

V F CORP  
Form 10-Q  
August 07, 2013  
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# 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 29, 2013

Commission file number: 1-5256

## V. F. CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of

incorporation or organization)

23-1180120  
(I.R.S. employer

identification number)

105 Corporate Center Boulevard

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Greensboro, North Carolina 27408

(Address of principal executive offices)

(336) 424-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

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

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

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

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

On July 27, 2013, there were 109,919,168 shares of the registrant's common stock outstanding.

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**VF CORPORATION**

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

|                                                                                                                                                             | <b>June<br/>2013</b> | <b>December<br/>2012</b> | <b>June<br/>2012</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                               |                      |                          |                      |
| <b>Current assets</b>                                                                                                                                       |                      |                          |                      |
| Cash and equivalents                                                                                                                                        | \$ 320,112           | \$ 597,461               | \$ 330,512           |
| Accounts receivable, less allowance for doubtful accounts of:<br>June 2013 \$52,500; Dec. 2012 \$48,998; June 2012 \$49,653                                 | 1,060,778            | 1,222,345                | 1,033,835            |
| Inventories                                                                                                                                                 | 1,522,809            | 1,354,158                | 1,570,298            |
| Other current assets                                                                                                                                        | 394,008              | 275,619                  | 405,164              |
| Total current assets                                                                                                                                        | 3,297,707            | 3,449,583                | 3,339,809            |
| <b>Property, plant and equipment</b>                                                                                                                        | 883,197              | 828,218                  | 735,827              |
| <b>Intangible assets</b>                                                                                                                                    | 2,889,106            | 2,917,058                | 2,928,311            |
| <b>Goodwill</b>                                                                                                                                             | 2,001,375            | 2,009,757                | 1,996,355            |
| <b>Other assets</b>                                                                                                                                         | 478,182              | 428,405                  | 425,767              |
| Total assets                                                                                                                                                | \$ 9,549,567         | \$ 9,633,021             | \$ 9,426,069         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                 |                      |                          |                      |
| <b>Current liabilities</b>                                                                                                                                  |                      |                          |                      |
| Short-term borrowings                                                                                                                                       | \$ 46,350            | \$ 12,559                | \$ 681,835           |
| Current portion of long-term debt                                                                                                                           | 402,949              | 402,873                  | 2,801                |
| Accounts payable                                                                                                                                            | 555,719              | 562,638                  | 506,742              |
| Accrued liabilities                                                                                                                                         | 639,280              | 754,142                  | 576,661              |
| Total current liabilities                                                                                                                                   | 1,644,298            | 1,732,212                | 1,768,039            |
| <b>Long-term debt</b>                                                                                                                                       | 1,427,823            | 1,429,166                | 1,830,473            |
| <b>Other liabilities</b>                                                                                                                                    | 1,293,389            | 1,346,018                | 1,303,505            |
| <b>Commitments and contingencies</b>                                                                                                                        |                      |                          |                      |
| <b>Stockholders' equity</b>                                                                                                                                 |                      |                          |                      |
| Preferred Stock, par value \$1; shares authorized, 25,000,000; no shares outstanding at June 2013, December 2012 or June 2012                               |                      |                          |                      |
| Common Stock, stated value \$1; shares authorized, 300,000,000; shares outstanding; June 2013 109,709,656; December 2012 110,204,734; June 2012 109,438,153 | 109,710              | 110,205                  | 109,438              |
| Additional paid-in capital                                                                                                                                  | 2,666,117            | 2,527,868                | 2,421,564            |
| Accumulated other comprehensive income (loss)                                                                                                               | (440,871)            | (453,895)                | (416,386)            |
| Retained earnings                                                                                                                                           | 2,849,101            | 2,941,447                | 2,409,436            |
| Total stockholders' equity                                                                                                                                  | 5,184,057            | 5,125,625                | 4,524,052            |
| Total liabilities and stockholders' equity                                                                                                                  | \$ 9,549,567         | \$ 9,633,021             | \$ 9,426,069         |

See notes to consolidated financial statements.

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

|                                                                                     | <b>Three Months Ended June</b> |              | <b>Six Months Ended June</b> |              |
|-------------------------------------------------------------------------------------|--------------------------------|--------------|------------------------------|--------------|
|                                                                                     | <b>2013</b>                    | <b>2012</b>  | <b>2013</b>                  | <b>2012</b>  |
| <b>Net sales</b>                                                                    | \$ 2,194,727                   | \$ 2,115,629 | \$ 4,776,957                 | \$ 4,643,046 |
| <b>Royalty income</b>                                                               | 25,684                         | 26,157       | 55,323                       | 55,195       |
| <b>Total revenues</b>                                                               | 2,220,411                      | 2,141,786    | 4,832,280                    | 4,698,241    |
| <b>Costs and operating expenses</b>                                                 |                                |              |                              |              |
| Cost of goods sold                                                                  | 1,143,358                      | 1,155,412    | 2,498,635                    | 2,544,278    |
| Marketing, administrative and general expenses                                      | 875,719                        | 822,389      | 1,774,583                    | 1,675,876    |
|                                                                                     | 2,019,077                      | 1,977,801    | 4,273,218                    | 4,220,154    |
| <b>Operating income</b>                                                             | 201,334                        | 163,985      | 559,062                      | 478,087      |
| Interest income                                                                     | 815                            | 1,188        | 1,305                        | 2,226        |
| Interest expense                                                                    | (21,534)                       | (23,593)     | (42,542)                     | (46,938)     |
| Other income (expense), net                                                         | (1,512)                        | 41,557       | (473)                        | 43,303       |
| <b>Income before income taxes</b>                                                   | 179,103                        | 183,137      | 517,352                      | 476,678      |
| <b>Income taxes</b>                                                                 | 40,829                         | 27,712       | 108,661                      | 106,026      |
| <b>Net income</b>                                                                   | 138,274                        | 155,425      | 408,691                      | 370,652      |
| <b>Net (income) loss attributable to noncontrolling interests</b>                   |                                | (128)        |                              | (139)        |
| <b>Net income attributable to VF Corporation common stockholders</b>                | \$ 138,274                     | \$ 155,297   | \$ 408,691                   | \$ 370,513   |
| <b>Earnings per common share attributable to VF Corporation common stockholders</b> |                                |              |                              |              |
| Basic                                                                               | \$ 1.27                        | \$ 1.42      | \$ 3.73                      | \$ 3.37      |
| Diluted                                                                             | 1.24                           | 1.40         | 3.66                         | 3.31         |
| <b>Cash dividends per common share</b>                                              | \$ 0.87                        | \$ 0.72      | \$ 1.74                      | \$ 1.44      |

See notes to consolidated financial statements.

**Table of Contents****VF CORPORATION****Consolidated Statements of Comprehensive Income****(Unaudited)****(In thousands)**

|                                                                        | <b>Three Months Ended June</b> |                   | <b>Six Months Ended June</b> |                   |
|------------------------------------------------------------------------|--------------------------------|-------------------|------------------------------|-------------------|
|                                                                        | <b>2013</b>                    | <b>2012</b>       | <b>2013</b>                  | <b>2012</b>       |
| <b>Net income</b>                                                      | <b>\$ 138,274</b>              | <b>\$ 155,425</b> | <b>\$ 408,691</b>            | <b>\$ 370,652</b> |
| <b>Other comprehensive income (loss):</b>                              |                                |                   |                              |                   |
| Foreign currency translation                                           |                                |                   |                              |                   |
| Gains (losses) arising during the period                               | (22,076)                       | (79,722)          | (39,021)                     | (30,228)          |
| Less income tax effect                                                 | (2,774)                        | 11,956            | 373                          | 134               |
| Defined benefit pension plans                                          |                                |                   |                              |                   |
| Amortization of net deferred actuarial losses                          | 21,326                         | 17,621            | 42,688                       | 35,239            |
| Amortization of prior service cost                                     | 316                            | 838               | 657                          | 1,677             |
| Less income tax effect                                                 | (8,748)                        | (7,350)           | (17,592)                     | (14,307)          |
| Derivative financial instruments                                       |                                |                   |                              |                   |
| Gains (losses) arising during the period                               | (3,093)                        | 26,386            | 52,400                       | 18,675            |
| Less income tax effect                                                 | 1,215                          | (10,185)          | (20,594)                     | (7,213)           |
| Reclassification to net income for (gains) losses realized             | (5,298)                        | 2,575             | (9,136)                      | 3,135             |
| Less income tax effect                                                 | 2,082                          | (991)             | 3,590                        | (1,207)           |
| Marketable securities                                                  |                                |                   |                              |                   |
| Gains (losses) arising during the period                               | (815)                          | (535)             | (470)                        | (814)             |
| Less income tax effect                                                 | 129                            |                   | 129                          |                   |
| Other comprehensive income (loss)                                      | (17,736)                       | (39,407)          | 13,024                       | 5,091             |
| <b>Comprehensive income</b>                                            | <b>120,538</b>                 | <b>116,018</b>    | <b>421,715</b>               | <b>375,743</b>    |
| <b>Comprehensive (income) attributable to noncontrolling interests</b> |                                | <b>(128)</b>      |                              | <b>(139)</b>      |
| <b>Comprehensive income attributable to VF Corporation</b>             | <b>\$ 120,538</b>              | <b>\$ 115,890</b> | <b>\$ 421,715</b>            | <b>\$ 375,604</b> |

See notes to consolidated financial statements.

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

|                                                                               | <b>Six Months Ended June</b> |             |
|-------------------------------------------------------------------------------|------------------------------|-------------|
|                                                                               | <b>2013</b>                  | <b>2012</b> |
| <b>Operating activities</b>                                                   |                              |             |
| Net income                                                                    | \$ 408,691                   | \$ 370,652  |
| Adjustments to reconcile net income to cash provided by operating activities: |                              |             |
| Depreciation                                                                  | 73,588                       | 70,504      |
| Amortization of intangible assets                                             | 22,992                       | 24,221      |
| Other amortization                                                            | 20,135                       | 16,046      |
| Stock-based compensation                                                      | 47,879                       | 46,516      |
| Provision for doubtful accounts                                               | 9,208                        | 7,303       |
| Pension expense in excess of (less than) contributions                        | (65,994)                     | 38,297      |
| Gain on sale of business                                                      |                              | (41,745)    |
| Other, net                                                                    | 57,074                       | 2,143       |
| Changes in operating assets and liabilities, net of sale of business:         |                              |             |
| Accounts receivable                                                           | 133,830                      | 71,072      |
| Inventories                                                                   | (178,511)                    | (136,497)   |
| Other current assets                                                          | (59,643)                     | (45,419)    |
| Accounts payable                                                              | (3,104)                      | (126,875)   |
| Accrued compensation                                                          | (38,851)                     | (65,615)    |
| Accrued income taxes                                                          | (105,035)                    | (84,510)    |
| Accrued liabilities                                                           | (24,233)                     | (75,738)    |
| Other assets and liabilities                                                  | (6,613)                      | 2,774       |
| Cash provided by operating activities                                         | 291,413                      | 73,129      |
| <b>Investing activities</b>                                                   |                              |             |
| Capital expenditures                                                          | (155,454)                    | (118,980)   |
| Proceeds from sale of business                                                |                              | 68,264      |
| Software purchases                                                            | (28,715)                     | (7,792)     |
| Other, net                                                                    | (4,307)                      | 3,854       |
| Cash used by investing activities                                             | (188,476)                    | (54,654)    |
| <b>Financing activities</b>                                                   |                              |             |
| Net increase in short-term borrowings                                         | 34,783                       | 400,166     |
| Payments on long-term debt                                                    | (1,417)                      | (1,398)     |
| Purchases of Common Stock                                                     | (281,586)                    | (299,096)   |
| Cash dividends paid                                                           | (191,460)                    | (158,581)   |
| Proceeds from issuance of Common Stock, net                                   | 26,069                       | 7,180       |
| Tax benefits of stock option exercises                                        | 37,933                       | 25,243      |
| Cash used by financing activities                                             | (375,678)                    | (26,486)    |
| <b>Effect of foreign currency rate changes on cash and equivalents</b>        | (4,608)                      | (2,705)     |
| <b>Net change in cash and equivalents</b>                                     | (277,349)                    | (10,716)    |
| <b>Cash and equivalents beginning of year</b>                                 | 597,461                      | 341,228     |
| <b>Cash and equivalents end of period</b>                                     | \$ 320,112                   | \$ 330,512  |

See notes to consolidated financial statements.

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

|                                                            | <b>VF Corporation Stockholders' Equity</b> |                                           |                                                  |                              |                                           |
|------------------------------------------------------------|--------------------------------------------|-------------------------------------------|--------------------------------------------------|------------------------------|-------------------------------------------|
|                                                            | <b>Common<br/>Stock</b>                    | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Retained<br/>Earnings</b> | <b>Non-<br/>controlling<br/>Interests</b> |
| <b>Balance, December 2011</b>                              | \$ 110,557                                 | \$ 2,316,107                              | \$ (421,477)                                     | \$ 2,520,804                 | \$ (816)                                  |
| Net income                                                 |                                            |                                           |                                                  | 1,085,999                    | 139                                       |
| Dividends on Common Stock                                  |                                            |                                           |                                                  | (333,229)                    |                                           |
| Purchase of treasury stock                                 | (2,000)                                    |                                           |                                                  | (295,074)                    |                                           |
| Stock compensation plans, net                              | 1,666                                      | 211,761                                   |                                                  | (34,435)                     |                                           |
| Common Stock held in trust for deferred compensation plans | (18)                                       |                                           |                                                  | (2,618)                      |                                           |
| Disposition of noncontrolling interests                    |                                            |                                           |                                                  |                              | 677                                       |
| Foreign currency translation                               |                                            |                                           | 47,091                                           |                              |                                           |
| Defined benefit pension plans                              |                                            |                                           | (63,845)                                         |                              |                                           |
| Derivative financial instruments                           |                                            |                                           | (15,263)                                         |                              |                                           |
| Marketable securities                                      |                                            |                                           | (401)                                            |                              |                                           |
| <b>Balance, December 2012</b>                              | 110,205                                    | 2,527,868                                 | (453,895)                                        | 2,941,447                    |                                           |
| Net income                                                 |                                            |                                           |                                                  | 408,691                      |                                           |
| Dividends on Common Stock                                  |                                            |                                           |                                                  | (191,460)                    |                                           |
| Purchase of treasury stock                                 | (1,700)                                    |                                           |                                                  | (278,176)                    |                                           |
| Stock compensation plans, net                              | 1,212                                      | 138,249                                   |                                                  | (29,852)                     |                                           |
| Common Stock held in trust for deferred compensation plans | (7)                                        |                                           |                                                  | (1,549)                      |                                           |
| Foreign currency translation                               |                                            |                                           | (38,648)                                         |                              |                                           |
| Defined benefit pension plans                              |                                            |                                           | 25,753                                           |                              |                                           |
| Derivative financial instruments                           |                                            |                                           | 26,260                                           |                              |                                           |
| Marketable securities                                      |                                            |                                           | (341)                                            |                              |                                           |
| <b>Balance, June 2013</b>                                  | \$ 109,710                                 | \$ 2,666,117                              | \$ (440,871)                                     | \$ 2,849,101                 | \$                                        |

See notes to consolidated financial statements.

**Table of Contents****VF CORPORATION****Notes to Consolidated Financial Statements****(Unaudited)****Note A Basis of Presentation**

VF Corporation and its subsidiaries (collectively known as "VF") uses a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. For presentation purposes herein, all references to periods ended June 2013, December 2012 and June 2012 relate to the fiscal periods ended on June 29, 2013, December 29, 2012 and June 30, 2012, respectively.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all of the information and notes required by generally accepted accounting principles ("GAAP") in the United States of America for complete financial statements. Similarly, the December 2012 consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by GAAP. In the opinion of management, the accompanying unaudited consolidated financial statements contain all normal and recurring adjustments necessary to fairly present the consolidated financial position, results of operations and cash flows of VF for the interim periods presented. Operating results for the three and six months ended June 2013 are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 28, 2013. For further information, refer to the consolidated financial statements and notes included in VF's Annual Report on Form 10-K for the year ended December 2012 ("2012 Form 10-K").

**Note B Disposition**

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

**Note C Sale of Accounts Receivable**

VF has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis. Under the agreement, up to \$237.5 million of accounts receivable may be sold to the financial institution and remain outstanding at any point in time. After the sale, VF does not retain any interests in the accounts receivable and removes them from the Consolidated Balance Sheets, but continues to service and collect outstanding accounts receivable on behalf of the financial institution. At June 2013, December 2012 and June 2012, accounts receivable had been reduced by \$118.6 million, \$127.4 million and \$135.5 million, respectively, related to this program. During the first six months of 2013, VF sold \$580.0 million of accounts receivable at their stated amounts, less a funding fee charged by the financial institution. The funding fee is recorded in other income (expense), net and totaled \$0.8 million for the first six months of 2013. Net proceeds of this program are classified in operating activities in the Consolidated Statements of Cash Flows.

**Note D Inventories**

| In thousands           | June<br>2013 | December<br>2012 | June<br>2012 |
|------------------------|--------------|------------------|--------------|
| Finished products      | \$ 1,270,901 | \$ 1,099,229     | \$ 1,305,605 |
| Work in process        | 99,776       | 98,191           | 103,179      |
| Materials and supplies | 152,132      | 156,738          | 161,514      |
| Total inventories      | \$ 1,522,809 | \$ 1,354,158     | \$ 1,570,298 |

**Note E Property, Plant and Equipment**

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| In thousands                                   | June<br>2013 | December<br>2012 | June<br>2012 |
|------------------------------------------------|--------------|------------------|--------------|
| Land                                           | \$ 52,764    | \$ 54,264        | \$ 52,706    |
| Buildings and improvements                     | 915,805      | 862,288          | 767,536      |
| Machinery and equipment                        | 1,119,890    | 1,066,865        | 1,032,629    |
| Property, plant and equipment, at cost         | 2,088,459    | 1,983,417        | 1,852,871    |
| Less accumulated depreciation and amortization | 1,205,262    | 1,155,199        | 1,117,044    |
| Property, plant and equipment, net             | \$ 883,197   | \$ 828,218       | \$ 735,827   |

**Table of Contents****Note F Intangible Assets**

|                                            | Weighted<br>Average<br>Amortization<br>Period | Amortization methods          | Cost       | June 2013<br>Accumulated<br>Amortization | Net<br>Carrying<br>Amount | December 2012<br>Net<br>Carrying<br>Amount |
|--------------------------------------------|-----------------------------------------------|-------------------------------|------------|------------------------------------------|---------------------------|--------------------------------------------|
| Dollars in thousands                       |                                               |                               |            |                                          |                           |                                            |
| <b>Amortizable intangible assets:</b>      |                                               |                               |            |                                          |                           |                                            |
| Customer relationships                     | 19 years                                      | Accelerated                   | \$ 614,270 | \$ 190,543                               | \$ 423,727                | \$ 442,446                                 |
| License agreements                         | 24 years                                      | Accelerated and straight-line | 183,738    | 72,158                                   | 111,580                   | 115,742                                    |
| Trademarks and other                       | 8 years                                       | Straight-line                 | 16,016     | 8,425                                    | 7,591                     | 8,748                                      |
| Amortizable intangible assets, net         |                                               |                               |            |                                          | 542,898                   | 566,936                                    |
| <b>Indefinite-lived intangible assets:</b> |                                               |                               |            |                                          |                           |                                            |
| Trademarks and trade names                 |                                               |                               |            |                                          | 2,346,208                 | 2,350,122                                  |
| Intangible assets, net                     |                                               |                               |            |                                          | \$ 2,889,106              | \$ 2,917,058                               |

Amortization expense for the second quarter and first six months of 2013 was \$11.5 million and \$23.0 million, respectively. Estimated amortization expense for the next five years is:

| Year | Estimated<br>Amortization Expense |
|------|-----------------------------------|
| 2013 | \$ 45.7                           |
| 2014 | \$ 44.1                           |
| 2015 | \$ 42.1                           |
| 2016 | \$ 40.8                           |
| 2017 | \$ 39.5                           |

**Note G Goodwill**

Changes in goodwill are summarized by business segments as follows:

| In thousands           | Outdoor &<br>Action Sports | Jeanswear  | Imagewear | Sportswear | Contemporary<br>Brands | Total        |
|------------------------|----------------------------|------------|-----------|------------|------------------------|--------------|
| Balance, December 2012 | \$ 1,422,492               | \$ 228,843 | \$ 58,747 | \$ 157,314 | \$ 142,361             | \$ 2,009,757 |
| Currency translation   | (5,193)                    | (3,189)    |           |            |                        | (8,382)      |
| Balance, June 2013     | \$ 1,417,299               | \$ 225,654 | \$ 58,747 | \$ 157,314 | \$ 142,361             | \$ 2,001,375 |

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

**Note H Pension Plans**

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

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| In thousands                      |                                   | Three Months Ended June |           | Six Months Ended June |           |
|-----------------------------------|-----------------------------------|-------------------------|-----------|-----------------------|-----------|
|                                   |                                   | 2013                    | 2012      | 2013                  | 2012      |
| Service cost                      | benefits earned during the period | \$ 6,327                | \$ 5,794  | \$ 13,220             | \$ 11,605 |
| Interest cost                     | on projected benefit obligations  | 17,978                  | 19,249    | 36,029                | 38,498    |
| Expected return                   | on plan assets                    | (23,628)                | (20,158)  | (47,310)              | (40,314)  |
| Amortization of deferred amounts: |                                   |                         |           |                       |           |
| Net deferred actuarial losses     |                                   | 21,326                  | 17,621    | 42,688                | 35,239    |
| Deferred prior service cost       |                                   | 316                     | 838       | 657                   | 1,677     |
| Net periodic pension cost         |                                   | \$ 22,319               | \$ 23,344 | \$ 45,284             | \$ 46,705 |

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During the first half of 2013, VF contributed \$111.3 million to its defined benefit plans, which included a \$100.0 million discretionary contribution to its domestic defined benefit plan. VF intends to make approximately \$7.8 million of additional contributions during the remainder of 2013.

**Note I Business Segment Information**

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

| In thousands                      | Three Months Ended June |                     | Six Months Ended June |                     |
|-----------------------------------|-------------------------|---------------------|-----------------------|---------------------|
|                                   | 2013                    | 2012                | 2013                  | 2012                |
| <b>Coalition revenues:</b>        |                         |                     |                       |                     |
| Outdoor & Action Sports           | \$ 1,103,608            | \$ 1,039,974        | \$ 2,487,882          | \$ 2,303,941        |
| Jeanswear                         | 611,749                 | 594,006             | 1,329,678             | 1,335,717           |
| Imagewear                         | 241,827                 | 251,493             | 494,584               | 529,014             |
| Sportswear                        | 133,478                 | 117,488             | 261,711               | 240,403             |
| Contemporary Brands               | 98,614                  | 107,947             | 202,341               | 234,851             |
| Other                             | 31,135                  | 30,878              | 56,084                | 54,315              |
| <b>Total coalition revenues</b>   | <b>\$ 2,220,411</b>     | <b>\$ 2,141,786</b> | <b>\$ 4,832,280</b>   | <b>\$ 4,698,241</b> |
| <b>Coalition profit:</b>          |                         |                     |                       |                     |
| Outdoor & Action Sports           | \$ 100,458              | \$ 82,469           | \$ 326,960            | \$ 284,169          |
| Jeanswear                         | 108,874                 | 93,347              | 252,217               | 204,119             |
| Imagewear                         | 35,059                  | 30,364              | 66,645                | 73,290              |
| Sportswear                        | 16,278                  | 11,486              | 28,494                | 22,212              |
| Contemporary Brands               | 7,878                   | 11,992              | 20,454                | 26,850              |
| Other                             | 509                     | 366                 | (2,148)               | (1,244)             |
| <b>Total coalition profit</b>     | <b>269,056</b>          | <b>230,024</b>      | <b>692,622</b>        | <b>609,396</b>      |
| Corporate and other expenses      | (69,234)                | (24,482)            | (134,033)             | (88,006)            |
| Interest, net                     | (20,719)                | (22,405)            | (41,237)              | (44,712)            |
| <b>Income before income taxes</b> | <b>\$ 179,103</b>       | <b>\$ 183,137</b>   | <b>\$ 517,352</b>     | <b>\$ 476,678</b>   |

**Note J Capital and Accumulated Other Comprehensive Income (Loss)**

Common Stock outstanding is net of shares held in treasury which are, in substance, retired. There were 4,241,351 treasury shares at June 2013, 2,530,401 at December 2012 and 2,474,996 at June 2012. The excess of the cost of treasury shares acquired over the \$1 per share stated value of Common Stock is deducted from retained earnings. In addition, 183,416 shares of Common Stock at June 2013, 187,456 shares at December 2012 and 234,301 shares at June 2012 were held in connection with deferred compensation plans. These shares, having a cost of \$8.7 million, \$8.8 million and \$11.2 million at the respective dates, are treated as treasury shares for financial reporting purposes.

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

| In thousands                  | June<br>2013 | December<br>2012 | June<br>2012 |
|-------------------------------|--------------|------------------|--------------|
| Foreign currency translation  | \$ (42,716)  | \$ (4,068)       | \$ (81,253)  |
| Defined benefit pension plans | (394,785)    | (420,538)        | (334,084)    |

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|                                               |              |              |              |
|-----------------------------------------------|--------------|--------------|--------------|
| Derivative financial instruments              | (3,170)      | (29,430)     | (777)        |
| Marketable securities                         | (200)        | 141          | (272)        |
| Accumulated other comprehensive income (loss) | \$ (440,871) | \$ (453,895) | \$ (416,386) |

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

| In thousands                                                            | Three Months Ended June 2013           |                                     |                                        |                          |              |
|-------------------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------------|--------------------------|--------------|
|                                                                         | Foreign<br>Currency<br>Translation (a) | Defined<br>Benefit<br>Pension Plans | Derivative<br>Financial<br>Instruments | Marketable<br>Securities | Total        |
| Balance, March 2013                                                     | \$ (17,866)                            | \$ (407,679)                        | \$ 1,924                               | \$ 486                   | \$ (423,135) |
| Other comprehensive income (loss) before reclassifications              | (24,850)                               |                                     | (1,878)                                | (686)                    | (27,414)     |
| Amounts reclassified from accumulated other comprehensive income (loss) |                                        | 12,894                              | (3,216)                                |                          | 9,678        |
| Net other comprehensive income (loss)                                   | (24,850)                               | 12,894                              | (5,094)                                | (686)                    | (17,736)     |
| Balance, June 2013                                                      | \$ (42,716)                            | \$ (394,785)                        | \$ (3,170)                             | \$ (200)                 | \$ (440,871) |

| In thousands                                                            | Six Months Ended June 2013         |                                     |                                        |                          |              |
|-------------------------------------------------------------------------|------------------------------------|-------------------------------------|----------------------------------------|--------------------------|--------------|
|                                                                         | Foreign<br>Currency<br>Translation | Defined<br>Benefit<br>Pension Plans | Derivative<br>Financial<br>Instruments | Marketable<br>Securities | Total        |
| Balance, December 2012                                                  | \$ (4,068)                         | \$ (420,538)                        | \$ (29,430)                            | \$ 141                   | \$ (453,895) |
| Other comprehensive income (loss) before reclassifications              | (38,648)                           |                                     | 31,806                                 | (341)                    | (7,183)      |
| Amounts reclassified from accumulated other comprehensive income (loss) |                                    | 25,753                              | (5,546)                                |                          | 20,207       |
| Net other comprehensive income (loss)                                   | (38,648)                           | 25,753                              | 26,260                                 | (341)                    | 13,024       |
| Balance, June 2013                                                      | \$ (42,716)                        | \$ (394,785)                        | \$ (3,170)                             | \$ (200)                 | \$ (440,871) |

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

| In thousands                                                              |                                                                          | Amount Reclassified From Accumulated<br>Other Comprehensive Income (Loss) |                               |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------|
|                                                                           | Affected Line Item in the<br>Consolidated Statements<br>of Income (Loss) | Three<br>Months<br>Ended June 2013                                        | Six Months<br>Ended June 2013 |
| Details About Accumulated Other<br>Comprehensive Income (Loss) Components |                                                                          |                                                                           |                               |
| Gains and losses on derivative financial instruments:                     |                                                                          |                                                                           |                               |
| Foreign exchange contracts                                                | Net sales                                                                | \$ 1,378                                                                  | \$ 1,223                      |
| Foreign exchange contracts                                                | Cost of goods sold                                                       | 3,683                                                                     | 7,541                         |
| Foreign exchange contracts                                                | Other income (expense), net                                              | 1,209                                                                     | 2,301                         |
| Interest rate contracts                                                   | Interest expense                                                         | (972)                                                                     | (1,929)                       |
|                                                                           | Total before tax                                                         | 5,298                                                                     | 9,136                         |
|                                                                           | Tax benefit<br>(expense)                                                 | (2,082)                                                                   | (3,590)                       |
|                                                                           | Net of tax                                                               | \$ 3,216                                                                  | \$ 5,546                      |

Amortization of defined benefit pension plans:

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|                                        |                       |             |             |
|----------------------------------------|-----------------------|-------------|-------------|
| Net deferred actuarial losses          | (b)                   | \$ (21,326) | \$ (42,688) |
| Deferred prior service cost            | (b)                   | (316)       | (657)       |
|                                        | Total before tax      | (21,642)    | (43,345)    |
|                                        | Tax benefit (expense) | 8,748       | 17,592      |
|                                        | Net of tax            | (12,894)    | (25,753)    |
| Total reclassifications for the period | Net of tax            | \$ (9,678)  | \$ (20,207) |

- (a) Other comprehensive income (loss) for the three months ended June 2013 includes a loss of \$21.8 million related to the first quarter of 2013. This out-of-period adjustment did not have a material impact on the current or previous reported quarter.
- (b) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost (see Note H for additional details).

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During the second quarter of 2013, VF did not grant any stock-based compensation awards.

During the first quarter of 2013, VF granted options to purchase 884,308 shares of common stock at an exercise price of \$161.95, equal to the fair market value of VF Common Stock on the option grant date. Employee stock options vest in equal annual installments over three years. Options granted to VF's Board of Directors become exercisable one year from the date of grant. The grant date fair value of each option award is calculated using a lattice option pricing valuation model, which incorporates a range of assumptions for inputs as follows:

|                                        | 2013         | 2012         |
|----------------------------------------|--------------|--------------|
| Expected volatility                    | 24% to 29%   | 27% to 31%   |
| Weighted average expected volatility   | 26.6%        | 30%          |
| Expected term (in years)               | 5.6 to 7.4   | 5.6 to 7.5   |
| Dividend yield                         | 2.3%         | 2.5%         |
| Risk-free interest rate                | 0.1% to 2.0% | 0.1% to 2.1% |
| Weighted average grant date fair value | \$32.25      | \$33.43      |

Also during the first quarter of 2013, VF granted 180,925 performance based restricted stock units to employees that enable them to receive shares of VF Common Stock at the end of a three year period. Each RSU has a potential final value ranging from zero to two shares of VF Common Stock. The number of shares earned by participants, if any, is based on achievement of a three year baseline profitability goal and annually established performance goals set by the Compensation Committee of the Board of Directors. The actual number of shares earned may also be adjusted upward or downward by 25% of the target award, based on how VF's total stockholder return (TSR) over the three year period compares to the TSR for companies included in the Standard & Poor's 500 index. Shares are issued to participants in the year following the conclusion of each three year performance period. The fair market value of VF Common Stock on the date the units were granted was \$161.95.

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

VF granted 38,500 nonperformance-based restricted stock units to employees during the first quarter of 2013. These units vest in four years and each RSU entitles 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 \$151.89 per share.

VF granted to employees, during the first quarter of 2013, 74,500 restricted shares of VF Common Stock with a grant date fair value of \$151.89 per share. These shares will vest in four years, assuming the grantees remain employed through the vesting date.

**Note L Income Taxes**

The effective income tax rate for the first half of 2013 was 21.0% compared with 22.2% in the first half of 2012. The first six months of 2013 included net discrete tax benefits of \$14.4 million, which included \$8.3 million of tax benefits related to the extension of certain tax credits and other provisions of the Internal Revenue Code enacted in 2013 which are retroactive to 2012, and \$6.9 million of tax benefits related to the realization of previously unrecognized tax benefits and interest. The net discrete tax benefits reduced the effective income tax rate for the first half of 2013 by 2.8% compared with a reduction of 4.3% in the first half of 2012. The remaining reduction in the effective income tax rate for the first half of 2013 compared with the 2012 period related primarily to a higher percentage of income in lower tax rate jurisdictions.

VF files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous states and foreign jurisdictions. In the United States, the Internal Revenue Service (IRS) examination for tax years 2007, 2008 and 2009 was completed in 2012. VF has appealed the results of the 2007 to 2009 examination to the IRS Appeals office. Tax years prior to 2007 have been effectively settled with the IRS, with the exception of outstanding refund claims. The IRS commenced an examination of Timberland's 2010 and 2011 tax years during 2012. The IRS audit of Timberland's 2008 and 2009 tax years was settled during 2012. 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 to ensure VF's provision for income taxes is sufficient. The outcome of any one examination is not expected to have a material impact on VF's consolidated financial statements. Management believes that some of these audits and negotiations will conclude during the next 12 months.



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During the first six months of 2013, the amount of net unrecognized tax benefits and associated interest increased by \$2.7 million to \$119.8 million. Management believes that it is reasonably possible that the amount of unrecognized income tax benefits may decrease during the next 12 months by approximately \$44.1 million related to the completion of audits and other settlements with tax authorities and the expiration of statutes of limitations, \$15.0 million of which would reduce income tax expense.

**Note M Earnings Per Share**

| In thousands, except per share amounts                                       | <b>Three Months Ended June</b> |                | <b>Six Months Ended June</b> |                |
|------------------------------------------------------------------------------|--------------------------------|----------------|------------------------------|----------------|
|                                                                              | <b>2013</b>                    | <b>2012</b>    | <b>2013</b>                  | <b>2012</b>    |
| <b>Earnings per share basic:</b>                                             |                                |                |                              |                |
| Net income                                                                   | \$ 138,274                     | \$ 155,425     | \$ 408,691                   | \$ 370,652     |
| Net (income) loss attributable to noncontrolling interests                   |                                | (128)          |                              | (139)          |
| Net income attributable to VF Corporation                                    | \$ 138,274                     | \$ 155,297     | \$ 408,691                   | \$ 370,513     |
| <b>Weighted average common shares outstanding</b>                            | <b>109,274</b>                 | <b>109,216</b> | <b>109,671</b>               | <b>109,874</b> |
| Earnings per common share attributable to VF Corporation common stockholders | \$ 1.27                        | \$ 1.42        | \$ 3.73                      | \$ 3.37        |
| <b>Earnings per share diluted:</b>                                           |                                |                |                              |                |
| Net income attributable to VF Corporation                                    | \$ 138,274                     | \$ 155,297     | \$ 408,691                   | \$ 370,513     |
| <b>Weighted average common shares outstanding</b>                            | <b>109,274</b>                 | <b>109,216</b> | <b>109,671</b>               | <b>109,874</b> |
| Incremental shares from stock options and other dilutive securities          | 2,205                          | 2,012          | 2,055                        | 2,118          |
| <b>Adjusted weighted average common shares outstanding</b>                   | <b>111,479</b>                 | <b>111,228</b> | <b>111,726</b>               | <b>111,992</b> |
| Earnings per common share attributable to VF Corporation common stockholders | \$ 1.24                        | \$ 1.40        | \$ 3.66                      | \$ 3.31        |

For the quarter ended June 2013, all outstanding options to purchase Common Stock were dilutive and included in the calculation of diluted earnings per share. For the quarter ended June 2012, outstanding options to purchase 0.9 million shares of Common Stock were excluded from the computations of diluted earnings per share because the effect of their inclusion would have been antidilutive. Outstanding options to purchase 0.5 and 0.9 million shares of Common Stock for the six month periods ended June 2013 and 2012, respectively, were excluded from the computations of diluted earnings per share because the effect of their inclusion would have been antidilutive. In addition, 0.4 million performance-based restricted stock units were excluded from the computation of diluted earnings per share for the three and six month periods ended June 2013 and June 2012 because these units have not yet been earned in accordance with the vesting conditions of the plan.

**Note N Fair Value Measurements**

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

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

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

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

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

| In thousands                | Total<br>Fair Value | Fair Value Measurement Using <sup>(a)</sup> |         |         |
|-----------------------------|---------------------|---------------------------------------------|---------|---------|
|                             |                     | Level 1                                     | Level 2 | Level 3 |
| <b>June 2013</b>            |                     |                                             |         |         |
| Financial assets:           |                     |                                             |         |         |
| Cash equivalents:           |                     |                                             |         |         |
| Money market funds          | \$ 53,591           | \$ 53,591                                   | \$      | \$      |
| Time deposits               | 77,011              | 77,011                                      |         |         |
| Derivative instruments      | 42,243              |                                             | 42,243  |         |
| Investment securities       | 203,114             | 178,541                                     | 24,573  |         |
| Other marketable securities | 4,100               | 4,100                                       |         |         |
| Financial liabilities:      |                     |                                             |         |         |
| Derivative instruments      | 10,853              |                                             | 10,853  |         |
| Deferred compensation       | 253,154             |                                             | 253,154 |         |
| <b>December 2012</b>        |                     |                                             |         |         |
| Financial assets:           |                     |                                             |         |         |
| Cash equivalents:           |                     |                                             |         |         |
| Money market funds          | \$ 181,635          | \$ 181,635                                  | \$      | \$      |
| Time deposits               | 17,042              | 17,042                                      |         |         |
| Derivative instruments      | 16,153              |                                             | 16,153  |         |
| Investment securities       | 188,307             | 157,230                                     | 31,077  |         |
| Other marketable securities | 4,513               | 4,513                                       |         |         |
| Financial liabilities:      |                     |                                             |         |         |
| Derivative instruments      | 29,468              |                                             | 29,468  |         |
| Deferred compensation       | 230,733             |                                             | 230,733 |         |

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

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

All other financial assets and financial liabilities are recorded in the consolidated financial statements at cost, except life insurance contracts which are recorded at cash surrender value. These other financial assets and financial liabilities include cash held as demand deposits, accounts receivable, short-term borrowings, accounts payable and accrued liabilities. At June 2013 and December 2012, their carrying values approximated their fair values. Additionally, at June 2013 and December 2012, the carrying value of VF's long-term debt, including the current portion, was \$1,830.8 million and \$1,832.0 million, respectively, compared with a fair value of \$1,986.4 million and \$2,111.4 million at those dates. Fair value for long-term debt is a Level 2 estimate based on quoted market prices or values of comparable borrowings.

**Note O Derivative Financial Instruments and Hedging Activities***Summary of Derivative Instruments*

All of VF's outstanding derivative instruments are forward foreign exchange contracts. Most derivatives meet the criteria for hedge accounting at the inception of the hedging relationship, but a limited number of derivative contracts intended to hedge assets and liabilities are not designated as hedges for accounting purposes. Additionally, some derivative instruments that are cash flow hedges of forecasted third party sales are dedesignated as hedges near the end of their term and do not qualify for hedge accounting after the date of dedesignation. The notional amounts of outstanding derivative contracts at June 2013, December 2012 and June 2012 totaled \$2.1 billion, \$1.9 billion and \$1.6 billion, respectively, primarily consisting of contracts hedging exposures to the euro, British pound, Canadian dollar, Mexican peso, Japanese yen and Polish zloty.

Derivative contracts have maturities up to 24 months.

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The following table presents outstanding derivatives on an individual contract basis at their gross amounts:

|                                                                  | Fair Value of Derivatives with<br>Unrealized Gains |                  |              | Fair Value of Derivatives with<br>Unrealized Losses |                  |              |
|------------------------------------------------------------------|----------------------------------------------------|------------------|--------------|-----------------------------------------------------|------------------|--------------|
|                                                                  | June<br>2013                                       | December<br>2012 | June<br>2012 | June<br>2013                                        | December<br>2012 | June<br>2012 |
| In thousands                                                     |                                                    |                  |              |                                                     |                  |              |
| Foreign exchange contracts designated as hedging instruments     | \$ 41,472                                          | \$ 15,847        | \$ 56,894    | \$ 10,629                                           | \$ 27,267        | \$ 18,977    |
| Foreign exchange contracts dedesignated as hedging instruments   | 355                                                | 15               | 170          | 133                                                 | 2,160            | 2,427        |
| Foreign exchange contracts not designated as hedging instruments | 416                                                | 291              | 71           | 91                                                  | 41               | 214          |
| Total derivatives                                                | \$ 42,243                                          | \$ 16,153        | \$ 57,135    | \$ 10,853                                           | \$ 29,468        | \$ 21,618    |

Derivative instruments have not been offset in the Consolidated Balance Sheets and therefore are reported on a gross basis. Derivatives are classified as current or noncurrent based on their maturity dates, as follows:

|                                | June<br>2013 | December<br>2012 | June<br>2012 |
|--------------------------------|--------------|------------------|--------------|
| In thousands                   |              |                  |              |
| Other current assets           | \$ 33,463    | \$ 13,629        | \$ 50,313    |
| Accrued liabilities (current)  | (8,685)      | (22,013)         | (18,739)     |
| Other assets (noncurrent)      | 8,780        | 2,524            | 6,822        |
| Other liabilities (noncurrent) | (2,168)      | (7,455)          | (2,879)      |

*Cash Flow Hedge Strategies and Accounting Policies*

VF uses derivative contracts primarily to hedge a portion of the exchange risk for its forecasted sales, purchases, production costs and intercompany royalties. As discussed below in *Derivative Contracts Dedesignated as Hedges*, some cash flow hedges of forecasted sales to third parties, primarily related to our international businesses, are dedesignated as hedges when the sale is recorded, and hedge accounting is not applied after that date. The effects of cash flow hedging included in VF's Consolidated Statements of Income and Consolidated Statements of Comprehensive Income are summarized as follows:

|                                        | Gain (Loss) on Derivatives<br>Recognized in OCI<br>Three Months Ended June              |            | Gain (Loss) on Derivatives<br>Recognized in OCI<br>Six Months Ended June              |            |
|----------------------------------------|-----------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------|------------|
|                                        | 2013                                                                                    | 2012       | 2013                                                                                  | 2012       |
| In thousands                           |                                                                                         |            |                                                                                       |            |
| <b>Cash Flow Hedging Relationships</b> |                                                                                         |            |                                                                                       |            |
| Foreign exchange                       | \$ (3,093)                                                                              | \$ 26,386  | \$ 52,400                                                                             | \$ 18,675  |
| Total                                  | \$ (3,093)                                                                              | \$ 26,386  | \$ 52,400                                                                             | \$ 18,675  |
|                                        |                                                                                         |            |                                                                                       |            |
|                                        | Gain (Loss) Reclassified from<br>Accumulated OCI into Income<br>Three Months Ended June |            | Gain (Loss) Reclassified from<br>Accumulated OCI into Income<br>Six Months Ended June |            |
|                                        | 2013                                                                                    | 2012       | 2013                                                                                  | 2012       |
| In thousands                           |                                                                                         |            |                                                                                       |            |
| <b>Location of Gain (Loss)</b>         |                                                                                         |            |                                                                                       |            |
| Net sales                              | \$ 1,378                                                                                | \$ (2,484) | \$ 1,223                                                                              | \$ (1,780) |
| Cost of goods sold                     | 3,683                                                                                   | 283        | 7,541                                                                                 | 597        |
| Other income (expense), net            | 1,209                                                                                   | 553        | 2,301                                                                                 | (114)      |
| Interest expense                       | (972)                                                                                   | (927)      | (1,929)                                                                               | (1,838)    |
| Total                                  | \$ 5,298                                                                                | \$ (2,575) | \$ 9,136                                                                              | \$ (3,135) |

*Derivative Contracts Dedesignated as Hedges*

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As previously noted, cash flow hedges of some forecasted sales to third parties are dedesignated as hedges when the sales are recognized. At that time, hedge accounting is discontinued and the amount of unrealized hedging gain or loss is recognized in net sales. These derivatives remain outstanding as an economic hedge of foreign currency exposures associated with the ultimate collection of the related accounts receivable, during which time changes in the fair value of the derivative contracts are recognized

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directly in earnings. For the three and six month periods ended June 2013, VF recorded net gains of \$0.8 million and \$1.3 million, respectively, in other income (expense), net for derivatives dedesignated as hedging instruments, effectively offsetting the net remeasurement losses on the related assets and liabilities. For the three and six month periods ended June 2012, VF recorded net losses of \$1.1 million and \$1.9 million, respectively, in other income (expense), net for dedesignated derivatives.

*Derivative Contracts Not Designated as Hedges*

VF uses derivative contracts to manage foreign currency exchange risk on intercompany loans, as well as intercompany and third party accounts receivable and payable. These contracts are not designated as hedges, and are recorded at fair value in the Consolidated Balance Sheets. Changes in the fair values of these instruments are recognized directly in earnings. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities. Following is a summary of these hedges included in VF's Consolidated Statements of Income:

| In thousands                                | Location of Gain (Loss)<br>on Derivatives<br>Recognized in Income | Gain (Loss) on Derivatives<br>Recognized in Income<br>Three Months Ended<br>June |        | Gain (Loss) on Derivatives<br>Recognized in Income<br>Six Months Ended June |          |
|---------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------|--------|-----------------------------------------------------------------------------|----------|
|                                             |                                                                   | 2013                                                                             | 2012   | 2013                                                                        | 2012     |
| <b>Derivatives Not Designated as Hedges</b> |                                                                   |                                                                                  |        |                                                                             |          |
| Foreign exchange                            | Other income (expense), net                                       | \$ 2,729                                                                         | \$ 421 | \$ 3,998                                                                    | \$ 1,376 |
| <i>Other Derivative Information</i>         |                                                                   |                                                                                  |        |                                                                             |          |

There were no significant amounts recognized in earnings for the ineffective portion of any hedging relationships during the three and six months ended June 2013 and June 2012.

At June 2013, accumulated OCI included \$21.9 million of net pretax deferred gains for foreign exchange contracts that are expected to be reclassified to earnings during the next 12 months. The amounts ultimately reclassified to earnings will depend on exchange rates in effect when outstanding derivative contracts are settled.

VF entered into interest rate swap derivative contracts in 2011 and 2003 to hedge the interest rate risk for issuance of long-term debt due in 2021 and 2033, respectively. In each case, the contracts were terminated concurrent with the issuance of the debt, and the realized gain or loss was deferred in accumulated OCI. The remaining pretax net deferred loss in accumulated OCI related to the contracts was \$37.5 million at June 2013, which will be reclassified into interest expense in the Consolidated Statements of Income over the remaining terms of the associated debt instruments.

**Note P Recently Issued Accounting Standards**

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

**Note Q Subsequent Events**

On July 16, 2013, VF's Board of Directors declared a quarterly cash dividend of \$0.87 per share, payable on September 20, 2013 to stockholders of record on September 10, 2013.

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

All references to organic financial data exclude John Varvatos Enterprises, Inc. ( John Varvatos ), sold on April 30, 2012. All per share amounts are presented on a diluted basis.

Revenues grew to \$2.2 billion, an increase of 4% from the 2012 quarter.

Outdoor & Action Sports revenues rose 6% and increased to 50% of VF's total revenues in the quarter.

International revenues rose 6% over the 2012 quarter and represented 34% of total revenues in the quarter.

Direct-to-consumer revenues increased 8% and accounted for 22% of VF's total revenues in the quarter.

Gross margin improved 240 basis points to a record high of 48.5% in 2013.

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

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

| In millions                            | Second Quarter | Six Months |
|----------------------------------------|----------------|------------|
| Total revenues 2012                    | \$ 2,141.8     | \$ 4,698.2 |
| Operations and organic growth          | 80.6           | 156.3      |
| Disposition in prior year              | (4.8)          | (23.7)     |
| Impact of foreign currency translation | 2.8            | 1.5        |
| Total revenues 2013                    | \$ 2,220.4     | \$ 4,832.3 |

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

VF's foreign currency exposure primarily relates to business conducted in euro-based countries. The weighted average translation rate for the euro was \$1.31 for the second quarter of 2013 and \$1.32 for the first six months of 2013, compared with \$1.28 for the second quarter of 2012 and \$1.30 for the first six months of 2012. The impact of foreign currency translation was not material to VF's operating results for the second quarter and first six months of 2013.

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

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|                                                       | Second Quarter |       | Six Months |       |
|-------------------------------------------------------|----------------|-------|------------|-------|
|                                                       | 2013           | 2012  | 2013       | 2012  |
| Gross margin (total revenues less cost of goods sold) | 48.5%          | 46.1% | 48.3%      | 45.8% |
| Marketing, administrative and general expenses        | 39.4%          | 38.4% | 36.7%      | 35.7% |
| Operating income                                      | 9.1%           | 7.7%  | 11.6%      | 10.2% |

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Gross margin increased 240 basis points in the second quarter and 250 points in the first half of 2013 with improvements in nearly every coalition. The higher gross margins in both periods reflect lower product costs and the continued shift in our revenue mix towards higher margin businesses, including Outdoor & Action Sports, international and direct-to-consumer.

Marketing, administrative and general expenses as a percentage of total revenues increased 100 basis points during both the second quarter and first half of 2013, primarily resulting from increased investments in direct-to-consumer and marketing.

Net interest expense decreased by \$1.7 million in the second quarter of 2013 and \$3.5 million in the first six months of 2013 from the comparable periods in 2012, due to lower average levels of short-term borrowings and increased amounts of interest capitalized for significant projects. Total outstanding debt averaged \$1.9 billion for the first half of 2013 and \$2.4 billion for the same period in 2012. The weighted average interest rates on total outstanding debt were 4.5% and 3.7% for the first six months of 2013 and 2012, respectively.

Other income (expense) netted to expense of \$1.5 million in the second quarter of 2013 compared with income of \$41.6 million in 2012, and was expense of \$0.5 million in the first half of 2013 compared with income of \$43.3 million in 2012. The income in both 2012 periods is primarily due to the \$41.7 million gain on the sale of John Varvatos.

The effective income tax rate for the first half of 2013 was 21.0% compared with 22.2% in the first half of 2012. The first six months of 2013 included net discrete tax benefits of \$14.4 million, which included \$8.3 million of tax benefits related to the extension of certain tax credits and other provisions of the Internal Revenue Code enacted in 2013 which were retroactive to 2012, and \$6.9 million of tax benefits related to the realization of previously unrecognized tax benefits and interest. The net discrete tax benefits reduced the effective income tax rate for the first half of 2013 by 2.8% compared with a reduction of 4.3% in the first half of 2012. The remaining reduction in the effective income tax rate for the first half of 2013 compared with the 2012 period related primarily to a higher percentage of income in lower tax rate jurisdictions.

Net income attributable to VF Corporation for the second quarter of 2013 decreased to \$138.3 million (\$1.24 per share), compared with \$155.3 million (\$1.40 per share) in the 2012 quarter. The second quarter of 2012 was positively impacted by the \$0.32 per share gain on the sale of John Varvatos and by \$0.10 per share from discrete tax benefits related to the settlement of prior years' tax audits, neither of which recurred in the 2013 quarter. The second quarters of 2013 and 2012 both included \$0.03 per share in expenses related to the acquisition of The Timberland Company (Timberland).

Net income attributable to VF Corporation for the first half of 2013 increased to \$408.7 million (\$3.66 per share), compared with \$370.5 million (\$3.31 per share) in 2012. The first half of 2013 included \$0.13 per share from discrete tax benefits compared with \$0.08 per share from discrete tax benefits in the first half of 2012. In addition, Timberland acquisition-related expenses decreased to \$0.05 per share in the first six months of 2013 from \$0.06 per share in the first six months of 2012. The first half of 2012 was positively impacted by the \$0.32 per share gain on the sale of John Varvatos that did not recur in 2013.

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

## **Information by Business Segment**

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

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

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

|                                         |      | Second Quarter                |           |           |            |                        |         |            |
|-----------------------------------------|------|-------------------------------|-----------|-----------|------------|------------------------|---------|------------|
|                                         |      | Outdoor<br>&<br>Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary<br>Brands | Other   | Total      |
| In millions                             |      |                               |           |           |            |                        |         |            |
| Coalition revenues                      | 2012 | \$ 1,040.0                    | \$ 594.0  | \$ 251.5  | \$ 117.5   | \$ 107.9               | \$ 30.9 | \$ 2,141.8 |
| Operations and organic growth (decline) |      | 60.0                          | 18.6      | (9.3)     | 16.0       | (5.0)                  | 0.3     | 80.6       |
| Disposition in prior year               |      |                               |           |           |            | (4.8)                  |         | (4.8)      |
| Impact of foreign currency translation  |      | 3.6                           | (0.9)     | (0.4)     |            | 0.5                    |         | 2.8        |
| Coalition revenues                      | 2013 | \$ 1,103.6                    | \$ 611.7  | \$ 241.8  | \$ 133.5   | \$ 98.6                | \$ 31.2 | \$ 2,220.4 |

|                                         |      | Six Months                    |            |           |            |                        |         |            |
|-----------------------------------------|------|-------------------------------|------------|-----------|------------|------------------------|---------|------------|
|                                         |      | Outdoor<br>&<br>Action Sports | Jeanswear  | Imagewear | Sportswear | Contemporary<br>Brands | Other   | Total      |
| In millions                             |      |                               |            |           |            |                        |         |            |
| Coalition revenues                      | 2012 | \$ 2,303.9                    | \$ 1,335.7 | \$ 529.0  | \$ 240.4   | \$ 234.9               | \$ 54.3 | \$ 4,698.2 |
| Operations and organic growth (decline) |      | 179.5                         | (3.2)      | (33.6)    | 21.3       | (9.5)                  | 1.8     | 156.3      |
| Disposition in prior year               |      |                               |            |           |            | (23.7)                 |         | (23.7)     |
| Impact of foreign currency translation  |      | 4.5                           | (2.8)      | (0.8)     |            | 0.6                    |         | 1.5        |
| Coalition revenues                      | 2013 | \$ 2,487.9                    | \$ 1,329.7 | \$ 494.6  | \$ 261.7   | \$ 202.3               | \$ 56.1 | \$ 4,832.3 |

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

|                                         |      | Second Quarter                |           |           |            |                        |        |          |
|-----------------------------------------|------|-------------------------------|-----------|-----------|------------|------------------------|--------|----------|
|                                         |      | Outdoor<br>&<br>Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary<br>Brands | Other  | Total    |
| In millions                             |      |                               |           |           |            |                        |        |          |
| Coalition profit                        | 2012 | \$ 82.5                       | \$ 93.3   | \$ 30.4   | \$ 11.5    | \$ 12.0                | \$ 0.3 | \$ 230.0 |
| Operations and organic growth (decline) |      | 16.1                          | 15.2      | 4.7       | 4.8        | (4.9)                  | 0.1    | 36.0     |
| Disposition in prior year               |      |                               |           |           |            | 0.7                    |        | 0.7      |
| Impact of foreign currency translation  |      | 1.9                           | 0.4       |           |            | 0.1                    |        | 2.4      |
| Coalition profit                        | 2013 | \$ 100.5                      | \$ 108.9  | \$ 35.1   | \$ 16.3    | \$ 7.9                 | \$ 0.4 | \$ 269.1 |

|                                         |      | Six Months                    |           |           |            |                        |          |          |
|-----------------------------------------|------|-------------------------------|-----------|-----------|------------|------------------------|----------|----------|
|                                         |      | Outdoor<br>&<br>Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary<br>Brands | Other    | Total    |
| In millions                             |      |                               |           |           |            |                        |          |          |
| Coalition profit                        | 2012 | \$ 284.2                      | \$ 204.1  | \$ 73.3   | \$ 22.2    | \$ 26.8                | \$ (1.2) | \$ 609.4 |
| Operations and organic growth (decline) |      | 40.1                          | 47.6      | (6.7)     | 6.3        | (6.9)                  | (1.0)    | 79.4     |
| Disposition in prior year               |      |                               |           |           |            | 0.5                    |          | 0.5      |
| Impact of foreign currency translation  |      | 2.7                           | 0.5       |           |            | 0.1                    |          | 3.3      |

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|                  |      |          |          |         |         |         |          |          |
|------------------|------|----------|----------|---------|---------|---------|----------|----------|
| Coalition profit | 2013 | \$ 327.0 | \$ 252.2 | \$ 66.6 | \$ 28.5 | \$ 20.5 | \$ (2.2) | \$ 692.6 |
|------------------|------|----------|----------|---------|---------|---------|----------|----------|

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

**Outdoor & Action Sports:**

| Dollars in millions | Second Quarter |            | Percent | Six Months |            | Percent |
|---------------------|----------------|------------|---------|------------|------------|---------|
|                     | 2013           | 2012       | Change  | 2013       | 2012       | Change  |
| Coalition revenues  | \$ 1,103.6     | \$ 1,040.0 | 6.1%    | \$ 2,487.9 | \$ 2,303.9 | 8.0%    |
| Coalition profit    | 100.5          | 82.5       | 21.8%   | 327.0      | 284.2      | 15.1%   |
| Operating margin    | 9.1%           | 7.9%       |         | 13.1%      | 12.3%      |         |

Coalition revenues for Outdoor & Action Sports increased 6% in the second quarter of 2013 compared with the 2012 period. *The North Face*® and *Vans*® brands achieved global revenue growth of 5% and 15%, respectively, partially offset by a 3% decrease in global *Timberland*® brand revenues. Domestic revenues increased 5% in the second quarter. International revenues rose 8% in the second quarter, reflecting growth in Europe and Asia Pacific.

Coalition revenues for Outdoor & Action Sports increased 8% in the first six months of 2013 compared with the 2012 period. *The North Face*® and *Vans*® brands achieved global revenue growth of 6% and 20%, respectively, while the *Timberland*® brand revenues were flat. Domestic revenues increased 7% in the first six months. International revenues rose 9% in the first six months, reflecting growth in Europe and Asia Pacific.

Direct-to-consumer revenues increased 10% and 14% in the second quarter and first six months of 2013, respectively, with growth in nearly all brands. New store openings and comparable store growth, including the e-commerce business, contributed to the direct-to-consumer revenue growth.

The increases in operating margin for the second quarter and first six months of 2013 are primarily due to improvements in gross margin and a continued shift in the business mix toward higher margin businesses, including direct-to-consumer and international.

**Jeanswear:**

| Dollars in millions | Second Quarter |          | Percent | Six Months |            | Percent |
|---------------------|----------------|----------|---------|------------|------------|---------|
|                     | 2013           | 2012     | Change  | 2013       | 2012       | Change  |
| Coalition revenues  | \$ 611.7       | \$ 594.0 | 3.0%    | \$ 1,329.7 | \$ 1,335.7 | (0.4)%  |
| Coalition profit    | 108.9          | 93.3     | 16.7%   | 252.2      | 204.1      | 23.6%   |
| Operating margin    | 17.8%          | 15.7%    |         | 19.0%      | 15.3%      |         |

Global Jeanswear revenues increased 3% in the second quarter of 2013 compared with the 2012 period. This increase was driven by a 10% increase in the *Lee*® brand revenues, partially offset by a 1% decrease in revenues for the *Wrangler*® brand. Revenues in the Americas region increased 4%, which benefited in part by the normalization of seasonal product orders from the first quarter into the second quarter of 2013. Jeanswear revenues for the European business increased 1%. Jeanswear revenues in Asia Pacific decreased 7%, as the *Lee*® brand continues to be impacted by an industry-wide inventory build-up in China that began during the latter part of 2012.

Global Jeanswear revenues were flat for the first six months of 2013 compared with the 2012 period.

Operating margin increased 210 basis points during the second quarter of 2013 and 370 basis points for the first six months of 2013. These margin increases were driven by lower product costs compared to the same periods in 2012 as well as continued improvements in operating efficiencies. The *Wrangler*® and *Lee*® brands posted improved profitability in nearly every global region for the three and six month periods.

**Table of Contents****Imagewear:**

| Dollars in millions | Second Quarter |          | Percent | Six Months |          | Percent |
|---------------------|----------------|----------|---------|------------|----------|---------|
|                     | 2013           | 2012     | Change  | 2013       | 2012     | Change  |
| Coalition revenues  | \$ 241.8       | \$ 251.5 | (3.9)%  | \$ 494.6   | \$ 529.0 | (6.5)%  |
| Coalition profit    | 35.1           | 30.4     | 15.5%   | 66.6       | 73.3     | (9.1)%  |
| Operating margin    | 14.5%          | 12.1%    |         | 13.5%      | 13.9%    |         |

Imagewear revenues declined 4% and 7% in the second quarter and first six months of 2013, respectively, compared with the 2012 periods. These reductions in revenues were primarily due to the continued delay of a contract renewal in 2013 and a catch up of shipments in the first quarter of 2012, related to strong orders in the oil and gas industries that did not repeat in 2013.

The 240 basis point increase in operating margin in the second quarter of 2013 was driven by lower product costs. The 40 basis point decrease in operating margin for the first six months of 2013 was primarily driven by lower shipment and production volumes, partially offset by lower product costs.

**Sportswear:**

| Dollars in millions | Second Quarter |          | Percent | Six Months |          | Percent |
|---------------------|----------------|----------|---------|------------|----------|---------|
|                     | 2013           | 2012     | Change  | 2013       | 2012     | Change  |
| Coalition revenues  | \$ 133.5       | \$ 117.5 | 13.6%   | \$ 261.7   | \$ 240.4 | 8.9%    |
| Coalition profit    | 16.3           | 11.5     | 41.7%   | 28.5       | 22.2     | 28.4%   |
| Operating margin    | 12.2%          | 9.8%     |         | 10.9%      | 9.2%     |         |

Sportswear revenues increased 14% and 9% in the second quarter and first six months of 2013, respectively, compared with the 2012 periods. Second quarter revenues were driven by a low double-digit percentage increase in the *Nautica*® brand and nearly 30% growth in the *Kipling*® brand. The first six months revenues reflected growth in both the *Nautica*® and *Kipling*® brands. These revenue increases for the second quarter and first six months were primarily driven by growth in the direct-to-consumer businesses of both brands. In addition, the growth in the second quarter of 2013 benefited by 3 percentage points due to a shift in the timing of shipments for the *Nautica*® brand from the previous quarter.

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

**Contemporary Brands:**

| Dollars in millions | Second Quarter |          | Percent | Six Months |          | Percent |
|---------------------|----------------|----------|---------|------------|----------|---------|
|                     | 2013           | 2012     | Change  | 2013       | 2012     | Change  |
| Coalition revenues  | \$ 98.6        | \$ 107.9 | (8.6)%  | \$ 202.3   | \$ 234.9 | (13.9)% |
| Coalition profit    | 7.9            | 12.0     | (34.2)% | 20.5       | 26.8     | (23.5)% |
| Operating margin    | 8.0%           | 11.1%    |         | 10.1%      | 11.4%    |         |

Revenues for Contemporary Brands were down 9% and 14% in the second quarter and first six months of 2013, respectively, compared to the 2012 periods. The absence of John Varvatos accounted for 4% and 10% of the decreases in the second quarter and first six months of 2013, respectively. The remaining declines are primarily attributable to weakness in premium denim in the high-end department store channel, partially offset by higher direct-to-consumer revenues.

Operating margin declines for both the second quarter and first half of 2013 are primarily due to the decline in sales volume and an increase in investments in infrastructure and the direct-to-consumer business.

**Table of Contents****Other:**

| Dollars in millions | Second Quarter |         | Percent | Six Months |         | Percent |
|---------------------|----------------|---------|---------|------------|---------|---------|
|                     | 2013           | 2012    | Change  | 2013       | 2012    | Change  |
| Coalition revenues  | \$ 31.2        | \$ 30.9 | 1.0%    | \$ 56.1    | \$ 54.3 | 3.3%    |
| Coalition profit    | 0.4            | 0.3     |         | (2.2)      | (1.2)   |         |
| Operating margin    | 1.3%           | 1.0%    |         | (3.9)%     | (2.2)%  |         |

VF Outlet® stores in the United States sell VF and other branded products. Revenues and profits of VF products sold in these stores are reported as part of the operating results of the applicable coalition, while revenues and profits of non-VF products are reported in this Other category. Revenues increased 1% in the second quarter and 3% in the first six months of 2013 compared with the 2012 periods due to the addition of new product categories and new store openings. The increase in operating margin for the second quarter of 2013 is primarily due to lower sales of distressed products. The decrease in operating margin for the first six months of 2013 was driven by higher operating expenses related to the new store openings from the first quarter of 2013.

**Reconciliation of Coalition Profit to Income Before Income Taxes:**

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

| Dollars in millions          | Second Quarter |           | Percent | Six Months |           | Percent |
|------------------------------|----------------|-----------|---------|------------|-----------|---------|
|                              | 2013           | 2012      | Change  | 2013       | 2012      | Change  |
| Corporate and other expenses | \$ (69.2)      | \$ (24.5) | 182.4%  | \$ (134.0) | \$ (88.0) | 52.3%   |
| Interest, net                | (20.7)         | (22.4)    | (7.6)%  | (41.2)     | (44.7)    | (7.8)%  |

Corporate and other expenses are those that have not been allocated to the coalitions for internal management reporting, including (i) information systems and shared services, (ii) corporate headquarters costs and (iii) other income and expenses. Other income and expenses includes costs of corporate programs and initiatives; costs of registering, maintaining and enforcing certain VF trademarks; and miscellaneous costs, the most significant of which is related to the expense of VF's centrally-managed U.S. defined benefit pension plans. The current year service cost component of pension cost is allocated to the coalitions, while the remaining cost components, totaling \$15.2 million and \$30.4 million for the second quarter and first half of 2013, respectively, and \$16.8 million and \$33.6 million for the second quarter and first half of 2012, respectively, are reported in corporate and other expenses. The increases in corporate and other expenses for the second quarter and first half of 2013 are primarily due to the \$41.7 million gain on the sale of John Varvatos, which was recorded as an offset to corporate and other expenses in the second quarter and first half of 2012.

**Analysis of Financial Condition****Balance Sheets**

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

*Decrease in accounts receivable* resulting from the seasonality of the business.

*Increase in inventory* resulting from the seasonality of the business partially offset by the impact of disciplined inventory management.

*Increase in other current assets* primarily due to higher prepaid income taxes and unrealized hedging gains.

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*Decrease in accrued liabilities* primarily due to timing of accruals for compensation and income taxes.

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*Decrease in other liabilities* primarily due to a decrease in the defined benefit pension plan liability, resulting from a \$100.0 million discretionary contribution in the first quarter of 2013.

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

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

*Decrease in short-term borrowings* due to higher levels of cash available to fund working capital needs during the first half of 2013.

*Decrease in long-term debt* related to the \$400 million two-year notes issued to finance the acquisition of Timberland, which will be repaid in the third quarter of 2013 and have therefore been reclassified to the current portion of long-term debt.

**Liquidity and Cash Flows**

The financial condition of VF is reflected in the following:

| Dollars in millions         | June<br>2013 | December<br>2012 | June<br>2012 |
|-----------------------------|--------------|------------------|--------------|
| Working capital             | \$ 1,653.4   | \$ 1,717.4       | \$ 1,571.8   |
| Current ratio               | 2.0 to 1     | 2.0 to 1         | 1.9 to 1     |
| Debt to total capital ratio | 26.6%        | 26.5%            | 35.7%        |

For the ratio of debt to total capital, debt is defined as short-term and long-term borrowings, and total capital is defined as debt plus stockholders equity. The ratio of net debt to total net capital (with net debt defined as debt less cash and equivalents and total net capital defined as total capital less cash and equivalents) was 23.1% at June 2013, 19.6% at December 2012 and 32.6% at June 2012.

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

| In millions                               | Six Months |         |
|-------------------------------------------|------------|---------|
|                                           | 2013       | 2012    |
| Net cash provided by operating activities | \$ 291.4   | \$ 73.1 |
| Net cash used by investing activities     | (188.5)    | (54.7)  |
| Net cash used by financing activities     | (375.7)    | (26.5)  |

**Cash Provided by Operating Activities**

VF's primary source of liquidity is the strong cash flow provided by operating activities, which is dependent on the level of net income and changes in working capital. Cash provided by operating activities for the first six months of 2013 increased to \$291.4 million from \$73.1 million for the 2012 period. The improvement is due to an increase in net income and a reduction in net cash usage from working capital changes, partially offset by the payment of a \$100.0 million discretionary contribution to the defined benefit pension plan in the first quarter of 2013.

**Cash Used by Investing Activities**

Cash used by investing activities for the first six months of 2013 increased to \$188.5 million from \$54.7 million in 2012. VF's investing activities relate primarily to capital expenditures, which totaled \$155.5 million during the first six months of 2013 compared with \$119.0 million in the 2012 period. The higher level of capital expenditures is related to a number of infrastructure projects that support VF's continued expectations for high revenue growth, as discussed in the *Balance Sheets* section above. The spending is funded by cash flow from operations.

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In addition, cash used by investing activities during the first six months of 2012 was reduced by \$68.3 million of proceeds from the sale of John Varvatos.

### *Cash Used by Financing Activities*

Cash used by financing activities in the first six months of 2013 was \$375.7 million, compared with \$26.5 million in the first six months of 2012. This increase was primarily due to higher levels of cash dividends paid and lower levels of short-term borrowings.

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During the first six months of 2013 and 2012, VF repurchased 1.7 million and 2.0 million shares, respectively, of its Common Stock in open market transactions. The cost was \$281.0 million and \$299.1 million with an average price per share of \$164.62 and \$148.91 for the June 2013 and June 2012 periods, respectively. Under its current authorization from the Board of Directors, VF may repurchase an additional 2.8 million shares. VF will continue to evaluate future share repurchases considering funding required for business acquisitions, VF's Common Stock price and levels of stock option exercises.

VF relies on continued strong cash generation to finance its ongoing operations. In addition, VF has significant liquidity from its available cash balances and credit facilities. VF maintains a \$1.25 billion senior unsecured revolving line of credit (the "Global Credit Facility"), which supports our \$1.25 billion U.S. commercial paper program for short-term seasonal working capital requirements. The Global Credit Facility expires in December 2016. Commercial paper borrowings and standby letters of credit issued as of June 2013 were \$33.0 million and \$18.6 million, respectively, leaving \$1,198.4 million available for borrowing against this facility at June 2013.

VF's favorable credit agency ratings allow for access to additional liquidity at competitive rates. At the end of June 2013, VF's long-term debt ratings were "A minus" by Standard & Poor's Ratings Services and "A3" by Moody's Investors Service, and commercial paper ratings were "A-2" and "Prime-2", respectively, by those rating agencies. None of VF's long-term debt agreements contain acceleration of maturity clauses based solely on changes in credit ratings. However, if there were a change in control of VF and, as a result of the change in control, the 2013, 2017, 2021 and 2037 notes were rated below investment grade by recognized rating agencies, VF would be obligated to repurchase the notes at 101% of the aggregate principal amount, plus any accrued and unpaid interest.

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

Inventory purchase obligations increased by approximately \$403.9 million at the end of June 2013 due to the seasonality of VF's businesses.

Management believes that VF's cash balances and funds provided by operating activities, as well as its Global Credit Facility, additional borrowing capacity and access to capital markets, taken as a whole, provide (i) adequate liquidity to meet all of its current and long-term obligations when due, (ii) adequate liquidity to fund capital expenditures and to maintain the dividend to stockholders at current and expected rates and (iii) flexibility to meet investment opportunities that may arise.

### **Recently Issued Accounting Standards**

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

### **Critical Accounting Policies and Estimates**

Management has chosen accounting policies that it considers to be appropriate to accurately and fairly report VF's operating results and financial position in conformity with generally accepted accounting principles in the United States. Accounting policies are applied in a consistent manner. Significant accounting policies are summarized in Note A to the Consolidated Financial Statements included in the 2012 Form 10-K.

The application of these accounting policies requires management to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses, contingent assets and liabilities, and related disclosures. These estimates, assumptions and judgments are based on historical experience, current trends and other factors believed to be reasonable under the circumstances. Management evaluates these estimates and assumptions and may retain outside consultants to assist in the evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known.

The accounting policies that involve the most significant estimates, assumptions and management judgments used in preparation of the consolidated financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis in the 2012 Form 10-K. There have been no material changes in these policies.

**Cautionary Statement on Forward-Looking Statements**

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

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Potential risks and uncertainties that could cause the actual results of operations or financial condition of VF to differ materially from those expressed or implied by forward-looking statements in this quarterly report on Form 10-Q include, but are not limited to, the level of consumer confidence and overall level of consumer demand for apparel; fluctuations in the price, availability and quality of raw materials and contracted products; disruption to VF's distribution system; disruption and volatility in the global capital and credit markets; VF's reliance on a small number of large customers; the financial strength of VF's customers; VF's response to changing fashion trends; increasing pressure on margins; VF's ability to implement its growth strategy, including the ability to complete acquisitions; VF's ability to grow its international and direct-to-consumer businesses; VF's ability to successfully integrate and grow acquisitions, including the Timberland acquisition; VF's ability to maintain the strength and security of its information technology systems; adverse unseasonable weather conditions; stability of VF's manufacturing facilities and foreign suppliers; continued use by VF's suppliers of ethical business practices; VF's ability to accurately forecast demand for products; continuity of members of VF's management; VF's ability to protect trademarks and other intellectual property rights; maintenance by VF's licensees and distributors of the value of VF's brands; foreign currency fluctuations; changes in tax liabilities; and legal, regulatory, political and economic risks in international markets. More information on potential factors that could affect VF's financial results is included from time to time in VF's public reports filed with the Securities and Exchange Commission, including VF's Annual Report on Form 10-K.

### **Item 3 Quantitative and Qualitative Disclosures about Market Risk**

There have been no significant changes in VF's market risk exposures from what was disclosed in Item 7A in the 2012 Form 10-K.

### **Item 4 Controls and Procedures**

Disclosure controls and procedures:

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

Changes in internal control over financial reporting:

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

**Table of Contents****Part II Other Information****Item 1 Legal Proceedings**

Information on VF's legal proceedings is set forth under Part I, Item 3, Legal Proceedings, in the 2012 Form 10-K. There have been no material changes to the legal proceedings from those described in the 2012 Form 10-K.

**Item 1A Risk Factors**

You should carefully consider the risk factors set forth under Part I, Item 1A, Risk Factors, in the 2012 Form 10-K. There have been no material changes to the risk factors from those disclosed in the 2012 Form 10-K.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

(c) Issuer purchases of equity securities:

|                           | Total<br>Number<br>of Shares<br>Purchased | Weighted<br>Average<br>Price Paid<br>per Share | Total Number of<br>Shares Purchased<br>as Part of<br>Publicly<br>Announced<br>Programs | Maximum Number<br>of Shares that May<br>Yet be<br>Purchased<br>Under the<br>Program (1) |
|---------------------------|-------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Second Quarter 2013       |                                           |                                                |                                                                                        |                                                                                         |
| March 31 – April 27, 2013 |                                           | \$                                             |                                                                                        | 2,768,996                                                                               |
| April 28 – May 25, 2013   |                                           |                                                |                                                                                        | 2,768,996                                                                               |
| May 26 – June 29, 2013    | 1,540                                     | 189.65                                         | 1,540                                                                                  | 2,767,456                                                                               |
| Total                     | 1,540                                     |                                                | 1,540                                                                                  |                                                                                         |

- (1) During the quarter, 1,540 shares of Common Stock were purchased in connection with VF's deferred compensation plans. VF will continue to evaluate future share repurchases considering funding required for business acquisitions, VF's Common Stock price and levels of stock option exercises.

**Item 6 Exhibits**

|         |                                                                                                                                                                               |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1    | Certification of the principal executive officer, Eric C. Wiseman, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002    |
| 31.2    | Certification of the principal financial officer, Robert K. Shearer, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1    | Certification of the principal executive officer, Eric C. Wiseman, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |
| 32.2    | Certification of the principal financial officer, Robert K. Shearer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document                                                                                                                                                        |
| 101.SCH | XBRL Taxonomy Extension Schema Document                                                                                                                                       |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                         |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                          |

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|         |                                                        |
|---------|--------------------------------------------------------|
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document        |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

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**SIGNATURES**

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

**V.F. CORPORATION**

(Registrant)

By: /s/ Robert K. Shearer  
Robert K. Shearer  
Senior Vice President and Chief Financial Officer (Chief  
Financial Officer)

Date: August 7, 2013

By: /s/ Scott A. Roe  
Scott A. Roe

Vice President    Controller (Chief Accounting Officer)