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Under Armour's (UA) CEO Kevin Plank on Q2 2015 Results Earnings Call Transcript

Under Armour Inc. (NYSE:UA)

Q2 2015 Earnings Conference Call

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Operator

Good day ladies and gentlemen and welcome to the Under Armour Second Quarter Earnings Webcast and Conference Call. At this time, all participants are in a listen only mode. Later, there we will conduct a question and answer session and instructions will follow at that time. [Operator Instructions]. As a reminder, today's conference call is being recorded.

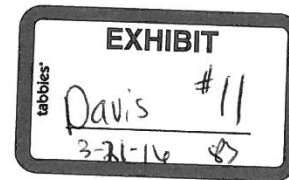
I would now like to turn the conference over to Tom Shaw, Director of Investor Relations. Please go ahead sir.

Tom Shaw

Thanks and good morning to everyone joining us in today's second quarter conference call. During the course of this call, we'll be making projections or other forward looking statements regarding future events or the future financial performance of the company. We wish to caution that such statements are subject to risks and uncertainties that could cause actual events or results to differ materially. These risks and uncertainties are described in our press release and in the Risk Factors section of our filings with the SEC. The company assumes no obligation to update forward looking statements to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

In addition, as required by Regulation G, we need to make you aware that during the call we will reference certain non GAAP financial information specifically currency neutral net revenue growth. We provide a reconciliation of this non GAAP financial information in our earnings release a copy of which is available on our Web site at www.uabiz.com.

Joining us on today's call will be Kevin Plank, Chairman and CEO; followed by Brad Dickerson, our Chief Operating Officer and CFO, who will discuss the company's financial performance for the second quarter and provide an update to our 2015 outlook. After the prepared remarks, Kevin and Brad will be available for a Q&A session that will end at approximately 9:30 AM. Finally, a replay of this teleconference will be available at our Web site at approximately 11:00 AM Eastern Time today.



I'll now turn it over to Kevin Plank.

Kevin Plank

Thank you Tom and good morning to everyone. I am calling in from Munich Germany where later today we're opening our newest international office from which we'll serve the markets in Germany, Austria and Switzerland. This is my last stop of a weeklong trip that has taken me to multiple cities including Glasgow, Copenhagen and now Munich. As we continue to grow our global footprint these trips continue to provide deeper insight into the markets and how consumers are thinking about our brand.

My visit to Copenhagen reconfirmed and enhanced excitement around our recent Endomondo acquisition and a huge opportunity that connected fitness provides UA with global consumers. With today's ribbon cutting in Munich, we will now have 17 regional offices outside the United States which are positioning the brand closer to local consumer and driving incredible execution we have seen in the past year, including 93% international net revenue growth just this past quarter. That strong growth outside the United States help drive total net revenues for the quarter up 29%, the 21st consecutive quarter of 20 plus percent net revenue growth.

In addition, total apparel net revenues grew by 23%, marking the 23rd consecutive quarter of 20 plus percent net revenue growth. We have traditionally referred to this as our scoreboard but based on my visit the St. Andrews earlier this week, maybe we should refer to it as a leader board. Either way, we continue to shoot consistently great numbers. As we prepare to enter our 20th year in the business of sports, we have learned a lot of valuable lessons, some of them have been learned through business, but just as many probably, have been learned through sports.

Over the past year, three Under Armour athletes have transcended their sports and become known by just their first names, Stephan, Misty and Jordan. These three athletes have combined to teach us one incredibly valuable lesson that we need to think bigger. For Stephan Curry, Misty Copeland and Jordan Speith, being a great basketball player, principal Ballerina and PGA Golfer was rooted in their ability to see beyond to be prepared to not just be great but to be extraordinary, to plan and practice but also know when to take the risk. Our lessons out of this are incredibly relevant to this moment in time for the Under Armour brand.

First, our athlete success pushes us to see beyond just maximizing the revenue opportunities in any given quarter. It forces us to think clearly about what we need to do better and how we need to organize to be more than just an American sports brand to go from changing the way athletes dress to changing the way athletes live. Second, this intense brand key provides us with abundant opportunities to invest in businesses like basketball, women's and golf that will not only grow our share within those large categories but will also positively impact all of our business across both categories and geographies. So my two main topics today are how do we invest to capitalize on that momentum and how do we organize to think bigger about the opportunities in front of us today.

Thinking bigger is part of what drives the world's greatest athletes to outperform on the highest stage and it's hard to think of three individuals who have done more of that recently and Stephan, Misty and Jordan. And the best part is it just like UA they too are just getting started.

Stephan Curry, NBA League MVP World Champion recently voted best male athlete and best NBA player at the ESPYs and most importantly new father of a baby girl who one day might give her big sisters [rallies] and competition for the spotlight, a pretty good stretch for a great young man and tremendously rewarding for Under Armour to be part of his on court success. We're taking stepping on a tour of China and other markets in Asia starting late next month and frankly we believe he's just beginning to touch upon his potential both in the U.S. and other key basketball markets across the globe.

Misty Copeland trailblazer, Prima Ballerina athlete named last month as the first female African American principle dancer with the American Ballet Theater, again tremendous pride on our behalf to be involved early in Misty's meteoric rise by helping introduce her to an audience beyond the ballet world with last year's I Will What I Want campaign.

Jordan Speith, when we signed him more than 2.5 years ago we told you to watch out for this young man as we had a strong feeling he was going to turn into a huge asset for our golf business. It's amazing to all of us that in such a short time his has gone from being one of the names counted as the future of golf to being the story of golf, not just now but we believe well into the future. And while I'd be remised to not at least mention the great performances by other UA athletes this quarter not this year Andy Murray, Carry Price, Brice Harper, Todd Frazier the Cincinnati Reds who last week won the Home Run Derby in front of his home crowd at the great American Ball Park.

The recent accomplishments of Stephan, Misty and Jordan are somewhat overwhelming and heavily impactful. Their achievements these past few weeks represent a moment in time for the Under Armour brand one that forces us to

reassess our opportunities and look deeper to understand what all the success means for us. There is of course the immediate benefit to our brand. This brand heat is driving huge amounts of incremental traffic to our ecommerce platform across the globe with our basketball traffic up more than 300% year over year while our social channels we added more followers on Instagram during the recent NBA finals than we did in all of 2014.

The Curry One Shoe was a great success with our ecommerce site as we continue to gain share in key footwear categories with our wholesale partners. Our women's business continues to grow strongly in key areas like caprice, shorts, sports bra and running footwear while our ecommerce golf business was exceptional growing about 60% year over year. But there is a bigger takeaway for our company and all of this, we've learned from these athletes not only about the preparation it takes the great but the added level of commitment it takes to be truly special. All three of these athletes started as clear underdogs, they were able to put themselves in a position where their skills and focus enable them to transcend sport. All of them have proven as Jordan Spieth stated following his master's victory when asked why he chose Under Armour. That being aggressive, young and fearless can be a deadly combination.

Our athlete's ability to see what was needed to be excellent forces us to think bigger. It requires we expect there are moments in time where we need to accelerate to take advantage of the new opportunities our brand momentum creates. We understand our short term benefit this unprecedented momentum but we're focused on the long term. To us this moment provides a great chance to build a more meaningful connection with our consumer through the power of these transcended athletes. And that connection can be deeper and more powerful for our brand than any short term spike in our revenues or our earnings. Without question the brand equity we're creating right now will benefit our business more significantly over the long term than it will simply just this year.

Specifically in a large category like basketball we've had incredible success for the Curry One footwear including some very hot selling limited releases. But that brand heat evidenced by the lines outside our brand house stores on release day gives us great confidence in the brand we're building with Stephen Curry and our strategy in bringing new product to market. It has motivated our footwear team and has given confidence to our retail partners about our expanding presence in the basketball category amongst the others particularly in the mall.

We recently debuted a new shop and shop concept with Champs Sports called the ARMOURY which highlights not only the basketball category but a broader mix of product and innovation that the athletes have been historically unable to find from our brand in the mall. This is great evidence of the confidence we have in our product and the continued success we're seeing across our offerings with our key retail partners.

And like basketball that same foundation and confidence is building in our Golf and women's businesses. We're still developing a wide consumer audience in these three categories here in the U.S. and the opportunity for us in international market is abundant.

The second element of thinking bigger lies in how we organize our business. And in this case thinking bigger means thinking smaller. Thinking in a way that enables us to be more surgical with how we reach our consumer and the experiences we provide them. To look at our end use consumer more discretely and with more discipline. As the breadth of our product mix continues to expand we're moving to a sports category focused organizational structure that will enable us to maintain our focus on the needs of that end use consumer. We recognized that a UA run consumer has different needs than UA basketball consumer. And we're now in a great position to harness the overall strength of our brand and innovation pipeline to ensure we're exceeding expectations for all of our consumers.

To help drive this initiative we've recently brought on Terdema Ussery who for the past 18 years has served as President of the NBA's Dallas Mavericks and has prior industry experience in athletic footwear and apparel. We can speak to this in more depth at our Investor Day meeting at September but we want to be clear today about our intent. This category focus will provide the structure to help us sell more shirts and shoes. This structure has proven successful for us in Golf with the combination of great product; a great asset and a great team helped us double revenues in the past two years. This increased category will help us drive our core business, a critical component in our long term growth story.

The last piece I want to cover today is our evolution from a brand that started by just making compression tees to one now focused on perfecting shirts and shoes as well as creating authentic and relevant sports and fitness experiences every time and everywhere our consumer interacts with our brand. We can do so because of the strength of our Connected Fitness platform, but we continue to add more than 100,000 unique registered users of a platform every single day. We remained in the early stages of incumbent potential of what the world's largest digital health and fitness community with now over 140 million athletes can do to help us build consumer engagement and drive healthier lifestyles.

We're growing our community at more than 30% year over year and so far in 2015 these users have voluntarily logged

over 1 billion workouts and more than 5 billion [foods] have been logged in to our apps. This level and detail of data will empower us to provide actionable insights back to our community that will help them lead a healthier lifestyle and we believe the brand equity that can provide us is immeasurable.

Ultimately the more people exercise the more athletic footwear and apparel they will buy. Again we will provide deeper detail on our Connected Fitness opportunities in September at our Investor Day but we're extremely pleased with the growth of our community and the type of insight we can bring to our consumers lives.

So just before I hand it back to Brad I want to reiterate our commitment to grow. We have delivered 21 consecutive quarters of 20 plus percent revenue growth. We are growing in key areas like footwear, women's and international and doing so while investing in new opportunities like Connected Fitness which we believe will be critical to our continued growth. And most importantly we have a capacity to adapt to change course and accelerate investments when the opportunity calls for it and to think bigger about what the Under Armour brand can eventually be. There is so many great things going on in Under Armour today which are difficult to fully articulate in a one hour conference call.

I look forward to seeing all of you at our Investor Day in September at our Headquarters in Baltimore to further showcase the brand that we are building. We remain aggressive, young and fearless and I am excited to provide more color on how we're thinking and organizing to become the next great global brand.

And with that, let me turn it over to Brad.

Brad Dickerson

Thanks Kevin. I would now like spend some time discussing our second quarter results followed by our updated outlook for 2015. Our net revenues for the second quarter of 2015 increased 29% to 784 million. On a currency neutral basis, net revenues increased 31% for the period.

Within our product categories we grew apparel net revenues 23% to 515 million compared to 420 million in the prior year's quarter. Many of the same growth drivers that drove our first quarter apparel business continued during the second quarter including our new Armour Base Layer, updated training products and expanded golf and hunting lines. Second quarter footwear net revenues increased 40% to 154 million from 110 million in the prior year. We continue to gain significant traction across multiple footwear categories most notably within the larger markets of running and basketball. SpeedForm remains the key growth story for our brand where we introduced this innovation across a wider range of styles and categories this year. And as Kevin mentioned, we capitalized on the incredible success of Stephan Curry in basketball but new color wave quickly selling house during his MVP and championship run with the Warriors.

Our accessories net revenues during the second quarter increased 39% to 83 million from 60 million last year, primarily driven by strong consumer demand for our line of bags. Our global direct to consumer net revenues increased 33% for the quarter, representing approximately 32% of net revenues. We continue to be encouraged with our recent brand house openings including the first full quarter of results for our Chicago and Mall of America stores as well as the new second quarter openings in Indianapolis and Orlando. From a global standpoint we ended the second quarter with 160 owned stores including the 139 factory house stores and 21 brand house stores.

Our ecommerce business had a standout quarter and we are seeing the return on our investment in mobile optimization across our expanding list of global sites. While ongoing focus on mobile is key we are also able to drive strong traffic gains through more effective email communications as well as by leveraging the incredible success of our athletes during the period.

Looking at our regions, North American net revenues increased 22% to 681 million in the second quarter compared to 558 million in the prior year's quarter. On a currency neutral basis, North America net revenues increased 23% based primarily on the drivers I highlighted for the overall company. International net revenues increased 93% to 89 million in the second quarter representing 11% of total net revenues. On a currency neutral basis, international net revenues increased to 112% for the period. In the EMEA region, we continue to focus on the three core markets of the UK, Germany and France, while also developing distributor agreements in the region including the Middle East.

In Asia Pacific, our partner store expansion and ecommerce growth in China remain key stories and we also benefited from the rollout of our distributor agreements in Southeast Asia. And in Latin America we are seeing balanced growth throughout the region following our market entry into many of these countries during 2014.

Moving on to margins, second quarter gross margins contracted 80 basis point to 48.4% compared to 49.2% in the prior year's period. The following factors were the primary drivers during the quarter; first, as we previously outlined the continued strength of the U.S. dollar negatively impacted gross margins by approximately 60 basis points in the second

quarter versus the prior year; second, we incurred higher airfreight expense in the second quarter, primarily due to our efforts to normalize products flow from the West Coast port disruption and better service the back to school selling season which negatively impacted gross margins by approximately 50 basis points. Partially offsetting this margin pressure better margins in our factory house business combined with our higher margin Connected Fitness revenues benefited gross margins by approximately 20 basis points in the second quarter.

Selling general administrative expenses as a percentage of net revenues deleveraged 80 basis points to 44.3% in the second quarter of 2015 from 43.5% in the prior year's period. As a reminder, starting last quarter in an effort to simplifying and streamline our conversation we consolidated our SG&A detail into two primary buckets, marketing and other SG&A. SG&A details for the second quarter are as follows; marketing cost decreased to 11.4% of net revenues for the quarter from 11.6% in the prior year period with modest leverage driven primarily by the strong net revenues during the second quarter.

Our SG&A cost increased 32.9% of net revenues for the quarter from 31.9% in the prior year driven primarily by our Connected Fitness acquisitions and investments in our Brand House strategy. Operating income for the second quarter decreased 8% to 32 million compared to 35 in the prior year period. Interest and other expense in the second quarter increased to 4 million compared with the 1 million in the prior period primarily reflecting increased interest expense associated with the financing of our Connected Fitness acquisitions. Our second quarter tax rate of 46.7% was favorable to the 47.5% rate last year primarily due to certain tax planning strategies.

Our second quarter net income decreased 17% to 15 million compared to 18 million in the prior year period. Our diluted earnings per share decreased to \$0.07 from \$0.08 in the prior year's period. On the balance sheet total cash and cash equivalents for the quarter decreased 43% to 171 million compared with 300 million at June 30, 2014. Inventory for the quarter increased 26% to 837 million compared to 662 million at June 30, 2014. Total debt increased to 716 million as compared to 197 million at June 30, 2014 primarily reflecting the financing of our Connected Fitness acquisitions.

Looking at our cash flows, our investment in capital expenditures was 91 million for the second quarter compared to 29 million in the prior year's period driven primarily our investments in our SAP platform and our global retail strategy.

Now moving on to our updated 2015 guidance. Based on current visibility we expect 2015 net revenues of approximately 3.84 billion representing growth of 25% and 2015 operating income in the range of 405 million to 408 million, representing growth of 14% to 15%. We have long stated that we would be opportunistic with our investment levels if and when the right situations present themselves. In a period where we have seen unprecedented success from our athletes on a global stage we believe we have a unique opportunity to position ourselves more aggressively in key long term growth categories such as basketball and golf which we believe can create brand hallows across the Under Armour portfolio. As a result we expect to spend more than originally planned in marketing throughout the remainder of the year and this is the primary reason we're raising our full year net revenues guidance while maintaining the upper end of our previous operating income guidance. We believe this will better position our brand in delivering long term sustainable growth.

As a reminder our operating income guidance includes the dilutive impact of the Connected Fitness acquisitions consisting of one time transaction cost in the first quarter, operating losses from these businesses and non cash amortization charges of the intangible assets generated from the acquisitions. Below operating results we continue to expect a full year effective tax rate of approximately 41% compared to 39.2% in the prior year, primarily given the strengthening of the U.S. dollar which continues to negatively impact our international profitability.

Now I would also like to provide some additional color on several items, starting with revenues. We expect the growth rate in footwear to continue outpacing the growth rates for the overall business during the second half of the year. International growth is expected to ease from the growth rate achieved in the first half of 2015 as we begin the cycle for our entry into Latin America as well as new distributor partnerships launched during the second half of 2014. From a cadence standpoint we expect relatively consistent net revenue growth rates during the third quarter and fourth quarters.

Now looking at growth margins. We continue to expect our full year growth margin to be roughly in line with last year's 49% rate. During the third quarter we continue to expect an approximate 50 basis points contraction primarily due to the negative impact of a stronger U.S. dollar. In SG&A we expect the combined impact of higher planned marketing spend I previously discussed and ongoing other SG&A expense pressure will result in similar year over year growth rate in the third quarter as experienced during the first half of the year.

Finally a quick look at our planned capital expenditures. We continue to plan 2015 capital expenditures in the range of 330 million to 340 million; consistent with our prior guidance approximately 140 million of this total is allocated across

three large areas to support long term growth including our new domestic distribution center, the expansion of our corporate headquarters in Baltimore and a new and expanded SAP platform. We've also accelerated our investments in key areas that will drive revenue growth and putting the rollouts of our global retail strategy and new ecommerce sites.

We would now like to open the call for your questions. We ask that you limit your questions to two per person so we can get to as many of you as possible. Operator?

Question and Answer Session

Operator

Thank you. [Operator Instructions]. And our first question comes from Erinn Murphy of Piper Jaffray. Your line is now open.

Erinn Murphy

I guess I was curious if you could talk a little bit more Kevin about the Connected Fitness fees. In the ware book space broadly just continues to expand whether it's Fitbit or whether it's Nike you guys already have the largest platform globally. And how do you think about it maintaining that leadership position, driving engagement. And then what are those key metrics that you are focused on, is it unique user, is it a log out, or logged workout just how to think about kind of how you are thinking about this bigger picture?

Kevin Plank

So, first of all we see this as a just a massive wide space and for me personally, I remember how I felt when I had this idea for a T shirt or more importantly a piece of equipment to be worn underneath athletes uniforms or equipment, that in the past it always just been a short sleeve cotton t shirt or long sleeve or a long sleeve cotton t shirt depending on the weather. And it just felt like how come no one has done this before and for me personally is when we look at this opportunity to begin with it felt as if there's massive wide space in that no one no one in the world is measuring sort of an athlete's performance.

And you start to see these things coming around whether its wearables and biometric measurement session we dabbled in that all the way back to 2008. But we quickly came to realize the value for us was not going to be in I think the equipment side of it but the value for us is going to be in the community. And we feel like we've really locked that up. The fact that consumers had no barometer for their health today is a mistake and it frankly that's where we see this massive opportunity. We feel that we're the best ones to take advantage of it, really because the acquisitions that we've made in the last two years. The sheer size and scale of the community that we've made, it marks us as the clear leader by a factor of as much as four, three or at least two times, now having more than 140 million unique registered users.

As I mentioned in my script, adding more than a 100,000 users are downloading one of our four apps today. MapMyFitness, Endomondo, MyFitnessPal or Under Armour Record.

And again from the stats of our [red] office, well I want to drive them home, so I think it's incredible. We logged more than 1 billion workouts for log into one of our four apps over the last just since beginning of the year. When the 5 billion different foods have been logged as well. In giving scale MyFitnessPal which is the largest of the four apps that we have and as we continue to merge them, that voice will continue to come out as we articulated, but this is the world's largest database in the history of mankind of food.

I mean just think about it for a second that we logged more than 5 billion foods that we know in over 80 countries, what people are eating and what they're putting in their body. So we now believe we got the ability to be relevant across all of our platforms and we're going to work and merge them in the consistent products that read to the daily dashboard, I mean ultimately that's where we are heading.

We think that the consumer needs the dashboard which just says how am I doing. If I can look on my cell phone and I can figure out my bank balance, my stock price, so the weather in the given city, the fact that I've no measure of [biometric] for my health except we're going to see a doctor, it'll be 12 months to 18 months or 24 months we think is really a crime. So, we are identifying that issue for key plays that the consumers should be measuring themselves, the app really to measure themselves.

Sleep, how much did I sleep last night, fitness, did I exercise or not and if so to what degree, daily activity which is typically like the steps, like how much am I moving around and then fourth and probably most importantly what am I

putting in my body, my nutrition. And we've thought a lot about this and I think one thing I really want to get across is sort of the way that we're thinking about to finding success. And we do believe that there needs to be a daily dashboard and so we'll you'll continue to see that articulate itself through the Under Armour Record platform and we got few many things coming for that, particularly we'll showcase for you at Investor Day, but if you ask us to sum it up, we are looking for an engaged user community that relies on Under Armour and the Connected Fitness eco system we are building to help them measure these four central areas of sleep, fitness, daily activity and nutrition.

And more importantly we want to empower people, this isn't just about knowing that I took 8,000 steps yesterday but because I took 8,000 steps how did that make me feel. And more importantly how did that work with how I slept or what I exercise or what I ate that next day. And we think that having that information is going to allow them to make better decisions to live healthier and enriched life, I mean affecting I think ultimately obviously fitness the way that work but we think there is the outlook for us to affect global health and that gets us so excited.

And by doing this of course, we believe that Real Time is a company that focuses on selling shirts and shoes, we believe that we're going to create engagement with consumer to give them a reason to interact with our brand multiple times and I think all those things lead to this energy that you're feeling from us and frankly the resources that we've expanded over last couple of years position ourselves I think really uniquely and unlike any other brand, especially in our space but frankly anyone who's looking at biometric measurement for the athlete or for any end consumer.

So, as I said this is going to be a big part of our focus that we'll have at our Investor Day in September and I encourage you to come and see we have coming on but incredibly exciting for us and I think there is a lot more to come.

Erinn Murphy

And then I guess just my second question would just be, we head into the back to school season here domestically. Could you just talk about how your guys are feeling broadly about the environment and then I think last year, one of your major retailers received product later and this season so just help us think about if there's any kind of key nuances in the order pattern flow this season as we lap that?

Kevin Plank

Yes, I can take that Erinn, definitely we're focused on delivering back to school in a much better fashion, I think we're doing that in a better fashion this year, I think still not quite at the level that we'd like but definitely incrementally better than last year. So I think we should look much better on the retail floor in a more timely fashion for back to school this year. So we're looking we're thinking pretty well about that. As we get into back half of the year also, just to remember also in our guidance, kind of consistent with how we look at things in the past years too, especially when you look at fourth quarter in our guidance we've been consistent I think in the last couple of years talking about being very prudent in how we forecast the fourth quarter relative to weather and holiday and so forth and not taking things for granted there in our guidance. So, I'd say those are the two things in the back half of the year revenue guidance a better flow in back to school and also consistent of how we're approaching the fourth quarter revenue guidance.

Operator

And our next question comes from Camilo Lyon of Canaccord Genuity. Your line is now open.

Camilo Lyon

Kevin or Brad you guys talked about spending more on marketing here in the third quarter capitalizing on the success of your athletes and rightly, so. How do you guys think about balancing being in stocking these categories with the increased level of advertising? Are you planning on to begin production using more airfreights to get product to stores? How do you balance that supply demand equation?

Brad Dickerson

This is really much more about beyond 2015 than it really is about the back half of 2015 from a revenue and product perspective. Taking advantage of the opportunity that's in front of us from a brand perspective is really what we're talking about here. So, the ability for us to invest in our stories here tell our stories take advantage of the unique environment we're in and say that we're going to drive much, much more top line in the back half of the year because of that I think there is no doubt that we'll see some benefit and we expect to see some benefit and that's kind of including our guidance. But the real story here is about beyond 2015, it's about 2016 and beyond of what this does especially in key categories again like basketball and golf. And if you just think about basketball for a second and you take Stephan Curry and the ability for us to tell a story in a category that is influential not only in the basketball

category but just the younger consumer and what that can mean for our youth business in 2016, '17 and beyond that's what we're really talking about here is just the longer opportunity versus the shorter term opportunity.

Camilo Lyon

And then following up on that on the basketball commentary and Steph Curry's success clearly the shoes have been a runaway success selling out in pretty much every color where that you come out with. I think you have spoken in the past about wanting to get the footwear right the category right before fully expanding in the mall with the biggest basketball malls based retailer. Do you feel that you're now at that point you can start to really get all of those doors penetrated and if you could remind us where you're at from that penetration perspective and what the opportunity is?

Kevin Plank

Camilo let me take this an opportunity to just talk about our footwear a little bit, and without question the performance of Stephan and really breaking through I mean he's since we signed Steph three years ago he's always an underdog but he's always the best everywhere he went and so getting credit for that is something we're really proud of in doing whether it was as first of all most important thing to him was winning the championship but then the league MVP and then his acknowledgement at the ESPYs where I think among all athletes he's broken through and that's a really difficult thing to do particularly in the sport like basketball. And so we're proud of what that means but it's not a one way ticket to all the sudden you've arrived but there is a lot of work for us to be done and there is a lot more one thing I learned a long time ago when I mean with the first time an Under Armour logo popped up on the front cover of a US Today's sports page and I thought I was walking the office and the place to be flooded with orders it's just not the way it goes.

And so brands are built on consistency, consistency is built in trust and trust is built in drops and is lost in buckets. And so what you see is we had a great big pouring I think of credibility in the sport of basketball and which Steph brings us on a day to day basis but that's going to require a lot more investment and it's going to require a long term commitment. And so we want to let everybody know particularly our consumer but frankly our competition as well that we are moving in the basketball we've been working on this for it's not an overnight success we're working on this for years if not decade and we're incredibly proud of where we've gotten to but we're really just getting started.

So as far as basketball the category goes we've been working we've had great support from our sporting goods partners first and primarily where I think we really have that kid who is buying product to play at the high school level and we've had we've been working on with the right assortments there and really getting behind footwear for us as an initiative taking in basketball and then in the mall channel whether it's finish line or Foot Locker and I described what we're doing with the Champ Sports through Foot Locker with the ARMOURY series, it's going to be a really need opportunity for us I think to change the way that consumers is looking at the brand and the way that they see us is that breaking through and having people see the basketball brand again it's just taken lot of time and the chance for us to I think really differentiate ourselves in the brand and maybe people have seen this as to the brand that we see ourselves the brand we're going to be. So Steph's a big part of that.

Operator

Thank you. And our next question comes from Scott Krasik of Buckingham Research. Your line is now open.

Scott Krasik

Just first, can you give a rough mix of your international sales by region EMEA, Asia, South America, Brad? And then outside of partner stores what's the strategy at this point I know opening owned retail.

Brad Dickerson

Sure, on the mix of international roughly at this point in time you are going to look at EMEA being about half of the international business and then the other half broken out fairly evenly between Asia Pacific countries and Latin America for the most part.

Scott Krasik

And in owned retail?

Brad Dickerson

Owned retail by region?

Scott Krasik

Yes, going forward.

Brad Dickerson

I think Kevin to take this one too, but owned retail right now for us outside of North America a large majority of the owned retail for us is going to be in China and Latin America, in Europe we really don't have too much owned retail yet but we're starting to get going in there in the next year or two, but you are looking at mainly Latin America and China with owned retail.

Kevin Plank

Let me use this opportunity to just talk to you about international for a second. Let me take a minute to do that. Our footwear get away so somebody asked another question about that we can circle back on footwear. But international as I'm sitting here in Munich opening this new office and cutting a ribbon this afternoon first of all what Charlie has done for international business in really helping us accelerate and think about ourselves as a global brand but more importantly beginning to act like a global brand, we're fast in the way of doing that, this will be our 17th office that we've opened up I think our fifth or sixth this year, in a way that relates to our brand incredibly authentic. And if you are here it basically it feels like Baltimore and Munich is beginning of course with setting the esthetic the way the place looks but the team, the people, the energy just incredibly, incredibly proud.

And you are seeing that at retail too. We went and watched stores we saw three of the largest sport stores and retailers that are here in Germany and throughout Europe over the last couple of days and the excitement we have when we talk to these organizations and I believe that they have that Under Armour can penetrate where we're very, very we're very young and we're just getting started here, while we've been doing business in selling stuff probably for the last eight years, or nine years or close to 10 years now we're really beginning to do business, and I think it's reflective obviously in our revenues.

I mean 93% revenue growth in the second quarter alone, 83% revenue growth internationally year to date, 94% growth in 2014, so that idea of coming close to doubling and the plans we talk about is growing by about 50% a year in international and it's something I think that we get really excited that is incredibly realistic to happen.

A number of things that we have from product standpoint, we remained positioned really in the premium way the way the consumer sees us and so I think that's way the retailers want us as well. We're a full price brand basically everywhere we do business and that's no different abroad. We have learned a lot of about how our brand translates through Japan and learning that Under Armour moves outside of North America and we're just seeing that reinforced especially here in Europe. And we're doing a lot of that around the strategic accounts in core markets with premium shop and shop investments that we can have and that's been a real positive for us with the right market retailers.

From a retail standpoint as well, we've opened 18 Brand House stores in the second quarter in places like Chile, China, Taiwan, Malaysia, the Philippines, and we're targeting more than 100 additional global Brand House stores opening in 2015 build off of a base of 73 in 2014, three quarters of which we'll be located in Asia 85% of those that will be doors that will be leveraging distributor partners that we'll be opening those up and just from perspective the majority of those stores are obviously I guess going to be in China, I guess that will be obvious. But just for some perspective in the month of September alone we're going to be opening roughly one store per day in the month of September. So it's going to be a big month for us and it's something we've been prospecting for the last five years and six years they are nearly globally with Susie McCabe and Henry and our retail team really becoming expert in how to open and translate our store have a consistent message for the brand everywhere we show up.

So not to be lost in all the physical manifestation of the brand that we're putting in retail is I think some of the success that we're seeing e commerce. In the second quarter alone we launched new sites in Thailand, Austria, Ireland, Belgium, Portugal and I think we've also been working on translating our sites as well and making sure they are open. The new markets continues to be a real big opportunity for us. One thing I don't want to get lost the message is it's not all roses either, going globally is not an easy thing, it's a slug, it's an investment, and it's something we're continue to get better.

So while we're pleased with the results that we're seeing. We still see that there is a tremendous amount of meat left on the bone with the opportunity for us to improve is that our fulfillment rates are not where they need to be, the wholesale partners have been incredibly patient with us as we get this settled and organized but things like Brad mentioned with our new SAP upgrades and implementations they are make a big difference with systems and processes and this is part of the shift to becoming a global brand.

So across the world EMEA as I mentioned having spent the last couple of days here in Europe a lot of excitement lot of energy of course driven in part by our sports marketing assets the success we've seen there but I think really it's the teams in the ground and it's the energy and it's the culture of the brand that it's really leading the way. Asia lot of incredibly exciting things happening there, Japan continues to be a stall workforce and leading but as I mentioned things like China where all the stores we're opening up and what we're doing in September we're going to drive a lot of energy from the Stephen Curry store that we would be taking in through for about seven days over there between Japan and obviously three stops in China and then a few other stops as well. So it will be very exciting and then Latin America, I think energy is still building around Brazil, especially with the Olympics coming back and things we have there, we opened our first Brand House in Sao Paulo, in the Morumbi Shopping Mall and that's doing very, very well.

And really every place that we've opened stores, I think we're outperforming. So we haven't seen any surprises to the downside is tremendous amount of heat and energy to the brand, I'm living and feeling that today, and excited for about 350 to 400 of our closest friends and media partners are going to come over and help us cut a ribbon this afternoon, so a lot of energy that Under Armour being here in Germany and really every place we're opening offices and stores around the world. So it's a good story, it's good news, but as I said there's still room for us to improve and you'll see us viciously go after that.

Operator

Thank you. And our next question comes from Omar Saad of Evercore ISI. Your line is now open.

Omar Saad

Two questions, first one on the sports category alignment, Kevin that you mentioned. Could you talk about the different the way you're going to reorganize the company's work structure, what are the different keys or categories you're going to be focused on, and is it going to be kind of soup to nuts, designer, design team for each of the sports, with P&L responsibility, managers reaching the sports category, even down the innovation levels, will that be sports specific marketing et cetera, help us understand to how that's going to channel the organizational structure is going to be change? And then I got one more follow up?

Kevin Plank

Great question Omar, one we're anticipating. So we've been talking about this for years, we've tried implementing it for years and then we sort of got to this point where it's hard, it's not easy to change things as that we are we've not been end use driven in the past, we're basically we've got an apparel team, we've a footwear team, we've an accessory team and we think that obviously has worked to getting us started but we're at the point where we're reaching the size and [thank you] to scale to be able to afford and more importantly not be able to not afford to go after really addressing category management.

And the thing we use was the sport of golf which really got us excited, several years ago where we implemented this. And we identified a leader and they really took the bull by the horns and started with products in organizing everything from the way we showed up in our sporting goods and our wholesale partners, the way we showed up in the Green grass golf course and also given the same control over to how we're going to spend the marketing dollars and that means in addition the way we've showed up the things like POP and marketing all the way to the assets, that we signed. So it was a great story that led us to getting us during the speed. The thing for all of this and as we are going to think about category management it's going to come down to leadership and but what we wanted was accountability and where golf started is that I have never looked after a golf tournament several years ago, sitting there on Sunday and I'm watching and not feeling great about the way that one of our golfers was outfitted and I write an email and say this isn't working well and I think I had 18 people cc it on the email. And saying this is ridiculous, we should get this to much more consistent manner, where we can flow the information in a better way, that'll be more effective and ultimately is going to better serve the end use consumer and the athlete.

So, I use that theme of thinking bigger and that's where us hiring Terdema Ussery who's going to join us and has great experience in this industry, someone who knows everyone, who's got a five star resume of leadership and success and frankly a really great person, I think that just as importantly as anything is his expertise and his march is the culture fit that he's going to be at Under Armour.

So, there's a lot to happen there but I think we have to almost force the issue, and while we've been working through these pieces, we're going to give you a lot more color at Investor Day as well, that'll tell you a little more specific how we're thinking about it, but alternatively the idea is we're not going to just pull the plug and eliminate our apparel and our footwear groups, there is going to be a bit of transition there, the first way we're to start though is identifying the category leadership, across it's roughly nine different categories that we have right now, that we've identified, where we

want a true general manager, to run each of these that will have both in some instances clear P&L responsibility and other instances a bit of a virtual P&L responsibility, but the most important thing is when to create accountability across each of these divisions where hopefully it'll drive and prevent us from things that maybe perceived as inauthentic and making sure that we preserve the Under Armour lead.

But again I use that example of golf, in just a sport of golf in the last two years our revenues have more than doubled. We're seeing key category growth throughout the rest of the year things like on our Web site, it's a our playoff polos a number one item at our Brand House and our ecommerce site, the business is basically up everywhere, where we have our key assets which is the one thing which led us the ability to find the right asset with Jordan, that we're leading the way out there it's been absolute killing home run for us too. And it also allows us to launch a new categories like we'll have authentic golf shoe coming out, you're seeing Jordan wearing our golf club out there on the course, so all these things, from the right assets, from the right marketing, from the right positioning, being in a right retail distribution, it has already led us to get this.

So, we're excited, what we see in the success in golf is something we hopefully see a strategy through and things like that football and running and really the obvious category that you'd imagine we'd be looking for sport and you're seeing global football of course things like that. So, we want to win, we think that the opportunity for us to do that is it's not the sign, but everybody else is done and carve a bit of our own life but still at the same time there is lot of good lessons to learn from other people that have done this before too. So I think we're taking the best of all worlds and we're going to do what's best for the Under Armour brand.

Omar Saad

And then a quick question on the ARMOURY concept, having been doing by seeing cover pictures, is it more of a shop and shop or almost just like a store standalone store. Can you help us understand the dynamics there what it is and obviously there is I think 400 and plus Champs locations throughout the country. How you're thinking about the rollout of it at least what the plans are at this point in time?

Kevin Plank

I think we've been highly successful in sporting goods the mall is being different I think Champs is a great it's a bit of a step from sporting goods into the mall. And because they play that bit of a twin role but Champs and Foot Locker as a whole has been an amazing partner for us and something I think where we can translate our existing consumer. It helps get them to use to thinking about us in a mall environment. We still see ourselves as a holistic head to toe brand and our philosophy remains that we're going to go where our consumers want in fact where they expect us. And so we're looking forward is further ways where we can build relationships with our wholesale partners to elevate the product story of the best Under Armour we're only and roughly 25% of the 3,400 global footing stores today. But obviously we're working with their team and align with that.

The ARMOURY and Champ is a great example of how we can grow our business in the relationship together. We're testing a handful of these premium shop and shops over the next couple of years starting our own backyard in Maryland. And the early reads that we've seen in this thing the first several weeks that are very, very encouraging. The merchandizing is going to consider for the mixture of in line product the mall specific product in addition to some products not found elsewhere in the mall too. Things like that we're putting our highlight fleets into the mall channel, into the ARMOURY and it's giving just as a deeper breadth of sort of the Under Armour experience in a mall environment. So, I mean I think it's exciting I encourage you to get a chance and we can put on listing in time and let you know where we got some of those, go see one for yourself as well.

Tom Shaw

Operator we have time for one more question.

Operator

Thank you. And our last question will come from Randy Konik of Jefferies. Your line is now open.

Randy Konik

So I guess Kevin just wanted to kind of go back to international there that you're in Germany. So as you go along this journey of globalizing the business and the brand what if you kind of taken away over the last few years that's changed about I guess the perception of the brand from an international standpoint. How do you think you have to market differently or the same from the United States market or kind of just curious you talked about the brand evolution what do you think needs to kind of change there from an international standpoint?

Kevin Plank

Well, I think we've been doing it. It's always like the 1998 the first time that we went outside the United States and that was in Japan the first partnership deal that I signed was with the NFL Europe League. So we're no stranger to international business it's becoming good at it more importantly I think in a lot of places, particularly here in Europe continuity is an incredibly important lesson and attribute of any brand consistency is very very important doing things the same way I mean it's a continent that's a sign by history. And brands have sort of come in live today and are gone tomorrow I think everyone seen a lot of that. So a lot of it's a bit of questioning the waiting you out and wondering are you going to make it, are you going to be there.

And what we've seen is the brand it's taken a while it doesn't happen on the first handshake it doesn't happen on the first introduction. And we came over to Europe for the first time back at the end of 2005 and in 2006 and it was a it's been slog we weren't really understanding completely what we had going on at the same time we're also organizing ourselves in North America. The thing we think about with Brad and my job is and our entire executive teams' job is again the timing and deciding how to deploy the resources the time people and money. And there is only so much of any one of them. And we're torn with the fact that it's always international such a small part of our business. And so U.S. and North America would usually dominate the amount of time we spend.

So as we've grown you seen us going all the way back to 2009 and 2010 I think we filled a lot of questions so why are you pouring this money into Europe, why are you pouring this money and where is the return is going to come. And so we have this long story of long term investments in things like women's long term investments in things like footwear, long term investments in something like international. And this year and we said it and it's big enough comment but we're going to be profitable in Europe this year. And that was something if you went back five years you may have filled the question on why not throwing the towel, can you really be successful there why not just focus on North America.

So we're now looking at, a) our profitability and it's been one asset at the time and it's been things from joining the EPL football with people in places like Tottenham Hotspur and then finding ways to make investments the recent announcement we had with Sao Paulo Football Club down in Brazil it's not an immediate return for us. I've always said I don't really see us as a licensed jersey manufacturer I don't like that idea of growing sport by simply selling fan gear, we want to be on the authentic athlete we want to be on the pitch on the court on the field. But there is ways for us to get in and so finding the resource that we can spin off to make an investment in the market is very new for us like Brazil, it's a big deal. And so we're I think we're very patiently doing that around the globe where we're finding assets that make sense and especially we can reinforce at markets that we can create an ROI that's sooner than later.

So it's a big running something global and we said that a long time but really understanding what it means to be a global company that takes time, but it takes experience and it takes maturity and it takes patience and things that maybe you would characterize this is not having in the first few years as a company, but I think that we've been developing that skill set and most importantly that we've been developing that leadership team. So Terdemia is a great example of that coming on board and I think you're seeing and feel about throughout our company and something that will only continue to get bigger and better for us the brand.

So we're learning a lot of lessons. As I said their mistakes believe me but when it come through I think the performance of the 90 plus percent revenue growth that we saw this quarter and is reflective of I think what you are seeing happening. One thing I can tell you is there is the tremendous pull, tremendous demand for the brand right now with the matter of our execution and there is a lot of places we can improve we can enhance we can get better as I called out supply chains specifically is that it's difficult digging out how to move product that duty conscious and being careful and being able to make money and not getting brushed on margin and learning how to manufacture locally.

And so we've been learning all these lessons, the good news is this is the something we've been doing for last three months or six months and this is something we've been doing for really the last six years to 10 years. So we're certainly not going to be access right now but we feel great about our trajectory, we feel great about our team, we remain humble and hungry and we got a shot, the mission here is to be the next great global brand and you're going to see us bite, crawl and scratch and do everything we can to make that happen. We will keep running hard for you, that's for sure.

Randy Konik

Can I just ask one more question then? As it relates to the Connected Fitness, in terms of the long term vision is it something where over time you say we have these 100 plus million users and we can see that person A runs consistent at 5 in the morning to 10 miles a day and person B runs or doesn't run what have you over time you can tailor your marketing, customize marketing to these people whether it be your footwear or apparel what have you. How do you

kind of think about the leveraging this data base from A from a marketing standpoint to further drive more connectedness towards the brand but also towards specific categories to help accelerate those?

Kevin Plank

When we first did the, I don't think I answered that when I did my Connected Fitness either sort of the way that we're thinking about measurement of growth and things like that. When we made the announcement we called Digital Day few days past following our 2014 earnings call we told that there were 120 million people roughly on the platform and there was about a month or so later I was on I did talking head show and we said 130 million and now today we're telling it's over 140 million people. We would be careful to sort of quantifying these things in terms of number of users we have.

Our next job is really figuring out how to make them good quality users as well. I take 40 million hyper engaged people that really we're getting benefiting from the brand using our apps and our ecosystem using that as a learning place that we could grow that out to a broader audience. At the same time the scale that we're growing is nothing we want to ignore but we think the definition of success is not just the total top line number of users, however we're growing north of 30% and seeing that consistently happen that is going to be something as positive. But what I think you'll see from us and again we're going to go deeper on our own Investor Day into what the story of Connected Fitness means for the Under Armour brand is that there is a high level of engagement that we're going to be able to drive with that.

And without doubt our gear tracker side alone which is something it's exclusive to the MapMyFitness platform there is more than 400,000 people that are actively tracking products and whether it's a pair of shoes they wear or whatever item that they use. I think it's close to 2,000 people a day are signing up for gear tracker. So people are interested in this idea the Internet of Things that, that theory being that eventually everything that we have is going to have a chip in it. So a billion connected things in 2010 and I think the projection is by 2020 it's going to be over 25 billion or 30 billion connected things in the world.

So we obviously want to use that to make ourselves smart and honestly to help enrich and improve the life of our consumers. So we think we now have the ability to do that we think getting smart in everything we do. Again the thing I'm probably most proud of with these acquisitions of course the team we built but also I think the level of engagement that we're creating with the consumer of giving them a reason to think about themselves holistically, this idea of approaching help and arming people with the ability to make better decisions for themselves is a pretty powerful thing that I think who is going to own that information or who is going to help to give you that and organize that information for you should it be healthcare provider, should it be a drug store, should it be a health insurance company or should it be a sports brand that you trust.

So we think we have a great connection with the athlete we think that we can test and prototype this at the highest levels with people like universe noted in football team and if it's good enough for them we think it's and some of our other marquee athletes should be good enough for the consumers. So building that trust is going to be paramount and doing this and yes we think we're going to be able to sell more shirts and shoes ultimately but we think we're going to be able to continue to transform what the Under Armour brand is and continuously enable to do that.

Tom Shaw

And we have a few closing comments from Kevin.

Kevin Plank

With that, I think we've talked a lot today, I wish it could have gone a little deeper in the footwear but regardless, I think we remain very excited about the assets that we have today, the team that we've assembled and that begins of course with the internal leadership team that we have. I think the consumer base that we're growing and then of course the assets that we have at our athletes table. So, we're very proud of what Jordan what Steph, what Misty, what frankly all of our athletes have done and the best of all that we do believe they're all just getting started just as the Under Armour brand. So, with that I want to greet you all a good morning and have a wonderful day. Thank you all very much.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. And you may all disconnect. Have a great day everyone.

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