indefinitely reinvested. All amounts recorded in 2017 related to the Tax Act remain provisional.

Under GAAP, companies are allowed to make an accounting policy election to either treat taxes resulting from global intangible low-tax income ("GILTI") as a current-period expense when they are incurred or factor such amounts into the measurement of deferred taxes. The Company has not completed its analysis related to this accounting policy election and has therefore considered the taxes resulting from GILTI as a current-period expense for the three-month period ended June 2018. See Note 2 for additional discussion on GILTI policy election.

The Tax Act has significant complexity and our final tax liability may materially differ from provisional estimates due to additional guidance and regulations that may be issued by the U.S. Treasury Department, the Internal Revenue Service ("IRS") and state and local tax authorities, and for VF's finalization of the relevant calculations required by the new tax legislation. VF will finalize accounting for the Tax Act during the one-year measurement period, and any adjustments to the provisional amounts will be included in income tax expense or benefit in the appropriate periods, and disclosed if material, in accordance with guidance provided by SAB 118.

The effective income tax rate for the three months ended June 2018 was 14.2% compared to 21.2% in the 2017 period. The three months ended June 2018 included a net discrete tax benefit of \$6.6 million, which included a \$6.4 million tax benefit related to stock compensation, \$1.1 million of net tax expense related to unrecognized tax benefits and interest, a \$2.9 million net tax benefit related to adjustments to provisional amounts recorded in 2017 under the Tax Act and \$1.6 million of tax expense related to adjustments to previously recognized state income tax credits. The \$6.6 million net discrete tax benefit in the three months ended June 2018 reduced the effective income tax rate by 3.5%. The 2017 period included a net discrete tax expense of \$1.1 million, which included a \$2.0 million tax benefit related to stock compensation, \$1.2

million of net tax expense related to unrecognized tax benefits and interest, and \$1.9 million of discrete tax expense related to the effects of tax rate changes. The \$1.1 million net discrete tax expense in the 2017 period increased the effective income tax rate by 0.9%. Without discrete items, the effective income tax rate for the three months ended June 2018 decreased by 2.6% compared with the 2017 period primarily due to a lower U.S. corporate income tax rate that was effective beginning January 1, 2018.

VF files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous state and international jurisdictions. In the U.S., the IRS examinations for tax years through 2014 have been effectively settled. The examination of Timberland's 2011 tax return is ongoing. The IRS has proposed material adjustments to Timberland's 2011 tax return that would significantly impact tax expense and assessment of interest charges. The Company has formally disagreed with the proposed adjustments. During 2015, VF filed a petition to the U.S. Tax Court to begin the process of resolving this matter, but it has not yet reached a resolution. In addition, VF is currently subject to examination by various state and international tax authorities. Management regularly assesses the

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

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

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

During the three months ended June 2018, the amount of net unrecognized tax benefits and associated interest increased by \$2.5 million to \$171.5 million. Management believes that it is reasonably possible that the amount of unrecognized income tax benefits and interest may decrease during the next 12 months by approximately \$13.0 million related to the completion of examinations and other settlements with tax authorities and the expiration of statutes of limitations, of which \$12.0 million would reduce income tax expense.

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NOTE 14 — REPORTABLE SEGMENT INFORMATION

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

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

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

REPORTABLE SEGMENT

Outdoor - Outdoor apparel, footwear and equipment

PRIMARY BRANDS

The North Face®
 Timberland® (excluding Timberland PRO®)
 Smartwool®
 Icebreaker®
 Altra®

Active - Active apparel, footwear and accessories

Vans®
 Kipling®
 Napapijri®
 JanSport®
 Reef®
 Eastpak®
 Eagle Creek®

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

Dickies®
 Bulwark®
 Red Kap®
 Timberland PRO®
 Wrangler® RIGGS
 Walls®
 Terra®
 Kodiak®
 Horace Small®

Jeans - Denim and casual apparel

Wrangler® (excluding Wrangler® RIGGS)
 Lee®
 Rock and Republic®

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

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

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

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

The primary financial measures used by management to evaluate the financial results of VF's reportable segments are segment revenues and segment profit. Segment profit comprises the operating income and other income (expense), net line items of each segment.

Accounting policies used for internal management reporting at the individual segments are consistent with those in Note A of the 2017

Form 10-K, except as stated below. Corporate costs (other than common costs allocated to the segments), impairment charges and net interest expense are not controlled by segment management and therefore are excluded from the measurement of segment profit. Common costs such as information systems processing, retirement benefits and insurance are allocated from corporate costs to the segments based on appropriate metrics such as usage or employment. Corporate costs that are not allocated to the segments consist of corporate headquarters expenses (including compensation and benefits of corporate

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

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

	Three Months Ended	
	June	
(In thousands)	2018	2017
Segment revenues:		
Outdoor	\$568,600	\$536,250
Active	1,136,937	