

VF Corp shows signs of recovery, posts higher-than-expected earnings

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As it continues to deal with the financial impact of the Covid-19 pandemic, Denver, Colorado-based apparel and footwear company VF Corporation announced net income of \$256.7 million, or \$0.62 per share, for the second quarter ended September 26, 2020, on Friday.

VF Corp's earnings were therefore significantly lower than the \$649.0 million, or \$1.55 per share, reported by the company in the same period in the previous year. However, the group's adjusted earnings per share came to \$0.66, ahead of the \$0.48 prediction made by FactSet analysts, as reported by MarketWatch.

Quarterly revenue at the company, which owns the Vans, The North Face and Timberland brands, fell 18% to \$2.6 billion, down from \$3.2 billion in the prior-year period. This decline was largely due to the store closures and lower consumer demand that resulted from the coronavirus pandemic and the measures implemented to halt its spread.

The group's outdoor segment suffered the most during the quarter, posting a 24% decrease in revenues, while the active segment saw a 15% decline. The work segment, on the other hand, managed an increase of 14% in its revenues.

VF's sales dropped 21% in the U.S. during the quarter. International revenues fell 15%, reflecting decreases of 16% in Europe and 38% in American markets other than the U.S., as well as a 2% increase in the Asia Pacific region, led principally by a 21% rise in Mainland China.

By channel, global direct-to-consumer revenue for the quarter decreased 17%, while direct-to-consumer digital revenue saw an impressive 44% rise.

For the first half of the fiscal year, VF reported total revenues of \$3.7 billion, down from \$5.2 billion in the same period in the previous year.

The company's net loss for these first six months came to \$28.9 million, falling from earnings of \$698.2 million a year ago.

"Our year to date results have surpassed our internal expectations across all brands, driven by Digital and China, two of our key growth pillars," commented VF chairman, president and CEO Steve Rendle in a release. "We are beginning to see signs of stabilization and strength across all aspects of our business, supporting our decision to raise the dividend and provide a financial outlook for the balance of the year."

Looking to the future, VF expects to report full-year revenue of at least \$9.0 billion, which would be a year-over-year decrease of around 14% on an adjusted basis. This prediction foresees the company achieving low single-digit growth in the second half of the year, driven primarily by a return to growth in the fourth quarter. Annual adjusted earnings per share at the group are expected to be at least \$1.20.

As VF seeks to emerge from the economic trials of the coronavirus crisis, the company has been busy reorganizing its management structure and accelerating the growth of its digital business and Chinese operations. As part of these efforts, Steve Murray was recently appointed as the new president of The North Face, while Winnie Ma has become VF president for Greater China.