

V F CORP
Form 10-Q
May 12, 2015
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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 April 4, 2015

Commission file number: 1-5256

V. F. CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	23-1180120
(State or other jurisdiction of	(I.R.S. employer
incorporation or organization)	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 May 2, 2015, there were 424,975,214 shares of the registrant's common stock outstanding.

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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)**

	March 2015	December 2014	March 2014
ASSETS			
Current assets			
Cash and equivalents	\$ 655,483	\$ 971,895	\$ 321,672
Accounts receivable, less allowance for doubtful accounts of: March 2015 \$25,698; December 2014 \$26,694; March 2014 \$ 46,173	1,283,216	1,276,224	1,310,468
Inventories	1,624,234	1,482,804	1,512,459
Other current assets	518,593	454,931	389,922
Total current assets	4,081,526	4,185,854	3,534,521
Property, plant and equipment	911,478	942,181	921,970
Intangible assets	2,291,505	2,433,552	2,946,959
Goodwill	1,795,359	1,824,956	2,022,086
Other assets	652,996	593,597	559,616
Total assets	\$ 9,732,864	\$ 9,980,140	\$ 9,985,152
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Short-term borrowings	\$ 1,067,961	\$ 21,822	\$ 261,105
Current portion of long-term debt	3,384	3,975	5,142
Accounts payable	457,744	690,842	467,578
Accrued liabilities	749,237	903,602	807,708
Total current liabilities	2,278,326	1,620,241	1,541,533
Long-term debt	1,422,840	1,423,581	1,425,833
Other liabilities	1,127,433	1,305,436	1,262,957
Commitments and contingencies			
Stockholders equity			
Preferred Stock, par value \$1; shares authorized, 25,000,000; no shares outstanding at March 2015, December 2014 or March 2014	106,241	108,215	108,292

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Common Stock, stated value \$0.25; shares authorized, 1,200,000,000; shares outstanding at March 2015 424,964,672; December 2014 432,859,891; March 2014 433,166,874			
Additional paid-in capital	3,076,647	2,993,186	2,826,429
Accumulated other comprehensive income (loss)	(902,392)	(702,272)	(209,489)
Retained earnings	2,623,769	3,231,753	3,029,597
Total stockholders equity	4,904,265	5,630,882	5,754,829
 Total liabilities and stockholders equity	 \$ 9,732,864	 \$ 9,980,140	 \$ 9,985,152

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 March	
	2015	2014
Net sales	\$ 2,803,302	\$ 2,750,115
Royalty income	33,999	30,663
Total revenues	2,837,301	2,780,778
Costs and operating expenses		
Cost of goods sold	1,446,547	1,406,566
Selling, general and administrative expenses	992,919	971,022
	2,439,466	2,377,588
Operating income	397,835	403,190
Interest income	2,098	1,331
Interest expense	(21,849)	(20,637)
Other income (expense), net	828	(2,092)
Income before income taxes	378,912	381,792
Income taxes	90,203	84,599
Net income	\$ 288,709	\$ 297,193
Earnings per common share		
Basic	\$ 0.68	\$ 0.68
Diluted	0.67	0.67
Cash dividends per common share	\$ 0.3200	\$ 0.2625

See notes to consolidated financial statements.

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VF CORPORATION

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)

	Three Months Ended March	
	2015	2014
Net income	\$ 288,709	\$ 297,193
Other comprehensive income (loss)		
Foreign currency translation		
Gains (losses) arising during the period	(247,555)	(10,902)
Less income tax effect	1,474	1,315
Defined benefit pension plans		
Amortization of net deferred actuarial losses	15,497	9,384
Amortization of deferred prior service costs	762	1,362
Less income tax effect	(6,966)	(4,125)
Derivative financial instruments		
Gains (losses) arising during the period	68,010	3,696
Less income tax effect	(26,728)	(1,453)
Reclassification to net income for (gains) losses realized	(8,095)	5,416
Less income tax effect	3,181	(2,128)
Marketable securities		
Gains (losses) arising during the period	495	(549)
Less income tax effect	(195)	215
Other comprehensive income (loss)	(200,120)	2,231
Comprehensive income	\$ 88,589	\$ 299,424

See notes to consolidated financial statements.

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

	Three Months Ended March	
	2015	2014
Operating activities		
Net income	\$ 288,709	\$ 297,193
Adjustments to reconcile net income to cash (used) provided by operating activities:		
Depreciation and amortization	65,880	64,017
Stock-based compensation	25,946	26,956
Provision for doubtful accounts	2,345	3,412
Pension expense (less than) in excess of contributions	(239,700)	5,923
Other, net	(6,405)	26,505
Changes in operating assets and liabilities:		
Accounts receivable	(48,886)	41,688
Inventories	(165,494)	(117,718)
Accounts payable	(225,966)	(170,171)
Income taxes	(13,801)	(50,996)
Accrued liabilities	(71,668)	(73,355)
Other assets and liabilities	(41,584)	(39,800)
Cash (used) provided by operating activities	(430,624)	13,654
Investing activities		
Capital expenditures	(33,028)	(49,309)
Software purchases	(36,708)	(44,654)
Other, net	10,617	(5,170)
Cash used by investing activities	(59,119)	(99,133)
Financing activities		
Net increase in short-term borrowings	1,047,660	242,586
Payments on long-term debt	(1,414)	(1,099)
Purchases of treasury stock	(730,811)	(513,778)
Cash dividends paid	(135,912)	(114,776)
Proceeds from issuance of Common Stock, net of shares withheld for taxes	(4,107)	(10,966)
Tax benefits of stock-based compensation	29,678	31,773
Cash provided (used) by financing activities	205,094	(366,260)
Effect of foreign currency rate changes on cash and equivalents	(31,763)	(2,992)
Net change in cash and equivalents	(316,412)	(454,731)

Cash and equivalents	beginning of year	971,895	776,403
Cash and equivalents	end of period	\$ 655,483	\$ 321,672

See notes to consolidated financial statements.

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VF CORPORATION

Consolidated Statements of Stockholders Equity

(Unaudited)

(In thousands, except share amounts)

	Common Stock		Additional	Accumulated	Retained
	Shares	Amounts	Paid-in	Other	Earnings
			Capital	Comprehensive	
				Income (Loss)	
Balance, December 2013	440,310,370	\$ 110,078	\$ 2,746,590	\$ (211,720)	\$ 3,432,090
Net income					1,047,505
Dividends on Common Stock					(478,933)
Purchase of treasury stock	(12,037,000)	(3,009)			(724,786)
Stock-based compensation, net	4,586,521	1,146	246,596		(44,123)
Foreign currency translation				(463,588)	
Defined benefit pension plans				(99,683)	
Derivative financial instruments				73,143	
Marketable securities				(424)	
Balance, December 2014	432,859,891	108,215	2,993,186	(702,272)	3,231,753
Net income					288,709
Dividends on Common Stock					(135,912)
Purchase of treasury stock	(10,009,800)	(2,502)			(728,309)
Stock-based compensation, net	2,114,581	528	83,461		(32,472)
Foreign currency translation				(246,081)	
Defined benefit pension plans				9,293	
Derivative financial instruments				36,368	
Marketable securities				300	
Balance, March 2015	424,964,672	\$ 106,241	\$ 3,076,647	\$ (902,392)	\$ 2,623,769

See notes to consolidated financial statements.

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

VF Corporation (together with 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 March 2015, December 2014 and March 2014 relate to the fiscal periods ended on April 4, 2015, January 3, 2015 and March 29, 2014, 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 2014 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 months ended March 2015 are not necessarily indicative of results that may be expected for any other interim period or for the year ending January 2, 2016. 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 2014 (2014 Form 10-K).

Note B 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 VF's accounts receivable may be sold to the financial institution and remain outstanding at any point in time. VF removes the accounts receivable from the Consolidated Balance Sheets at the time of sale. VF does not retain any interests in the sold accounts receivable but continues to service and collect outstanding accounts receivable on behalf of the financial institution. During the first quarter of 2015, VF sold total accounts receivable of \$321.9 million. As of March 2015, December 2014 and March 2014, \$168.4 million, \$130.3 million and \$167.7 million, respectively, of sold accounts receivable had been removed from the Consolidated Balance Sheets but remained outstanding with the financial institution. The funding fee charged by the financial institution is included in other income (expense), net, and was \$0.4 million for both the first quarter of 2015 and 2014. Net proceeds of this program are classified in operating activities in the Consolidated Statements of Cash Flows.

Note C Inventories

In thousands	March 2015	December 2014
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