

V F CORP
Form 10-Q
August 05, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 2, 2016

or

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

For the transition period from _____ to _____

Commission file number: 1-5256

V. F. CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)
105 Corporate Center Boulevard
Greensboro, North Carolina 27408
(Address of principal executive offices)
(336) 424-6000
(Registrant's telephone number, including area code)

23-1180120
(I.R.S. employer
identification number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
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 30, 2016, there were 414,737,716 shares of the registrant's common stock outstanding.

Table of Contents

VF CORPORATION

Table of Contents

	Page No.
<u>Part I Financial Information</u>	
<u>Item 1 Financial Statements (Unaudited)</u>	3
<u>Consolidated Balance Sheets: June 2016, December 2015 and June 2015</u>	3
<u>Consolidated Statements of Income: Three and six months ended June 2016 and June 2015</u>	4
<u>Consolidated Statements of Comprehensive Income (Loss): Three and six months ended June 2016 and June 2015</u>	5
<u>Consolidated Statements of Cash Flows: Six months ended June 2016 and June 2015</u>	6
<u>Consolidated Statements of Stockholders' Equity: Year ended December 2015 and six months ended June 2016</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	32
<u>Item 4 Controls and Procedures</u>	32
<u>Part II Other Information</u>	
<u>Item 1 Legal Proceedings</u>	33
<u>Item 1A Risk Factors</u>	33
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
<u>Item 6 Exhibits</u>	34
<u>Signatures</u>	35

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

	June 2016	December 2015	June 2015
ASSETS			
Current assets			
Cash and equivalents	\$ 676,262	\$ 944,423	\$ 658,485
Accounts receivable, less allowance for doubtful accounts of: June 2016 \$24,479; December 2015 \$23,275; June 2015 \$21,579	1,165,200	1,289,962	1,170,150
Inventories	1,775,893	1,555,360	1,678,800
Other current assets	307,494	284,215	443,453
Current assets of discontinued operations	143,167	89,176	102,815
Total current assets	4,068,016	4,163,136	4,053,703
Property, plant and equipment	942,044	945,491	915,841
Intangible assets	1,967,306	1,948,611	1,987,367
Goodwill	1,796,161	1,788,407	1,796,769
Other assets	900,581	583,866	662,568
Other assets of discontinued operations		210,031	360,667
Total assets	\$ 9,674,108	\$ 9,639,542	\$ 9,776,915
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Short-term borrowings	\$ 1,404,493	\$ 449,590	\$ 1,158,516
Current portion of long-term debt	3,566	3,351	3,240
Accounts payable	502,847	680,606	495,103
Accrued liabilities	723,624	782,148	766,447
Current liabilities of discontinued operations	26,103	26,018	26,432
Total current liabilities	2,660,633	1,941,713	2,449,738
Long-term debt	1,400,636	1,401,820	1,401,553
Other liabilities	964,402	900,256	950,126
Other liabilities of discontinued operations		10,915	11,703

Commitments and contingencies

Total liabilities	5,025,671	4,254,704	4,813,120
Stockholders equity			
Preferred Stock, par value \$1; shares authorized, 25,000,000; no shares outstanding at June 2016, December 2015 or June 2015			
Common Stock, stated value \$0.25; shares authorized, 1,200,000,000; shares outstanding at June 2016 415,352,893; December 2015 426,614,274; June 2015 425,240,838	103,838	106,654	106,310
Additional paid-in capital	3,269,656	3,192,675	3,114,045
Accumulated other comprehensive income (loss)	(1,001,455)	(1,043,222)	(913,626)
Retained earnings	2,276,398	3,128,731	2,657,066
Total stockholders equity	4,648,437	5,384,838	4,963,795
Total liabilities and stockholders equity	\$ 9,674,108	\$ 9,639,542	\$ 9,776,915

See notes to consolidated financial statements.

Table of Contents

VF CORPORATION

Consolidated Statements of Income

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended June	
	2016	2015	2016	2015
Net sales	\$ 2,418,370	\$ 2,397,968	\$ 5,153,849	\$ 5,114,405
Royalty income	26,889	29,018	56,354	62,345
Total revenues	2,445,259	2,426,986	5,210,203	5,176,750
Costs and operating expenses				
Cost of goods sold	1,268,773	1,260,938	2,705,182	2,668,890
Selling, general and administrative expenses	965,062	947,068	1,961,344	1,897,531
Total costs and operating expenses	2,233,835	2,208,006	4,666,526	4,566,421
Operating income	211,424	218,980	543,677	610,329
Interest income	2,209	1,895	4,198	3,993
Interest expense	(23,630)	(22,860)	(45,666)	(44,550)
Other income (expense), net	1,501	672	2,793	1,495
Income from continuing operations before income taxes	191,504	198,687	505,002	571,267
Income taxes	43,210	30,845	99,842	120,300
Income from continuing operations	148,294	167,842	405,160	450,967
Income (loss) from discontinued operations, net of tax	(97,279)	2,969	(93,876)	8,553
Net income	\$ 51,015	\$ 170,811	\$ 311,284	\$ 459,520
Earnings per common share - basic				
Continuing operations	\$ 0.35	\$ 0.39	\$ 0.96	\$ 1.06
Discontinued operations	(0.23)	0.01	(0.22)	0.02
Total earnings per common share - basic	\$ 0.12	\$ 0.40	\$ 0.74	\$ 1.08
Earnings per common share - diluted				
Continuing operations	\$ 0.35	\$ 0.39	\$ 0.95	\$ 1.04
Discontinued operations	(0.23)	0.01	(0.22)	0.02

Edgar Filing: V F CORP - Form 10-Q

Total earnings per common share - diluted	\$	0.12	\$	0.40	\$	0.73	\$	1.06
Cash dividends per common share	\$	0.37	\$	0.32	\$	0.74	\$	0.64

See notes to consolidated financial statements.

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

	Three Months Ended June		Six Months Ended June	
	2016	2015	2016	2015
Net income	\$ 51,015	\$ 170,811	\$ 311,284	\$ 459,520
Other comprehensive income (loss)				
Foreign currency translation				
Gains (losses) arising during the period	(73,489)	2,444	44,068	(245,111)
Less income tax effect	1,166	1,281	(1,112)	2,755
Defined benefit pension plans				
Amortization of net deferred actuarial losses	16,319	15,495	32,625	30,992
Amortization of deferred prior service costs	645	759	1,292	1,521
Settlement charge		1,592		1,592
Less income tax effect	(6,951)	(10,130)	(13,020)	(17,096)
Derivative financial instruments				
Gains (losses) arising during the period	39,049	(21,576)	23,266	46,434
Less income tax effect	(14,916)	8,763	(8,831)	(17,965)
Reclassification to net income for (gains) losses realized	(21,024)	(15,403)	(59,319)	(23,498)
Less income tax effect	8,031	6,255	22,798	9,436
Marketable securities				
Gains (losses) arising during the period				495
Less income tax effect				(195)
Reclassification to net income for (gains) losses realized		(1,177)		(1,177)
Less income tax effect		463		463
Other comprehensive income (loss)	(51,170)	(11,234)	41,767	(211,354)
Comprehensive income (loss)	\$ (155)	\$ 159,577	\$ 353,051	\$ 248,166

See notes to consolidated financial statements.

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

	Six Months Ended June	
	2016	2015
Operating activities		
Net income	\$ 311,284	\$ 459,520
Adjustments to reconcile net income to cash provided (used) by operating activities		
Depreciation and amortization	137,472	129,265
Stock-based compensation	41,560	50,313
Provision for doubtful accounts	10,573	4,372
Pension expense in excess of (less than) contributions	19,961	(229,352)
Estimated loss on sale of business	100,556	
Other, net	(18,958)	