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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
April 25, 2019

COLUMBIA SPORTSWEAR COMPANY
(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction
of incorporation)

000-23939
(Commission
File Number)

93-0498284
(I.R.S. Employer
Identification No.)

14375 Northwest Science Park Drive
Portland, Oregon 97229
(Address of principal executive offices) (Zip code)

(503) 985-4000
(Registrant's telephone number, including area code)

No Change
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On April 25, 2019, Columbia Sportswear Company (the "Company") issued a press release reporting its first quarter 2019 financial results, as well as its updated full year 2019 financial outlook. A copy of the Company's press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

Attached hereto as Exhibit 99.2 and incorporated by reference herein is financial information and commentary by Jim A. Swanson, Senior Vice President and Chief Financial Officer of Columbia Sportswear Company, on the first quarter financial results, as well as the full year 2019 financial outlook, as posted on the Company's investor relations website, <http://investor.columbia.com>, on April 25, 2019. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

ITEM 7.01 REGULATION FD DISCLOSURE

In its April 25, 2019 press release, the Company also announced that its Board of Directors approved a regular quarterly cash dividend of \$0.24 per share of common stock to be paid on May 30, 2019 to its shareholders of record on May 16, 2019.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

[99.1](#) Press Release, dated April 25, 2019 (furnished pursuant to Items 2.02 and 7.01 hereof).

[99.2](#) Commentary by Jim A. Swanson, Senior Vice President and Chief Financial Officer of Columbia Sportswear Company, dated April 25, 2019 (furnished pursuant to Items 2.02 and 7.01 hereof).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COLUMBIA SPORTSWEAR COMPANY

Dated: April 25, 2019

By: /S/ JIM A. SWANSON

Jim A. Swanson

Senior Vice President and Chief Financial Officer



Columbia Sportswear Company Reports Record First Quarter 2019 Financial Results; Raises Full Year 2019 Financial Outlook

First Quarter 2019 Highlights

- **Net sales increased 8 percent (10 percent constant-currency) to a record \$654.6 million.**
- **Gross margin expanded 210 basis points to a record 51.4 percent of net sales, compared to first quarter 2018 gross margin of 49.3 percent of net sales.**
- **Operating income increased 48 percent to a record \$88.0 million and operating margin expanded 360 basis points to 13.4 percent of net sales, compared to first quarter 2018 operating income of \$59.3 million, or 9.8 percent of net sales. Compared to non-GAAP first quarter 2018 operating income of \$70.3 million, or 11.6 percent of net sales, operating income increased 25 percent and operating margin expanded 180 basis points.**
- **Earnings per diluted share increased 67 percent to a record \$1.07, compared to first quarter 2018 earnings per diluted share of \$0.64. Compared to non-GAAP first quarter 2018 earnings per diluted share of \$0.77, earnings per diluted share increased 39 percent.**

Full Year 2019 Financial Outlook

(Guidance details can be found in the "Supplemental Financial Information" section and CFO Commentary document).

- **Net sales of \$2.98 to \$3.04 billion (prior \$2.97 to \$3.03 billion), representing net sales growth of 6.5 to 8.5 percent (prior 6.0 to 8.0 percent). Net sales guidance includes a foreign currency translation impact that is anticipated to reduce net sales growth by approximately 70 basis points.**
- **Operating income of \$378 to \$391 million (prior \$369 to \$382 million), representing operating margin of 12.7 to 12.9 percent (prior 12.4 to 12.6 percent).**
- **Diluted earnings per share of \$4.40 to \$4.55 (prior \$4.30 to \$4.45).**

Throughout this press release, amounts stated to be non-GAAP exclude items described in the "Non-GAAP Financial Measures" section below. Additionally, constant-currency net sales, a non-GAAP financial measure, is referenced throughout this press release. Please see the "Supplemental Financial Information" section and financial tables included below for a more detailed description of this and other non-GAAP financial measures.

PORTLAND, Ore. - April 25, 2019 - Columbia Sportswear Company (NASDAQ: COLM), a leading innovator in active outdoor apparel, footwear, accessories and equipment, today announced first quarter 2019 financial results for the period ended March 31, 2019.

President and Chief Executive Officer Tim Boyle commented, "It is encouraging to see the momentum we created in 2018 continue into this year, with record first quarter net sales, gross margin, operating income, net income and earnings per diluted share. During the quarter, we experienced a strong finish to the Fall 2018 sales season as well as excellent early season sell-through of our Spring 2019 assortment. The Columbia brand generated double-digit growth in the U.S. across both direct-to-consumer and wholesale distribution channels and the SOREL brand grew an impressive 28 percent globally. We are also delivering on the financial value capture of Project CONNECT, which helped to fuel 210 basis points of gross margin expansion."

"Above plan first quarter 2019 results as well as favorable advance Fall 2019 orders give us confidence to increase our full year financial outlook. It is important to note that we are delivering this profitable growth while at the same time making substantial investments to build on our strengths as a brand-led consumer-focused organization."

"Our profitable growth trajectory and fortress balance sheet, with cash and short-term investments of over \$700 million and no long-term debt, provide a foundation of strength and confidence from which we will continue investing in our strategic priorities to:

- drive brand awareness and sales growth through increased, focused demand creation investments;
- enhance consumer experience and digital capabilities in all our channels and geographies;
- expand and improve global direct-to-consumer operations with supporting processes and systems; and
- invest in our people and optimize our organization across our portfolio of brands."

"We are making these investments to enable sustainable long-term profitable growth, make us a more efficient company, and drive market share capture across our brand portfolio and geographic regions."

CFO's Commentary Available Online

For a detailed review of the Company's first quarter 2019 financial results and full year 2019 financial outlook please refer to the CFO Commentary exhibit furnished to the Securities and Exchange Commission (the "SEC") on Form 8-K and published on the Investor Relations section of the Company's website at <http://investor.columbia.com/results.cfm> at approximately 4:15 p.m. ET today. Analysts and investors are encouraged to review this commentary prior to participating in the conference call.

Non-GAAP Financial Measures

Throughout this press release, non-GAAP amounts in first quarter 2018 exclude \$11.0 million in Project CONNECT expenses and discrete costs (\$8.4 million net of tax) and \$1.0 million in incremental income tax expense related to the Tax Cuts and Jobs Act ("TCJA"). These exclusions were not applicable in first quarter 2019.

First Quarter 2019 Financial Results

(All comparisons are between first quarter 2019 and first quarter 2018, unless otherwise noted.)

Net sales increased 8 percent (10 percent constant-currency) to \$654.6 million, from \$607.3 million for the comparable period in 2018.

Gross margin expanded 210 basis points to 51.4 percent of net sales, from 49.3 percent for the comparable period in 2018.

SG&A expenses increased \$8.4 million, or 3 percent, to \$251.8 million, or 38.5 percent of net sales, from \$243.4 million, or 40.1 percent of net sales, for the comparable period in 2018. SG&A expenses increased \$19.4 million, or 8 percent, from non-GAAP SG&A expenses of \$232.4 million for the comparable period in 2018.

Operating income increased 48 percent to \$88.0 million, or 13.4 percent of net sales, from \$59.3 million, or 9.8 percent of net sales, for the comparable period in 2018. Operating income increased \$17.6 million, or 25 percent, from non-GAAP operating income of \$70.3 million for the comparable period in 2018.

Net income increased 64 percent to \$74.2 million, or \$1.07 per diluted share, from \$45.1 million, or \$0.64 per diluted share, for the comparable period in 2018. Net income increased 36 percent from non-GAAP net income of \$54.5 million, or \$0.77 per diluted share for the comparable period in 2018. First quarter 2019 net income includes the benefit of full ownership of our China business, which became a wholly owned subsidiary effective January 2019. In the first quarter of 2018 the non-controlling interest share of net income was \$3.6 million, or \$0.05 per diluted share.

Balance Sheet as of March 31, 2019

Cash, cash equivalents and short-term investments totaled \$703.1 million, compared to \$808.2 million at March 31, 2018.

Inventories increased 28 percent to \$520.6 million, compared to \$406.0 million at March 31, 2018.

Share Repurchases for the Three Months Ended March 31, 2019

The Company repurchased 195,681 shares of common stock for an aggregate of \$19.1 million, or \$97.47 average price per share.

Regular Quarterly Cash Dividend

At its regular board meeting on April 19, 2019, the board of directors authorized a regular quarterly cash dividend of \$0.24 per share, payable on May 30, 2019 to shareholders of record on May 16, 2019.

Conference Call

The Company will host a conference call at 5:00 p.m. ET today to review its first quarter 2019 financial results and full year 2019 financial outlook. Dial (877) 407-9205 to participate. The call will also be webcast live on the Investor Relations section of the Company's website at <http://investor.columbia.com>.

Second Quarter 2019 Reporting Schedule

Columbia Sportswear Company plans to report second quarter 2019 financial results on Thursday, July 25, 2019 at approximately 4:00 p.m. ET. Following issuance of the earnings release, a commentary reviewing the Company's second quarter 2019 financial results will be furnished to the SEC on Form 8-K and published on the Investor Relations section of the Company's website at <http://investor.columbia.com/results.cfm>. A public webcast of Columbia's earnings conference call will follow at 5:00 p.m. ET at www.investor.columbia.com.

Supplemental Financial Information

Since Columbia Sportswear Company is a global company, the comparability of its operating results reported in U.S. dollars is affected by foreign currency exchange rate fluctuations because the underlying currencies in which it transacts change in value over time compared to the U.S. dollar. To supplement financial information reported in accordance with GAAP, the Company discloses constant-currency net sales information, which is a non-GAAP financial measure, to provide a framework to assess how the business performed excluding the effects of changes in the exchange rates used to translate net sales generated in foreign currencies into U.S. dollars. The Company calculates constant-currency net sales by translating net sales in foreign currencies for the current period into U.S. dollars at the average exchange rates that were in effect during the comparable period of the prior year. Management believes that this non-GAAP financial measure reflects an additional and useful way of viewing an aspect of our operations that, when viewed in conjunction with our GAAP results, provides a more comprehensive understanding of our business and operations. In particular, investors may find the non-GAAP measures useful by reviewing our net sales results without the volatility in foreign currency exchange rates. This non-GAAP financial measure also facilitates management's internal comparisons to our historical net sales results and comparisons to competitors' net sales results.

Additionally, this document includes references to various other non-GAAP financial measures related to 2018 that may exclude program expenses, discrete costs and associated tax effects related to Project CONNECT, TCJA-related income tax expense, and a recovery in connection with an insurance claim and related tax effects. The related tax effects of program expenses and discrete costs related to Project CONNECT and the insurance claim recovery benefit were calculated using the respective statutory tax rates for applicable jurisdictions. Management believes that these non-GAAP financial measures enable useful and meaningful comparisons of our operating performance from period to period because they exclude the effects of the aforementioned items above that may not be indicative of our core operating results.

These non-GAAP financial measures, including constant-currency net sales, should be viewed in addition to, and not in lieu of or superior to, our financial measures calculated in accordance with GAAP. The Company provides a reconciliation of non-GAAP measures to the most directly comparable financial measure calculated in accordance with GAAP. See the "Reconciliation of GAAP to Non-GAAP Financial Measures" table included herein. The non-GAAP financial measures and constant-currency information presented may not be comparable to similarly titled measures reported by other companies.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, net sales and net sales growth, gross margin, operating expenses, licensing income, operating income, operating margins, net income, earnings per share, income tax rates and the effects of tax reform (including the TCJA) as well as changes in the Company's geographic mix of pre-tax income and other discrete events that may occur during the year, share count, SG&A expenses, including deleverage, effects of foreign currency exchange rates, inventory growth, capital expenditures, projected growth or decline in specific geographies, channels and brands, continued investment in our strategic priorities, and our ability to adapt our business and realize the anticipated benefits of our investments in our strategic priorities, including Project CONNECT. Forward-looking statements often use words such as "will", "anticipate", "estimate", "expect", "should", "may" and other words and terms of similar meaning or reference future dates. The Company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this document, those described in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q under the heading "Risk Factors," and those that have been or may be described in other reports filed by the Company, including reports on Form 8-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the Company to differ materially from the anticipated results expressed or implied by forward-looking statements in this document include: loss of key customer accounts; our ability to effectively execute our business strategies, including initiatives to implement business process enhancements and information technology ("IT") systems and investments in our DTC businesses; our ability to maintain the strength and security of our IT systems; the effects of unseasonable weather, including global climate change; the seasonality of our business; trends affecting consumer spending, including changes in the level of consumer spending, and retail traffic patterns; unfavorable economic conditions generally, the financial health of our customers and retailer consolidation; higher than expected rates of order cancellations; changes affecting consumer demand and preferences and fashion trends; changes in international, federal or state tax, labor and other laws and regulations that affect our business, including changes in corporate tax rates, unanticipated impacts resulting from additional guidance about and application of the TCJA, tariffs, international trade policy and geopolitical tensions, or increasing wage rates; our ability to attract and retain key personnel; risks inherent in doing business in foreign markets, including fluctuations in currency exchange rates, global credit market conditions and changes in global regulation and economic and political conditions; volatility in global production and transportation costs and capacity; our ability to effectively source and deliver our products to customers and consumers in a timely manner; our dependence on independent manufacturers and suppliers and our ability to source finished products and components at competitive prices from them or at all; the effectiveness of our sales and marketing efforts; business disruptions and acts of terrorism, cyber-attacks or military activities around the globe; intense competition in the industry; our ability to establish and protect our intellectual property; and our ability to develop innovative products. The Company cautions that forward-looking statements are inherently less reliable than historical information. The Company does not undertake any duty to update any of the forward-looking statements after the date of this document to conform them to actual results or to reflect changes in events, circumstances or its expectations. New factors emerge from time to time and it is not possible for the Company to predict or assess the effects of all such factors or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

About Columbia Sportswear Company

Columbia Sportswear Company has assembled a portfolio of brands for active lives, making it a leader in the global active lifestyle apparel, footwear, accessories, and equipment industry. Founded in 1938 in Portland, Oregon, the Company's brands are today sold in approximately 90 countries. In addition to the Columbia® brand, Columbia Sportswear Company also owns the Mountain Hardwear®, SOREL® and prAna® brands. To learn more, please visit the Company's websites at www.columbia.com, www.mountainhardwear.com, www.sorel.com, and www.pranacom.com.

Contact:

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- Financial tables follow -

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	March 31,	
	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 430,447	\$ 717,216
Short-term investments	272,603	90,978
Accounts receivable, net	341,136	316,415
Inventories	520,614	405,971
Prepaid expenses and other current assets	73,850	72,788
Total current assets	1,638,650	1,603,368
Property, plant, and equipment, net	298,379	281,213
Operating lease right-of-use assets	362,568	—
Intangible assets, net	125,830	128,810
Goodwill	68,594	68,594
Deferred income taxes	77,760	77,043
Other non-current assets	41,928	29,656
Total assets	\$ 2,613,709	\$ 2,188,684
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 186,943	\$ 167,328
Accrued liabilities	224,385	206,145
Operating lease liabilities	59,214	—
Income taxes payable	9,302	10,261
Total current liabilities	479,844	383,734
Non-current operating lease liabilities	337,832	—
Income taxes payable	50,610	61,538
Deferred income taxes	9,112	171
Other long-term liabilities	15,662	51,888
Total liabilities	893,060	497,331
Equity:		
Columbia Sportswear Company shareholders' equity	1,720,649	1,656,520
Non-controlling interest	—	34,833
Total equity	1,720,649	1,691,353
Total liabilities and equity	\$ 2,613,709	\$ 2,188,684

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net sales	\$ 654,608	\$ 607,308
Cost of sales	317,879	307,870
Gross profit	336,729	299,438
	51.4 %	49.3 %
Selling, general and administrative expenses	251,755	243,368
Net licensing income	2,984	3,251
Income from operations	87,958	59,321
Interest income, net	3,400	2,296
Other non-operating income (expense), net	446	(268)
Income before income tax	91,804	61,349
Income tax expense	(17,627)	(12,620)
Net income	74,177	48,729
Net income attributable to non-controlling interest	—	3,622
Net income attributable to Columbia Sportswear Company	\$ 74,177	\$ 45,107
Earnings per share attributable to Columbia Sportswear Company:		
Basic	\$ 1.09	\$ 0.64
Diluted	\$ 1.07	\$ 0.64
Weighted average shares outstanding:		
Basic	68,290	70,080
Diluted	69,052	70,843

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Three Months Ended March 31,

	2019	2018
Cash flows from operating activities:		
Net income	\$ 74,177	\$ 48,729
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and non-cash lease expense	28,998	14,536
Loss on disposal or impairment of property, plant, and equipment	958	20
Deferred income taxes	191	3,252
Stock-based compensation	4,215	3,113
Changes in operating assets and liabilities:		
Accounts receivable	108,637	115,414
Inventories	862	32,133
Prepaid expenses and other current assets	6,952	(1,912)
Other assets	(3,394)	(2,340)
Accounts payable	(81,242)	(87,492)
Accrued liabilities	(54,723)	(45,000)
Income taxes payable	(13,761)	(6,038)
Operating lease liabilities	(14,721)	—
Other liabilities	1,495	2,937
Net cash provided by operating activities	58,644	77,352
Cash flows from investing activities:		
Purchases of short-term investments	(136,257)	(33,178)
Sales and maturities of short-term investments	128,000	37,121
Capital expenditures	(25,199)	(12,290)
Proceeds from sale of property, plant, and equipment	—	19
Net cash used in investing activities	(33,456)	(8,328)
Cash flows from financing activities:		
Proceeds from credit facilities	21,942	—
Repayments on credit facilities	(21,942)	—
Proceeds from issuance of common stock related to stock-based compensation	8,579	9,380
Tax payments related to stock-based compensation	(5,432)	(4,033)
Repurchase of common stock	(18,845)	(18,099)
Purchase of non-controlling interest	(13,970)	—
Cash dividends paid	(16,418)	(15,452)
Net cash used in financing activities	(46,086)	(28,204)
Net effect of exchange rate changes on cash	(450)	3,230
Net increase (decrease) in cash, cash equivalents and restricted cash	(21,348)	44,050
Cash, cash equivalents and restricted cash, beginning of period	451,795	673,166
Cash, cash equivalents and restricted cash, end of period	\$ 430,447	\$ 717,216
Supplemental disclosures of non-cash investing activities:		
Capital expenditures incurred but not yet paid	\$ 8,177	\$ 4,000

COLUMBIA SPORTSWEAR COMPANY
Supplemental Financial Information
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2018			
	GAAP Measures (As Reported)	Adjust for Project CONNECT Costs ⁽¹⁾	Adjust for Effects of the TCJA ⁽²⁾	Non-GAAP Measures
Selling, general and administrative expenses	\$ 243,368	\$ (10,994)	\$ —	\$ 232,374
Income from operations	59,321	10,994	—	70,315
Income before income tax	61,349	10,994	—	72,343
Income tax expense	(12,620)	(2,617)	1,043	(14,194)
Net income	48,729	8,377	1,043	58,149
Net income attributable to Columbia Sportswear Company	45,107	8,377	1,043	54,527
Earnings per share attributable to Columbia Sportswear Company:				
Basic	\$ 0.64			\$ 0.78
Diluted	\$ 0.64			\$ 0.77

⁽¹⁾ Amounts reflect professional fees, severance and other program expenses related to Project CONNECT in 2018 that the Company believes are incremental to the Company's ongoing operations. The related tax effects of these charges were calculated using the respective statutory tax rates for applicable jurisdictions.

⁽²⁾ Amounts reflect an incremental provisional TCJA-related tax expense, primarily driven by refinement in the calculation of withholding taxes on our deferred tax liabilities, which drove further refinement of the Company's provisional estimates that were recorded in fourth quarter 2017.

COLUMBIA SPORTSWEAR COMPANY
Supplemental Financial Information
Net Sales Growth - Constant-currency Basis
(In millions, except percentage changes)
(Unaudited)

	Three Months Ended March 31,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
	2019	Translation	2019 ⁽¹⁾	2018	% Change	% Change ⁽¹⁾
Geographical Net Sales:						
United States	\$ 412.2	\$ —	\$ 412.2	\$ 362.8	14%	14%
LAAP	132.9	3.8	136.7	131.6	1%	4%
EMEA	71.3	4.3	75.6	71.8	(1)%	5%
Canada	38.2	2.3	40.5	41.1	(7)%	(1)%
Total	<u>\$ 654.6</u>	<u>\$ 10.4</u>	<u>\$ 665.0</u>	<u>\$ 607.3</u>	8%	10%
Brand Net Sales:						
Columbia	\$ 552.2	\$ 9.5	\$ 561.7	\$ 508.8	9%	10%
SOREL	39.5	0.6	40.1	30.8	28%	30%
prAna	41.2	—	41.2	42.3	(3)%	(3)%
Mountain Hardware	21.7	0.3	22.0	24.4	(11)%	(10)%
Other	—	—	—	1.0	(100)%	(100)%
Total	<u>\$ 654.6</u>	<u>\$ 10.4</u>	<u>\$ 665.0</u>	<u>\$ 607.3</u>	8%	10%
Product Category Net Sales:						
Apparel, Accessories and Equipment	\$ 526.0	\$ 7.5	\$ 533.5	\$ 490.0	7%	9%
Footwear	128.6	2.9	131.5	117.3	10%	12%
Total	<u>\$ 654.6</u>	<u>\$ 10.4</u>	<u>\$ 665.0</u>	<u>\$ 607.3</u>	8%	10%
Channel Net Sales:						
Wholesale	\$ 363.2	\$ 7.1	\$ 370.3	\$ 347.7	4%	6%
DTC	291.4	3.3	294.7	259.6	12%	14%
Total	<u>\$ 654.6</u>	<u>\$ 10.4</u>	<u>\$ 665.0</u>	<u>\$ 607.3</u>	8%	10%

⁽¹⁾ Constant-currency net sales information is a non-GAAP financial measure that excludes the effect of changes in foreign currency exchange rates against the U.S. dollar between comparable reporting periods. The Company calculates constant-currency net sales by translating net sales in foreign currencies for the current period into U.S. dollars at the average exchange rates that were in effect during the comparable period of the prior year.

COLUMBIA SPORTSWEAR COMPANY
Supplemental Financial Information
Reconciliation of GAAP to Non-GAAP Updated Full Year 2019 Financial Outlook
(Unaudited)

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties which may cause actual results to differ, perhaps materially. For more information on these risks and uncertainties please refer to the "Forward Looking Statements" section.

	Twelve Months Ended December 31, 2018					2019 Guidance		
	GAAP Measures (As Reported)	Adjust for Project CONNECT Costs ⁽¹⁾	Adjust for Effects of the TCJA ⁽²⁾	Adjust for Effects of Insurance Recovery ⁽³⁾	Non-GAAP Measures	Commentary compared to:		
<i>(In thousands, except per share amounts)</i>						2019 Guidance	2018	2018 non-GAAP
Net sales	\$2,802,326	\$ —	\$ —	\$ —	\$ —	\$2.98 to \$3.04 billion	6.5% to 8.5% growth	
Gross profit	1,386,348	—	—	—	—	gross margin of approximately 50.3%	approximately 80 bps expansion	
Selling, general and administrative expenses	1,051,152	(15,766)	—	4,317	1,039,703	37.9% to 38.1% percent of net sales	40 bps to 60 bps deleverage	80 bps to 100 bps deleverage
Income from operations	350,982	15,766	—	(4,317)	362,431	\$378 to \$391 million		
Operating Margin						12.7% to 12.9%	20 bps to 40 bps expansion	flat to 20 bps contraction
Income tax expense	(85,769)	(3,752)	5,064	1,027	(83,430)	approximately 22%		
Net income attributable to non-controlling interest	6,692	—	—	—	—	\$0 million		
Net income attributable to Columbia Sportswear Company	\$ 268,256	\$ 12,014	\$ 5,064	\$ (3,290)	\$ 282,044	\$304 to \$314 million		
Earnings per share attributable to Columbia Sportswear Company:								
Diluted	\$ 3.81				\$ 4.01	\$4.40 to \$4.55		

⁽¹⁾ Amounts reflect professional fees, severance and other program expenses related to Project CONNECT that the Company believes are incremental to its ongoing operations. The related tax effects of these charges were calculated using the respective statutory tax rates for applicable jurisdictions.

⁽²⁾ For full year 2018, the Company incurred \$5.1 million in incremental income tax expense related to the TCJA.

⁽³⁾ Amounts reflect a benefit from a recovery in connection with an insurance claim received in third quarter 2018 that the Company believes is incremental to the Company's ongoing operations.



14375 NW Science Park Drive
Portland, OR 97229
April 25, 2019

CFO Commentary on First Quarter 2019 Financial Results and Full Year 2019 Financial Outlook

Financial Information and Non-GAAP Financial Measures

Please reference the accompanying financial tables in the corresponding earnings release at <http://investor.columbia.com/results.cfm>.

Throughout this press release, amounts stated to be non-GAAP exclude items described in the "Non-GAAP Financial Measures" section below. Additionally, constant-currency net sales, a non-GAAP financial measure, is referenced throughout this press release. For more information on our non-GAAP financial measures and a reconciliation of GAAP to non-GAAP measures please refer to the "Supplemental Financial Information" section and financial tables included in the first quarter 2019 earnings release furnished to the Securities and Exchange Commission (the "SEC") on Form 8-K and published on the Investor Relations section of the Company's website at <http://investor.columbia.com/results.cfm>.

Financial Summary

	Three Months Ended March 31,				
	GAAP			Non-GAAP	
	2019	2018	Change	2018	Change
	(dollars in millions except per share amounts)				
Net sales	\$654.6	\$607.3	8%		
Gross margin	51.4%	49.3%	210 bps		
SG&A rate	38.5%	40.1%	-160 bps	38.3%	20 bps
Operating income	\$88.0	\$59.3	48%	\$70.3	25%
Operating margin	13.4%	9.8%	360 bps	11.6%	180 bps
Net income	\$74.2	\$45.1	64%	\$54.5	36%
Earnings per diluted share	\$1.07	\$0.64	67%	\$0.77	39%

Non-GAAP Financial Measures

Throughout this press release, non-GAAP amounts in first quarter 2018 exclude \$11.0 million in Project CONNECT expenses and discrete costs (\$8.4 million net of tax) and \$1.0 million in incremental income tax expense related to the Tax Cuts and Jobs Act ("TCJA"). These exclusions were not applicable in first quarter 2019.

First Quarter 2019 Financial Results

(All comparisons are between first quarter 2019 and first quarter 2018, unless otherwise noted.)

Net Sales

Net sales increased 8 percent (10 percent constant-currency) to \$654.6 million, from \$607.3 million for the comparable period in 2018.

Geographies

	Net Sales (millions)	Net Sales (millions)	Net Sales % Change	Constant- currency Net Sales % Change
	Q1 2019	Q1 2018		
U.S.	\$ 412.2	\$ 362.8	14%	14%
LAAP	132.9	131.6	1%	4%
EMEA	71.3	71.8	(1)%	5%
Canada	38.2	41.1	(7)%	(1)%
Total	<u>\$ 654.6</u>	<u>\$ 607.3</u>	8%	10%

- **United States ("U.S.")**

- Direct-to-consumer ("DTC") net sales increased mid-teens percent driven by brick & mortar store performance as well as mid-20 percent e-commerce growth.
- Wholesale net sales increased low-double-digit percent driven by the Columbia and SOREL brands. Wholesale net sales growth reflects increased shipments of advance Spring 2019 orders, higher replenishment sales and favorable net reorder rates, partially aided by favorable weather having a positive impact on demand for seasonal product.
- The Company operated 134 U.S. retail stores at March 31, 2019 (113 outlet; 21 branded) and 4 branded e-commerce sites, compared with 130 stores (107 outlet; 23 branded) and 4 branded e-commerce sites at the same time last year.

- **Latin America and Asia Pacific ("LAAP")**

- Japan net sales increased mid-teens percent driven by wholesale and DTC growth. Wholesale growth benefited from a one-time impact related to a business model change of a key customer as well as a greater portion of Spring 2019 shipments falling into the first quarter 2019 compared to first quarter 2018.
- Korea net sales increased mid-single-digit percent (low-double-digit percent constant-currency) as the business continues to stabilize in a declining outdoor market.
- LAAP distributor net sales increased high-single-digit percent resulting from a greater portion of Fall 2018 and Spring 2019 shipments falling into first quarter 2019 compared to first quarter 2018, partially offset by a decline in Spring 2019 orders.
- China net sales decreased low-double-digit percent (high-single-digit percent constant-currency), reflecting a decrease in sales in the wholesale channel, partially offset by DTC growth.

- **Europe, Middle East and Africa ("EMEA")**

- EMEA distributor net sales increased mid-teens percent, primarily driven by sales growth to our Russia-based distributor.
- Europe-direct net sales decreased low-single-digit percent. Excluding the effects of exchange rates, net sales increased mid-single-digit percent, driven by DTC and wholesale growth.

- **Canada**

- Net sales decreased reflecting a decline in wholesale, partially offset by DTC growth.

Brands

	Net Sales (millions) Q1 2019	Net Sales (millions) Q1 2018	Net Sales % Change	Constant- currency Net Sales % Change
Columbia	\$ 552.2	\$ 508.8	9%	10%
SOREL	39.5	30.8	28%	30%
prAna	41.2	42.3	(3)%	(3)%
Mountain Hardwear	21.7	24.4	(11)%	(10)%
Other	—	1.0	(100)%	(100)%
Total	\$ 654.6	\$ 607.3	8%	10%

- **Columbia** brand net sales growth was driven by the U.S. DTC and wholesale businesses.
- **SOREL** brand net sales growth was led by the U.S., including growth across both wholesale and DTC channels, as well as growth in Canada and Europe-direct.
- **prAna** brand net sales decline reflects lower North America wholesale net sales, partially offset by e-commerce growth.
- **Mountain Hardwear** brand net sales declined primarily driven by North America, reflecting lower excess liquidation sales compared to first quarter 2018, partially offset by growth in full price wholesale sales.

Product Categories

	Net Sales (millions) Q1 2019	Net Sales (millions) Q1 2018	Net Sales % Change	Constant- currency Net Sales % Change
Apparel, Accessories and Equipment	\$ 526.0	\$ 490.0	7%	9%
Footwear	128.6	117.3	10%	12%
Total	\$ 654.6	\$ 607.3	8%	10%

- **Apparel, Accessories and Equipment** net sales increased in the Columbia brand, partially offset by a decrease in the prAna and Mountain Hardwear brands.
- **Footwear** net sales increased, driven by the SOREL and Columbia brands.

Channels

	Net Sales (millions) Q1 2019	Net Sales (millions) Q1 2018	Net Sales % Change	Constant- currency Net Sales % Change
Wholesale	\$ 363.2	\$ 347.7	4%	6%
DTC	291.4	259.6	12%	14%
Total	\$ 654.6	\$ 607.3	8%	10%

Gross Margin

Gross margin expanded 210 basis points to 51.4 percent of net sales, from 49.3 percent for the comparable period in 2018, primarily reflecting:

- Project CONNECT benefits;
- higher proportion of full price product sales mix in our wholesale channels;
- favorable effects from foreign currency hedge rates; and
- higher DTC sales mix.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses increased \$8.4 million, or 3 percent, to \$251.8 million, or 38.5 percent of net sales, from \$243.4 million, or 40.1 percent of net sales, for the comparable period in 2018. The increase in SG&A expenses included:

- increased expenses to support our expanding global DTC operations;
- increased personnel expense to support business growth and strategic projects;
- increased demand creation spending; partially offset by
- the non-recurrence of Project CONNECT expenses and discrete costs; and
- the favorable impact of weakening foreign currencies relative to the U.S. dollar.

SG&A expenses increased \$19.4 million, or 8 percent, from non-GAAP SG&A expenses of \$232.4 million for the comparable period in 2018.

Operating Income

Operating income increased 48 percent to \$88.0 million, or 13.4 percent of net sales, from \$59.3 million, or 9.8 percent of net sales, for the comparable period in 2018. Operating income increased \$17.6 million, or 25 percent, from non-GAAP operating income of \$70.3 million for the comparable period in 2018.

Licensing

Net licensing income decreased 8 percent to \$3.0 million, from \$3.3 million for the comparable period in 2018.

Income Tax Expense

Income tax expense was \$17.6 million, resulting in an effective income tax rate of 19.2 percent, compared to income tax expense of \$12.6 million, or an effective income tax rate of 20.6 percent, for the comparable period in 2018. Our first quarter effective tax rate decreased compared to the prior year period primarily due to increased excess tax benefits from stock-based compensation. Non-GAAP first quarter 2018 income tax expense was \$14.2 million, resulting in a non-GAAP effective income tax rate of 19.6 percent.

Net Income

Net income increased 64 percent to \$74.2 million, or \$1.07 per diluted share, from \$45.1 million, or \$0.64 per share, for the comparable period in 2018. Net income increased 36 percent from non-GAAP net income of \$54.5 million, or \$0.77 per diluted share, for the comparable period in 2018. First quarter 2019 net income includes the benefit of full ownership of our China business, which became a wholly owned subsidiary effective January 2019. In the first quarter of 2018 the non-controlling interest share of net income was \$3.6 million, or \$0.05 per diluted share.

Balance Sheet as of March 31, 2019

Cash, cash equivalents and short-term investments totaled \$703.1 million, compared to \$808.2 million at March 31, 2018.

Inventories increased 28 percent to \$520.6 million, compared to \$406.0 million at March 31, 2018, resulting from earlier buys and receipts of Fall 2019 inventory to alleviate manufacturing capacity constraints to drive cost efficiencies and, to a lesser degree, increased current season Spring and older season inventory compared to the same period last year.

Cash Flow for the Three Months Ended March 31, 2019

The Company generated \$58.6 million in operating cash flow, compared to \$77.4 million for the same period in 2018.

Capital expenditures totaled \$25.2 million, compared to \$12.3 million for the same period in 2018.

The Company paid dividends of \$16.4 million to shareholders.

The Company made a \$14.0 million payment related to the purchase of the non-controlling interest in its China joint venture.

Share Repurchases for the Three Months Ended March 31, 2019

The Company repurchased 195,681 shares of common stock for an aggregate of \$19.1 million, or \$97.47 average price per share.

At March 31, 2019, approximately \$317.3 million remained available under the current stock repurchase authorization, which does not obligate the Company to acquire any specific number of shares or to acquire shares over any specified period of time.

Regular Quarterly Cash Dividend

At its regular board meeting on April 19, 2019, the board of directors authorized a regular quarterly cash dividend of \$0.24 per share, payable on May 30, 2019 to shareholders of record on May 16, 2019.

Full Year 2019 Financial Outlook

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ, perhaps materially. Projections are predicated on normal seasonal weather globally. In addition, our 2019 financial outlook assumes that current macroeconomic and market conditions in key markets do not worsen and that geopolitical tensions, including ongoing trade negotiations between the U.S. and China, do not deteriorate.

The Company's annual net sales are weighted more heavily toward the Fall/Winter season, while operating expenses are more equally distributed throughout the year, resulting in a highly seasonal profitability pattern weighted toward the second half of the year.

Spring and Fall season advance wholesale orders typically drive a significant portion of our annual net sales and are two of several significant factors we use to formulate our full year outlook. However, among the many risks inherent in our global business, our projected full year net sales and profitability may be materially affected by unfavorable weather patterns and other factors that affect consumer demand and store traffic and lead to higher-than-anticipated order cancellations and lower reorders by our wholesale customers, or lower-than-projected net sales through our DTC businesses, particularly during the fourth quarter.

We also face macroeconomic, competitive and geopolitical uncertainties as well as foreign currency exchange rate volatility in several major markets, making it more difficult for us to forecast our net sales and profitability.

Our 2019 outlook assumes that global regulatory, customs and tax policies remain largely unaltered for the balance of the year.

Taking the above factors into consideration, our 2019 financial outlook anticipates:

	Full Year 2019 Guidance (U.S. Dollar)		
	2019 Guidance	2018	2018 non-GAAP
Net sales	\$2.98 to \$3.04 billion (prior \$2.97 to \$3.03 billion)	6.5% to 8.5% growth (prior 6.0% to 8.0%)	
Gross margin	approximately 50.3% (prior approximately 50.2%)	approximately 80 bps expansion (prior approximately 70 bps expansion)	
SG&A percent of net sales	37.9% to 38.1% (prior 38.0% to 38.2%)	40 bps to 60 bps deleverage (prior 50 bps to 70 bps deleverage)	80 bps to 100 bps deleverage (prior 90 bps to 110 bps deleverage)
Operating margin	12.7% to 12.9% (prior 12.4% to 12.6%)	20 bps to 40 bps expansion (prior 10 bps contraction to 10 bps expansion)	flat to 20 bps contraction (prior 30bps to 50 bps contraction)
Operating income	\$378 to \$391 million (prior \$369 to \$382 million)		
Effective income tax rate	approximately 22%		
Net income	\$304 to \$314 million (prior \$297 to \$307 million)		
Diluted earnings per share	\$4.40 to \$4.55 (prior \$4.30 to \$4.45)		

For more information, please refer to the "Reconciliation of GAAP to non-GAAP Updated Full Year 2019 Financial Outlook" table found in the "Supplemental Financial Information" section included in the first quarter 2019 earnings release published on the Investor Relations section of the Company's website at <http://investor.columbia.com/results.cfm>.

Net Sales

The Company currently expects 2019 net sales to increase 6.5 to 8.5 percent (prior 6.0 to 8.0 percent) to \$2.98 to \$3.04 billion (prior \$2.97 to \$3.03 billion), from \$2.80 billion in 2018. Net sales guidance includes a foreign currency translation impact that is anticipated to reduce net sales growth by approximately 70 basis points.

Our 2019 financial outlook is further based on the expectation of net sales growth in the Columbia, SOREL, Mountain Hardwear and prAna brands. Other assumptions considered in our net sales outlook include:

- U.S. net sales growth of a low-double-digit percent, consisting of low-double-digit percent growth in both wholesale and DTC.
- EMEA net sales increase of low-single-digit percent (mid-single-digit constant-currency), consisting of a high-single-digit percent increase in our EMEA distributor business and low-single-digit percent increase (mid-single-digit percent constant-currency) in Europe-direct.
- LAAP net sales increase of low-single-digit percent, including:
 - Japan net sales increase of mid-single-digit percent (mid-single-digit percent constant-currency);
 - Korea net sales increase of low-single-digit percent (mid-single-digit percent constant-currency);
 - LAAP distributor net sales decline of mid-single-digit percent;
 - and
 - China net sales decline of mid-single-digit percent.
- Mid-single-digit percent (high-single-digit percent constant-currency) net sales growth in Canada.

Gross Margin

The Company expects 2019 gross margin to improve by approximately 80 basis points to approximately 50.3 percent (prior 70 bps expansion to 50.2 percent), from 49.5 percent in 2018.

Gross margin expansion reflects:

- Project CONNECT benefits; and
- a favorable channel mix with a greater proportion of higher gross margin DTC sales; partially offset by
- challenging comparisons to 2018, which had favorable selling conditions particularly in the fourth quarter.

SG&A Expenses

For 2019, the Company expects SG&A expenses to increase at a rate faster than net sales, resulting in 40 to 60 basis points (prior 50 bps to 70 bps) of SG&A expense deleverage compared to 2018. SG&A expense as a percent of net sales is expected to be 37.9 to 38.1 percent (prior 38.0 to 38.2 percent), compared to SG&A expense as a percent of net sales of 37.5 percent in 2018.

The increase in SG&A expenses is expected to be driven by business growth as well as ongoing and incremental investments in our strategic priorities to drive and support long-term profitable sales growth. The expected increase in SG&A expenses includes:

- increased expenses associated with the continued expansion of our DTC businesses globally including the impact of new stores, lease renewals, store remodels and investments in systems infrastructure which encompass our C1 and X1 initiatives;
- increased personnel and related expenses to support our brand-led consumer-focused operating model, business growth and strategic priorities;
- increased demand creation spend;
- increased expenses to support information technology and supply chain initiatives as well as other capability development across the business; and
- the non-recurrence of a benefit from a recovery in connection with an insurance claim; partially offset by
- the non-recurrence of Project CONNECT expenses and discrete costs.

Compared to non-GAAP full year 2018 SG&A expenses of \$1,039.7 million, or 37.1 percent of net sales, the Company expects 80 to 100 basis points (prior 90 bps to 110 bps) of SG&A expense deleverage.

Licensing Income

The Company expects 2019 licensing income of up to \$15 million based on expected performance of existing licensing partners.

Operating Income

Based on the above assumptions, the Company expects 2019 operating income of \$378 to \$391 million (prior \$369 to \$382 million), resulting in operating margin of 12.7 to 12.9 percent (prior 12.4 to 12.6 percent), compared to operating margin of 12.5 percent in 2018.

Compared to non-GAAP full year 2018 operating income of \$362.4 million, or 12.9 percent of net sales, operating margin is expected to be flat to 20 basis points contraction (prior 30 bps to 50 bps point contraction).

Income Tax Expense

The Company expects an estimated effective income tax rate of approximately 22 percent. The tax rate may be affected by unanticipated impacts resulting from changes in international, federal or state tax policies as well as changes in the Company's geographic mix of pre-tax income and other discrete events that may occur during 2019.

Net Income

The Company expects 2019 net income of \$304 to \$314 million (prior \$297 to \$307 million), or diluted earnings per share of \$4.40 to \$4.55 (prior \$4.30 to \$4.45). This guidance includes the benefit of full ownership of our China business which became a wholly owned subsidiary effective January 2019. For reference, the non-controlling interest share of net income was \$6.7 million in 2018, or \$0.10 per diluted share. Guidance assumes an average diluted share count of 69 million shares for the full year. This share count guidance includes the estimated benefit of our systematic share repurchase plan which is designed to offset dilution from employee stock grants but excludes the benefit from any additional opportunistic share repurchases the Company may execute throughout the year.

Foreign Currency

Foreign currency translation is anticipated to reduce net sales growth by approximately 70 basis points.

Foreign currency translation and transactional effects are not anticipated to have a significant impact on diluted earnings per share.

Second Quarter 2019 Outlook

The second quarter is our lowest volume sales quarter and small changes in the timing of product shipments and expenses can have a material impact on reported results. Historically, second quarter profitability has been challenging given our fixed cost structure, resulting in the Company reporting a second quarter earnings loss in most years. Taking this into consideration, our second quarter outlook anticipates:

- mid-single-digit percent net sales growth compared to second quarter 2018 net sales of \$481.6 million; and
- earnings per share of break-even to a small loss compared to second quarter 2018 diluted earnings per share of \$0.14. For reference, non-GAAP second quarter 2018 diluted earnings per share was \$0.16.

Balance Sheet and Cash Flows

The Company currently expects inventory growth to peak in second quarter 2019 before moderating exiting the year, driven largely by earlier buys and receipts of Fall 2019 product to alleviate manufacturing capacity constraints to drive cost efficiencies.

The Company expects 2019 capital expenditures between \$130 million and \$135 million. Elevated capital expenditures relative to historic levels are due to a combination of factors, including facilities expansions at our corporate headquarters, investment in DTC operations, including new stores and remodels, and investment in IT systems and other enabling capabilities to support our strategic priorities.

The Company expects 2019 operating cash flow of approximately \$330 million.

Strategic Priorities

As part of the Company's commitment to driving sustainable and profitable growth and relentless improvement, senior management is focused on investment in our strategic priorities:

- driving brand awareness and sales growth through increased, focused demand creation investments;
- enhancing consumer experience and digital capabilities in all our channels and geographies;
- expanding and improving global DTC operations with supporting processes and systems; and
- investing in our people and optimizing our organization across our portfolio of brands.

Ultimately, we expect our investments to enable market share capture across our brand portfolio, expand gross margin, improve SG&A expense efficiency, and drive improved operating margin.

Capital Allocation

The Company remains committed to maintaining a strong balance sheet while utilizing cash to invest in growth opportunities for the business. We continue to believe that the lowest risk and highest return for the Company is to remain focused on improving results with respect to the assets that we already own. We will also look to return 40 to 60 percent of free cash flow, defined as operating cash flow less capital expenditures, to shareholders by increasing our dividend when appropriate and repurchasing shares in the marketplace. Finally, we will continue to evaluate acquisitions as opportunities arise.

Dividend Review Policy

Historically, our dividend review has coincided with our third quarter earnings process. Going forward we will be reviewing our dividend policy during the fourth quarter and year-end earnings process. Based on this change, we anticipate our next dividend review will occur during the 2019 fourth quarter and year-end earnings process and be communicated

to investors when we report results in February 2020. We believe this change will enable greater visibility of cash flow generation and requirements for the upcoming year and allow us to present a more comprehensive annual capital allocation outlook when we provide initial out-year guidance. As a reminder, we raised our dividend 16 percent coinciding with our first quarter 2018 earnings release and another 9 percent coinciding with our third quarter 2018 earnings release.

Consumer-First Initiative ("C1")

During 2017, we commenced investment in our C1 initiative, which encompasses the global retail platform and information technology systems infrastructure to support the growth and continued development of our omnichannel capabilities. The objective of this initiative is consistent with our strategic priorities to deliver an enhanced consumer experience and to modernize and standardize our processes and systems to enable us to better anticipate and deliver against the needs of our consumers. We are working toward our North America implementation of C1 in the second half of 2019, but may choose to move implementation steps into future periods. Our 2019 financial outlook includes anticipated SG&A expenses and capital expenditures in conjunction with this initiative.

Experience First Initiative ("X1")

During 2018, we commenced investment in our X1 initiative, which is designed to enhance our e-commerce systems to take advantage of the changes in consumer browsing and purchasing behavior towards mobile devices. It encompasses reimplementation of our e-commerce platforms to offer improved search, browsing, checkout, loyalty, and customer care experiences for mobile shoppers. Once complete, the project will be integrated with our C1 initiative and will be implemented across all of our brands.

We are now working toward a phased implementation of X1 beginning with Europe-direct in 2019, followed by the launch of North America in 2020. We continue to evaluate the timeline to ensure appropriate alignment of the work required to be completed with our retail calendar, including the integration with our C1 platform. We may choose to move implementation steps into future periods. Our updated financial outlook contemplates the impact of the revised implementation plan.

Project CONNECT

During 2017, the Company initiated Project CONNECT, aimed at aligning our resources to accelerate execution on our strategic priorities, including initiatives to drive net sales, capture cost of sales efficiencies, generate SG&A expense savings, and improve our marketing effectiveness. Efficiencies within cost of sales are creating a meaningful benefit to product margin within our first quarter and 2019 financial outlook primarily driven by assortment optimization, design-to-value initiatives and DTC pricing and markdown optimization. The financial benefits from these initiatives are reflected in our full year 2019 financial outlook. As these improvements are realized, we intend to reallocate resources to our strategic priorities, including incremental demand creation spending and other investments to drive growth across our brands and distribution channels.

Lease Accounting Changes

In February 2016, the FASB issued Accounting Standards Codification Topic 842 (ASC 842) which requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. The Company adopted this new accounting standard on January 1, 2019, utilizing the modified retrospective approach. As such, the March 31, 2019 balance sheet reflects a gross-up of the balance sheet reflecting this change, with right of use assets of \$362.6 million and corresponding lease liabilities of \$397.0 million. Amounts recognized as lease expense within SG&A expense will be similar to the previous accounting method, and we anticipate associated impairment analysis will not have a significant financial statement impact. Cash flows from operating leases will continue to be recognized within operating activities of the cash flow statement.

Supplemental Financial Information

Since Columbia Sportswear Company is a global company, the comparability of its operating results reported in U.S. dollars is affected by foreign currency exchange rate fluctuations because the underlying currencies in which it transacts change in value over time compared to the U.S. dollar. To supplement financial information reported in accordance with GAAP, the Company discloses constant-currency net sales information, which is a non-GAAP financial measure, to provide a framework to assess how the business performed excluding the effects of changes in the exchange rates used to translate net sales generated in foreign currencies into U.S. dollars. The Company calculates

net sales by translating net sales in foreign currencies for the current period into U.S. dollars at the exchange rates that were in effect during the comparable period of the prior year. Management believes that this non-GAAP financial measure reflects an additional and useful way of viewing an aspect of our operations that, when viewed in conjunction with our GAAP results, provides a more comprehensive understanding of our business and operations. In particular, investors may find the non-GAAP measures useful by reviewing our net sales results without the volatility in foreign currency exchange rates. This non-GAAP financial measure also facilitates management's internal comparisons to our historical net sales results and comparisons to competitors' net sales results.

Additionally, this document includes references to various other non-GAAP financial measures related to 2018 that may exclude program expenses, discrete costs and associated tax effects related to Project CONNECT, TCJA-related income tax expense, and a recovery in connection with an insurance claim and related tax effects. The related tax effects of program expenses and discrete costs related to Project CONNECT and the insurance claim recovery benefit were calculated using the respective statutory tax rates for applicable jurisdictions. Management believes that these non-GAAP financial measures enable useful and meaningful comparisons of our operating performance from period to period because they exclude the effects of the aforementioned items above that may not be indicative of our core operating results.

These non-GAAP financial measures, including constant-currency net sales, should be viewed in addition to, and not in lieu of or superior to, our financial measures calculated in accordance with GAAP. The Company provides a reconciliation of non-GAAP measures to the most directly comparable financial measure calculated in accordance with GAAP. See "Supplemental Financial Information" tables included in the earnings release announcing first quarter 2019 results and updated full year 2019 financial outlook located on the Investor Relations section of the Company's website at <http://investor.columbia.com/results.cfm>. The non-GAAP financial measures and constant-currency information presented may not be comparable to similarly entitled measures reported by other companies.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, net sales and net sales growth, gross margin, operating expenses, licensing income, operating income, operating margins, net income, earnings per share, income tax rates and the effects of tax reform (including the TCJA) as well as changes in the Company's geographic mix of pre-tax income and other discrete events that may occur during the year, SG&A expenses, including deleverage, projected growth or decline in specific geographies, channels, and brands, the effect of changes associated with lease accounting changes and the implementation of other new accounting policies on our financial results, the effects of foreign currency, inventory growth, share count, share repurchase and dividend activity, operating cash flow, capital expenditures and allocation of capital resources, investment activity and strategic priorities, including our C1 and X1 initiatives, the realization of financial benefits resulting from Project CONNECT, levels of promotional activity, investments in our business in China, and our ability to adapt our business and realize the anticipated benefits of our investments in our strategic priorities. Forward-looking statements often use words such as "will", "anticipate", "estimate", "expect", "should", "may" and other words and terms of similar meaning or reference future dates. The Company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this document, those described in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q under the heading "Risk Factors," and those that have been or may be described in other reports filed by the Company, including reports on Form 8-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the Company to differ materially from the anticipated results expressed or implied by forward-looking statements in this document include: loss of key customer accounts; our ability to effectively execute our business strategies, including initiatives to implement business process enhancements and information technology systems and investments in our DTC businesses; our ability to maintain the strength and security of our information technology systems; the effects of unseasonable weather, including global climate change; the seasonality of our business; trends affecting spending, including changes in the level of consumer spending, and retail traffic patterns; unfavorable economic conditions generally, the financial health of our customers and retailer consolidation; higher than expected rates of order cancellations; changes affecting consumer demand and preferences and fashion trends; changes in international, federal or state tax, labor and other laws and regulations that affect our business, including changes in corporate tax rates, the effects of the TCJA, tariffs, international trade policy and geopolitical tensions, or increasing wage rates; our ability to attract and retain key personnel; risks inherent in doing business in foreign markets, including fluctuations in currency exchange rates, global credit market conditions and changes in global regulation and economic and political conditions; volatility in global production and transportation costs and capacity; our ability to effectively source and deliver our products to customers and consumers in a timely manner; our dependence on independent manufacturers and suppliers and our ability to source finished products and components at competitive

prices from them or at all; the effectiveness of our sales and marketing efforts; business disruptions and acts of terrorism, cyber-attacks or military activities around the globe; intense competition in the industry; our ability to establish and protect our intellectual property; and our ability to develop innovative products. The Company cautions that forward-looking statements are inherently less reliable than historical information. The Company does not undertake any duty to update any of the forward-looking statements after the date of this document to conform them to actual results or to reflect changes in events, circumstances or its expectations. New factors emerge from time to time and it is not possible for the Company to predict or assess the effects of all such factors or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

End

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