

V F CORP  
Form 10-Q  
May 12, 2010

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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 3, 2010  
Commission file number: 1-5256**

**V. F. CORPORATION**

(Exact name of registrant as specified in its charter)

**Pennsylvania**

(State or other jurisdiction of  
incorporation or organization)

**23-1180120**

(I.R.S. employer  
identification number)

**105 Corporate Center Boulevard  
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       Smaller reporting  
(Do not check if a smaller      Company   
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 1, 2010, there were 110,105,590 shares of the registrant's Common Stock outstanding.

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

	<b>Three Months Ended March</b>	
	<b>2010</b>	<b>2009</b>
<b>Net Sales</b>	\$ 1,730,086	\$ 1,707,301
<b>Royalty Income</b>	19,793	18,173
<b>Total Revenues</b>	1,749,879	1,725,474
<b>Costs and Operating Expenses</b>		
Cost of goods sold	932,203	996,640
Marketing, administrative and general expenses	594,416	567,386
	1,526,619	1,564,026
<b>Operating Income</b>	223,260	161,448
<b>Other Income (Expense)</b>		
Interest income	494	765
Interest expense	(20,499)	(22,015)
Miscellaneous, net	6,423	1,249
	(13,582)	(20,001)
<b>Income Before Income Taxes</b>	209,678	141,447
<b>Income Taxes</b>	46,219	41,013
<b>Net Income</b>	163,459	100,434
<b>Net Loss Attributable to Noncontrolling Interests in Subsidiaries</b>	57	505
<b>Net Income Attributable to VF Corporation</b>	\$ 163,516	\$ 100,939
<b>Earnings Per Common Share Attributable to VF Corporation Common Stockholders</b>		
Basic	\$ 1.48	\$ 0.92

Diluted	1.46	0.91
<b>Weighted Average Shares Outstanding</b>		
Basic	110,259	109,992
Diluted	111,629	111,028
<b>Cash Dividends Per Common Share</b>	\$ 0.60	\$ 0.59

See notes to consolidated financial statements.

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**VF CORPORATION**  
**Consolidated Balance Sheets**  
**(Unaudited)**  
**(In thousands, except share amounts)**

	<b>March 2010</b>	<b>December 2009</b>	<b>March 2009</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 718,634	\$ 731,549	\$ 276,428
Accounts receivable, less allowance for doubtful accounts of: March 2010 - \$59,351; Dec. 2009 - \$60,380; March 2009 - \$49,177	787,682	776,140	996,507
Inventories:			
Finished products	764,167	772,458	910,139
Work in process	69,515	70,507	75,832
Materials and supplies	118,500	115,674	132,102
	952,182	958,639	1,118,073
Other current assets	189,088	163,028	230,251
Total current assets	2,647,586	2,629,356	2,621,259
<b>Property, Plant and Equipment</b>	1,602,996	1,601,608	1,558,857
Less accumulated depreciation	1,001,137	987,430	926,444
	601,859	614,178	632,413
<b>Intangible Assets</b>	1,529,538	1,535,121	1,563,268
<b>Goodwill</b>	1,363,059	1,367,680	1,437,682
<b>Other Assets</b>	326,409	324,322	297,942
	\$ 6,468,451	\$ 6,470,657	\$ 6,552,564
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Current Liabilities</b>			
Short-term borrowings	\$ 48,525	\$ 45,453	\$ 287,873
Current portion of long-term debt	202,690	203,179	3,272
Accounts payable	296,437	373,186	323,536
Accrued liabilities	509,228	470,765	483,523

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Total current liabilities	1,056,880	1,092,583	1,098,204
<b>Long-term Debt</b>	937,826	938,494	1,140,414
<b>Other Liabilities</b>	648,879	626,295	739,777
<b>Commitments and Contingencies</b>			
<b>Stockholders Equity</b>			
Common stock, stated value \$1; shares authorized, 300,000,000; shares outstanding:	109,981	110,285	110,276
March 2010 - 109,980,912; Dec. 2009 - 110,285,132; March 2009 - 110,276,129			
Additional paid-in capital	1,938,184	1,864,499	1,763,818
Accumulated other comprehensive income (loss)	(246,241)	(209,742)	(297,760)
Retained earnings	2,024,856	2,050,109	1,996,972
Noncontrolling interests in subsidiaries	(1,914)	(1,866)	863
Total stockholders equity	3,824,866	3,813,285	3,574,169
	\$ 6,468,451	\$ 6,470,657	\$ 6,552,564

See notes to consolidated financial statements.

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

	<b>Three Months Ended</b>	
	<b>March</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating Activities</b>		
Net income	\$ 163,459	\$ 100,434
Adjustments to reconcile net income to cash provided (used) by operating activities:		
Depreciation	27,396	22,035
Amortization of intangible assets	9,978	9,102
Other amortization	3,695	3,311
Stock-based compensation	14,774	11,668
Pension funding under expense	10,324	18,338
Other, net	27,410	22,125
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(25,230)	(152,542)
Inventories	3,867	27,282
Other current assets	(4,373)	40,211
Accounts payable	(74,409)	(109,748)
Accrued compensation	(31,548)	(8,982)
Accrued income taxes	26,213	(3,858)
Accrued liabilities	58,312	(2,594)
Other assets and liabilities	(25,714)	(12,145)
Cash provided (used) by operating activities	184,154	(35,363)
<b>Investing Activities</b>		
Capital expenditures	(17,339)	(16,983)
Business acquisitions, net of cash acquired	(29,111)	(207,219)
Software purchases	(701)	(1,840)
Other, net	(2,486)	593
Cash used by investing activities	(49,637)	(225,449)
<b>Financing Activities</b>		
Increase in short-term borrowings	2,837	235,912
Payments on long-term debt	(1,061)	(1,110)
Purchase of Common Stock	(118,001)	
Cash dividends paid	(66,224)	(64,966)
(Cost) proceeds from issuance of Common Stock, net	52,394	(6,740)
Tax benefits of stock option exercises	1,669	(2,438)



Cash provided (used) by financing activities	(128,386)	160,658
<b>Effect of Foreign Currency Rate Changes on Cash</b>	(19,046)	(5,262)
<b>Net Change in Cash and Equivalents</b>	(12,915)	(105,416)
<b>Cash and Equivalents Beginning of Year</b>	731,549	381,844
<b>Cash and Equivalents End of Period</b>	\$ 718,634	\$ 276,428

See notes to consolidated financial statements.

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

	VF Corporation Stockholders				
	Additional		Accumulated		Non-
	Common	Paid-in	Other	Retained	controlling
	Stock	Capital	Comprehensive	Earnings	Interests
			Income		
			(Loss)		
<b>Balance, December 2008</b>	\$ 109,848	\$ 1,749,464	\$ (276,294)	\$ 1,972,874	\$ 1,353
Net income (loss)				461,271	(2,813)
Common Stock dividends				(261,682)	
Purchase of treasury stock	(1,560)			(110,415)	
Stock compensation plans, net	1,977	115,035		(12,732)	
Common Stock held in trust for deferred compensation plans	20			793	
Distributions to noncontrolling interests					(480)
Foreign currency translation			37,468		74
Defined benefit pension plans			25,021		
Derivative financial instruments			510		
Marketable securities			3,553		
<b>Balance, December 2009</b>	110,285	1,864,499	(209,742)	2,050,109	(1,866)
Net income (loss)				163,516	(57)
Common Stock dividends				(66,224)	
Purchase of treasury stock	(1,500)			(116,501)	
Stock compensation plans, net	1,199	73,685		(5,780)	
Common Stock held in trust for deferred compensation plans	(3)			(264)	
Foreign currency translation			(63,526)		9
Defined benefit pension plans			7,589		
Derivative financial instruments			18,496		
Marketable securities			942		
<b>Balance, March 2010</b>	\$ 109,981	\$ 1,938,184	\$ (246,241)	\$ 2,024,856	\$ (1,914)

See notes to consolidated financial statements.

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**VF CORPORATION**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note A Basis of Presentation**

VF Corporation (and its subsidiaries, collectively known as VF) uses a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. For presentation purposes herein, all references to periods ended March 2010, December 2009 and March 2009 relate to the fiscal periods ended on April 3, 2010, January 2, 2010 and April 4, 2009, 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 2009 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 2010 are not necessarily indicative of results that may be expected for any other interim period or for the year ending January 1, 2011. 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 2009 (2009 Form 10-K).

Certain prior year amounts, none of which are material, have been reclassified to conform with the 2010 presentation.

**Note B Changes in Accounting Policies**

During the first quarter of 2010, VF adopted new accounting guidance issued by the Financial Accounting Standards Board (FASB) related to transfers of financial assets. This guidance modifies the requirements for derecognizing financial assets from a transferor's balance sheet and requires additional disclosures about transfers of financial assets and any continuing involvement by the transferor. The new guidance did not have a significant impact on our operating results, financial condition or disclosures.

Also during the first quarter of 2010, VF adopted new accounting guidance for disclosures of fair value measurements. This guidance requires disclosures about transfers into and out of Levels 1 and 2 of the fair value hierarchy and separate disclosures about activity within Level 3 of the fair value hierarchy. The guidance also clarifies disclosures related to disaggregation of assets and liabilities and valuation techniques used to measure fair value.

**Note C Acquisition**

On March 10, 2010, VF completed the acquisition of its former 50%-owned joint venture that markets Vans<sup>®</sup> branded products in the wholesale channel in Mexico. As part of this transaction, VF also acquired the Vans<sup>®</sup> retail stores that had been operated by our joint venture partner (together with the wholesale business, Vans Mexico). The purchase price of these businesses was \$31.0 million. The carrying value of our initial 50% investment, recorded in Other Assets, was \$7.9 million at the acquisition date, which included the equity in net income of the investment to the date of acquisition. VF recognized a gain in Miscellaneous Income in the first quarter of \$5.7 million from remeasuring its original 50% investment in the joint venture

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to fair value. Revenues and pretax earnings since the date of acquisition recognized in VF's first quarter operating results were \$2.6 million and \$0.8 million (excluding the \$5.7 million gain), respectively. Acquisition expenses included in VF's results of operations were not significant. Vans Mexico is reported as part of the Outdoor & Action Sports Coalition.

Management has allocated the purchase price to acquired tangible and intangible assets and assumed liabilities based on their respective fair values at the acquisition date. Of the total value, \$23.4 million was assigned to indefinite-lived intangible assets (trademarks) and amortizable intangible assets (customer relationships), and \$16.8 million was assigned to goodwill, subject to possible refinement for income taxes during the second quarter. Goodwill arising from the acquisition related to growth prospects in Mexico, an experienced workforce and synergies with the Vans<sup>®</sup> business in the United States. Pro forma operating results for periods prior to the acquisition date are not provided because the acquisition was not material to VF's results of operations.

**Note D Sale of Accounts Receivable**

In September 2009, VF entered into an agreement to sell selected trade accounts receivable, on a revolving basis, to a financial institution. The agreement covers the sale of up to \$192.5 million of accounts receivable, at any point in time, on a nonrecourse basis. After the sale, VF continues to service and collect these accounts receivable on behalf of the financial institution but does not retain any other interests in the receivables. At the beginning of 2010, accounts receivable in the Consolidated Balance Sheet had been reduced by \$74.2 million related to balances sold under this program. At the end of March 2010, accounts receivable had been reduced by \$116.0 million related to balances sold under this program. During the first quarter, VF sold \$202.9 million of accounts receivable at their stated amounts, less a funding fee of \$0.3 million, which was recorded in Miscellaneous Expense. Net proceeds of this program are recognized in the Consolidated Statement of Cash Flows as part of the change in accounts receivable in cash provided by operating activities.

**Note E Intangible Assets**

	<b>Weighted Average Life</b>	<b>Gross Carrying Amount</b>	<b>March 2010 Accumulated Amortization</b>	<b>Net Carrying Amount</b>	<b>December 2009 Net Carrying Amount</b>
Dollars in thousands					
Amortizable intangible assets:					
Customer relationships	19 years	\$ 445,865	\$ 86,939	\$ 358,926	\$ 361,039
License agreements	24 years	179,628	44,989	134,639	137,447
Trademarks and other	7 years	14,910	8,990	5,920	6,615
Amortizable intangible assets, net				499,485	505,101
Indefinite-lived intangible assets:					
Trademarks				1,030,053	1,030,020
Intangible assets, net				\$ 1,529,538	\$ 1,535,121

\* Amortization of customer

relationships  
accelerated  
methods; license  
agreements  
accelerated and  
straight-line  
methods;  
trademarks and  
other  
accelerated and  
straight-line  
methods.

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Amortization of intangible assets for the first quarter of 2010 was \$10.0 million. Estimated amortization expense for the remainder of 2010 is \$29.8 million and for the years 2011 through 2014 is \$37.4 million, \$34.7 million, \$33.1 million and \$32.1 million, respectively.

**Note F Goodwill**

In thousands	<b>Outdoor &amp; Action Sports</b>	<b>Jeanswear</b>	<b>Imagewear</b>	<b>Sportswear</b>	<b>Contemporary Brands</b>	<b>Total</b>
Balance, December 2009	\$ 574,879	\$ 238,930	\$ 56,703	\$ 157,314	\$ 339,854	\$ 1,367,680
2010 acquisition	16,779					16,779
Adjustment to contingent consideration	(78)					(78)
Currency translation	(14,934)	(3,066)				