UNITED STATES
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 September 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934**

For the transition period from_______to_______

Commission file number 000-23939

COLUMBIA SPORTSWEAR COMPANY

(Exact name of registrant as specified in its charter)

Oregon	**93-0498284**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**

14375 Northwest Science Park Drive
Portland, Oregon 97229
(Address of principal executive offices and zip code)
(503) 985-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	COLM	The NASDAQ Global Select Market

Indicate by check mark whether 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 (or for such shorter period that the registrant was required to file such reports), 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
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 ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of Common Stock outstanding on October 22, 2021 was65,217,098.

COLUMBIA SPORTSWEAR COMPANY
September 30, 2021

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PART I—FINANCIAL INFORMATION

Item 1. *FINANCIAL STATEMENTS*

COLUMBIA SPORTSWEAR COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands)	September 30, 2021	December 31, 2020	September 30, 2020
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 599,479	$ 790,725	$ 313,429
Short-term investments	1,132	1,224	1,095
Accounts receivable, net of allowance of $ 10,847, $21,810, and $29,760, respectively	500,451	452,945	479,376
Inventories, net	720,865	556,530	771,724
Prepaid expenses and other current assets	98,146	54,197	82,175
Total current assets	1,920,073	1,855,621	1,647,799
Property, plant and equipment, at cost, net of accumulated depreciation of $ 591,795, $574,247, and $550,097, respectively	293,725	309,792	322,167
Operating lease right-of-use assets	344,876	339,244	351,277
Intangible assets, net	102,321	103,558	121,471
Goodwill	68,594	68,594	68,594
Deferred income taxes	92,493	96,126	77,055
Other non-current assets	67,277	63,636	63,951
Total assets	$ 2,889,359	$ 2,836,571	$ 2,652,314
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable	241,119	206,697	164,332
Accrued liabilities	273,590	257,278	257,040
Operating lease liabilities	67,055	65,466	73,409
Income taxes payable	8,955	23,181	4,813
Total current liabilities	590,719	552,622	499,594
Non-current operating lease liabilities	330,765	353,181	337,108
Income taxes payable	49,392	49,922	49,195
Deferred income taxes	1	5,205	7,149
Other long-term liabilities	38,165	42,870	36,452
Total liabilities	1,009,042	1,003,800	929,498
Commitments and contingencies (Note 6)			
Shareholders' Equity:			
Preferred stock; 10,000 shares authorized; none issued and outstanding	—	—	—
Common stock (no par value); 250,000 shares authorized; 65,501, 66,252, and 66,210, issued and outstanding, respectively	—	20,165	13,142
Retained earnings	1,883,343	1,811,800	1,716,044
Accumulated other comprehensive income (loss)	(3,026)	806	(6,370)
Total shareholders' equity	1,880,317	1,832,771	1,722,816
Total liabilities and shareholders' equity	$ 2,889,359	$ 2,836,571	$ 2,652,314

See accompanying notes to condensed consolidated financial statements

COLUMBIA SPORTSWEAR COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net sales	$ 804,706	$ 701,092	$ 1,996,682	$ 1,585,931
Cost of sales	396,346	358,184	974,403	825,079
Gross profit	408,360	342,908	1,022,279	760,852
Selling, general and administrative expenses	280,121	261,192	796,276	755,664
Net licensing income	5,222	3,927	12,933	8,168
Operating income	133,461	85,643	238,936	13,356
Interest income (expense), net	196	(280)	1,072	728
Other non-operating income (expense), net	201	(465)	(397)	2,208
Income before income tax	133,858	84,898	239,611	16,292
Income tax expense	(33,295)	(22,147)	(42,464)	(4,035)
Net income	$ 100,563	$ 62,751	$ 197,147	$ 12,257
Earnings per share:				
Basic	$ 1.53	$ 0.95	$ 2.98	$ 0.18
Diluted	$ 1.52	$ 0.94	$ 2.96	$ 0.18
Weighted average shares outstanding:				
Basic	65,862	66,179	66,182	66,427
Diluted	66,266	66,537	66,673	66,807

See accompanying notes to condensed consolidated financial statements

COLUMBIA SPORTSWEAR COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net income	$ 100,563	$ 62,751	$ 197,147	$ 12,257
Other comprehensive income (loss):				
Unrealized gains (losses) on derivative transactions (net of tax effects of $(3,602), $3,995, $(5,787) and $1,371, respectively)	10,552	(11,685)	15,564	(5,022)
Foreign currency translation adjustments (net of tax effects of $ 66, $(290), $215 and $(253), respectively)	(11,422)	11,175	(19,396)	3,077
Other comprehensive loss	(870)	(510)	(3,832)	(1,945)
Comprehensive income	$ 99,693	$ 62,241	$ 193,315	$ 10,312

See accompanying notes to condensed consolidated financial statements

COLUMBIA SPORTSWEAR COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	**2021**	**2020**
Cash flows from operating activities:		
Net income	$ 197,147	$ 12,257
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, amortization, and non-cash lease expense	84,509	102,283
Provision for uncollectible accounts receivable	(9,088)	24,684
Loss on disposal or impairment of property, plant and equipment and right-of-use assets	366	8,981
Deferred income taxes	(8,731)	4,306
Stock-based compensation	14,487	12,802
Changes in operating assets and liabilities:		
Accounts receivable	(44,500)	(17,130)
Inventories, net	(173,761)	(160,090)
Prepaid expenses and other current assets	(40,957)	9,098
Other assets	148	(20,786)
Accounts payable	22,014	(89,790)
Accrued liabilities	24,813	(41,182)
Income taxes payable	(14,621)	(10,011)
Operating lease assets and liabilities	(68,823)	(41,459)
Other liabilities	1,359	8,077
Net cash used in operating activities	(15,638)	(197,960)
Cash flows from investing activities:		
Purchases of short-term investments	—	(35,044)
Sales and maturities of short-term investments	1,184	36,630
Capital expenditures	(20,413)	(25,164)
Net cash used in investing activities	(19,229)	(23,578)
Cash flows from financing activities:		
Proceeds from credit facilities	29,508	387,992
Repayments on credit facilities	(29,313)	(388,465)
Payment of line of credit issuance fees	—	(2,096)
Proceeds from issuance of common stock related to stock-based compensation	24,329	4,793
Tax payments related to stock-based compensation	(5,715)	(4,454)
Repurchase of common stock	(118,580)	(132,889)
Cash dividends paid	(51,662)	(17,195)
Net cash used in financing activities	(151,433)	(152,314)
Net effect of exchange rate changes on cash	(4,946)	1,272
Net decrease in cash and cash equivalents	(191,246)	(372,580)
Cash and cash equivalents, beginning of period	790,725	686,009
Cash and cash equivalents, end of period	$ 599,479	$ 313,429
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	$ 87,709	$ 18,385
Supplemental disclosures of non-cash investing and financing activities:		
Property, plant and equipment acquired through increase in liabilities	$ 8,277	$ 4,774
Repurchases of common stock not settled	$ 8,628	$ —

See accompanying notes to condensed consolidated financial statements

COLUMBIA SPORTSWEAR COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

	Three Months Ended September 30, 2021				
	Common Stock				
(in thousands, except per share amounts)	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JUNE 30, 2021	66,148	$ —	$ 1,863,813	$ (2,156)	$ 1,861,657
Net income	—	—	100,563	—	100,563
Other comprehensive income (loss):					
Unrealized gains on derivative transactions, net	—	—	—	10,552	10,552
Foreign currency translation adjustment, net	—	—	—	(11,422)	(11,422)
Cash dividends ($0.26 per share)	—	—	(17,122)	—	(17,122)
Issuance of common stock related to stock-based compensation, net	79	3,767	—	—	3,767
Stock-based compensation expense	—	4,664	—	—	4,664
Repurchase of common stock	(726)	(8,431)	(63,911)	—	(72,342)
BALANCE, SEPTEMBER 30, 2021	65,501	$ —	$ 1,883,343	$ (3,026)	$ 1,880,317

	Three Months Ended September 30, 2020				
	Common Stock				
(in thousands, except per share amounts)	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JUNE 30, 2020	66,148	$ 5,396	$ 1,653,293	$ (5,860)	$ 1,652,829
Net income	—	—	62,751	—	62,751
Other comprehensive income (loss):					
Unrealized losses on derivative transactions, net	—	—	—	(11,685)	(11,685)
Foreign currency translation adjustment, net	—	—	—	11,175	11,175
Issuance of common stock related to stock-based compensation, net	62	2,656	—	—	2,656
Stock-based compensation expense	—	5,090	—	—	5,090
BALANCE, SEPTEMBER 30, 2020	66,210	$ 13,142	$ 1,716,044	$ (6,370)	$ 1,722,816

See accompanying notes to condensed consolidated financial statements

COLUMBIA SPORTSWEAR COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

	Nine Months Ended September 30, 2021				
	Common Stock				
(in thousands, except per share amounts)	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2020	66,252	$ 20,165	$ 1,811,800	$ 806	$ 1,832,771
Net income	—	—	197,147	—	197,147
Other comprehensive income (loss):					
Unrealized gains on derivative transactions, net	—	—	—	15,564	15,564
Foreign currency translation adjustment, net	—	—	—	(19,396)	(19,396)
Cash dividends ($0.78 per share)	—	—	(51,662)	—	(51,662)
Issuance of common stock related to stock-based compensation, net	503	18,614	—	—	18,614
Stock-based compensation expense		14,487	—	—	14,487
Repurchase of common stock	(1,254)	(53,266)	(73,942)	—	(127,208)
BALANCE, SEPTEMBER 30, 2021	65,501	$ —	$ 1,883,343	$ (3,026)	$ 1,880,317

	Nine Months Ended September 30, 2020				
	Common Stock				
(in thousands, except per share amounts)	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2019	67,561	$ 4,937	$ 1,848,935	$ (4,425)	$ 1,849,447
Net income	—	—	12,257	—	12,257
Other comprehensive income (loss):					
Unrealized losses on derivative transactions, net	—	—	—	(5,022)	(5,022)
Foreign currency translation adjustment, net	—	—	—	3,077	3,077
Cash dividends ($0.26 per share)	—	—	(17,195)	—	(17,195)
Issuance of common stock related to stock-based compensation, net	206	339	—	—	339
Stock-based compensation expense	—	12,802	—	—	12,802
Repurchase of common stock	(1,557)	(4,936)	(127,953)	—	(132,889)
BALANCE, SEPTEMBER 30, 2020	66,210	$ 13,142	$ 1,716,044	$ (6,370)	$ 1,722,816

See accompanying notes to condensed consolidated financial statements

COLUMBIA SPORTSWEAR COMPANY

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COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BASIS OF PRESENTATION AND ORGANIZATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the management of Columbia Sportswear Company (together with its wholly owned subsidiaries, the "Company") and, in the opinion of management, include all normal recurring material adjustments necessary to present fairly the Company's financial position as of September 30, 2021, December 31, 2020 and September 30, 2020, the results of operations for the three and nine months ended September 30, 2021 and 2020, and cash flows for the nine months ended September 30, 2021 and 2020. The December 31, 2020 financial information was derived from the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. A significant part of the Company's business is of a seasonal nature; therefore, results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of results to be expected for other quarterly periods or for the full year.

Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The Company, however, believes that the disclosures contained in this report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, for a Quarterly Report on Form 10-Q and are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Columbia Sportswear Company and its wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions. Some of the more significant estimates relate to revenue recognition; allowance for uncollectible accounts receivable; obsolescence reserves for excess, close-out and slow moving inventory; impairment of long-lived assets, intangible assets and goodwill; and income taxes.

Recently Adopted Accounting Pronouncements

Effective January 1, 2021, the Company adopted Accounting Standards Update No. 2019-12*,* Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which, among other things, removes specific exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods, as well as targeted impacts to the accounting for taxes under hybrid tax regimes. At adoption, there was not a material impact to the Company's financial position, results of operations or cash flows.

Recent Accounting Pronouncements Not Yet Adopted

None.

NOTE 2—REVENUES

Disaggregated Revenue

As disclosed in Note 11, the Company has four geographic reportable segments: United States ("U.S."), Latin America and Asia Pacific ("LAAP"), Europe, Middle East and Africa ("EMEA") and Canada.

The following tables disaggregate the Company's operating segment *Net sales* by product category and channel, which the Company believes provides a meaningful depiction of how the nature, timing, and uncertainty of *Net sales* are affected by economic factors:

(in thousands)	Three Months Ended September 30, 2021				
	U.S.	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 406,187	$ 78,160	$ 75,399	$ 61,409	$ 621,155
Footwear	104,299	24,594	33,751	20,907	183,551
Total	$ 510,486	$ 102,754	$ 109,150	$ 82,316	$ 804,706
Channel net sales					
Wholesale	$ 292,357	$ 66,070	$ 93,899	$ 65,810	$ 518,136
Direct-to-consumer	218,129	36,684	15,251	16,506	286,570
Total	$ 510,486	$ 102,754	$ 109,150	$ 82,316	$ 804,706

(in thousands)	Three Months Ended September 30, 2020				
	U.S.	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 332,713	$ 70,026	$ 66,160	$ 41,221	$ 510,120
Footwear	112,907	20,925	32,999	24,141	190,972
Total	$ 445,620	$ 90,951	$ 99,159	$ 65,362	$ 701,092
Channel net sales					
Wholesale	$ 282,850	$ 50,723	$ 85,074	$ 52,820	$ 471,467
Direct-to-consumer	162,770	40,228	14,085	12,542	229,625
Total	$ 445,620	$ 90,951	$ 99,159	$ 65,362	$ 701,092

(in thousands)	Nine Months Ended September 30, 2021				
	U.S.	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 1,040,432	$ 212,921	$ 186,213	$ 103,549	$ 1,543,115
Footwear	257,781	79,785	82,276	33,725	453,567
Total	$ 1,298,213	$ 292,706	$ 268,489	$ 137,274	$ 1,996,682
Channel net sales					
Wholesale	$ 669,425	$ 153,689	$ 232,215	$ 100,523	$ 1,155,852
Direct-to-consumer	628,788	139,017	36,274	36,751	840,830
Total	$ 1,298,213	$ 292,706	$ 268,489	$ 137,274	$ 1,996,682

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(in thousands)	Nine Months Ended September 30, 2020				
	U.S.	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 793,846	$ 193,815	$ 145,100	$ 73,445	$ 1,206,206
Footwear	210,887	67,097	68,198	33,543	379,725
Total	$ 1,004,733	$ 260,912	$ 213,298	$ 106,988	$ 1,585,931
Channel net sales					
Wholesale	$ 559,052	$ 139,316	$ 180,416	$ 78,546	$ 957,330
Direct-to-consumer	445,681	121,596	32,882	28,442	628,601
Total	$ 1,004,733	$ 260,912	$ 213,298	$ 106,988	$ 1,585,931

Performance Obligations

For the three and nine months ended September 30, 2021 and 2020, *Net sales* recognized from performance obligations related to prior periods were not material. *Net sales* expected to be recognized in any future period related to remaining performance obligations are not material.

Contract Balances

As of September 30, 2021, December 31, 2020 and September 30, 2020, contract liabilities included in *Accrued liabilities* on the Condensed Consolidated Balance Sheets, which consisted of obligations associated with the Company's gift card and customer loyalty programs, were not material.

NOTE 3—INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

(in thousands)	September 30, 2021	December 31, 2020	September 30, 2020
Intangible assets subject to amortization:			
Patents and purchased technology	$ 14,198	$ 14,198	$ 14,198
Customer relationships	23,000	23,000	23,000
Gross carrying amount	37,198	37,198	37,198
Accumulated amortization:			
Patents and purchased technology	(14,198)	(14,198)	(14,198)
Customer relationships	(18,600)	(17,363)	(16,950)
Accumulated amortization	(32,798)	(31,561)	(31,148)
Net carrying amount	4,400	5,637	6,050
Intangible assets not subject to amortization	97,921	97,921	115,421
Intangible assets, net	$ 102,321	$ 103,558	$ 121,471

Amortization expense for intangible assets subject to amortization was $ 0.4 million and $0.6 million for the three months ended September 30, 2021 and 2020, respectively, and was $1.2 million and $2.1 million for the nine months ended September 30, 2021, and 2020, respectively.

The following table presents the estimated annual amortization expense for the years ending 2021 through 2025:

(in thousands)	
2021	$ 1,650
2022	1,650
2023	1,650
2024	688
2025	—

NOTE 4—SHORT-TERM BORROWINGS AND CREDIT LINES

Except as disclosed below, there have been no significant changes to the Company's short-term borrowings and credit lines as described in Note 7 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

At the beginning of 2021, the Company's Japanese subsidiary had two separate unsecured and uncommitted overdraft facilities guaranteed by the Company providing for borrowings up to a maximum of ¥1.5 billion and ¥700.0 million. In March 2021, the Company's Japanese subsidiary entered into an agreement to establish an unsecured and uncommitted overdraft facility providing for borrowings up to a maximum of ¥400.0 million. In September 2021, the Company's Japanese subsidiary entered into an agreement which replaced the ¥1.5 billion overdraft facility with a ¥1.0 billion overdraft facility. At September 30, 2021, the combined available borrowings of the three lines was approximately US$18.8 million. Borrowings under the ¥1.0 billion and ¥400.0 million overdraft facilities accrue interest at the Tokyo Interbank Offered Rate plus 50 basis points and borrowings under the ¥700.0 million overdraft facility accrue interest at 150 basis points. As of September 30, 2021, there was no balance outstanding under these facilities.

At the beginning of 2021, the Company's Chinese subsidiary had available an unsecured and uncommitted line of credit providing for borrowings up to a maximum of RMB140.0 million and an unsecured and uncommitted overdraft and clean advance facility, guaranteed by the Company, that provided for borrowings of advances or overdrafts up to a maximum of US$20.0 million. In September 2021, the Company's Chinese subsidiary did not renew the agreement for the RMB140.0 million line of credit. At September 30, 2021, the available borrowings of the remaining facility was US$ 20.0 million. Borrowings under this facility accrue interest on advances of RMB at 4% or advances of USD at 1.62% per annum. As of September 30, 2021, there was no balance outstanding under the facility.

NOTE 5—INCOME TAXES

For the three months ended September 30, 2021 and 2020, the Company's effective income tax rates were 24.9% and 26.1%, respectively. The decrease in the effective income tax rate for the three months ended September 30, 2021 was primarily due to the mix of book income or loss among jurisdictions. For the nine months ended September 30, 2021 and 2020, the Company's effective income tax rates were 17.7% and 24.8%, respectively. The decrease in the effective income tax rate for the nine months ended September 30, 2021 was primarily due to the non-recurring decrease in accrued foreign withholding taxes and the mix of book income or loss among jurisdictions.

NOTE 6—COMMITMENTS AND CONTINGENCIES

The Company is involved in litigation and various legal matters arising in the normal course of business, including matters related to employment, retail, intellectual property, contractual agreements, lease agreements, and various regulatory compliance activities. Management has considered facts related to legal and regulatory matters and opinions of counsel handling these matters, and does not believe the ultimate resolution of these proceedings will have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 7—SHAREHOLDERS' EQUITY

Since the inception of the Company's stock repurchase plan in 2004 through September 30, 2021, the Company's Board of Directors has authorized the repurchase of $1.5 billion of the Company's common stock. Shares of the Company's common stock may be purchased in the open market or through privately negotiated transactions, subject to market conditions, and generally settle subsequent to the trade date. The repurchase program does not obligate the Company to acquire any specific number of shares or to acquire shares over any specified period of time.

Under this program, as of September 30, 2021, the Company had repurchased 28.1 million shares at an aggregate purchase price of $ 1,145.0 million and has $355.0 million remaining available. During the three and nine months ended September 30, 2021, the Company purchased an aggregate of $ 72.3 million and $127.2 million, respectively, of the Company's common stock under this program.

NOTE 8—STOCK-BASED COMPENSATION

The Company's Stock Incentive Plan allows for grants of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units, and other stock-based or cash-based awards.

Stock-Based Compensation Expense

Stock-based compensation expense consisted of the following:

(in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Stock options	$ 1,500	$ 1,775	$ 5,271	$ 5,234
Restricted stock units	3,164	3,315	9,216	7,568
Total	$ 4,664	$ 5,090	$ 14,487	$ 12,802

Stock Options

During the nine months ended September 30, 2021, the Company granted a total of 545,976 stock options at a weighted average grant date fair value of $ 17.55 per share. As of September 30, 2021, unrecognized costs related to outstanding stock options totaled $13.0 million, before any related tax benefit. As of September 30, 2021, unrecognized costs related to stock options are expected to be recognized over a weighted average period of 2.56 years.

Restricted Stock Units

During the nine months ended September 30, 2021, the Company granted 175,556 restricted stock units at a weighted average grant date fair value of $ 96.06 per share. As of September 30, 2021, unrecognized costs related to outstanding restricted stock units totaled $22.8 million, before any related tax benefit. As of September 30, 2021, unrecognized costs related to restricted stock units are expected to be recognized over a weighted average period of 2.33 years.

NOTE 9—EARNINGS PER SHARE

Earnings per share ("EPS") is presented on both a basic and diluted basis. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if outstanding securities or other contracts to issue common stock were exercised or converted into common stock.

A reconciliation of the common shares used in the denominator for computing basic and diluted EPS is as follows:

(in thousands, except per share amounts)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Weighted average common shares outstanding, used in computing basic earnings per share	65,862	66,179	66,182	66,427
Effect of dilutive stock options and restricted stock units	404	358	491	380
Weighted average common shares outstanding, used in computing diluted earnings per share	66,266	66,537	66,673	66,807
Earnings per share of common stock:				
Basic	$ 1.53	$ 0.95	$ 2.98	$ 0.18
Diluted	$ 1.52	$ 0.94	$ 2.96	$ 0.18

Stock options, service-based restricted stock units, and performance-based restricted stock representing 652,317 and 810,092 shares of common stock for the three and nine months ended September 30, 2021, respectively, were outstanding but were excluded from the computation of diluted EPS because their effect would have been anti-dilutive under the treasury stock method, or because the shares were subject to performance conditions that had not been met.

Stock options, service-based restricted stock units, and performance-based restricted stock representing 1,156,073 and 1,282,086 shares of common stock for the three and nine months ended September 30, 2020, respectively, were outstanding but were excluded from the computation of diluted EPS because their effect would have been anti-dilutive due to a net loss in the period or because the shares were subject to performance conditions that had not been met.

NOTE 10—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) on the Condensed Consolidated Balance Sheets is net of applicable taxes, and consists of unrealized holding gains and losses on available-for-sale securities, unrealized gains and losses on certain derivative transactions and foreign currency translation adjustments.

The following table sets forth the changes in *Accumulated other comprehensive income (loss)* for the three months ended September 30, 2021:

(in thousands)	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at June 30, 2021	$ (4,357)	$ 2,201	$ (2,156)
Other comprehensive income (loss) before reclassifications	8,170	(11,422)	(3,252)
Amounts reclassified from accumulated other comprehensive income (loss) (1)	2,382	—	2,382
Net other comprehensive income (loss) during the year	10,552	(11,422)	(870)
Balance at September 30, 2021	$ 6,195	$ (9,221)	$ (3,026)

(1) Amounts reclassified are recorded in *Net sales, Cost of sales,* or *Other non-operating income (expense)* on the Condensed Consolidated Statements of Operations. Refer to Note 12 for further information regarding reclassifications.

The following table sets forth the changes in *Accumulated other comprehensive income (loss)* for the three months ended September 30, 2020:

(in thousands)	Unrealized gains (losses) on available for sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at June 30, 2020	$ (4)	$ 16,145	$ (22,001)	$ (5,860)
Other comprehensive income (loss) before reclassifications	—	(6,398)	11,175	4,777
Amounts reclassified from accumulated other comprehensive income (loss)(1)	—	(5,287)	—	(5,287)
Net other comprehensive income (loss) during the year	—	(11,685)	11,175	(510)
Balance at September 30, 2020	$ (4)	$ 4,460	$ (10,826)	$ (6,370)

(1) Amounts reclassified are recorded in *Net sales, Cost of sales,* or *Other non-operating income (expense), net* on the Condensed Consolidated Statements of Operations. Refer to Note 12 for further information regarding reclassifications.

The following table sets forth the changes in *Accumulated other comprehensive income (loss)* for the nine months ended September 30, 2021:

(in thousands)	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2020	$ (9,369)	$ 10,175	$ 806
Other comprehensive income (loss) before reclassifications	13,547	(19,396)	(5,849)
Amounts reclassified from accumulated other comprehensive income (loss) (1)	2,017	—	2,017
Net other comprehensive income (loss) during the year	15,564	(19,396)	(3,832)
Balance at September 30, 2021	$ 6,195	$ (9,221)	$ (3,026)

(1) Amounts reclassified are recorded in *Net sales, Cost of sales,* or *Other non-operating income (expense), net* on the Condensed Consolidated Statements of Operations. Refer to Note 12 for further information regarding reclassifications.

The following table sets forth the changes in *Accumulated other comprehensive income (loss)* for the nine months ended September 30, 2020:

(in thousands)	Unrealized gains (losses) on available for sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2019	$ (4)	$ 9,482	$ (13,903)	$ (4,425)
Other comprehensive income before reclassifications	—	4,617	3,077	7,694
Amounts reclassified from accumulated other comprehensive income (loss)[(1)]	—	(9,639)	—	(9,639)
Net other comprehensive income (loss) during the year	—	(5,022)	3,077	(1,945)
Balance at September 30, 2020	$ (4)	$ 4,460	$ (10,826)	$ (6,370)

[(1)] Amounts reclassified are recorded in *Net sales, Cost of sales,* or *Other non-operating income (expense), net* on the Condensed Consolidated Statements of Operations. Refer to Note 12 for further information regarding reclassifications.

NOTE 11—SEGMENT INFORMATION

The Company has four reportable geographic segments: U.S., LAAP, EMEA, and Canada, which are reflective of the Company's internal organization, management and oversight structure. Each geographic segment operates predominantly in one industry: the design, development, marketing, and distribution of outdoor, active and everyday lifestyle apparel, footwear, accessories, and equipment products. Intersegment net sales and intersegment profits, which are recorded at a negotiated mark-up and eliminated in consolidation, are not material. Unallocated corporate expenses consist of expenses incurred by centrally-managed departments, including global information services, finance, human resources and legal, as well as executive compensation, unallocated benefit program expense, and other miscellaneous costs.

The following table presents financial information for the Company's reportable segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2021	2020	2021	2020
Net sales to unrelated entities:				
U.S.	$ 510,486	$ 445,620	$ 1,298,213	$ 1,004,733
LAAP	102,754	90,951	292,706	260,912
EMEA	109,150	99,159	268,489	213,298
Canada	82,316	65,362	137,274	106,988
	$ 804,706	$ 701,092	$ 1,996,682	$ 1,585,931
Segment operating income:				
U.S.	$ 139,101	$ 96,577	$ 320,819	$ 118,454
LAAP	7,628	4,736	16,347	8,690
EMEA	26,215	18,959	47,809	19,032
Canada	22,849	19,767	29,710	15,142
Total segment operating income	195,793	140,039	414,685	161,318
Unallocated corporate expenses	(62,332)	(54,396)	(175,749)	(147,962)
Interest income (expense), net	196	(280)	1,072	728
Other non-operating income (expense), net	201	(465)	(397)	2,208
Income before income tax	$ 133,858	$ 84,898	$ 239,611	$ 16,292

Concentrations

The Company had one customer that accounted for 10.4%, 14.3% and 11.4% of *Accounts receivable, net* on the Condensed Consolidated Balance Sheets as of September 30, 2021, December 31, 2020, and September 30, 2020, respectively. No single customer accounted for 10% or more of *Net sales* in the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2021 and 2020.

NOTE 12—FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company's financial position, results of operations and cash flows are routinely subject to a variety of risks. These risks include risks associated with financial markets, primarily currency exchange rate risk and, to a lesser extent, interest rate risk and equity market risk. The Company regularly assesses these risks and has established policies and business practices designed to mitigate them. The Company does not engage in speculative trading in any financial market.

The Company actively manages the risk of changes in functional currency equivalent cash flows resulting from anticipated non-functional currency denominated purchases and sales. Subsidiaries that use European euros, Canadian dollars, Japanese yen, Chinese renminbi, or Korean won as their functional currency are primarily exposed to changes in functional currency equivalent cash flows from anticipated United States dollar inventory purchases. Subsidiaries that use United States dollars and euros as their functional currency also have non-functional currency denominated sales for which the Company hedges the Canadian dollar and British pound. The Company manages these risks by using currency forward contracts formally designated and effective as cash flow hedges. Hedge effectiveness is generally determined by evaluating the ability of a hedging instrument's cumulative change in fair value to offset the cumulative change in the present value of expected cash flows on the underlying exposures. For forward contracts, forward points are included in the fair value of the cash flow hedge. These costs or benefits are included in *Accumulated other comprehensive income (loss)* until the underlying hedge transaction is recognized in either *Net sales* or *Cost of sales*, at which time, the forward points will also be recognized as a component of *Net income*.

The Company also uses currency forward contracts not formally designated as hedges to manage the consolidated currency exchange rate risk associated with the remeasurement of non-functional currency denominated monetary assets and liabilities by subsidiaries that use United States dollars, euros, Canadian dollars, yen, won, or renminbi as their functional currency. Non-functional currency denominated monetary assets and liabilities consist primarily of cash and cash equivalents, short-term investments, receivables, payables, deferred income taxes, and intercompany loans. The gains and losses generated on these currency forward contracts not formally designated as hedges are expected to be largely offset in *Other non-operating income (expense), net* by the gains and losses generated from the remeasurement of the non-functional currency denominated monetary assets and liabilities.

The following table presents the gross notional amount of outstanding derivative instruments:

(in thousands)	September 30, 2021	December 31, 2020	September 30, 2020
Derivative instruments designated as cash flow hedges:			
Currency forward contracts	$ 471,250	$ 417,707	$ 419,402
Derivative instruments not designated as cash flow hedges:			
Currency forward contracts	247,134	326,280	224,573

At September 30, 2021, $0.3 million of deferred net losses on both outstanding and matured derivatives recorded in *Other comprehensive loss* are expected to be reclassified to *Net income* during the next twelve months as a result of underlying hedged transactions also being recorded in *Net sales* or *Cost of sales* in the Condensed Consolidated Statements of Operations. Actual amounts ultimately reclassified to *Net sales* or *Cost of sales* in the Condensed Consolidated Statements of Comprehensive Income are dependent on United States dollar exchange rates in effect against the euro, pound sterling, renminbi, Canadian dollar, and yen when outstanding derivative contracts mature.

At September 30, 2021, the Company's derivative contracts had a remaining maturity of less than four years. The maximum net exposure to any single counterparty, which is generally limited to the aggregate unrealized gain of all contracts with that counterparty, was $3.5 million at September 30, 2021. All of the Company's derivative counterparties have credit ratings that are investment grade or higher. The Company is a party to master netting arrangements that contain features that allow counterparties to net settle amounts arising from multiple separate derivative transactions or net settle in the case of certain triggering events such as a bankruptcy or major default of one of the counterparties to the transaction. The Company has not pledged assets or posted collateral as a requirement for entering into or maintaining derivative positions.

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the balance sheet classification and fair value of derivative instruments:

(in thousands)	Balance Sheet Classification	September 30, 2021	December 31, 2020	September 30, 2020
Derivative instruments designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	$ 5,500	$ 947	$ 4,729
Currency forward contracts	Other non-current assets	8,723	1,126	3,454
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	2,164	7,573	2,034
Currency forward contracts	Other long-term liabilities	449	6,590	1,186
Derivative instruments not designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	1,633	1,650	2,211
Currency forward contracts	Other non-current assets	109	—	—
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	251	2,268	381
Currency forward contracts	Other long-term liabilities	17	—	—

The following table presents the statement of operations effect and classification of derivative instruments:

(in thousands)	Statement Of Operations Classification	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Currency Forward Contracts:					
Derivative instruments designated as cash flow hedges:					
Gain (loss) recognized in other comprehensive loss, net of tax	—	$ 8,170	$ (6,398)	$ 13,547	$ 4,617
Gain (loss) reclassified from accumulated other comprehensive income (loss) to income for the effective portion	Net sales	(170)	80	(182)	123
Gain (loss) reclassified from accumulated other comprehensive income (loss) to income for the effective portion	Cost of sales	(3,257)	6,906	(2,833)	11,527
Gain reclassified from accumulated other comprehensive income (loss) to income as a result of cash flow hedge discontinuance	Other non-operating income (expense), net	345	60	451	1,177
Derivative instruments not designated as cash flow hedges:					
Gain (loss) recognized in income	Other non-operating income (expense), net	1,077	(1,795)	355	(465)

NOTE 13—FAIR VALUE MEASURES

Certain assets and liabilities are reported at fair value on either a recurring or nonrecurring basis. Fair value is defined as an exit price, representing the amount that the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

Level 1	—	observable inputs such as quoted prices for identical assets or liabilities in active liquid markets;
Level 2	—	inputs, other than the quoted market prices in active markets, that are observable, either directly or indirectly; or observable market prices in markets with insufficient volume or infrequent transactions; and
Level 3	—	unobservable inputs for which there is little or no market data available, that require the reporting entity to develop its own assumptions.

The Company's assets and liabilities measured at fair value are categorized as Level 1 or Level 2 instruments. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from inputs, other than quoted market prices in active markets, that are directly or indirectly observable in the marketplace and quoted prices in markets with limited volume or infrequent transactions.

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 are as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 2,903	$ —	$ —	$ 2,903
Short-term investments:				
Money market funds	67	—	—	67
Mutual fund shares	1,065	—	—	1,065
Other current assets:				
Derivative financial instruments	—	7,133	—	7,133
Non-current assets:				
Money market funds	3,397	—	—	3,397
Mutual fund shares	17,209	—	—	17,209
Derivative financial instruments	—	8,832	—	8,832
Total assets measured at fair value	$ 24,641	$ 15,965	$ —	$ 40,606
Liabilities:				
Accrued liabilities:				
Derivative financial instruments	$ —	$ 2,415	$ —	$ 2,415
Other long-term liabilities:				
Derivative financial instruments	—	466	—	466
Total liabilities measured at fair value	$ —	$ 2,881	$ —	$ 2,881

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 are as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 119,378	$ —	$ —	$ 119,378
United States government treasury bills	—	234,982	—	234,982
Short-term investments:				
Money market funds	105	—	—	105
Mutual fund shares	1,119	—	—	1,119
Other current assets:				
Derivative financial instruments	—	2,597	—	2,597
Non-current assets:				
Money market funds	4,059	—	—	4,059
Mutual fund shares	14,657	—	—	14,657
Derivative financial instruments	—	1,126	—	1,126
Total assets measured at fair value	$ 139,318	$ 238,705	$ —	$ 378,023
Liabilities:				
Accrued liabilities:				
Derivative financial instruments	$ —	$ 9,841	$ —	$ 9,841
Other long-term liabilities:				
Derivative financial instruments	—	6,590	—	6,590
Total liabilities measured at fair value	$ —	$ 16,431	$ —	$ 16,431

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets and liabilities measured at fair value on a recurring basis at September 30, 2020 are as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 56,337	$ —	$ —	$ 56,337
Short-term investments:				
Money market funds	70	—	—	70
Mutual fund shares	1,025	—	—	1,025
Other current assets:				
Derivative financial instruments	—	6,940	—	6,940
Non-current assets:				
Money market funds	4,621	—	—	4,621
Mutual fund shares	11,974	—	—	11,974
Derivative financial instruments	—	3,454	—	3,454
Total assets measured at fair value	$ 74,027	$ 10,394	$ —	$ 84,421
Liabilities:				
Accrued liabilities:				
Derivative financial instruments	$ —	$ 2,415	$ —	$ 2,415
Other long-term liabilities:				
Derivative financial instruments	—	1,186	—	1,186
Total liabilities measured at fair value	$ —	$ 3,601	$ —	$ 3,601

Item 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Special Note Regarding Forward Looking Statements

This quarterly report contains forward-looking statements within the meaning of federal securities laws. 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. Forward-looking statements include any statements related to our expectations regarding future performance or market position, including any statements regarding the impacts of the COVID-19 pandemic, store traffic, supply chain disruptions, constraints and costs, inventory receipts and deliveries, net sales and gross margin, profitability, return on investments, inflationary pressures and related price increases, performance obligations, unrecognized costs, derivative instruments, inventory purchase obligations, income tax rates, materiality of legal matters, our ability to meet our liquidity needs, amortization expenses and maturities of liabilities.

These forward-looking statements, and others we make from time to time expressed in good faith, are believed to have a reasonable basis; however, each forward-looking statement involves risks and uncertainties. Many factors may cause actual results to differ materially from projected results in forward-looking statements, including the risks described in Item 1A of this quarterly report. Forward-looking statements are inherently less reliable than historical information. Except as required by law, we do not undertake any duty to update forward-looking statements after the date they are made or to conform them to actual results or to changes in circumstances or to reflect changes in events, circumstances or expectations. New factors emerge from time to time and it is not possible for us 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.

Our Business

We connect active people with their passions through our four well-known brands, Columbia, SOREL, Mountain Hardwear, and prAna, by designing, developing, marketing, and distributing our outdoor, active and everyday lifestyle apparel, footwear, accessories and equipment products to meet the diverse needs of our customers and consumers. Our products are sold through a mix of wholesale distribution channels, our own direct-to-consumer ("DTC") businesses and independent international distributors. In addition, we license some of our trademarks across a range of apparel, footwear, accessories, equipment and home products.

The popularity of outdoor activities, active and everyday lifestyles, changing design trends, consumer adoption of innovative performance technologies, variations in seasonal weather, and the availability and desirability of competitor alternatives affect consumer desire for our products. Therefore, we seek to drive, anticipate and respond to trends and shifts in consumer preferences by developing new products and innovative performance features and designs, creating persuasive and memorable marketing communications to generate consumer awareness, demand and retention, and adjusting the mix, price points and selling channels of available product offerings.

Our production cycle from the design to the delivery of our products requires significant inventory commitment. We generally solicit orders from wholesale customers and independent international distributors for the fall and spring seasons based on seasonal ordering deadlines that we establish to aid our efforts to plan manufacturing volumes to meet demand. We typically ship the majority of our advance spring season orders to customers beginning in January and continuing through June. Similarly, we typically ship the majority of our advance fall season orders to customers beginning in July and continuing through December. Subsequent to advance order placements, wholesale customers may request replenishment orders for various products as consumer demand increases. Generally, orders are subject to cancellation prior to the date of shipment.

Our business is affected by the general seasonal trends common to the industry, including seasonal weather and discretionary consumer shopping and spending patterns. Our products are marketed on a seasonal basis, and our sales are weighted substantially toward the third and fourth quarters, while our operating costs are more equally distributed throughout the year. In 2020, approximately 65% of our net sales and the majority of our operating income were realized in the second half of the year. Although impacts from the ongoing COVID-19 pandemic exacerbated seasonal net sales and profitability patterns, this still illustrates our dependence upon sales results in the second half of the year, as well as the less seasonal nature of our operating costs.

Results of operations in any period should not be considered indicative of the results to be expected for any future period.

COVID-19 and Supply Chain Update

The COVID-19 pandemic continues to impact the global economy. In response to this pandemic, many regional and local governments worldwide continue to implement travel restrictions, business shutdowns or slowdowns, and shelter-in-place or stay-at-home orders.

In the first nine months of 2021, the majority of our stores remained open. For most of the first quarter of 2021, government mandated lockdowns impacted our stores in Europe, Canada and Japan. At varying times during the second quarter of 2021, government mandated lockdowns, including pandemic-related temporary store closures or reduced store operating hours, impacted stores in Japan, China, Europe and Canada. At varying times during the third quarter of 2021, government mandated lockdowns, including pandemic-related temporary store closures or reduced store operating hours, impacted stores in Japan and China. Overall, our store retail traffic trends improved in the first nine months of 2021, but remained below pre-pandemic levels. Stores in destination locations and tourist-dependent markets were some of the most impacted stores within our fleet.

In addition, certain of our wholesale customers and international distributors experienced a similar timeline and closed stores or reduced operating hours. Despite these impacts, consumer demand accelerated in the first nine months of 2021 and we did not realize significant wholesale order cancellations or customer accommodations.

We, our third party partners and our customers continue to be impacted by the supply chain environment, including freight capacity, port congestion, production factory closures, and other logistics constraints. In the first nine months of 2021, these disruptions and constraints resulted in later timing of Fall 2021 inventory receipts and shipments, as well as higher freight and logistics costs. We expect these supply chain disruptions, constraints and increases in costs to continue through the balance of this year and into 2022. In addition, during the third quarter of 2021, government mandated factory closures in Vietnam disrupted our manufacturing partners' operations and impacted production of Fall 2021 and Spring 2022 product. Factories in Vietnam began to reopen as of October 1, 2021 at less than full capacity. As a result of these supply chain disruptions and temporary factory closures, we anticipate later than expected Fall 2021 and Spring 2022 inventory receipts and shipments to our wholesale customers and inventory availability for our DTC businesses, resulting in impacts to our future net sales and gross margin.

Business Outlook

The ongoing business disruption and uncertainty surrounding the COVID-19 pandemic and the global supply chain make it difficult to predict our future results. Consistent with the seasonality and variability of our business, we anticipate 2021 profitability to be weighted toward the second half of the year.

Our full year 2021 financial results are being, or could be, significantly impacted by the following factors:

- the ability of third-party logistics providers to service the demands of our business and the retail industry generally, which may result in cancellations of advance wholesale and distributor orders and reduced availability of inventory to support our DTC business;
- increasing operating costs associated with a constrained supply chain, including increased ocean freight and other logistics related costs;
- unseasonable weather conditions or other unforeseen factors affecting consumer demand and the resulting effect on cancellations of advance wholesale and distributor orders, sales returns, customer accommodations, replenishment orders and reorders, DTC sales, changes in mix and volume of full price sales in relation to promotional and close-out product sales, and suppressed customer and end-consumer demand in subsequent seasons;
- our ability to staff and operate our U.S. distribution centers, retail stores, and consumer call center during the peak holiday season amid U,S. labor shortages;
- our ability to secure production capacity with our contract manufacturers, and their ability to maintain operations as pandemic-related outbreaks impact less vaccinated countries/regions;
- changes in consumer demand as a result of ongoing effects from the COVID-19 pandemic and/or related governmental actions and regulations, and any potential incremental cost that may be associated with a U.S. government vaccine mandate or related testing protocol;
- growth, performance and profitability of our global DTC operations, including depressed consumer traffic in our retail stores and elevated DTC e-commerce growth trends;
- increasing consumer expectations and competitive pressure related to various aspects of our e-commerce business, including speed of product delivery, shipping charges, return privileges and other evolving expectations;
- our ability to effectively manage our inventory, including liquidating excess inventory timely and profitably through close-out sales in our wholesale and DTC businesses; and
- difficult economic, geopolitical and competitive environments in certain key markets globally, coupled with global economic uncertainty.

We expect many of these factors to continue into 2022.

In addition, we expect inflationary pressures to continue to build across our business beyond 2021. We are implementing price increases beginning with our Spring 2022 season and, to a greater extent, our Fall 2022 season to mitigate these higher costs, to the extent possible, while attempting to minimize potential risks to dampening consumer demand. We do not expect planned price increases will fully offset these gross margin pressures.

Strategic Priorities

We are committed to driving sustainable and profitable long-term growth and investing in our strategic priorities to :

- drive global brand awareness and sales growth through increased, focused demand creation investments;
- enhance consumer experience and digital capabilities in all of our channels and geographies;
- expand and improve global DTC operations with supporting processes and systems; and
- invest in our people and optimize 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 selling, general and administrative expense efficiency, and drive improved operating margin over the long-term.

Results of Operations

The following discussion of our results of operations and liquidity and capital resources should be read in conjunction with the condensed consolidated financial statements and accompanying Notes that appear in Part 1, Item 1, Financial Statements in this quarterly report. All references to quarters relate to the quarter ended September 30 of the particular year.

To supplement financial information reported in accordance with accounting principles generally accepted in the United States ("GAAP"), we disclose 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 United States dollars. 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 measure 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. Constant-currency financial measures should be viewed in addition to, and not in lieu of or superior to, our financial measures calculated in accordance with GAAP.

The following discussion includes references to constant-currency net sales, and we provide a reconciliation of this non-GAAP measure to the most directly comparable financial measure calculated in accordance with GAAP below.

Highlights of the Third Quarter of 2021

- Net sales increased $103.6 million, or 15%, to $804.7 million, from $701.1 million in the third quarter of 2020.
- Gross profit as a percentage of net sales expanded to 50.7% from 48.9% in the third quarter of 2020.
- Operating income increased $47.9 million to $133.5 million from $85.6 million in the third quarter of 2020.
- Income tax expense increased $11.2 million to $33.3 million from $22.1 million in the third quarter of 2020.
- Net income increased $37.8 million to $100.6 million, or $1.52 per diluted share, from $62.8 million, or $0.94 per diluted share, in the third quarter of 2020.
- Net cash used in operating activities for the nine months ended September 30, 2021 decreased $182.3 million to $15.6 million, compared to net cash used in operating activities of $198.0 million for the comparable period in 2020.
- We paid cash dividends to shareholders totaling $17.1 million, or $0.26 per share.

The following table presents the items in our Condensed Consolidated Statements of Operations as a percentage of net sales:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	49.3	51.1	48.8	52.0
Gross profit	50.7	48.9	51.2	48.0
Selling, general and administrative expenses	34.8	37.3	39.9	47.6
Net licensing income	0.7	0.6	0.7	0.4
Operating income	16.6	12.2	12.0	0.8
Interest income (expense), net	—	—	—	0.1
Other non-operating income (expense), net	—	(0.1)	—	0.1
Income before income tax	16.6	12.1	12.0	1.0
Income tax expense	(4.1)	(3.1)	(2.1)	(0.2)
Net income	12.5 %	9.0 %	9.9 %	0.8 %

Results of Operations — Consolidated

Quarter Ended September 30, 2021 Compared to Quarter Ended September 30, 2020

Net Sales: Consolidated net sales increased $103.6 million, or 15%, to $804.7 million for the third quarter 2021 from $701.1 million for the comparable period in 2020. The increase primarily reflects higher consumer demand and economic recovery from the ongoing COVID-19 pandemic. This increase was constrained by supply chain disruptions that resulted in later inventory receipts and lower than expected wholesale shipments during the quarter.

Net sales increased across all regions, primarily driven by increased Columbia brand net sales in our U.S. DTC, Canada, LAAP and Europe businesses. Our global DTC e-commerce business grew 6% and represented 11% of our global net sales for the third quarter 2021, compared to 12% of our global net sales for the same period in 2020.

Net sales by brand, product category and channel are summarized in the following table:

	Three Months Ended September 30,					
(in millions, except for percentage changes)	Reported Net Sales 2021	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2021[(1)]	Reported Net Sales 2020	Reported Net Sales % Change	Constant-currency Net Sales % Change[(1)]
Brand Net Sales:						
Columbia	$ 651.5	$ (7.6)	$ 643.9	$ 559.7	16%	15%
SOREL	88.1	(0.9)	87.2	91.5	(4)%	(5)%
prAna	36.4	—	36.4	30.5	19%	19%
Mountain Hardwear	28.7	(0.1)	28.6	19.4	48%	47%
Total	$ 804.7	$ (8.6)	$ 796.1	$ 701.1	15%	14%
Product Category Net Sales:						
Apparel, Accessories and Equipment	$ 621.1	$ (6.3)	$ 614.8	$ 510.2	22%	21%
Footwear	183.6	(2.3)	181.3	190.9	(4)%	(5)%
Total	$ 804.7	$ (8.6)	$ 796.1	$ 701.1	15%	14%
Channel Net Sales:						
Wholesale	$ 518.2	$ (6.7)	$ 511.5	$ 471.5	10%	8%
DTC	286.5	(1.9)	284.6	229.6	25%	24%
Total	$ 804.7	$ (8.6)	$ 796.1	$ 701.1	15%	14%

(1) Constant-currency net sales information is a non-GAAP financial measure, which excludes the effect of changes in foreign currency exchange rates against the United States dollar between comparable reporting periods. We calculate constant-currency net sales by translating net sales in foreign currencies for the current period into United States dollars at the exchange rates that were in effect during the comparable period of the prior year.

Gross Profit: Gross profit as a percentage of net sales expanded to 50.7% for the third quarter 2021 from 48.9% for the comparable period in 2020, primarily reflecting:

- an approximate 290 basis points increase in channel profitability, including favorable DTC product margin driven by lower promotional levels, increased wholesale product margin driven by strong retail sell-through performance resulting in lower customer accommodations and, to a lesser extent, favorable full-price sales mix, and unfavorable impacts from higher inbound freight costs due to supply chain capacity constraints; partially offset by
- a decrease resulting from the non-recurrence of inventory provision activity that benefited gross margin performance in the third quarter of 2020; and
- a decrease driven by an unfavorable sales mix as sales shifted to channels which carry lower margins, including regional net sales shifts to wholesale from DTC channels and higher net sales in stores within the DTC channel.

Selling, General and Administrative Expense: SG&A expense increased $18.9 million, or 7%, to $280.1 million, or 34.8% of net sales, for the third quarter of 2021, from $261.2 million, or 37.3% of net sales, for the comparable period in 2020.

The SG&A expense increase was primarily due to:

- higher global retail expenses relative to prior year temporary store closures;

- higher incentive compensation;
- increased demand creation spending driven by higher variable spending with sales growth and incremental strategic investment; and
- higher personnel expenses to support business growth, annual merit increases, and wage increases to mitigate workforce shortages; partially offset by
- the benefit of $7.0 million from the completion of a lease termination and settlement of liabilities related to a prior year store closure; and
- the non-recurrence of prior year COVID-19 related expenses.

The benefit of $7.0 million from the completion of a lease termination and settlement of liabilities discussed above relates to a portion of the $16.5 million of accelerated amortization of lease right-of-use assets for stores that permanently closed in 2020 for which the related lease liabilities had not been extinguished as of December 31, 2020 due to ongoing negotiations with the landlords as disclosed in our 2020 Annual Report.

Operating Income: Operating income increased $47.9 million to $133.5 million, or 16.6% of net sales, for the third quarter of 2021, from $85.6 million, or 12.2% of net sales, for the comparable period in 2020.

***Income Tax Expense*:** Income tax expense increased to $33.3 million for the third quarter of 2021 from $22.1 million for the comparable period in 2020. Our effective income tax rate was 24.9% compared to 26.1% for the third quarter of 2020. Our effective income tax rate for the third quarter of 2021 decreased compared to the third quarter of 2020 primarily driven by the mix of book income or loss among jurisdictions.

Net Income: Net income increased $37.8 million to $100.6 million, or $1.52 per diluted share, for the third quarter of 2021, from $62.8 million, or $0.94 per diluted share, for the comparable period in 2020.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

Net Sales: Consolidated net sales increased $410.8 million, or 26%, to $1,996.7 million for the nine months ended September 30, 2021 from $1,585.9 million for the comparable period in 2020. The increase primarily reflects higher consumer demand and an accelerated economic recovery compared to the same period in 2020, which was impacted by wholesale order cancellations, temporary store closures and lower consumer demand.

Net sales increased across all regions, product categories, and brands, primarily driven by increased Columbia brand net sales in the U.S. DTC and wholesale businesses. In addition, our DTC e-commerce business grew 16% and represented 15% of our global net sales for the nine months ended September 30, 2021, compared to 17% of our global net sales for the same period in 2020.

Net sales by brand, product category and channel are summarized in the following table:

	Nine Months Ended September 30,					
(in millions, except for percentage changes)	**Reported Net Sales 2021**	**Adjust for Foreign Currency Translation**	**Constant-currency Net Sales 2021[(1)]**	**Reported Net Sales 2020**	**Reported Net Sales % Change**	**Constant-currency Net Sales % Change[(1)]**
Brand Net Sales:						
Columbia	$ 1,663.2	$ (27.8)	$ 1,635.4	$ 1,297.2	28%	26%
SOREL	157.5	(1.8)	155.7	143.5	10%	9%
prAna	107.6	—	107.6	94.7	14%	14%
Mountain Hardwear	68.4	(0.6)	67.8	50.5	35%	34%
Total	$ 1,996.7	$ (30.2)	$ 1,966.5	$ 1,585.9	26%	24%
Product Category Net Sales:						
Apparel, Accessories and Equipment	$ 1,543.1	$ (21.0)	$ 1,522.1	$ 1,206.2	28%	26%
Footwear	453.6	(9.2)	444.4	379.7	19%	17%
Total	$ 1,996.7	$ (30.2)	$ 1,966.5	$ 1,585.9	26%	24%
Channel Net Sales:						
Wholesale	$ 1,155.9	$ (19.2)	$ 1,136.7	$ 957.3	21%	19%
DTC	840.8	(11.0)	829.8	628.6	34%	32%
Total	$ 1,996.7	$ (30.2)	$ 1,966.5	$ 1,585.9	26%	24%

(1) Constant-currency net sales information is a non-GAAP financial measure, which excludes the effect of changes in foreign currency exchange rates against the United States dollar between comparable reporting periods. We calculate constant-currency net sales by translating net sales in foreign currencies for the current period into United States dollars at the exchange rates that were in effect during the comparable period of the prior year.

Gross Profit: Gross profit as a percentage of net sales expanded to 51.2% for the nine months ended September 30, 2021 from 48.0% for the comparable period in 2020, primarily reflecting:

- an approximate 230 basis points increase in channel profitability, including favorable DTC product margin driven by lower promotional levels and unfavorable impacts from higher inbound freight costs due to supply chain capacity constraints; and
- an approximate 110 basis points increase primarily resulting from decreased inventory reserve provisions.

Selling, General and Administrative Expense: SG&A expense increased $40.6 million, or 5%, to $796.3 million, or 39.9% of net sales, for the nine months ended September 30, 2021, from $755.7 million, or 47.6% of net sales, for the comparable period in 2020. The increase in SG&A expenses primarily reflects the variable component of our SG&A expense structure, which correlates with changes in sales volume.

The SG&A expense increase was primarily due to:

- higher personnel expenses of $26.9 million to support business growth and annual merit increases;
- higher global retail expenses of $26.0 million relative to prior year temporary store closures;
- increased demand creation spending of $23.8 million, driven by higher variable spending with sales growth and incremental strategic investment; and
- higher incentive compensation; partially offset by

- lower bad debt expenses of $33.8 million;
- the non-recurrence of prior year COVID-19 related expenses of $21.7 million; and
- the benefit of $8.6 million from the completion of lease terminations and settlements of liabilities related to prior year store closures.

The decrease in bad debt expenses was driven by incremental COVID-19 pandemic related bad debt reserve provisions in the first nine months of 2020, compared to a reduction in bad debt reserves in the same period in 2021 reflecting the continued recovery of the market and a healthier wholesale customer base.

The benefit of $8.6 million from the completion of a lease termination and settlement of liabilities discussed above relates to a portion of the $16.5 million of accelerated amortization of lease right-of-use assets for stores that permanently closed in 2020 for which the related lease liabilities had not been extinguished as of December 31, 2020 due to ongoing negotiations with the landlords as disclosed in our 2020 Annual Report.

Operating Income: Operating income increased $225.6 million to $238.9 million, or 12.0% of net sales, for the nine months ended September 30, 2021, from $13.4 million, or 0.8% of net sales, for the comparable period in 2020.

Income Tax Expense: Income tax expense was $42.5 million for the nine months ended September 30, 2021, compared to $4.0 million for the comparable period in 2020. Our effective income tax rate was 17.7% for the nine months ended September 30, 2021 compared to 24.8% for the comparable period in 2020. The change in our effective income tax rate for the nine months ended September 30, 2021 compared to the same period in 2020 was primarily driven by the non-recurring decrease in accrued foreign withholding taxes and the mix of book income or loss among jurisdictions.

Net Income: Net income increased $184.9 million to $197.1 million, or $2.96 per diluted share, for the nine months ended September 30, 2021, from $12.3 million, or $0.18 per diluted share, for the comparable period in 2020.

Results of Operations — Segment

Quarter Ended September 30, 2021 Compared to Quarter Ended September 30, 2020

Net sales by geographic segment are summarized in the following table:

	Three Months Ended September 30,					
(in millions, except for percentage changes)	Reported Net Sales 2021	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2021[(1)]	Reported Net Sales 2020	Reported Net Sales % Change	Constant-currency Net Sales % Change[(1)]
U.S.	$ 510.5	$ —	$ 510.5	$ 445.6	15%	15%
LAAP	102.7	(2.3)	100.4	90.9	13%	10%
EMEA	109.2	(1.3)	107.9	99.2	10%	9%
Canada	82.3	(5.0)	77.3	65.4	26%	18%
	$ 804.7	$ (8.6)	$ 796.1	$ 701.1	15%	14%

[(1)] Constant-currency net sales information is a non-GAAP financial measure, which excludes the effect of changes in foreign currency exchange rates against the United States dollar between comparable reporting periods. We calculate constant-currency net sales by translating net sales in foreign currencies for the current period into United States dollars at the exchange rates that were in effect during the comparable period of the prior year.

Operating income (loss) for each reportable segments and unallocated corporate expenses are summarized in the following table:

	Three Months Ended September 30,		
(in millions)	2021	2020	Change ($)
U.S.	$ 139.1	$ 96.6	$ 42.5
LAAP	7.6	4.7	2.9
EMEA	26.2	19.0	7.2
Canada	22.8	19.7	3.1
Total segment operating income	195.7	140.0	55.7
Unallocated corporate expenses	(62.2)	(54.4)	(7.8)
Operating income	$ 133.5	$ 85.6	$ 47.9

Unless otherwise noted below, segment net sales and operating income within all regions increased due to the result of unfavorable COVID-19 pandemic impacts realized in the comparable period in 2020, which led to economic lockdowns, including temporary store closures and lower consumer demand.

U.S.

U.S. operating income increased $42.5 million to $139.1 million, or 27.2% of net sales, for the third quarter of 2021 from $96.6 million, or 21.7% of net sales, for the comparable period in 2020. The increase was driven primarily by increased net sales combined with increased gross margin. U.S. net sales increased $64.9 million, or 15%, for the third quarter of 2021 compared to same period in 2020, driven by increased net sales primarily in our U.S. DTC business and to a lesser extent our U.S. wholesale business. U.S. wholesale net sales increased due to higher Fall 2021 order shipments, but were constrained by supply chain disruptions that resulted in later inventory receipts and later than expected wholesale shipments during the quarter. U.S. SG&A expense decreased as a percentage of net sales to 25.2% for the three months ended September 30, 2021 compared to 28.5% for the comparable period in 2020. U.S. SG&A expense for the third quarter of 2020 included non-recurring COVID-19 related expenses.

LAAP

LAAP operating income of $7.6 million, or 7.4% of net sales, for the third quarter of 2021 increased $2.9 million from $4.7 million, or 5.2% of net sales, for the comparable period in 2020. The increase was driven primarily by increased net sales combined with increased gross margin. LAAP net sales increased $11.8 million, or 13% (10% constant-currency) for the third quarter of 2021 compared to the same period in 2020, primarily driven by increased net sales in our China business. LAAP net sales increased due to higher Fall 2021 wholesale order shipments, partially offset by lower consumer demand due to COVID-19 related provincial and government mandated restrictions to prevent the spread of the virus. LAAP SG&A expense increased as a percentage of net sales to 46.9% for the third quarter of 2021 compared to 46.6% for the comparable period in 2020.

EMEA

EMEA operating income increased $7.2 million to $26.2 million, or 24.0% of net sales, for the third quarter of 2021 from $19.0 million, or 19.1% of net sales, for the comparable period in 2020. The increase was driven by increased net sales combined with increased gross margin and SG&A expense leverage. EMEA net sales increased $10.0 million, or 10% (9% constant-currency), for the third quarter of 2021 compared to the same period in 2020. EMEA net sales increased primarily in our Europe-direct business, and to a lesser extent our EMEA distributor business. Europe-direct net sales increased primarily due to higher Fall 2021 wholesale order shipments. EMEA SG&A expense decreased as a percentage of net sales to 22.6% for the third quarter of 2021 compared to 26.3% for the same period in 2020 driven by leveraging of fixed operating expenses.

Canada

Canada operating income of $22.8 million, or 27.8% of net sales, for the third quarter of 2021 increased $3.1 million from $19.8 million, or 30.2% of net sales, for the comparable period in 2020. The increase primarily resulted from increased net sales. Canada net sales increased $16.9 million, or 26% (18% constant-currency), for the third quarter of 2021 compared to the same period in 2020. Canada net sales increased primarily due to higher Fall 2021 wholesale order shipments. Canada SG&A expense increased as a percentage of net sales to 20.1% for the third quarter of 2021 compared to 17.5% for the comparable period in 2020.

Unallocated corporate expenses increased by $7.8 million to $62.3 million for the third quarter of 2021, from $54.4 million for the comparable period in 2020, primarily driven by higher incentive compensation and personnel expenses.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

Net sales by geographic segment are summarized in the following table:

	Nine Months Ended September 30,					
(in millions, except for percentage changes)	**Reported Net Sales 2021**	**Adjust for Foreign Currency Translation**	**Constant-currency Net Sales 2021(1)**	**Reported Net Sales 2020**	**Reported Net Sales % Change**	**Constant-currency Net Sales % Change(1)**
U.S.	$ 1,298.2	$ —	$ 1,298.2	$ 1,004.7	29%	29%
LAAP	292.7	(11.9)	280.8	260.9	12%	8%
EMEA	268.5	(9.6)	258.9	213.3	26%	21%
Canada	137.3	(8.7)	128.6	107.0	28%	20%
	$ 1,996.7	$ (30.2)	$ 1,966.5	$ 1,585.9	26%	24%

(1) Constant-currency net sales information is a non-GAAP financial measure, which excludes the effect of changes in foreign currency exchange rates against the United States dollar between comparable reporting periods. We calculate constant-currency net sales by translating net sales in foreign currencies for the current period into United States dollars at the exchange rates that were in effect during the comparable period of the prior year.

Operating income for each reportable segments and unallocated corporate expenses are summarized in the following table:

	Nine Months Ended September 30,		
(in millions)	**2021**	**2020**	**Change ($)**
U.S.	$ 320.8	$ 118.5	$ 202.3
LAAP	16.3	8.7	7.6
EMEA	47.8	19.0	28.8
Canada	29.7	15.1	14.6
Total segment operating income	414.6	161.3	253.3
Unallocated corporate expenses	(175.7)	(147.9)	(27.8)
Operating income	$ 238.9	$ 13.4	$ 225.5

Unless otherwise noted below, segment net sales and operating income within all regions increased due to the result of unfavorable COVID-19 pandemic impacts realized in the comparable period in 2020, which led to economic lockdowns, including temporary store closures and lower consumer demand.

U.S.

U.S. operating income increased $202.3 million to $320.8 million, or 24.7% of net sales, for the nine months ended September 30, 2021 from $118.5 million, or 11.8% of net sales, for the comparable period in 2020. The increase was driven primarily by increased net sales combined with increased gross margin, as well as a reduction in bad debt expense. U.S. net sales increased $293.5 million, or 29%, for the nine months ended September 30, 2021 compared to the same period in 2020, driven by increased net sales in our U.S. DTC retail stores, wholesale and, to a lesser extent, DTC e-commerce businesses. The reduction in bad debt reserves reflected the continued recovery of the market and a healthier wholesale customer base. SG&A expenses decreased as a percentage of net sales to 28.2% for the nine months ended September 30, 2021 compared to 37.3% for the comparable period in 2020, primarily driven by leveraging of fixed operating expenses, a reduction in bad debt expense, and the non-recurrence of prior year COVID-19 related expenses.

LAAP

LAAP operating income increased $7.6 million to $16.3 million, or 5.6% of net sales, for the nine months ended September 30, 2021 from $8.7 million, or 3.3% of net sales, for the comparable period in 2020. The increase was driven primarily by increased net sales combined with increased gross margin. LAAP net sales increased $31.8 million, or 12% (8% constant-currency) for the nine months ended September 30, 2021 compared to the same period in 2020, primarily driven by increased net sales in our China business and to a lesser extent our Korea and Japan businesses, partially offset by decreased net sales in our LAAP distributor businesses. LAAP SG&A expense increased as a percentage of net sales to 50.3% for the nine months ended September 30, 2021 compared to 48.5% for the comparable period in 2020, primarily driven by increased investment in demand creation and the non-recurrence of prior year COVID-19 government subsidies received.

EMEA

EMEA operating income increased $28.8 million to $47.8 million, or 17.8% of net sales, for the nine months ended September 30, 2021 from $19.0 million, or 8.9% of net sales, for the comparable period in 2020. The increase was driven primarily by increased net sales combined with increased gross margin. EMEA net sales increased $55.2 million to $268.5 million, or 26% (21% constant-currency), for the nine months ended September 30, 2021 compared to the same period in 2020. EMEA net sales increased in both our Europe-direct and EMEA distributors businesses. SG&A expense decreased as a percentage of net sales to 26.6% for the nine months ended September 30, 2021 compared to 33.6% for the same period in 2020 driven by leveraging of fixed operating expenses, the non-recurrence of prior year COVID-19 related expenses and lower reserve provisions for bad debt.

Canada

Canada operating income increased $14.6 million to $29.7 million, or 21.6% of net sales, for the nine months ended September 30, 2021 from $15.1 million, or 14.2% of net sales, for the comparable period in 2020. The increase primarily resulted from increased net sales combined with increased gross margin. Canada net sales increased $30.3 million, or 28% (20% constant-currency), for the nine months ended September 30, 2021 compared to the same period in 2020. Canada SG&A expense decreased as a percentage of net sales to 26.3% for the nine months ended September 30, 2021 compared to 32.6% for the comparable period in 2020, primarily driven by leveraging of fixed operating expenses, a reduction in bad debt expense and the non-recurrence of prior year COVID-19 government subsidies received.

Unallocated corporate expenses increased by $27.8 million to $175.7 million for the nine months ended September 30, 2021, from $148.0 million for the comparable period in 2020, primarily driven by higher incentive compensation and personnel expenses.

Liquidity and Capital Resources

At September 30, 2021, we had total cash and cash equivalents of $599.5 million, compared to $790.7 million at December 31, 2020 and $313.4 million at September 30, 2020.

Our primary ongoing cash needs are for working capital and capital expenditures, including investment in our DTC operations, including new stores, and investment in digital and supply chain capabilities to support our strategic priorities. We have planned 2021 capital expenditures of approximately $45 million to $50 million. Our actual 2021 capital expenditures may differ from the planned amounts depending on factors such as the timing of new store acquisitions and related construction as well as the availability of capital assets from suppliers. We expect to meet our cash needs for the next twelve months with cash flows from operations.

Our business is affected by the general seasonal trends common to the industry. Our products are marketed on a seasonal basis and our sales are weighted substantially toward the third and fourth quarters, while our operating costs are more equally distributed throughout the year. Our cash and cash equivalents and short-term investments balances generally are at their lowest level at the end of the third quarter and increase during the fourth quarter from collection of wholesale business receivables and fourth quarter DTC sales.

Short-term borrowings and credit lines

Refer to Note 4 in Item 1 of this quarterly report for additional information regarding our lines of credit and overdraft facilities in place. At September 30, 2021, we had a $500.0 million committed revolving line of credit available domestically under our credit agreement and, internationally, our subsidiaries had approximately $118.0 million in committed and uncommitted lines of credit and overdraft facilities in place, some of which were guaranteed by Columbia Sportswear Company. At September 30, 2021, there was no balance outstanding under these lines of credit and overdraft facilities. At the time of this filing, we are in compliance with all financial covenants necessary as a condition for borrowing under the domestic credit agreement.

Cash flow activities

Net cash used in operating activities was $15.6 million for the nine months ended September 30, 2021 compared to net cash used in operating activities of $198.0 million for the comparable period in 2020. The change in operating cash flow was driven by a $113.4 million increase in operating cash flow provided by net income and non-cash adjustments, and a $68.9 million decrease in cash used in changes in assets and liabilities. The most significant comparative changes included *Accounts receivable*, *Prepaid expenses and other current assets* , *Accounts payable*, *Accrued liabilities*, and *Operating lease assets and liabilities* . The increase in cash used by *Accounts receivable* was driven by higher wholesale net sales, partially offset by higher collections of accounts receivable in 2021.

The increase in cash used by *Prepaid expenses and other current assets* was primarily driven by changes in US inventory prepayments and US prepaid income taxes. The increase in cash provided by *Accounts payable* primarily reflects the effects of higher receipts of inventory in the third quarter of 2021 compared to the third quarter of 2020 due to stronger customer demand and increased in-transit inventory. The increase in cash provided by A *ccrued liabilities* was primarily driven by changes in accruals for incentive compensation, wholesale refund liabilities, and wholesale and retail sales return liabilities. The increase in cash used by *Operating lease assets and liabilities* includes the payment of deferred rents.

Net cash used in investing activities was $19.2 million for the nine months ended September 30, 2021 compared to net cash used in investing activities of $23.6 million for the comparable period in 2020. For the 2021 period, net cash used in investing activities primarily consisted of $20.4 million for capital expenditures, partially offset by $1.2 million in sales and maturities of short-term investments. For the same period in 2020, net cash used in investing activities primarily consisted of $25.2 million for capital expenditures, partially offset by $1.6 million in net sales and maturities of short-term investments.

Net cash used in financing activities was $151.4 million for the nine months ended September 30, 2021 compared to net cash used in financing activities of $152.3 million for the comparable period in 2020. For the 2021 period, net cash used in financing activities primarily consisted of repurchases of common stock of $118.6 million and dividend payments to our shareholders of $51.7 million, partially offset by proceeds from the issuance of common stock related to stock-based compensation of $24.3 million. For the 2020 period, net cash used in financing activities primarily consisted of repurchases of common stock of $132.9 million and dividend payments to our shareholders of $17.2 million.

Contractual obligations

Our inventory purchase obligations increased to $542.8 million at September 30, 2021 compared to $305.7 million at December 31, 2020. There have been no other material changes to the estimated contractual commitments contained in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make various estimates and judgments that affect reported amounts of assets, liabilities, sales, cost of sales, and expenses and related disclosure of contingent assets and liabilities. We believe that the estimates, assumptions and judgments involved in the accounting policies referred to in Part II, Item 7 in our Annual Report on Form 10-K for the year ended December 31, 2020 have the greatest potential effect on our financial statements, so we consider these to be our critical accounting policies and estimates. Because of the uncertainty inherent in these matters, actual results may differ from the estimates we use in applying these critical accounting policies. We base our ongoing estimates on historical experience and other assumptions that we believe to be reasonable in the circumstances. Our critical accounting policies relate to revenue recognition; allowance for uncollectible accounts receivable; obsolescence reserves for excess, close-out and slow-moving inventory; impairment of long-lived assets, intangible assets and goodwill; and income taxes.

Management regularly discusses with our audit committee each of our critical accounting estimates, the development and selection of these accounting estimates, and the disclosure about each estimate in this quarterly report. These discussions typically occur at our quarterly audit committee meetings and include the basis and methodology used in developing and selecting these estimates, the trends in and amounts of these estimates, specific matters affecting the amount of and changes in these estimates, and any other relevant matters related to these estimates, including significant issues concerning accounting principles and financial statement presentation.

Except as disclosed in Note 1 in Item 1 of this quarterly report, pertaining to our adoption of new accounting pronouncements, there have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

None.

Item 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

There has not been any material change in the market risk disclosure contained in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

We have evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. These disclosure controls and procedures require information to be disclosed in our Exchange Act reports to be (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer.

Based on our evaluation, we, including our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

We are involved in litigation and various legal matters arising in the normal course of business, including matters related to employment, retail, intellectual property, contractual agreements, and various regulatory compliance activities. We have considered facts related to legal and regulatory matters and opinions of counsel handling these matters and do not believe the ultimate resolution of these proceedings will have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A. *RISK FACTORS*

In addition to the other information contained in this Quarterly Report on Form 10-Q, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, results of operations, or cash flows may be materially adversely affected by these and other risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations. The following risk factors include changes to and supersede the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

CHANGES IN PRODUCT DEMAND CAN ADVERSELY AFFECT OUR FINANCIAL RESULTS

We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings.

These risks include, but are not limited to:

- Volatile Economic Conditions. We are a consumer products company and are highly dependent on consumer discretionary spending. Consumer discretionary spending behavior is inherently unpredictable. Consumer demand, and related wholesale customer demand, for our products may not support our sales targets, or may decline, especially during periods of heightened economic uncertainty in our key markets.
- Highly Competitive Markets. In each of our geographic markets, we face significant competition from global and regional branded apparel, footwear, accessories, and equipment companies. Retailers who are our wholesale customers often pose a significant competitive threat by designing, marketing and distributing apparel, footwear, accessories, and equipment under their own private labels. We also experience direct competition in our DTC business from retailers that are our wholesale customers. This is true in particular in the digital marketplace, where increased consumer expectations and competitive pressure related to various aspects of our e-commerce business, including speed of product delivery, shipping charges, return privileges, and other evolving expectations are key factors.
- Consumer Preferences and Fashion/Product Trends. Changes in consumer preferences, consumer interest in outdoor activities, and fashion/product trends may have a material adverse effect on our business. We also face risks because our success depends on our and our customers' abilities to anticipate consumer preferences and our ability to respond to changes in a timely manner. Product development and/or production lead times for many of our products may make it more difficult for us to respond rapidly to new or changing fashion/product trends or consumer preferences.
- Brand Images. Our brands have wide recognition, and our success has been due in large part to our ability to maintain, enhance and protect our brand image and reputation and our consumers' and customers' connection to our brands. Our continued success depends in part on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. In addition, consumer and customer sentiment could be shaped by our sustainability policies and related design, sourcing and operations decisions.
- Weather Conditions, Including Global Climate Change Trends. Our sales are adversely affected by unseasonable weather conditions. A significant portion of our DTC sales is dependent in part on the weather and our DTC sales growth is likely to be adversely impacted or may even decline in years in which weather conditions do not stimulate demand for our products. Unseasonable weather also impacts future sales to our wholesale customers, who may hold inventory into subsequent seasons in response to unseasonable weather. Our results may be negatively impacted if management is not able to adjust expenses in a timely manner in response to unfavorable weather conditions and the resulting impact on consumer and customer demand. The extent to which global weather patterns trend warmer will determine the magnitude by which consumer and customer demand for our products will be negatively affected.
- Shifts in Retail Traffic Patterns. Shifts in consumer purchasing patterns, including the growth of e-commerce and large one-stop digital marketplaces, e-commerce off-price retailing and online comparison shopping, in our key markets may have an

adverse effect on our DTC operations and the financial health of certain of our wholesale customers, some of whom may reduce their brick and mortar store fleet, file for protection under bankruptcy laws, restructure, or cease operations. These related business impacts have already occurred at certain of our wholesale customers. We face increased risk of order reduction and cancellation when dealing with financially ailing wholesale customers. We also extend credit to our wholesale customers based on an assessment of the wholesale customer's financial condition, generally without requiring collateral. We may choose (and have chosen in the past) to limit our credit risk by reducing our level of business with wholesale customers experiencing financial difficulties and may not be able to replace those revenues with other customers or through our DTC businesses within a reasonable period or at all.

- Innovation. To distinguish our products in the marketplace and achieve commercial success, we rely on product innovations, including new or exclusive technologies, inventive and appealing design or other differentiating features. If we fail to introduce innovative products that appeal to consumers and customers, we could suffer reputational damage to our brands and demand for our products could decline.

Certain of the above risks may be or have been exacerbated by the COVID-19 pandemic, see “An Outbreak of Disease or Similar Public Health Threat, or Fear of Such an Event, Such as the COVID-19 Pandemic, Could Have, and in the Case of the COVID-19 Pandemic Has Had and is Expected to Continue to Have, an Adverse Impact on Our Business, Operating Results and Financial Condition.”

Our Orders from Wholesale Customers are Subject to Cancellation, Which Could Lead to a Decline in Sales or Gross Profit, Write-downs of Excess Inventory, Increased Discounts or Extended Credit Terms to Our Wholesale Customers.

We do not have long-term contracts with any of our wholesale customers. We do have contracts with our independent international distributors; although these contracts may have annual purchase minimums that must be met in order to retain distribution rights, the distributors are not otherwise obligated to purchase products from us. Sales to our wholesale customers (other than our international distributors) are generally on an order-by-order basis and are subject to rights of cancellation and rescheduling prior to shipment of orders. We consider the timing of delivery dates in our wholesale customer orders when we forecast our sales and earnings for future periods. If any of our major wholesale customers experience a significant downturn in business or fail to remain committed to our products or brands, or if we are unable to deliver products to our wholesale customer in the agreed upon manner, these customers could postpone, reduce, cancel, or discontinue purchases from us, including after we have begun production on any order.

Our Inability to Accurately Predict Consumer and/or Customer Demand for Our Products Could Lead to a Build-up of Inventory or a Lack of Inventory and Affect Our Gross Margin.

We have implemented key strategic initiatives designed to improve the efficiency of our supply chain, such as spreading out the production of our products over time, which may lead to the build-up of inventory well in advance of the selling seasons for such products. Additionally, we place orders for our products with our contract manufacturers in advance of the related selling season and, as a result, are vulnerable to changes in consumer and/or customer demand for our products. Therefore, we must accurately forecast consumer and/or customer demand for our products well in advance of the selling season. We are subject to numerous risks relating to consumer and/or customer demand (see “We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Customer Demand for our Products and Lead to a Decline in Sales and/or Earnings” and “Our Orders from Wholesale Customers are Subject to Cancellation, Which Could Lead to a Decline in Sales or Gross Profit, Write-downs of Excess Inventory, Increased Discounts or Extended Credit Terms to Our Wholesale Customers” for additional information). Our ability to accurately predict consumer and/or customer demand well in advance of the selling season for our products is impacted by these risks, as well as our reliance on manual processes and judgments that are subject to human error.

Our failure to accurately forecast consumer and/or customer demand could result in inventory levels in excess of demand, which may cause inventory write-downs and/or the sale of excess inventory at discounted prices through our owned outlet stores or third-party liquidation channels and could have a material adverse effect on our brand image and gross margin. In addition, we may experience additional costs relating to the storage of excess inventory.

Conversely, if we underestimate consumer and/or customer demand for our products or if our contract manufacturers or third party logistics providers are unable to supply or deliver products when we need them, we may experience inventory shortages, which may prevent us from fulfilling product orders, delay shipments of product, negatively affect our wholesale customer and consumer relationships, result in increased costs to expedite production and delivery, and diminish our ability to build brand loyalty.

WE ARE SUBJECT TO VARIOUS RISKS IN OUR SUPPLY CHAIN.

Our Reliance on Contract Manufacturers, Including Our Ability to Enter Into Purchase Order Commitments with Them and Maintain Quality Standards of Our Products and Standards of Manufacturing Processes at Contract Manufacturers, May Result in Lost Sales and Impact our Gross Margin and Results of Operations.

Our products are manufactured by contract manufacturers worldwide, primarily in the Asia Pacific region. Although we enter into purchase order commitments with these contract manufacturers each season, we generally do not maintain long-term manufacturing commitments with them, and various factors could interfere with our ability to source our products. Without long-term commitments, there is no assurance that we will be able to secure adequate or timely production capacity and our competitors may obtain production capacities that effectively limit or eliminate the availability of our contract manufacturers. If we are unable to obtain necessary production capacities, we may be unable to meet consumer demand, resulting in lost sales.

In addition, contract manufacturers may fail to perform as expected. If a contract manufacturer fails to ship orders in a timely manner, we could experience supply disruptions that result in missed delivery deadlines, which may cause our customers to cancel their orders, refuse to accept deliveries or demand a reduction in purchase price or cause us to incur additional freight costs.

Reliance on contract manufacturers also creates quality control risks. Contract manufacturers may need to use sub-contracted manufacturers to fulfill our orders, which could result in compromised quality of our products. A failure in our quality control program, or a failure of our contract manufacturers or their subcontractors to meet our quality control standards, may result in diminished product quality, which in turn could result in increased order cancellations, price concessions, product returns, decreased consumer and customer demand for our products, non-compliance with our product standards or regulatory requirements, or product recalls or other regulatory actions.

We impose standards of manufacturing practices on our contract manufacturers for the benefit of workers and require compliance with our restricted substances list and product safety and other applicable laws, including environmental, health and safety and forced labor laws. We also require that our contract manufacturers impose these practices, standards and laws on their subcontractors. If a contract manufacturer or subcontractor violates labor or other laws or engages in practices that are not generally accepted as safe or ethical, we may experience production disruptions, lost sales or significant negative publicity that could result in long-term damage to our reputation. In some circumstances, parties may assert that we are liable for our contract manufacturers' or subcontractors' labor and operational practices, which could have a material adverse effect on our brand image, results of operations and our financial condition.

Volatility in the Availability and Prices for Commodities and Raw Materials We Use in Our Products Could Have a Material Adverse Effect on Our Costs, Gross Margins and Profitability.

Our products are derived from raw materials that are subject to the prices in the market. If there is a volatility in the availability and prices for commodities and raw materials we use in our products (as is currently the case) and we are unable to offset such rising costs by pricing actions or efficiency improvements, we could experience pressure on our gross margins and profitability.

For Certain Materials We Depend on a Limited Number of Suppliers, Which May Cause Increased Costs or Production Delays.

Some of the materials that are used in our products may be available from only one source or a very limited number of sources. For example, some specialty fabrics are manufactured to our specification by one source or a few sources, and a single vendor supplies the majority of the zippers used in our products. As a result, from time to time, we may have difficulty satisfying our material requirements. Although we believe that we can identify and qualify additional contract manufacturers to produce or supply these materials or alternative materials as necessary, there are no guarantees that additional contract manufacturers will be available. In addition, depending on the timing, any changes in sources or materials may result in increased costs or production delays.

Our Success Depends on Third-Party Logistics Providers and Our and Third-Party Distribution Facilities.

The majority of our products are manufactured outside of our principal sales markets, which requires these products to be consolidated and transported, sometimes over large geographical distances. A small number of third-party logistics providers currently consolidate, deconsolidate and/or transload almost all of our products. Any disruption in the operations of these providers or changes to the costs they charge, due to capacity constraints or volatile fuel prices could materially impact our sales and profitability. A prolonged disruption in the operations of these providers could also require us to seek alternative distribution arrangements, which may not be available on attractive terms and could lead to delays in distribution of products, either of which could have a significant and material adverse effect on our business, results of operations and financial condition. In addition, the ability to move products over larger geographical distances could be (as is currently the case) constrained by ocean, air and trucking cargo capacity, or disrupted by limitations at ports or borders. These constraints and disruptions could hinder our ability to satisfy demand through our wholesale and DTC businesses, and we may miss delivery deadlines, which may cause our customers to cancel their orders, refuse to accept deliveries or demand a reduction in purchase price. In addition, increases in distribution costs, including but not limited to trucking and freight costs, could (as is currently the case) adversely affect our costs, which we may or may not be able to offset through price increases or decreased promotions.

We receive our products from third-party logistics providers at our owned distribution centers in the United States, Canada and France. The fixed costs associated with owning, operating and maintaining such distribution centers during a period of economic weakness or declining sales can result in lower operating efficiencies, financial deleverage and potential impairment in the recorded value of distribution assets.

We also receive and distribute our products through third-party operated distribution facilities internationally and domestically. We depend on these third-parties to manage the operation of their distribution facilities as necessary to meet our business needs. If the third-parties fail to manage these responsibilities, our international and domestic distribution operations could face significant disruptions.

Our ability to meet consumer and customer expectations, manage inventory, complete sales, and achieve our objectives for operating efficiencies depends on the proper operation of our existing distribution facilities, as well as the facilities of third-parties, the development or expansion of additional distribution capabilities and services, and the timely performance of services by third-parties, including those involved in moving products to and from our distribution facilities and facilities operated by third-parties.

OUR INVESTMENT IN STRATEGIC PRIORITIES EXPOSES US TO CERTAIN RISKS

We May Be Unable to Execute Our Strategic Priorities, Which Could Limit Our Ability to Invest in and Grow Our Business.

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

To implement our strategic priorities, we must continue to, among other things, modify and fund various aspects of our business, effectively prioritize our initiatives and execute effective change management. These efforts, coupled with a continuous focus on expense discipline, may place strain on internal resources, and we may have operating difficulties as a result.

Our strategic priorities also generally involve increased expenditures, which could cause our profitability or operating margin to decline if we are unable to offset our increased spending with increased sales or gross profit or comparable reductions in other operating costs. This could result in a decision to delay, modify, or terminate certain initiatives related to our strategic priorities.

Initiatives to Upgrade Our Business Processes and Information Technology Systems to Optimize Our Operational and Financial Performance Involve Many Risks Which Could Result in, Among Other Things, Business Interruptions, Higher Costs and Lost Profits.

We regularly implement business process improvement and information technology initiatives intended to optimize our operational and financial performance. Transitioning to these new or upgraded processes and systems requires significant capital investments and personnel resources. Implementation is also highly dependent on the coordination of numerous employees, contractors and software and system providers. The interdependence of these processes and systems is a significant risk to the successful completion and continued refinement of these initiatives, and the failure of any aspect could have a material adverse effect on the functionality of our overall business. We may also experience difficulties in implementing or operating our new or upgraded business processes or information technology systems, including, but not limited to, ineffective or inefficient operations, significant system failures, system outages, delayed implementation and loss of system availability, which could lead to increased implementation and/or operational costs, loss or corruption of data, delayed shipments, excess inventory and interruptions of operations resulting in lost sales and/or profits.

We May Not Realize Returns on Our Fixed Cost Investments in Our DTC Business Operations.

One of our strategic priorities is to expand and improve our global DTC business operations. Accordingly, we continue to make significant investments in our e-commerce platforms, our global retail platforms and information technology system upgrades (See “Initiatives to Upgrade Our Business Processes and Information Technology Systems to Optimize Our Operational and Financial Performance Involve Many Risks Which Could Result in, Among Other Things, Business Interruptions, Higher Costs and Lost Profits”). Since many of the costs of our DTC operations are fixed, we may be unable to reduce expenses in order to avoid losses or negative cash flows if we have insufficient sales, including as a result of restrictions on operations. We may not be able to exit DTC brick and mortar locations and related leases at all or without significant cost or loss, renegotiate the terms thereof, or effectively manage the profitability of our existing brick and mortar stores. In addition, obtaining real estate and effectively renewing real estate leases for our DTC brick and mortar operations is subject to the real estate market and we may not be able to secure adequate new locations or successfully renew leases for existing locations.

WE ARE SUBJECT TO CERTAIN INFORMATION TECHNOLOGY RISKS

We Rely on Information Technology Systems, including Third-Party Cloud-based Solutions, and Any Failure of These Systems May Result in Disruptions or Outages in Our E-Commerce and In-Store Retail Platforms, Loss of Processing Capabilities, and/or Loss of Data, Any of Which May Have a Material Adverse Effect on Our Financial Condition, Results of Operations or Cash Flow.

Our reputation and ability to attract, retain and serve consumers and customers is dependent upon the reliable performance of our underlying technical infrastructure and external service providers, including third-party cloud-based solutions. These systems are vulnerable to damage or interruption and we have experienced interruptions in the past. We rely on cloud-based solutions furnished by third-parties primarily to allocate resources, pay vendors, collect from customers, process transactions, develop demand and supply plans, manage product design, production, transportation, and distribution, forecast and report operating results, meet regulatory requirements and administer employee payroll and benefits, among other functions. In addition, our DTC operations, both in-store and online, rely on cloud-based solutions to process transactions. We have also designed a significant portion of our software and computer systems to utilize data processing and storage capabilities from third-party cloud solution providers. Both our on-premises and cloud-based infrastructure may be susceptible to outages due to any number of reasons, including, human error, fire, floods, power loss, telecommunications failures, terrorist attacks and similar events. Despite the implementation of security measures that we believe to be reasonable, both our on-premises and our cloud-based infrastructure may also be vulnerable to hacking, computer viruses, the installation of malware and similar disruptions either by third-parties or employees, which may result in outages. We do not have redundancy for all of our systems and our disaster recovery planning may not account for all eventualities. If we or our existing third-party cloud-based solution providers experience interruptions in service regularly or for a prolonged basis, or other similar issues, our business would be seriously harmed and, in some instances, our consumers and customers may not be able to purchase our products, which could significantly and negatively affect our sales. Additionally, our existing cloud-based solution providers have broad discretion to change and interpret their terms of service and other policies with respect to us, and they may take actions beyond our control that could harm our business. We also may not be able to control the quality of the systems and services we receive from our third-party cloud-based solution providers. Any transition of the cloud-based solutions currently provided to different cloud providers would be difficult to implement and will cause us to incur significant time and expense.

If we and/or our cloud-based solution providers are not successful in preventing outages and cyberattacks, our financial condition, results of operations and cash flow could be materially and adversely affected.

A Security Breach of Our or Our Third-Parties' Systems, Exposure of Personal or Confidential Information or Increased Government Regulation Relating to Handling of Personal Data, Could, Among Other Things, Disrupt Our Operations or Cause Us to Incur Substantial Costs or Negatively Affect Our Reputation.

We and many of our third-party vendors manage and maintain various types of proprietary information and sensitive and confidential data relating to our business, such as personally identifiable information of our consumers, our customers, our employees, and our business partners, as well as credit card information in certain instances. Unauthorized parties may attempt to gain access to these systems or information through fraud or other means of deceiving our employees or third-party service providers. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly changing and evolving, and may be difficult to anticipate or detect for long periods of time. The ever-evolving threats mean we and our third-parties must continually evaluate and adapt our systems and processes, and there is no guarantee that these efforts will be adequate to safeguard against all data security breaches or misuses of data. For example, in 2017, we reported the discovery of a cybersecurity incident involving our prAna.com e-commerce website, for which a number of responsive actions were taken, including notification of potentially affected prAna consumers. Any future breaches of our or our third-parties' systems could expose us, our customers, our consumers, our suppliers, our employees, or other individuals that may be affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our reputation, or otherwise harm our business. While we maintain cyber liability insurance policies for coverage in the event of a cybersecurity incident, we cannot be certain that our existing coverage will continue to be available on acceptable terms or will be available, and in sufficient amount, to cover the potentially significant losses that could result from a cybersecurity incident or that the insurer will not deny coverage as to any future claim.

In addition, as the regulatory environment related to information security, data collection and use and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs or liabilities. For example, the European Union's General Data Protection Regulation, which became effective in May 2018, and more recently, the California Consumer Privacy Act, which went into effect in January 2020, required new processes be implemented to ensure compliance and now require the continued refinement of such processes as the regulations evolve, which is accomplished through significant efforts by our employees. The diverted attention of these employees may impact our operations and there may be additional costs incurred by us for third-party resources to advise on the constantly changing landscape. Limitations on the use of data may also impact our future business strategies. Additionally, violations of these requirements could result in significant penalties or litigation from consumers.

We Depend on Certain Legacy Information Technology Systems, Which May Inhibit Our Ability to Operate Efficiently.

Our legacy product development, retail and other systems, on which we continue to manage a substantial portion of our business activities, rely on the availability of limited internal and external resources with the expertise to maintain the systems. In addition, our legacy systems, including aged systems in our Japanese and Korean businesses, may not support desired functionality for our operations and may inhibit our ability to operate efficiently. As we continue to transition from our legacy systems and implement new systems, certain functionality and information from our legacy systems, including that of third-party systems that interface with our legacy systems, may not be fully compatible with the new systems.

WE ARE SUBJECT TO LEGAL AND REGULATORY RISKS

Our Success Depends on the Protection of Our Intellectual Property Rights.

Our registered and common law trademarks, our patented or patent-pending designs and technologies, trade dress and the overall appearance and image of our products have significant value and are important to our ability to differentiate our products from those of our competitors.

As we strive to achieve product innovations, extend our brands into new product categories and expand the geographic scope of our marketing, we face a greater risk of inadvertent infringements of third-party rights or compliance issues with regulations applicable to products with technical features or components. We may become subject to litigation based on allegations of infringement or other improper use of intellectual property rights of third-parties. In addition, failure to successfully obtain and maintain patents on innovations could negatively affect our ability to market and sell our products.

We regularly discover products that are counterfeit reproductions of our products or that otherwise infringe on our proprietary rights. Increased instances of counterfeit manufactured products and sales may adversely affect our sales and the reputation of our brands and result in a shift of consumer preference away from our products. The actions we take to establish and protect trademarks and other proprietary rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as violations of proprietary rights. In markets outside of the United States, it may be more difficult for us to establish our proprietary rights and to successfully challenge use of those rights by other parties.

Litigation is often necessary to defend against claims of infringement or to enforce and protect our intellectual property rights. Intellectual property litigation may be costly and may divert management's attention from the operation of our business. Adverse determinations in any litigation may result in the loss of our proprietary rights, subject us to significant liabilities or require us to seek licenses from third-parties, which may not be available on commercially reasonable terms, if at all.

Certain of Our Products Are Subject to Product Regulations and/or Carry Warranties, Which May Cause an Increase Our Expenses in the Event of Non-Compliance and/or Warranty Claims.

Our products are subject to increasingly stringent and complex domestic and foreign product labeling and performance and safety standards, laws and other regulations. These requirements could result in greater expense associated with compliance efforts, and failure to comply with these regulations could result in a delay, non-delivery, recall, or destruction of inventory shipments during key seasons or in other financial penalties. Significant or continuing noncompliance with these standards and laws could disrupt our business and harm our reputation.

Our products are generally used in outdoor activities, sometimes in severe conditions. Product recalls or product liability claims resulting from the failure, or alleged failure, of our products could have a material adverse effect on the reputation of our brands and result in additional expenses. Most of our products carry limited warranties for defects in quality and workmanship. We maintain a warranty reserve for estimated future warranty claims, but the actual costs of servicing future warranty claims may exceed the reserve.

We May Have Additional Tax Liabilities or Experience Increased Volatility in Our Effective Tax Rate.

As a global company, we determine our income tax liability in various tax jurisdictions and our effective tax rate based on an analysis and interpretation of local tax laws and regulations and our financial projections. This analysis requires a significant amount of judgment and estimation and is often based on various assumptions about the future, which, in times of economic disruptions, are highly uncertain. These determinations are the subject of periodic domestic and foreign tax audits. Although we accrue for uncertain tax positions, our accruals may be insufficient to satisfy unfavorable findings. Unfavorable audit findings and tax rulings may result in payment of taxes, fines and penalties for prior periods and higher tax rates in future periods.

On December 22, 2017, the United States government enacted comprehensive tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"). The TCJA made broad and complex changes to the United States tax code. In addition, on March 27, 2020, the United States government enacted the U.S. Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). A change in interpretation of the applicable revisions to the United States tax code and related tax accounting guidance, changes in assumptions made in developing these estimates, and regulatory guidance that may be issued with respect to the applicable revisions to the United States tax code, and state tax implications as a result of the TCJA, the CARES Act, and other recent legislation may cause actual amounts to differ from our provisional estimates. Proposals to reform U.S. and foreign tax laws could significantly impact how U.S. multinational corporations are taxed on foreign earnings and could increase the U.S. corporate tax rate. Although we cannot predict whether or in what form these proposals will pass, several of the proposals considered, if enacted into law, could have an adverse impact on our effective tax rate, income tax expense and cash flows.

Other changes in the tax laws of the jurisdictions where we do business, including an increase in tax rates or an adverse change in the treatment of an item of income or expense, could result in a material increase in our tax expense. For example, changes in the tax laws of foreign jurisdictions could arise as a result of the Base Erosion and Profit Shifting project undertaken by the Organization for Economic Co-operation and Development ("OECD"). The OECD, which represents a coalition of member countries, has recommended changes to numerous long-standing tax principles. In addition, recent efforts to reform how digital profits are taxed globally could have significant compliance and cost implications. As these changes are adopted by countries, tax uncertainty could increase and may adversely affect our provision for income taxes.

WE OPERATE GLOBALLY AND ARE SUBJECT TO SIGNIFICANT RISKS IN MANY JURISDICTIONS

Global Regulation and Economic and Political Conditions, as well as Potential Changes in Regulations, Legislation and Government Policy, May Negatively Affect Our Business.

We are subject to risks generally associated with doing business internationally. These risks include, but are not limited to, the burden of complying with, and unexpected changes to, foreign and domestic laws and regulations, such as anti-corruption and forced labor regulations and sanctions regimes, the effects of fiscal and political crises and political and economic disputes, changes in diverse consumer preferences, foreign currency exchange rate fluctuations (such as those that may be caused by Brexit), managing a diverse and widespread workforce, political unrest, terrorist acts, military operations, disruptions or delays in shipments, disease outbreaks, such as the COVID-19 outbreak, natural disasters, and changes in economic conditions in countries in which we contract to manufacture, source raw materials or sell products. Our ability to sell products in certain markets, demand for our products in certain markets, our ability to collect accounts receivable, our contract manufacturers' ability to procure raw materials or manufacture products, distribution and logistics providers' ability to operate, our ability to operate brick and mortar stores, our workforce, and our cost of doing business (including the cost of freight and logistics) may be impacted by these events should they occur. Our exposure to these risks is heightened in Vietnam, where a significant portion of our contract manufacturing is located, in Russia, where our largest international distributor is located, and in China, where a large portion of the raw materials used in our products is sourced by our contract manufacturers. Should certain of these events occur in Vietnam, Russia or China, they could cause a substantial disruption to our business and have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, many of our imported products are subject to duties, tariffs or other import limitations that affect the cost and quantity of various types of goods imported into the United States and other markets, including the punitive tariffs on U.S. products imported from China imposed in 2019. In addition, goods suspected of being manufactured with forced labor could be blocked from importation into the U.S., which could materially impact sales.

In connection with the United Kingdom's recent exit from the European Union (commonly referred to as "Brexit"), on December 24, 2020, the European Union and the United Kingdom ("U.K.") reached an agreement on a new trade agreement that became effective on January 1, 2021. However, as part of the agreement, there will be a new series of customs and regulatory checks, and as a result we anticipate increased shipping costs and near-term delays. The full effects of Brexit and the impact from the trade agreement and other formal agreements between the U.K. and European Union that may impact us remain uncertain and could lead to additional cost, delays and volatility in currency exchange rates, as well as create legal and global economic uncertainty.

Fluctuations in Inflation and Currency Exchange Rates Could Result in Lower Revenues, Higher Costs and/or Decreased Margins and Earnings.

We derive a significant portion of our sales from markets outside the United States, which consist of sales to wholesale customers and directly to consumers by our entities in Europe, Asia, and Canada and sales to independent international distributors who operate within EMEA and LAAP. The majority of our purchases of finished goods inventory from contract manufacturers are denominated in

United States dollars, including purchases by our foreign entities. These purchase and sale transactions expose us to the volatility of global economic conditions, including fluctuations in inflation and foreign currency exchange rates. Our international revenues and expenses generally are derived from sales and operations in foreign currencies, and these revenues and expenses could be affected by currency fluctuations, specifically amounts recorded in foreign currencies and translated into United States dollars for consolidated financial reporting, as weakening of foreign currencies relative to the United States dollar adversely affects the United States dollar value of the Company’s foreign currency-denominated sales and earnings.

Our exposure is increased with respect to our wholesale customers (including international distributors), where, in order to facilitate solicitation of advance orders for the spring and fall seasons, we establish local-currency-denominated wholesale and retail price lists in each of our foreign entities approximately six to nine months prior to United States dollar-denominated seasonal inventory purchases. As a result, our consolidated results are directly exposed to transactional foreign currency exchange risk to the extent that the United States dollar strengthens during the six to nine months between when we establish seasonal local-currency prices and when we purchase inventory. In addition to the direct currency exchange rate exposures described above, our wholesale business is indirectly exposed to currency exchange rate risks. Weakening of a wholesale customer’s functional currency relative to the United States dollar makes it more expensive for it to purchase finished goods inventory from us, which may cause a wholesale customer to cancel orders or increase prices for our products, which may make our products less price-competitive in those markets. In addition, in order to make purchases and pay us on a timely basis, our international distributors must exchange sufficient quantities of their functional currency for United States dollars through the financial markets and may be limited in the amount of United States dollars they are able to obtain.

We employ several strategies in an effort to mitigate this transactional currency risk, but there is no assurance that these strategies will succeed in fully mitigating the negative effects of adverse foreign currency exchange rate fluctuations on the cost of our finished goods in a given period or that price increases will be accepted by our wholesale customers, international distributors or consumers. Our gross margins are adversely affected whenever we are not able to offset the full extent of finished goods cost increases caused by adverse fluctuations in foreign currency exchange rates.

Currency exchange rate fluctuations may also create indirect risk to our business by disrupting the business of independent finished goods manufacturers from which we purchase our products. When their functional currencies weaken in relation to other currencies, the raw materials they purchase on global commodities markets become more expensive and more difficult to finance. Although each manufacturer bears the full risk of fluctuations in the value of its currency against other currencies, our business can be indirectly affected when adverse fluctuations cause a manufacturer to raise the prices of goods it produces for us, disrupt the manufacturer's ability to purchase the necessary raw materials on a timely basis, or disrupt the manufacturer's ability to function as an ongoing business.

WE ARE SUBJECT TO NUMEROUS OPERATIONAL RISKS

Our Ability to Manage Fixed Costs Across a Business That is Affected by Seasonality May Impact Our Profits.

Our business is affected by the general seasonal trends common to the outdoor industry. Our products are marketed on a seasonal basis and our annual net sales are weighted heavily toward the fall/winter season, while our operating expenses are more equally distributed throughout the year. As a result, often a majority of our operating profits are generated in the second half of the year. If we are unable to manage our fixed costs in the seasons where we experience lower net sales, our profits may be adversely impacted.

Labor Matters, Changes in Labor Laws and Our Ability to Meet Our Labor Needs May Reduce Our Revenues and Earnings.

Our business depends on our ability to source and distribute products in a timely manner. While a majority of our own operations are not subject to organized labor agreements, our relationship with our Cambrai distribution center employees is governed by French law, which includes a formal representation of employees by a Works Council and the application of a collective bargaining agreement. Matters that may affect our workforce (including COVID-19 infections or the risk thereof) at contract manufacturers where our goods are produced, shipping ports, transportation carriers, retail stores, or distribution centers create risks for our business, particularly if these matters result in work shut-downs (with little to no notice), slowdowns, lockouts, strikes, limitations on the number of individuals able to work (e.g. social distancing) or other disruptions. Labor matters may have a material adverse effect on our business, potentially resulting in canceled orders by customers, inability to fulfill potential e-commerce demand, unanticipated inventory accumulation and reduced net sales and net income.

In addition, our ability to meet our labor needs at our distribution centers, retail stores, corporate headquarters, and regional subsidiaries, including our ability to find qualified employees while controlling wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified people in the work force of the markets in which our operations are located, unemployment levels within those markets, prevailing and minimum wage rates, changing demographics, parental responsibilities, health and other insurance costs, adoption of new or revised employment and labor laws and regulations, and fear of contracting COVID-19. If we are unable to locate, attract or retain qualified employees or experience higher than normal absenteeism, our ability to source, distribute and sell products in a timely and cost-effective manner may be negatively affected. Our ability to comply with labor laws, including our ability to adapt to rapidly changing labor laws, as well as provide a safe working environment may increase our risk of litigation and cause us to incur additional costs. Such risks are heightened during the COVID-19 pandemic since medical uncertainty about the virus increases the risk that safety protocols in our owned or affiliated facilities will not be effective or not be perceived as effective, or that any virus-related illnesses will be linked or alleged to be linked to such facilities, whether accurate or not.

We May Incur Additional Expenses, Be Unable to Obtain Financing, or Be Unable to Meet Financial Covenants of Our Financing Agreements as a Result of Downturns in the Global Markets.

Our vendors, wholesale customers, licensees and other participants in our supply chain may require access to credit markets in order to do business. Credit market conditions may slow our collection efforts as our wholesale customers find it more difficult to obtain necessary financing, leading to higher than normal accounts receivable. This could result in greater expense associated with collection efforts and increased bad debt expense. Credit conditions and/or supply chain disruptions may impair our vendors' ability to finance the purchase of raw materials or general working capital needs to support our production requirements, resulting in a delay or non-receipt of inventory shipments during key seasons.

Historically, we have limited our reliance on debt to finance our working capital, capital expenditures and investing activity requirements. We expect to fund our future capital expenditures with existing cash, expected operating cash flows and credit facilities, but, if the need arises to finance additional expenditures, we may need to seek additional funding. Our ability to obtain additional financing will depend on many factors, including prevailing market conditions, our financial condition and our ability to negotiate favorable terms and conditions. Financing may not be available on terms that are acceptable or favorable to us, if at all.

Our credit agreements have various financial and other covenants. If an event of default were to occur, the lenders could, among other things, declare outstanding amounts due and payable. In addition, if the financial markets were to return to recessionary conditions, the ability of one or more of the banks participating in our credit agreement to honor their commitments thereunder could be impaired.

Acquisitions Are Subject to Many Risks.

From time to time, we may pursue growth through strategic acquisitions of assets or companies. Acquisitions are subject to many risks, including potential loss of significant customers or key personnel of the acquired business as a result of the change in ownership, difficulty integrating the operations of the acquired business or achieving targeted efficiencies, the incurrence of substantial costs and expenses related to the acquisition effort, and diversion of management's attention from other aspects of our business operations. For example, we may face integration challenges as we continue to fully integrate the operations of our prAna subsidiary acquired in May 2014.

Acquisitions may also cause us to incur debt or result in dilutive issuances of our equity securities. Our acquisitions may cause large one-time expenses or create goodwill or other intangible assets that could result in significant impairment charges in the future. We also make various estimates and assumptions in order to determine purchase price allocation and estimate the fair value of assets acquired and liabilities assumed. If our estimates or assumptions used to value these assets and liabilities vary from actual or future projected results, we may be exposed to losses, including impairment losses, that could be material. In the fourth quarter of 2020, we incurred a prAna brand trademark impairment charge of $17.5 million.

We do not provide any assurance that we will be able to successfully integrate the operations of any acquired businesses into our operations or achieve the expected benefits of any acquisitions. The failure to successfully integrate newly acquired businesses or achieve the expected benefits of strategic acquisitions in the future could have an adverse effect on our financial condition, results of operations or cash flows. We may not complete a potential acquisition for a variety of reasons, but we may nonetheless incur material costs in the preliminary stages of evaluating and pursuing such an acquisition that we cannot recover.

Extreme Weather Conditions, Climate Change, and Natural Disasters Could Negatively Impact Our Operating Results and Financial Condition.

Extreme weather conditions in the areas in which our retail stores, suppliers, consumers, customers, distribution centers, headquarters and vendors are located could adversely affect our operating results and financial condition. Moreover, climate change and natural disasters such as earthquakes, hurricanes and tsunamis, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages and public health issues, could disrupt our operations, the operations of our vendors and other suppliers or result in economic instability and changes in consumer spending that may negatively impact our operating results and financial condition.

An Outbreak of Disease or Similar Public Health Threat, Such as the COVID-19 Pandemic, Could Have, and in the Case of the COVID-19 Pandemic Has Had and is Expected to Continue to Have, an Adverse Impact on Our Business, Operating Results and Financial Condition.

An outbreak of disease or similar public health threat, such as the COVID-19 pandemic, could have, and in the case of the COVID-19 pandemic has had and is expected to continue to have, an adverse impact on our business, financial condition and operating results, including in the form of sales and the delay of inventory production and fulfillment in impacted regions. Fear of contracting COVID-19, individuals contracting COVID-19 and the actions taken, and that may be taken, by governmental authorities, our third-party logistics providers, our landlords, our competitors or by us relating to the COVID-19 pandemic may (and in many cases, have):

- Cause disruptions in the supply chain, including the ability to produce and deliver product as expected (see “Our Reliance on Contract Manufacturers, Including Our Ability to Enter Into Purchase Order Commitments with Them and Maintain Quality Standards of Our Products and Standards of Manufacturing Processes at Contract Manufacturers, May Result in Lost Sales and Impact Our Gross Margin and Results of Operations”, “For Certain Materials We Depend on a Limited Number of Suppliers, Which May Cause Increased Costs or Production Delays” and “Our Success Depends on Our and Third-Party Distribution Facilities, and Other Third-Party Logistics Providers”);
- Result in canceled orders, non-payment for orders received and/or delayed payment for orders received (see "Our Orders from Wholesale Customers are Subject to Cancellation, Which Could Lead to a Decline in Sales or Gross Profit, Write-downs of Excess Inventory, Increased Discounts or Extended Credit Terms to Our Wholesale Customers");
- Restrict the operation of our retail store operations and our ability to meet consumer demand at our stores (see "Labor Matters, Changes in Labor Laws and Our Ability to Meet Our Labor Needs May Reduce Our Revenues and Earnings" and "We May Not Realize Returns on Our Fixed Cost Investments in Our DTC Business Operations.");
- Cause inflation and currency rate fluctuations (see “Fluctuations in Inflation and Currency Exchange Rates Could Result in Lower Revenues, Higher Costs and/or Decreased Margins and Earnings”);
- Result in a misalignment between demand and supply (see "Our Inability to Accurately Predict Consumer and/or Customer Demand for Our Products Could Lead to a Build-up of Inventory or a Lack of Inventory and Affect Our Gross Margin");
- Result in labor shortages, including as a result of any vaccine mandate or our return to work policies ("Labor Matters, Changes in Labor Laws and Our Ability to Meet Our Labor Needs May Reduce Our Revenues and Earnings")
- Increase reliance by consumers on e-commerce platforms (see "We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings" and "We Rely on Information Technology Systems, including Third-Party Cloud-based Solutions, and Any Failure of These Systems May Result in Disruptions or Outages in Our E-Commerce and In-Store Retail Platforms, Loss of Processing Capabilities, and/or Loss of Data, Any of Which May Have a Material Adverse Effect on Our Financial Condition, Results of Operations or Cash Flow");
- Impair the financial health of certain of our wholesale customers (see "We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings");
- Impact previous business assumptions (see "Acquisitions Are Subject to Many Risks", "We May Have Additional Tax Liabilities or Experience Increased Volatility in Our Effective Tax Rate" and "Our Inability to Accurately Predict Consumer and/or Customer Demand for Our Products Could Lead to a Build-up of Inventory or a Lack of Inventory and Affect Our Gross Margin");
- Increase the reliance of our employees on digital solutions (see “We Rely on Information Technology Systems, including Third-Party Cloud-based Solutions, and Any Failure of These Systems May Result in Disruptions or Outages in our E-Commerce and In-Store Retail Platforms, Loss of Processing Capabilities, and/or Loss of Data, Any of Which May Have a Material Adverse Effect on Our Financial Condition, Results of Operations or Cash Flow” and “A Security Breach of Our or Our Third-Parties' Systems, Exposure of Personal or Confidential Information or Increased Government Regulation Relating to Handling of Personal Data, Could, Among Other Things, Disrupt Our Operations or Cause Us to Incur Substantial Costs or Negatively Affect Our Reputation”);
- Restrict global business and travel (see “Global Regulation and Economic and Political Conditions, as well as Potential Changes in Regulations, Legislation and Government Policy, May Negatively Affect Our Business”);

- Impair our ability to ship product through our owned or affiliated distribution centers, including as a result of capacity reductions, shift changes, labor shortages, higher than normal absenteeism and/or the complete shut-downs of facilities for deep cleaning procedures (see “Labor Matters, Changes in Labor Laws and Our Ability to Meet Our Labor Needs May Reduce Our Revenues and Earnings”);
- Cause rapid changes to employment and tax law (see “Labor Matters, Changes in Labor Laws and Other Labor Issues May Reduce Our Revenues and Earnings”, and "We May Have Additional Tax Liabilities or Experience Increased Volatility in Our Effective Tax Rate");
- Impair our key personnel (see "We Depend on Key Personnel");
- Result in incremental costs from the adoption of preventative measures, including providing facial coverings and hand sanitizer, rearranging operations to follow social distancing protocols, conducting temperature checks, undertaking regular and thorough disinfecting of surfaces, and providing testing; and/or
- Cause any number of other disruptions to our business, the risks of which may be otherwise identified herein.

In addition, the impact of the COVID-19 pandemic may also exacerbate other risks discussed in this Item 1A, any of which could have a material effect on us. The COVID-19 pandemic is ongoing, and its dynamic nature, including uncertainties relating to the duration of the pandemic, the return of consumer confidence and actions that may be taken by governmental authorities, landlords, our competitors or by us to contain the pandemic or to treat its impact, makes it difficult to forecast the degree to, or the time period over, which our sales and operations will be affected.

Our Investment Securities May Be Adversely Affected by Market Conditions.

Our investment portfolio is subject to a number of risks and uncertainties. Changes in market conditions, such as those that accompany an economic downturn or economic uncertainty, may negatively affect the value and liquidity of our investment portfolio, perhaps significantly. Our ability to find diversified investments that are both safe and liquid and that provide a reasonable return may be impaired, potentially resulting in lower interest income, less diversification, longer investment maturities, or other-than-temporary impairments.

We Depend on Key Personnel.

Our future success will depend in part on our ability to attract, retain and develop key talent and to effectively manage succession. We face intense competition for these individuals worldwide, and there is a significant concentration of well-funded apparel and footwear competitors near our headquarters in Portland, Oregon. We may not be able to attract qualified new employees or retain existing employees, which may have a material adverse effect on our financial condition, results of operations or cash flows.

We License our Proprietary Rights to Third-Parties and Could Suffer Reputational Damage to Our Brands if We Fail to Choose Appropriate Licensees.

We currently license, and expect to continue licensing, certain of our proprietary rights, such as trademarks or copyrighted material, to third-parties. We rely on our licensees to help preserve the value of our brands. Although we attempt to protect our brands through approval rights, we cannot completely control the use of our licensed brands by our licensees. The misuse of a brand by or negative publicity involving a licensee could have a material adverse effect on that brand and on us.

In addition, from time to time we license the right to operate retail stores for our brands to third-parties, primarily to our independent international distributors. We provide training to support these stores and set operational standards. However, these third-parties may not operate the stores in a manner consistent with our standards, which could cause reputational damage to our brands or harm these third-parties' sales.

RISKS RELATED TO OUR SECURITIES

Our Common Stock Price May Be Volatile.

Our common stock is traded on the NASDAQ Global Select Market. The size of our public float and our average daily trading volume makes the price of our common stock susceptible to large degrees of fluctuation. Factors such as general market conditions, actions by institutional investors to rapidly accumulate or divest of a substantial number of our shares, fluctuations in financial results, variances from financial market expectations, changes in earnings estimates or recommendations by analysts, or announcements by us or our competitors may cause the market price of our common stock to fluctuate, perhaps substantially.

Certain Shareholders Have Substantial Control Over Us and Are Able to Influence Corporate Matters.

At September 30, 2021, five related shareholders, The Gertrude Boyle Trust, Sarah A. Bany, Timothy P. Boyle, Joseph P. Boyle, and Molly E. Boyle, controlled just under 50% of our common stock outstanding. Following Gertrude Boyle's death, Sarah A. Bany is serving as trustee of The Gertrude Boyle Trust, which holds the shares that were beneficially owned by Gertrude Boyle. As a result, if acting together, Sarah A. Bany, Timothy P. Boyle, Joseph P. Boyle, and Molly E. Boyle are able to exercise significant influence over all matters requiring shareholder approval. These holdings could be significantly diminished (and with them the related effective control percentage) as a result of any applicable estate or unrealized gains tax obligations of holders.

The Sale or Proposed Sale of a Substantial Number of Shares of Our Common Stock Could Cause the Market Price of Our Common Stock to Decline.

Shares held by The Gertrude Boyle Trust, Sarah A. Bany, Timothy P. Boyle, Joseph P. Boyle, and Molly E. Boyle, are available for resale, subject to the requirements of, and the rules under, the Securities Act of 1933 and the Securities Exchange Act of 1934. The sale or the prospect of the sale of a substantial number of these shares may have an adverse effect on the market price of our common stock.

We also may issue our capital stock or securities convertible into our capital stock from time to time in connection with a financing, acquisition, investments, or otherwise. Any such issuance could result in substantial dilution to our existing shareholders and cause the market price of our common stock to decline.

Item 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1, 2021 through July 31, 2021	192,729	$ 97.94	192,729	$ 408.5
August 1, 2021 through August 31, 2021	291,598	$ 101.72	291,598	$ 378.8
September 1, 2021 through September 30, 2021	241,145	$ 98.71	241,145	$ 355.0
Total	725,472	$ 99.72	725,472	$ 355.0

Since the inception of the Company's stock repurchase plan, our Board of Directors has authorized the repurchase of $1.5 billion of our common stock. As of September 30, 2021, we had repurchased 28.1 million shares under this program at an aggregate purchase price of $1,145.0 million, pursuant to a pre-established written plan. Shares of our common stock may be purchased in the open market or through privately negotiated transactions, subject to market conditions. The repurchase program does not obligate us to acquire any specific number of shares or to acquire shares over any specified period of time.

Item 6. ***EXHIBITS***

(a) Exhibits

3.1	Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000) (File No. 000-23939).
3.1(a)	Amendment to Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002) (File No. 000-23939).
3.1(b)	Second Amendment to Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018) (File No. 000-23939).
3.2	2000 Restated Bylaws of Columbia Sportswear Company, as amended (incorporated by reference to exhibit 3.2 to the Company's Form 8-K filed on March 26, 2019) (File No. 000-23939).
31.1	Rule 13a-14(a) Certification of Timothy P. Boyle, Chairman, President and Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Jim A. Swanson, Executive Vice President and Chief Financial Officer.
32.1	Section 1350 Certification of Timothy P. Boyle, Chairman, President and Chief Executive Officer.
32.2	Section 1350 Certification of Jim A. Swanson, Executive Vice President and Chief Financial Officer.
101	INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101	SCH XBRL Taxonomy Extension Schema Document
101	CAL XBRL Taxonomy Extension Calculation Linkbase Document
101	DEF XBRL Taxonomy Extension Definition Linkbase Document
101	LAB XBRL Taxonomy Extension Label Linkbase Document
101	PRE XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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, thereunto duly authorized.

COLUMBIA SPORTSWEAR COMPANY

November 4, 2021	/s/ JIM A. SWANSON
	Jim A. Swanson Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Timothy P. Boyle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Sportswear Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ TIMOTHY P. BOYLE

Timothy P. Boyle
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Jim A. Swanson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Sportswear Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 4, 2021

/s/ JIM A. SWANSON

Jim A. Swanson
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Columbia Sportswear Company (the “Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Timothy P. Boyle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d)of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2021

/s/ TIMOTHY P. BOYLE

Timothy P. Boyle
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Columbia Sportswear Company (the “Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Jim A. Swanson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of the operation of the Company.

Dated: November 4, 2021

/s/ JIM A. SWANSON

Jim A. Swanson
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)