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Under Armour, Inc. (UA)

Q4 2020 Earnings Call
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Under Armour, Inc. Fourth Quarter Earnings Webcast and Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference to your speaker today, Lance Allega, SVP, Investor Relations & Corporate Development. Please go ahead, sir.

Lance Allega  
Senior Vice President, Investor Relations & Corporate Development, Under Armour, Inc.

Thank you. Good morning to everyone joining us for Under Armour’s fourth quarter and year end 2020 earnings conference call. The information made available today includes forward-looking statements that reflect Under Armour’s view of its current business as of February 10, 2021 and considerations for future events that may impact our business moving forward.

Statements made today are subject to risks and uncertainties that are detailed into documents, regularly filed with the SEC and the Safe Harbor statement included in this morning’s press release, both of which can be found on our website at about.underarmour.com. It is important to note that due to ongoing uncertainty related to COVID-19 with respect to the duration and extent of the virus's immediate and long-term impact on the global retail environment, we continue to expect the possibility of material impacts on our business results. Accordingly, future
results could differ meaningfully from historical practices and results or current descriptions, estimates, and suggestions.

On today’s call, we may reference non-GAAP financial information including adjusted and currency neutral terms, which are defined under SEC rules in this morning’s press release. You may also hear us refer to amounts under US GAAP. Reconciliations of GAAP to non-GAAP measures can also be found in our press release, which identify and quantify all excluded items and provides our view about why we believe this information is useful to investors. Joining us on today’s call will be Under Armour President and CEO, Patrik Frisk; and CFO, Dave Bergman. Following our prepared remarks, we’ll open the call for questions.

And with that, I'll turn it over to Patrik.

Patrik Frisk
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thank you, Lance, and good morning, everyone, and welcome to our fourth quarter and year end 2020 conference call. Before we start, I’d be remiss not to point out what a fantastic past weekend this was for sport and for Under Armour. From Stephen Curry scoring 57 points, the eighth time he scored more than 50 in a game, to Chase Young winning the NFL Defensive Rookie of the Year, and Joel Embiid putting up 33 to keep the 76ers in first place, to Jordan Spieth posting a career best ten birdies in a round. There was no shortage of UA highlights this weekend.

Oh, and of course, there was one more highlight, or better yet, make that the seventh as the number seven for the GOAT quarterback, Tom Brady, as he led the Tampa Bay Buccaneers to their second ever Super Bowl victory. With Tom, it’s quite easy to run out of ways to describe yet again another incredible accomplishment he’s added to his unparalleled career. In his ten years as an Under Armour athlete, Tom has exemplified what perseverance, hard work, and leadership can do in pursuit of excellence. On behalf of the entire Under Armour family, Tom, thank you for making us better.

Now turning back to our results, as I reflect on my first year as CEO amid a global pandemic that has tested all of us, I’d start by underscoring just how incredibly proud I am of our team’s resilience and their ability to execute at an incredibly high level against our long-term strategy. We made significant progress on our way to becoming a stronger brand and a better-run company during the past year, from managing through a three-month global retail shutdown and relaunching our North American eCommerce platform to executing a comprehensive restructuring effort and divesting the MyFitnessPal platform.

Our mantra, The Only Way Is Through, turned out to be even more foretelling than perhaps we had intended it to be. Despite an incredible amount of uncertainty in 2020, we stayed the course by harnessing the strength of our rearchitected go-to-market engine to deliver performance-based products and experiences along with targeted data-driven storytelling, Under Armour showed up stronger and more holistically as a brand than in years past.

From an operations perspective, increasingly more effective supply and demand planning along with our best-in-class distribution network enabled us to quickly adapt to the needs of our customers and consumers with greater precision and efficiency getting the right product to the right place at the right time. As we closed out 2020, our efforts over the past couple of years to pursue a clearly defined target consumer, rebase our cost structure, and fundamentally change the way we work is beginning to yield results.

And powered by a clear identity of who we are, a leading athletic performance brand, our foundation is solid, our discipline, tested and proven, and the opportunity before us is robust. As I look ahead, I'm energized by our
transformation and confident that our operating model is strengthening our ability to drive sustainable returns to our shareholders over the long-term. Yet, we remain confronted with uncertainty due to the COVID-19 pandemic. As a result, some parts of our business have fundamentally changed, including new ways of working and interacting with our consumers, customers, and teammates.

How these changes ultimately play out over the next few years remains to be seen. Still, I'm confident that we are significantly better equipped to navigate through the changes given our improved levels of agility and optionality. The last year has also brought about meaningful changes in consumer behavior and related marketplace demand impacts. In this respect, we remain focused on controlling what we can, while staying prudent. This means being patient and measured in how we manage our business and conscious about where we are within our journey, while maintaining the same level of discipline that got us here.

To this effect, we will continue to constrain demand in 2021, a decision that as discussed in previous calls may impact our ability to drive top-line volume in the near-term. However, whether through proactive wholesale door reduction efforts in North America or ordering slightly less product against future demand, based on the brand and margin benefits that we realized in 2020, we are confident that this focus will help elevate our premium positioning with consumers and therefore driving better profitability.

Carrying forward into 2021, there are four areas of focus that we laid out on our last call. First, is continuing to strengthen the brand through increased engagement and consideration with the Focused Performer. Second is continuous improvement within our operating model to drive even greater efficiency across all end-to-end processes. Third is elevating a D2C-focused approach to deepen and amplify our most intimate connection with Under Armour’s consumers. And finally, as we get back to profitable growth in 2021, making sure our discipline stays aligned with driving shareholder value over the long-term.

Starting with brand strength and engagement, about a year ago, we launched a powerful global Under Armour voice to drive increased consideration with our target consumer, the Focused Performer, and powered by enhanced tools and real-time metrics as consumer behavior shifted toward eCommerce as well as working out from home including a large shift towards running, we too altered course. From The Only Way Is Through to Through This Together and other variations along the way, we refocused our efforts more surgically to drive greater returns amid an exceedingly dynamic environment. A lot of these efforts of course take time to manifest and to see change, exiting a year like 2020 with increased consideration, conversion, and higher selling prices in many parts of our business gives us greater confidence in our strategy and execution for the year ahead.

Successful storytelling of course needs to partner with great products. In 2020, we stuck to our playbook and leaned heavier into brand and product marketing to support successful introductions like our Project Rock collection, Meridian Pant, Infinity Bra, the UA SPORTSMASK, and in footwear, the HOVR Machina, Phantom 2 and the Breakthru. One highlight we’re especially encouraged by is the continued momentum in our women’s business, specifically bras and bottoms, and broad-based interest across our run category led by our innovation-driven HOVR franchise.

Another highlight is the launch of the Curry Brand in December. As a purpose-led collaboration powered by Under Armour, we’re excited to partner with Stephen to deliver performance products that along with focused partnerships will help fund youth sports in under-resourced communities through equitable access and safe places to play. As a pinnacle expression of this effort, we launched Curry 8 basketball shoe, the first product to future UA Flow. As a second footwear cushioning technology released under our reengineered go-to-market, Flow’s proprietary non-rubber outsole has manifested into our most obedient and highest traction footwear yet.
Up next, UA Flow is set to launch in one of our largest long-term growth opportunities, running. Building on the success and momentum of HOVR, the UA Flow running platform will help us accomplish two things. As an innovation, we believe this product's performance attributes including its unique traction, ride, and energy return structure will help drive even more significant consideration and authenticity with core runners. And second, as our most pinnacle running footwear offering, it will broaden our ability to segment and help differentiate our assortment, thereby creating opportunities for shelf space expansion within running, specialty, and key wholesale accounts.

Switching gears to our second area of focus is our operating model evolution. Throughout 2020, we worked to rebase our cost structure to ensure we are positioned from a strategic, operational, and financial perspective with an appropriate foundation and agility to scale with future growth. And within our comprehensive restructuring plan, we believe our central purpose continues to put us in a position to return to double-digit operating margin over the long-term. In this spirit, we have been asked many times if we've reached an optimal cost structure for Under Armour or where our general break-even ratio lies. At $2.2 billion of SG&A in 2020, our cost structure is not meant to support the $4.5 billion revenue that we realized last year, but instead a larger top-line business where we can begin to leverage some of the foundational investments necessary for our growth expectations.

As laid out in this morning's press release and details that Dave will discuss later, we plan to return to profitability in 2021. Therefore, our break-even is somewhere around the $4.7 billion mark. With our cost structure now appropriately rebased, it's important to understand a few elements of how we're thinking about SG&A expenses and investments moving forward. When considering our restructuring efforts on how that impacted or will continue to affect our overall cost structure, it's essential to remember that most of these efforts have been related to future cost avoidance versus current cost reductions.

That said, we have realized underlying SG&A benefits in certain areas. However, it's not as simple as cutting costs to gain leverage. As we mentioned, early within our restructuring efforts, our main objective was to unburden ourselves of decisions and commitments made when we expected to be a much larger company than we are now. Within those scenarios, there was also an expected level of productivity that was never realized. As the business in pursuit of brand-right growth, we will continue to invest in driving that growth and for us specifically that means marketing, IT, and elevating our international and D2C footprints.

More simply put, while the absolute SG&A dollars may not change much in the near-term, I'd underscore that the productivity and return on the investments that we are making are appropriately greater than just a few years ago and should market factors impact our growth track in the near-term, we're now also capable of flexing and managing our costs with greater discipline and optionality to maintain a more consistent profitability trajectory.

These factors along with improved visibility and tighter alignment of our demand and supply planning functions have afforded us greater flexibility with our customers and our ability to service higher than planned demand. This is especially evident in our year-end inventory position, which was at the same level that we ended 2019. In 2021, we plan to manage this even more tightly helping us drive fuller price selling across all distribution points, while keeping an eye on increasing our productivity and therefore turns.

Moving to our third priority, elevating a D2C-focused approach and the pandemic has certainly magnified and accelerated digital adoption rates worldwide. With eCommerce up 40% in 2020 and representing nearly half of our total D2C business for the full year, we are hyper focused on better understanding the consumer journey and building greater personalization capabilities to unlock even deeper connections with athletes.
In our retail stores, we are working to evolve concepts to drive more profitable formats particularly for our full-price Brand House locations. Our Factory House business is about driving greater productivity in store reducing our promotional levels and leveraging the fleet to clear through excess product. While this foundational work continues to help us in our journey to be a best-in-class retailer, with the acceleration of eCommerce and tightening of wholesale, this truly becomes an omni-channel conversation. Whether it’s drop-ship, endless aisle or RFID, we believe executing a powerful omni-channel strategy will enable us to create a more seamless and connected shopping experience across all consumer touchpoints.

And finally, being in a position both strategically and operationally to pursue this channel-agnostic approach is something that we believe will serve as a key unlock to strengthening our brand ecosystem wherever and whenever consumers choose to engage Under Armour. Bringing all these strategies together leads us to our last priority, maintaining our discipline around profitability to drive sustainable shareholder value over the long-term. From operating model refinements, our innovation pipeline, and brand elevating strategies, to our entire inventory management and a rebased cost structure, it’s well understood across the enterprise what we must do as we work to deliver greater leverage and sustainable profitable growth over the long-term.

So, to wrap up, I am proud of what Under Armour has accomplished in the last year, particularly our ability to efficiently navigate an incredible amount of marketplace variability, while continuing to advance our transformation. Building on this demonstrated proficiency as we move into 2021 amid uncertainty that has carried over from last year, I am confident about our ability to meet near-term challenges, accomplish our goals, and balance them with our long-term objectives.

And, with that, I’ll hand it over to Dave.

David E. Bergman
Chief Financial Officer, Under Armour, Inc.

Thanks, Patrik. In the fourth quarter and for the full year, we delivered stronger than expected results, a performance to be proud of especially during a global business environment that faced significant macro and micro challenges. Over the past few years, the work we've accomplished created a space, an optionality necessary to work through these challenging conditions. From industry-leading product innovations to connecting consumers through fantastic brand stories and improved shopping experiences, to deliver decisions to ensure liquidity along with executing the divestiture of MyFitnessPal, I'm pleased with the way we closed out 2020.

With that said, let’s dive into our fourth quarter results, starting with revenue, which was down 3% to $1.4 billion compared to the prior year. This was better than we had expected due to higher than anticipated demand across our wholesale and DTC businesses. From a channel perspective, our wholesale revenue was down 12%. Keep in mind about $130 million in orders shifted out of the fourth quarter into the first quarter of 2021 due to timing impacts from COVID-19 related to customer order flow and changes in supply chain timing that we discussed on our last call. Relative to our plan, we experienced stronger sell-through and higher demand from our customers.

Our direct-to-consumer business increased 11% driven by 25% growth in our eCommerce business. Relative to our plan, we experienced better than expected traffic trends in our retail business. Our licensing business was down 12% driven primarily by lapping one-time settlements in the prior year with two of our North American partners and lower minimum royalty payments. This result was better than expected driven primarily by our Japanese partner. By product type, Apparel revenue was down 4% driven by declines in our train and team sports categories. Footwear was down 7%, mainly driven by declines in our team sports category. And finally, our accessories business was up 32% with all of the growth being driven by sports masks.
From a regional and segment perspective, fourth quarter revenue in North America was down 6%, negatively impacted by the COVID-19 timing impacts I previously mentioned as well as reduced off-price sales. These headwinds were partially offset by strength in eCommerce within our DTC business in the quarter. In EMEA, revenue was down 11%, also negatively impacted by COVID-19 timing impacts, partially offset by solid growth within our DTC business primarily due to eCommerce. Revenue in Asia-Pacific was up 26% driven by growth across all channels, partially offset by timing impacts from COVID-19. In Latin America, revenue was up 2% driven by DTC growth, which included strength in our eCommerce business, partially offset by impacts from COVID-19.

And finally, our Connected Fitness business was down 5% due to the sale of the MyFitnessPal platform in the quarter, which was completed in mid-December. It is important to note that following this sale, we will no longer be reporting the Connected Fitness segment. Starting with the first quarter of 2021, the remaining MapMy business will be consolidated within our Corporate Other segment.

Fourth quarter gross margin increased 210 basis points to 49.4% including a $12 million impact related to restructuring efforts. Excluding restructuring charges, adjusted gross margin increased 300 basis points to 50.3% driven by approximately 150 basis points of positive channel mix benefiting from lower year-over-year distributor and off-price sales, which carry a lower gross margin and a heavier mix towards DTC, which included strong eCommerce growth.

Additional year-over-year increases included 90 basis points of supply chain benefits, primarily driven by product costing improvements, and 30 basis points of positive regional mix driven by APAC growth in the quarter. Relative to our previous expectations for gross margin in the fourth quarter, our results were significantly better than expected as we experienced higher than anticipated demand, which allowed us to sell in and sell through with considerably less discounting and markdowns than we had initially anticipated. SG&A expense decreased 4% to $586 million due to our restructuring efforts and tighter spend management.

In the fourth quarter, we recorded $52 million of restructuring charges and certain impairments related to the long-lived assets. As a reminder, we expect to incur total estimated pre-tax restructuring and related charges under this plan in the range of $550 million to $600 million. For the full year, we realized $473 million in restructuring and related impairment charges and $141 million from impairments of long-lived assets and goodwill. We expect to complete our restructuring charges within the first half of 2021 with most of the remaining charges coming in the first quarter.

Our fourth quarter operating income was $56 million. Excluding restructuring and impairment charges, adjusted operating income was $120 million. After-tax, we realized net income of $184 million or $0.40 of diluted earnings per share during the quarter. Excluding restructuring charges as well as the non-cash amortization of debt discount on our senior convertible notes and the gain and deal-related costs associated with the sale of MyFitnessPal, our adjusted net income was $55 million or $0.12 of adjusted diluted earnings per share for the quarter.

From a balance sheet perspective, I am pleased to report we ended the fourth quarter with $1.5 billion in cash and cash equivalents inclusive of $199 million related to the sale of MyFitnessPal. We also had no borrowings outstanding under our $1.1 billion revolver. And finally, inventory for the fourth quarter was $896 million, relatively unchanged compared to the prior year.

Concerning our 2021 outlook, while recent consumer trends have been more positive than we anticipated, we remain cautious in planning our business given the continued uncertainties with respect to demand and the
overall marketplace due to the COVID-19 pandemic. Therefore, the outlook we are providing today is predicated on our business continuing in the near-term with the same general macros that we've seen most recently followed by moderate improvements within the greater retail landscape as the year progresses. Meaning, we're assuming no major retail or other business shutdowns or other new significant adverse economic impacts due to COVID-19.

That said, I will provide some high-level color on how we are thinking about our business for 2021. Relative to revenue, we expect a high single-digit rate increase for the full year compared to 2020, reflecting a high single-digit increase in North America and a high teens growth rate in our international business. Looking at 2021, some of the things included within our outlook that we anticipate will serve as revenue headwinds include the following. First, would be the absence of MyFitnessPal.

Second, to Patrik's earlier point about maintaining our current supply and demand planning and inventory management discipline, we plan to constrain orders against expected demand. Third, as previously discussed, we will begin to exit certain undifferentiated wholesale distribution, primarily in North America, starting in the back half of 2021 with a plan to close about 2,000 to 3,000 wholesale partner doors, thereby expecting to land closer to 10,000 doors by the end of 2022. And finally, we're making several changes to our operating model in Latin America, including shifting certain countries to strategic distributorship models, which will negatively impact revenue, but should help improve operating margins.

From a channel perspective, within wholesale, it's important to keep in mind that we are just now finalizing our third quarter bookings and have only recently started to take orders for the fourth quarter. Therefore, we have limited visibility into the back half of the year. And as Patrik mentioned, we will look to manage our inventory tightly, and in some instances, constrain demand to continue to return to more premium revenue growth. All of this means we are taking a prudent approach to forecasting and managing our business this year. From a DTC perspective, we expect retail to outpace eCommerce's growth as our digital business is up against strong comps from 2020.

For gross margin on a GAAP basis, we expect the full-year rate to be up slightly against our 2020 adjusted gross margin of 48.6%, with benefits from pricing and supply chain efficiency, being largely offset by the sale of MyFitnessPal, which was a high gross margin business. From an SG&A perspective, as Patrik detailed, we believe we have appropriately rebased our cost structure and we believe the improved discipline and processes we currently have in place have instilled a more return-based approach to our investments that should drive greater prioritization into the areas that deliver the highest return and support our long-term growth opportunities.

However, critical areas like DTC, international, and marketing will require us to continue investments to support our growth expectations. Therefore, we are planning on slight SG&A growth for the year. With all of that considered, we expect reported operating income to reach approximately $5 million to $25 million and adjusted operating income to be approximately $130 million to $150 million, which will take us to a reported diluted loss per share of about $0.18 to $0.20 or adjusted diluted earnings per share in the range of $0.12 to $0.14.

Now to provide a little bit more color on the first quarter of 2021, we are currently planning for first quarter revenue to be up approximately 20%. This expectation includes about $130 million of orders that shifted out of the fourth quarter of 2020 into the first quarter of 2021 due to timing impacts from COVID-19 related to customer order flow and changes in supply chain timing that we discussed earlier.

Next, we expect gross margin to be up about 180 basis points to 200 basis points compared to the prior year, driven primarily by pricing benefits related to lower promotions, primarily in DTC compared to the prior year and continued supply chain benefits related to product costing improvements. We expect these benefits will be
partially offset by the absence of MyFitnessPal. Bringing this to the bottom line, we expect a first quarter operating loss of approximately $55 million to $70 million. Excluding planned restructuring impacts, we expect adjusted operating income to be approximately $30 million to $35 million. Excluding restructuring, we expect about $0.03 of adjusted diluted earnings per share.

And finally, before moving to Q&A, we also announced this morning our plan to change Under Armour’s fiscal year end from December 31 to March 31 of each year. This will become effective on April 1, 2022. Based on our revenue being more heavily weighted in the second half of the calendar year, we believe this change, namely putting those two quarters in the middle of our new fiscal year, will provide us with greater visibility and subsequent forecast accuracy as it relates to strategic business decisions and providing our initial annual outlook.

Mechanically, nothing changes this year for fiscal 2021. Next year, in 2022, we will have a three-month or one-quarter transition period that runs January 1 through March 31, which we’d expect to report in May like our current first quarter cadence. Following that transition period, our fiscal 2023 will begin April 1 of 2022 and run through March 31 of 2023. Accordingly, there will be no full-year fiscal 2022 reporting.

In closing, we have made great progress against our transformational journey, which afforded us increased agility and flexibility to navigate through what was undoubtedly an unprecedented year. We’ve reengineered our go-to-market, optimized our product and innovation engines, and focused on our well-defined target consumer. Additionally, the continued actions we took this year to protect and strengthen our balance sheet drove significant improvements in our ability to generate cash and protect liquidity.

Moving forward, our approach remains appropriately cautious given the high level of uncertainty related to COVID-19. That said, we will maintain our disciplined approach in executing our strategies and continue to put Under Armour in the best position possible to achieve sustainable profitable growth over the long term.

With that, we'll turn it back to the operator for your questions.
QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Jim Duffy with Stifel. Your line is now open.

Jim Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Thank you. Good morning. Hope you guys are all doing well. Great progress with the business. Dave, I wanted to dig in some on the SG&A. SG&A pencils to low single digit growth, which implies leverage on the revenue growth. For 2020, you talked about $40 million to $60 million in savings from the restructuring with more to come in 2021, how much more savings from the restructuring will build on this in 2021? And then can you talk about how SG&A splits for the year? Where do you see marketing expense for the year? Are you expecting deleverage there? And where do you see operating overhead? Thanks.

David E. Bergman
Chief Financial Officer, Under Armour, Inc.

Yeah, Jim. We've obviously been putting a lot of work into this area over the years and our cost structure is built for a larger business and it will take driving greater revenue to return to that kind of double-digit operating margins. But as we drive higher revenue in areas like marketing, IT, and retail, we should be able to leverage the cost of these areas more efficiently and trying to win going forward from a productivity perspective. As we mentioned, there are some key areas we've got to keep investing in like DTC, international, and marketing, but the discipline and processes that we now have in place are going to help us kind of better manage our SG&A growth relative to revenue and making sure that we're continuing to leverage going forward.

I would say that based on the timing of execution of our restructuring activities 2020 and into early 2021, we talked about a benefit of about $40 million to $60 million on operating income in 2020. You can assume that that benefit is going to at least double when you think about what's in the 2021 numbers. But again, we are reinvesting some of that, especially in the marketing front.

And so, this year, we're not giving an exact percentage of marketing, but we are going to stay at a pretty healthy investment area as a percentage of our revenue. I would say it might not be as high as in 2020, but it's probably going to be a higher percentage than it was potentially in 2019 or prior as we continue to want to invest and really grow the brand and keep that momentum going. So, that's what we're seeing, and we look forward to seeing that continued leverage as we drive into 2022 as well.

Jim Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

And, Dave, you've done a lot of hard work on eliminating fixed costs. You've talked about the capacity to flex. Can you give a few examples of changes in the cost structure that give you that enhanced flexibility?

David E. Bergman
Chief Financial Officer, Under Armour, Inc.

Yeah, I mean, a couple things I would say is that from a people cost perspective, we are definitely rebased now and that gives us a lot more flexibility going forward. In addition, from a marketing perspective, we've really done deep there relative to trying to alleviate and get out of some of the longer-term contracts that we weren't receiving...
much of the benefit there. And that allows us to have kind of a bigger war chest to be nimble on the marketing front going forward and making sure we’re deploying that marketing in the areas of highest return based on the [ph] roaming work (33:17) that we've been doing.

Some other areas that have really benefited like even depreciation is now becoming more of a tailwind for us whereas it used to be a headwind based on the high CapEx levels back in 2016, 2017, and 2018, but our investment committee has worked diligently to really prioritize our CapEx spending and now, we're seeing depreciation slowing down considerably, which has been nice as well. So, there's a lot of other areas that we've been addressing around T&E and other areas of spend, but we are instilling the right discipline now, benchmarking metrics to make sure that we’re investing in the right places going forward and keeping it under control and leveraging as we go into 2022.

Jim Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Thank you so much, guys.

David E. Bergman
Chief Financial Officer, Under Armour, Inc.

Thanks, Jim.

Operator: Thank you. Our next question comes from Paul Trussell with Deutsche Bank. Your line is now open.

Paul Trussell
Analyst, Deutsche Bank

Good morning, and congrats on the strong execution. First, maybe can you provide an updated view of how Under Armour is positioned in the North American wholesale market? Specifically, can you provide more color on the – or quantify even the impact of the supply limitations and reduced door count to the revenues where you are from an off-price channel inventory position? And then conversely, maybe also speak to the positive on what you're seeing in terms of brand momentum in full-price sell through?

Patrik Frisk
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Hi, Paul. This is Patrik. As it relates to the efforts that we're doing overall to what we call constrained demand and as part of that the pullback that we're doing in some undifferentiated doors in North America, that really gets underway in 2021 and predominantly in the back half of the year as we've been wanting to be fair to the customers and allow them to adjust to our actions.

So that will be a two- to three-year journey for us where we get out of 2,000 to 3,000 doors and then starting in the back half of this year. And what we'll be left with when we're through that journey is really what we believe are more appropriate doors for us, but doors that we feel are going to win. [indiscernible] (35:53) but the winners kind of mentality there and where we also feel that we can earn shelf space back. So that's really important for us. It's also important for our segmentation and our merchandising strategy going forward.

So those things will all help to make sure that we're building toward a more premium position. And in combination with that, I spoke about it in my script in terms of the effort that we're putting into our own direct-to-consumer as well and becoming a better e-commerce and full-price brick and mortar as well as an enhanced positioning in our outlet going forward here in North America.
All of that together is going to elevate the brand. And we're already seeing some of that happen to some respect in terms of what we talked about as it relates to more full-price selling. But it's a journey. And it happens over time step by step, and we initiated this already last year and we'll continue to do so as we go into the future.

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

And, Paul, this is Dave. I would also add you mentioned kind of on the third-party off-price channel, that's one where we've definitely been working it down steadily over the past couple of years which we're proud of and we kind of landed on that – for 2020 we landed at about a 4% mix of our total business there. And we've got a lot tighter discipline now on how we manage and order our inventory. So for 2021, we believe we can probably improve that maybe a little bit more from a mix perspective, but it should no longer be a revenue headwind for us. So we're excited about where we are there too.

Paul Trussell  
Analyst, Deutsche Bank

Thank you for that color. And then to follow-up, just gross margins were impressive in 4Q. Maybe just talk through the drivers of the improvement this past period and just the puts and takes that we should keep in mind that leads to your kind of slight expansion this year?

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

Yeah, I mean, in Q4, a big part of it was channel mix because we had lower mix of business within our distributor markets and also a lower percentage of third-party off-price sales. But then also, we had a much higher DTC mix versus Q4 of 2019. So that area was a big area for us with the channel mix in Q4. But then also we continue to see some really solid supply chain benefits from a costing perspective. And we've talked about that a lot over the last year or so about all the work we've done with consolidating our vendor base, SKU rationalization, and we're seeing that really come through continually here. So, excellent, excellent work from the supply chain side on that front.

And then we also saw a little bit of benefit in Q4 relative to the region mix with the APAC growth being very strong and APAC being kind of our highest gross margin region. So, all of those things were really helpful for us in Q4. It was obviously a lot better than we had given outlook for on our last call and a lot of that was due to less promotions and discount than we expected due to the stronger sell-through – sell-in and sell-through.

I think when you think about 2021, we would expect to be up slightly versus 2020 and that's really going to be the continued supply chain efficiencies mainly around product costing that we've seen a lot in 2020 and that's continuing into 2021. But then also we would expect to see some improved margins from pricing as we continue to work on pulling back our promotions and discounting primarily in the DTC front as we drive towards that continued premium brand right growth. Those benefits in 2021, though, will be largely offset by the sale of MyFitnessPal, which was a really high-margin business for us. So, if you pull that out, that has a pretty dramatic offset on gross margin.

And then the third-party off-price year-over-year really isn't much of a factor because we've kind of normalized that now in that 3% to 4% range mix of revenue. So, again, it's really for 2021 it's the supply chain efficiencies with product costing, it's continuing to pull back on promotions and discounting, being largely offset by the sale of MyFitnessPal coming to our outlook of up slightly year-over-year.
Paul Trussell  
Analyst, Deutsche Bank  

Thank you. Best of luck.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.  

Thanks, Paul.

Operator: Thank you. Our next question comes from John Kernan with Cowen. Your line is now open.

John Kernan  
Analyst, Cowen and Company  

Yeah, excellent. Thanks for taking my question, and congrats on a real nice finish to the year.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.  

Thanks, John.

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.  

Thank you, John.

John Kernan  
Analyst, Cowen and Company  

Dave, you said you remain cautious in your outlook and it is predicated on a weaker general macro and only moderate improvements in global retail. I'm just curious, what would tell you to start chasing into a recovery that once the pandemic starts to come to an end and normal flows in retail ensue, what would compel you to really chase into a better environment? At this point it does feel like there is some momentum on the recovery line.

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.  

Yeah, I think there's a couple of things to think about there. One is that, as I mentioned, we still don't have many orders yet in hand from a timing perspective for Q4 on the wholesale side, and that's obviously a very big piece of our business. So we're being a little bit cautious from that perspective.

Second, COVID is still very front and center and creating challenges around the world still at this point. And so I would say that as we go through the next couple of months and we get more visibility to Q4 orders, and we get a better feel of whether the vaccination rollout and COVID is getting more and more in check, then we'll be in a better place to be able to reassess.

But the third thing I would say is, I wouldn't necessarily say that the word chase relative to Under Armour. We talked about premium brand right growth and therefore we are constraining demand a little bit and so, there may not be a lot of chasing to do if it's natural orders that are coming in and we're putting the right discipline and constraint against those, that's one thing. But I don't think you're going to see Under Armour necessarily chasing...
within the year. And it might just be the term you used, John, so I’m not trying to pick on that, but I just want to be sensitive to our strategy and our approach this year.

Patrik Frisk  
*President, Chief Executive Officer & Board Member, Under Armour, Inc.*

Yeah, I think it's important, John, to maybe give a little bit more color around what we mean when we say constrained demand as it relates to an ability to chase.

In general, as it relates to all quarters of the year, as we think about our demand planning, functionality and strategy, we are tightening the buys — the initial buys, the outer replenishment, the at once capability and all those buckets we will be tightening up our buys to make sure that we are managing our inventory appropriately, but also to be helping us drive the brand into a more premium positioning. So there won't be a situation even if it opens up where we will go and chase apart from the inventories that we have. That's a really important strategy for us going forward.

John Kernan  
*Analyst, Cowen and Company*

Got it. That's helpful. Clearly we can all see the improvements in full-price sell-through, which is great. Just, Dave, you also mentioned footwear being pressured by team sports. I think everyone understands Under Armour has a big position in middle school, high school, and collegiate sports. I'm just curious if you could help us quantify what the hit from team sports overall was in general for 2020 and maybe what the recovery in team sports looks like in 2021.

Patrik Frisk  
*President, Chief Executive Officer & Board Member, Under Armour, Inc.*

Well, maybe I'll lead in John. First of all, I want to say that it's been a horrific year for many of our young people out there, and we certainly are incredibly empathetic with all of our team sports athletes and what they've had to go through and also our individual athletes, right, as it relates to the Olympics and other events.

When we look at this year, that's actually one area where we are enthusiastic in terms of two things. One is our innovation pipeline. We're going to be coming out with some awesome cleated product for both baseball, football, and soccer here in this year that we're really, really excited about. And so that's a big deal for us. And we believe that there's going to be let's say a back-to-school team sport season. And that is a very positive thing we think in the back half of the year.

Dave, do you want to give a little color too?

David E. Bergman  
*Chief Financial Officer, Under Armour, Inc.*

Yeah, I think the only other thing I would add is that the team sport business was also one that was pretty heavily impacted in Q4 of 2020 with the timing shifts we talked about from Q4 2020 into Q1 of 2021. So I think just keeping that in mind as well when we think about 2021 versus 2020.

John Kernan  
*Analyst, Cowen and Company*

Got it. Thank you.
Operator: Thank you. Our next question comes from Randy Konik with Jefferies. Your line is now open.

Randal J. Konik
Analyst, Jefferies LLC

Yeah, thanks a lot. Dave, I just wanted to first clarify on the annual revenue guide for 2021, based on the guidance you gave for the first quarter, it seems like it's implying almost a flattish back half of the year. I think it sounds like you're saying – you're trying to be conservative or be cautious given the order patterns haven't started effectively yet for the back half.

But can you kind of give some sense of where the inventory levels are with your various wholesale accounts? Because it appears to me that they seem to be very, very lean. So if there's an event where the consumer feels a little bit stronger and your product is starting to resonate a little bit better, the inventory kind of compare with these accounts for the back half is pretty, I guess, easier compelling such that you could probably see some growth there. So just curious on how you think about that?

David E. Bergman
Chief Financial Officer, Under Armour, Inc.

Yeah, Randy. I mean, what you're pointing out is fair. Within our wholesale partners, we are in a little bit of a lean spot from inventory levels as we went into 2021. And you're right that that could increase and – I mean, that could actually give us a little bit of momentum when we think about Q1 and Q2.

But when you think about Q3, Q4 to your point, I do want to remind us that a lot of the headwinds that we've talked about relative to driving premium brand right growth, a lot of those have a heavier impact on the back half. Some of them are full year like when you think about MyFitnessPal not being in the numbers for 2021, that's a full-year impact. But when we think about the demand constraint work, that's a little bit more back half as well, especially when you think about exiting the undifferentiated retail in North America, that is clearly a back half impact, not really a front half impact.

And then even the business model changes in Latin America, although they're not significant in size, moving out of some of those countries into distributor models is going to happen as we move through the year and therefore you'll get a more full impact of that on revenue in the back half of this year. And we're moving towards really getting to a point in Latin America where Mexico is the only remaining kind of full subsidiary business versus the other countries being more of a distributor model. So again that'll have some pressure in the back half but should help improve margins.

And then to your point, again, we probably are being a little bit prudent and cautious here, especially with Q4 planning, because we don't have visibility of the order bank yet. And then we're still keeping an eye on COVID implications. So I think we're being prudent in how we're planning and making sure that we're not getting ahead of ourselves in spending because we think revenue might be different. Right now this is what we feel good with.

Randal J. Konik
Analyst, Jefferies LLC

I think that's very fair. And again the theme of discipline is clearly coming through with your words and also more importantly the numbers in the quarter. So on that, can you talk a little bit – maybe quantify a little bit more for us maybe some specific examples where you've worked on SKU count reduction across the board, it sounds like it's having a positive effect. Can you just maybe give us a little bit more quantification on maybe a category or a product to give example of changes in product sell through, how is it now versus last year, just because of these
changes in SKU count reduction? Just be I think helpful to us to frame out the actual productivity improvements you're starting to see within the inventory assortment.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Yeah, Randy, it's Patrik. I'll start and I'll hand it over to Dave. I just want to give a little bit more color on the history because I think that's important to bear in mind. We started our SKU reduction journey three, four years ago and we never allowed it to come back or blow back up.

Having said that, there are certain areas that we are investing a little bit more heavily into, things like our run category, our footwear category, our women's category. Those are areas where we are being a little bit more liberal with increasing SKUs, but we’re not doing it without the expectation of productivity.

And I feel that our – the way that we think about our SKUs now building through the year is the right mix between initiatives that drive brand and initiatives as it relates to product that drive volume and ultimately also margin.

So I think we’re well balanced right now as we go into 2021. I expect it to continue to evolve as we go into 2022 and beyond in certain areas. But the balance right now for 2021 is right.

I don't know if you want to add something there, Dave.

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

No, I think you covered it pretty well, Patrik. I don't think at this point we're going to get into really quantifying. We'll probably be more at a point to quantify as we come to the next call.

Randal J. Konik  
Analyst, Jefferies LLC

Got it. And the last quick one is, in our research, we're starting to see an inflection in terms of looking at athletic styling from fashion more towards performance. And you guys always talked about your view of staying disciplined in who your customer is, a focused performer. Can you comment on any of that? Do you see that in your – in the industry that there's a little bit move – or a bit more of a move towards performance styling versus fashion styling? Just curious on your thoughts there. Thanks, guys.

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

Yeah, Randy. So we're – this journey again has been consistent. It's been based on not just art but also science with a good balance between the two. And I think during the COVID time, what we've seen is, people really starting to use apparel in a different way.

There's certainly a big influx of athleisure still going on. I think a lot of that has been moving over, shifting over from more of the ready to wear kind of High Street if you like into more comfortable stuff that you just simply wear at home. But there's also been a resurgence in terms of fitness – personal fitness, and general wellness that is certainly driving innovation, it's driving an aptitude for performance in the garment, and as you think about Under Armour, that's the whole point, right?
We're an authentic athletic performance brand. Our mission is to make you better. We're building performance solutions you didn't know that you needed and once you have them can't imagine living without. And we're doing that better than anybody else. So if you want to have – if you really want to get better, Under Armour is the brand for you. And I think that's what you're starting to see now is people are willing to invest a little bit more to get the right product to help them on that journey. And that's our job here at Under Armour. Job number one. And we'll continue to believe that that is the right direction for us going forward. And I believe the consumer is now going there more often than before.

Randal J. Konik  
Analyst, Jefferies LLC

Thank you.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.

I think Randy to maybe just point out too is as excited as we are about driving with our DNA and the performance aspect of our product, we also need to make sure that it's always beautiful product. And that's something I think we're doing better and better as well. And we're excited about the consumer reaction from that front also.

Randal J. Konik  
Analyst, Jefferies LLC

Thank you.

Operator: Thank you. Our next question comes from Tom Nikic with Wells Fargo. Your line is now open.

Tom Nikic  
Analyst, Wells Fargo Securities LLC

Hey. Good morning, everyone. Thanks for taking my question. So I want to ask about the exit of the North America wholesale doors. I'm just kind of wondering when you think long-term do you think any of those sales get recaptured in any of your other channels? If so, do you think it's in your DTC channel or in strategic wholesale? I guess I'm just kind of thinking you'll make up any of the lost revenue elsewhere.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Yeah, hi, Tom. This is Patrik. The way that we think about our distribution model and our omni-channel approach, if you like, is really through the eyes of the consumer. So the way that Under Armour drives our decisions around where we should be, when we should be there, how much we should have, it really is around the consumer journey ultimately.

And I think when we see an opportunity to refine our model in terms of where we should be investing, we will do so. And that's also one of the reasons why direct-to-consumer is important for us is because the consumer expects that seamless omni-channel opportunity, and we as a brand also want to make sure that when we have an opportunity to connect with the consumer, we show up in the best possible way to engage the consumer, to drive considerations, to drive conversion.

So the decisions that we make are based on that. So to answer your question around growth, our growth in the future comes with the consumer. So ultimately if the ways that we are figuring out how to do that is part of the
journey. And we don't believe that undifferentiated retail necessarily is going to help us get there. So it is about
having that direct conversation with the consumer more frequently, in a better way and truly understanding what
they are expecting us to deliver. And if we do that well, we'll continue to make progress.

Tom Nikic
Analyst, Wells Fargo Securities LLC

Understood. Thanks, Patrik. And, Dave, if I could ask I guess a balance sheet question for you. I think you've
never had as much cash as you have right now. I think even net of the [ph] $1 billion of debt (55:14), your net
cash position I think is the highest that the company has ever seen. How do you think about using that cash or
saving it for a rainy day or paying down the debt that you have on the balance sheet? I'm just kind of wondering
how you think about that.

David E. Bergman
Chief Financial Officer, Under Armour, Inc.

Sure. At this point right now, we're just very happy to be in an extremely liquid position and have an excellent
foundation to be able to drive through 2021 and beyond and be nimble through any lingering impacts of COVID.
So I would say until we get further past COVID, we're very content with just staying very, very liquid right now. As
we get further into the future, we could consider some debt buyback or some other things, but in general right now
it's not burning a hole in our pocket by any means, I'll tell you that. And we're comfortable staying very liquid and
very nimble and having some optionality as well.

Tom Nikic
Analyst, Wells Fargo Securities LLC

Makes sense. Thanks, guys, and best of luck this year.

David E. Bergman
Chief Financial Officer, Under Armour, Inc.

Thanks, Tom.

Patrik Frisk
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thank you.

Operator: Thank you. Our next question comes from Simeon Siegel with BMO Capital Markets. Your line is now open.

Simeon Siegel
Analyst, BMO Capital Markets Corp.

Thanks. Good morning, everyone. Really congrats on the ongoing progress. Patrik, as you continue to elevate the
brand, could you speak to how you're thinking about the AUR opportunity from here?

And then, Dave, just any color you can provide on the expectations for the pricing and supply chain benefits in
2021, any way to give some order of magnitude for the gross margin opportunity there for next year and beyond?
Thanks.
Patrik Frisk  
*President, Chief Executive Officer & Board Member, Under Armour, Inc.*  

Yeah, sure. Hi, Simeon. Yeah, so when you think about the AUR opportunity for Under Armour, it comes in a couple of different areas. One of course is putting the right amount of product in the right place with the right aesthetic, as Dave said, and the right performance. But it's also through inventory management as it relates to all of our different channels of distribution and ensuring that we're not driving excess, making sure that we are marketing it in the right way, and ultimately making sure that we're innovating in the right way to excite the consumer.

So for us, it's a holistic approach to driving those AURs up. And what we've seen as we talked about on this call, in the back half of 2020, that is the thing that we're starting to see that we're very excited about.

What's exciting too is the fact that it's happening across categories. So it's not just in one place. We're seeing the rise of AURs across the business. And I think that is a sign of the brand starting to return to health.

Now, it's a journey. It's a step-by-step process, and we'll continue to make progress this year and into next year. And we're very excited about our initial read as we think about what this could make the brand do in future seasons as it relates to both the margin and brand premium.

So I don't know if you want to add something there, Dave.

David E. Bergman  
*Chief Financial Officer, Under Armour, Inc.*  

Yeah, I mean, I guess just following up on your second part of your question on gross margin, the supply chain benefits is something that we're – we've been seeing which has been great and we're continuing to see that. And I would say that on the supply chain front, you're probably in 2021, I won't give an exact number, but it's more than 50 basis points of improvement, probably less than 100 basis points of improvement. So it's in that range. But remember that's going to be significantly offset by the MFP sale which is a very large impact year-over-year in gross margin percentage points.

When you think about 2022 and beyond, we're not ready to get into a lot of detail there, but we do expect to see some continued product costing improvements. But you're going to start to normalize that cost base with the supply chain fairly soon. So that benefit will start to get smaller as we think about 2022 and beyond.

And then from a pricing perspective, definitely a decent benefit there as well. It's probably in a similar range to what we're anticipating on the supply chain benefit side. So hopefully that triangulates a little bit for you.

Simeon Siegel  
*Analyst, BMO Capital Markets Corp.*  

Great. Yeah. Thanks a lot. Really nice job, guys, and best of luck for the year.

Patrik Frisk  
*President, Chief Executive Officer & Board Member, Under Armour, Inc.*  

Thanks.
David E. Bergman  
*Chief Financial Officer, Under Armour, Inc.*

Thanks, Simeon.

**Operator:** Thank you. Our next question comes from Omar Saad with Evercore. Your line is now open.

**Omar Saad**  
*Analyst, Evercore ISI*

Good morning. Thanks for all the information, guys. Wanted to ask a follow-up question around the North America core apparel business. You guys mentioned on the women's side, bras and bottoms. Maybe dive into what's going on in the women's apparel business a little bit more. Anything happening on the men's side worth getting excited about? And then I have a quick follow-up on Asia Pac and China. Thanks.

**Patrik Frisk**  
*President, Chief Executive Officer & Board Member, Under Armour, Inc.*

Yes, hi. This is Patrik. What we're excited about in apparel, in men's, is the continued success that we're having of course with some of our collaborations like Project Rock which continues to work really well for us. Every launch we do there is a moment and it continues to do really well. But we're also continuing to expand both our HeatGear and our ColdGear product with new innovation and our RUSH product has now started to really become a staple which has helped us segment our business and also to expand it into a broader offering which we're very excited about.

And there's a lot of technology that goes into also some of the bottoms for men that we're going to continue to see being launched here in 2021. So there's a lot of things happening in the first half as it relates to that.

In the second half in the ColdGear category and the outerwear category, we're also going to see a lot of newness in the brand and a lot of new innovation. So there's just a tremendous amount of core product for men that continues to evolve and resonate with the consumer and that's what we've seen in the back half of the year.

We tend to talk a lot about women's right now because we're excited about the progress that we made there especially as it relates to our Meridian line, our Infinity Bra. So both are, I would say, across our bottoms and our tops for women's, it's really a very positive story for us. And we believe that's going to continue in 2021.

And then of course in terms of our footwear, our new cushioning platform UA Flow that was launched with the Curry 8 recently which is doing really well and now comes into play and running, and that's going to give us also much more optionality in terms of continuing to build on the top of the pyramid if you like. And really gives us optionality in terms of segmentation and broadening our appeal to the core runner. So a lot of excitement for 2021 in product in general.

**Omar Saad**  
*Analyst, Evercore ISI*

Got it, Patrik. Thanks. That's helpful. And then quickly on China and Asia Pac, obviously it's a strong performing market. Can you help us disaggregate what's COVID recovery related, the fact that the lockdowns there haven't been as severe versus kind of the underlying brand strength? Can you disaggregate those dynamics and again kind of remind us where you are in China and where you want to be? Thanks.
David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

Yeah, I mean, I think you probably need to break it down a little bit between front half and back half for 2020, right. Front half was significantly impacted by COVID very quickly in Q1 and then still pretty holistically in Q2. And those quarters were down 34% and 20%, respectively.

And then as the region started to get a little bit past COVID, the brand strength continued to pull the business back up and we saw a lot better trending in Q3 and Q4. And as we look forward here into 2021, we feel good about the partnerships, we feel good about the door expansion plan that we're driving through. And we're also kind of rebuilding the [ph] APAC (1:03:29) due to the COVID impacts from the front half of 2020.

So I think we're in a good spot. We're continuing to drive forward with a plan. The plan hasn't significantly changed, but we definitely hit some holes in Q1 and Q2 of 2020 relative to COVID.

Omar Saad  
Analyst, Evercore ISI

Got it. Thanks, guys. Best wishes.

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

Thank you.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thank you.

Operator: Thank you. Our last question comes from Bob Drbul with Guggenheim Securities. Your line is now open.

Robert Drbul  
Analyst, Guggenheim Securities LLC

Hey, guys. I guess the question I have – congratulations. Great progress. Is – can you just spend a little bit time on the supply chain I guess both what you're seeing as you bring product in and some of the issues or challenges, but also where you are internally especially around the digital business and how you see that playing throughout this year? That would be helpful. Thanks.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Yeah. Hi, Bob, it's Patrik. I think to start with the supply chain, it's one of the things that we called out as well in terms of how we are now able to navigate the most difficult circumstances because of the tightness that we have in our supply chain and the ability we have for optionality there.

We did an incredible job, and the team did a fantastic job in 2020 to quickly come to terms with the situation of COVID-19 and really from an operations perspective as it relates to all of our vendors, worked very tightly with our vendors to ensure that they survived but also to navigate the transportation issues that became quite severe throughout the year.
And now as we turn our attention into 2021, we feel that we are doing a good job again of making sure that we're planning our business the right way and ultimately supporting that with making sure that we're not getting into trouble as it relates to transportation or inventory positions. So feeling confident about our ability to navigate the 2021 environment.

Dave, do you want to add something?

David E. Bergman  
Chief Financial Officer, Under Armour, Inc.

No, I think you covered it pretty well. I mean, obviously there is a little bit of pressure there right now with COVID. We're experiencing some poor congestion, some container availability challenges. But our supply chain teams are on it and they're managing through it very well. So we feel good about being able to continue to drive through the year.

Robert Drbul  
Analyst, Guggenheim Securities LLC

Great. Thank you very much.

Patrik Frisk  
President, Chief Executive Officer & Board Member, Under Armour, Inc.

Thank you, Bob.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.
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