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

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**FORM 8-K**

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**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported):  
April 29, 2014**

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

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**Oregon**  
(State or other jurisdiction  
of incorporation)

**000-23939**  
(Commission  
File Number)

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

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

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On April 29, 2014, Columbia Sportswear Company (the “Company”) issued a press release reporting its first quarter 2014 financial results and updated outlook for 2014, as well as the expected impact of previously announced plans to acquire prAna Living LLC. A copy of the Company’s press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

Attached hereto as Exhibit 99.2 and incorporated by reference herein is financial information and commentary by Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer of Columbia Sportswear Company, for the first quarter of 2014 and forward-looking statements relating to the outlook for 2014 and expected impact of previously announced plans to acquire prAna Living LLC, as posted on the company’s investor website, <http://investor.columbia.com>, on April 29, 2014. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

**ITEM 7.01 REGULATION FD DISCLOSURE**

In its April 29, 2014 press release, the Company also announced that its board of directors approved a dividend of \$0.28 per share of common stock to be paid on May 29, 2014 to its shareholders of record on May 15, 2014.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits

- 99.1 Press release dated April 29, 2014 (furnished pursuant to Items 2.02 and 7.01 hereof).
- 99.2 Commentary by Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer of Columbia Sportswear Company dated April 29, 2014 (furnished pursuant to Items 2.02 and 7.01 hereof).

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**SIGNATURES**

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

Dated: April 29, 2014

**COLUMBIA SPORTSWEAR COMPANY**

By: /s/ Thomas B. Cusick

Thomas B. Cusick

Senior Vice President of Finance and Chief Financial  
Officer

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**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated April 29, 2014 (furnished pursuant to Items 2.02 and 7.01 hereof).
99.2	Commentary by Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer of Columbia Sportswear Company dated April 29, 2014 (furnished pursuant to Items 2.02 and 7.01 hereof).

**Contact:**

Ron Parham  
 Sr. Director of Investor Relations  
 & Corporate Communications  
 Columbia Sportswear Company  
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**COLUMBIA SPORTSWEAR COMPANY FIRST QUARTER NET SALES INCREASE  
 22 PERCENT TO \$424 MILLION; NET INCOME UP 120 PERCENT;  
 RAISES 2014 PRE-ACQUISITION FINANCIAL OUTLOOK;  
 ANNOUNCES DEFINITIVE AGREEMENT TO PURCHASE  
 PRANA LIVING LLC FOR \$190 MILLION**

**First Quarter 2014 Highlights:**

- Net sales increased 22 percent to a first quarter record \$424.1 million, compared with first quarter 2013 net sales of \$348.3 million.
- Net income totaled \$22.3 million, or \$0.63 per diluted share, an increase of 120 percent compared with first quarter 2013 net income of \$10.1 million, or \$0.29 per diluted share, which included restructuring charges of approximately \$2.0 million, after-tax, or \$0.06 per diluted share.
- The first quarter 2014 effective tax rate was 32.6 percent, compared with 17.4 percent in the first quarter of 2013, which benefited from the reinstatement of the R&D tax credit.
- The board of directors approved a quarterly dividend of \$0.28 per share, payable May 29, 2014 to shareholders of record on May 15, 2014.

**Fiscal Year 2014 Outlook Raised:**

- Fiscal 2014 outlook (excluding any anticipated impact from the pending purchase of prAna) raised to anticipate net sales growth of 16 to 18 percent, and approximately 25 percent growth in operating income, resulting in full year operating margin of approximately 8.25 percent of net sales.

**Separate Announcement of Agreement to Purchase prAna Living LLC:**

- Purchase price of \$190 million cash, which is subject to customary working capital adjustments, equates to approximately 13 times prAna's projected 2014 EBITDA.
- Transaction is expected to close during second quarter of 2014, subject to customary conditions.
- Acquisition expected to be accretive in first full fiscal year (2015).
- Complete release available at <http://investor.columbia.com/releases.cfm>

**PORTLAND, Ore.** — April 29, 2014 — Columbia Sportswear Company (NASDAQ: COLM), a leading innovator in the global outdoor apparel, footwear, accessories and equipment industries, today announced record first quarter net sales of \$424.1 million, an increase of 22 percent compared with first quarter 2013 net sales of \$348.3 million. First quarter 2014 net income totaled \$22.3 million, or \$0.63 per diluted share, an increase of 120 percent compared with first quarter 2013 net income of \$10.1 million, or \$0.29 per diluted share, which included restructuring charges of approximately \$2.0 million, after-tax, or \$0.06 per diluted share.

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In a separate press release issued earlier today, the company announced it has signed a definitive agreement to purchase prAna Living LLC in a cash transaction valued at \$190 million, which is subject to customary working capital adjustments. The transaction is expected to close during the second quarter of 2014, subject to customary conditions and regulatory approvals.

Tim Boyle, Columbia's president and chief executive officer, commented, "Our outstanding first quarter results reflect robust demand for the Columbia and Sorel brands, especially across U.S. wholesale and direct-to-consumer channels, and the successful launch of our China joint venture. Wholesale demand for our Fall 2014 products has accelerated in many key markets around the world, prompting us to increase our sales and operating income expectations for the full year. Excluding the anticipated financial effects of the prAna acquisition, we now expect 16 to 18 percent sales growth and approximately 25 percent growth in operating income in 2014, driven by renewed growth in our wholesale businesses and continued expansion of our global direct-to-consumer business, coupled with incremental contributions from our China joint venture.

Boyle continued, "Our balance sheet at March 31 included cash and investments totaling a record \$568 million, and inventories that were 11 percent lower than at the same time last year. Our financial strength is enabling us to invest with confidence in our existing brands, our performance-based innovations, and our global operations in order to fuel sustainable, profitable growth.

"At the same time, as we announced earlier today, our strong financial position enabled us to approach prAna – a rapidly growing lifestyle apparel brand – to join our portfolio of authentic, active outdoor brands. PrAna fits Columbia's strategic priorities to expand into categories that appeal to complementary consumer segments, reduce our dependence on cold-weather products, and leverage Columbia's global operational platforms to expand across key geographic markets. We look forward to completing the transaction and teaming with prAna to unlock the brand's global potential.

"I'm also pleased to report that our U.S. ERP implementation took place on schedule in early April. We are very proud of the exceptional efforts of our global business transformation teams and are currently receiving and shipping inventory, invoicing customers, collecting receivables and paying vendors at volumes typical for this time of year."

### **First Quarter Results**

(All comparisons are between first quarter 2014 and first quarter 2013, unless otherwise noted.)

Consolidated net sales increased 22 percent to \$424.1 million compared with net sales of \$348.3 million for the same period in 2013. Changes in currency exchange rates had a 1 percentage point negative effect on the net sales comparison.

First quarter U.S. net sales increased \$40.7 million, or 20 percent. Net sales in Canada increased \$3.1 million, or 13 percent, including an 11 percentage point negative effect from changes in currency exchange rates. Latin America/Asia Pacific (LAAP) region net sales increased \$33.7 million, or 41 percent, including incremental sales from the company's new China joint venture and a 5 percentage point negative effect from changes in currency exchange rates. These increases were partially offset by a \$1.7 million, or 4 percent, decrease in Europe/Middle East/Africa (EMEA) region net sales, including a 2 percentage point benefit from changes in foreign currency exchange rates. (See "Geographical Net Sales" table below.)

Apparel, Accessories & Equipment net sales increased \$59.4 million, or 20 percent, to \$353.7 million, and Footwear net sales increased \$16.4 million, or 30 percent, to \$70.4 million. (See "Categorical Net Sales" table below.)

Columbia brand net sales increased \$74.9 million, or 25 percent, to \$376.0 million. Sorel brand net sales increased \$0.5 million, or 4 percent, to \$12.9 million. Mountain Hardwear net sales increased \$0.3 million, or 1 percent, to \$32.4 million. (See "Brand Net Sales" table below.)

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First quarter net income totaled \$22.3 million, or \$0.63 per diluted share. Net income for the same period in 2013 totaled \$10.1 million, or \$0.29 per diluted share, including restructuring charges of approximately \$2.0 million, after-tax, or \$0.06 per diluted share. The effective income tax rate in the first quarter of 2014 was 32.6 percent, compared with 17.4 percent in the first quarter of 2013, reflecting differences in the geographic mix of income and a benefit in the first quarter of 2013 from the reinstatement of the U.S. R&D tax credit.

### **Balance Sheet**

The company generated \$43.5 million in operating cash flow during the quarter ended March 31, 2014 and ended the quarter with a record \$567.6 million in cash and short-term investments, compared with \$374.6 million at March 31, 2013.

Consolidated inventories of \$290.2 million at March 31, 2014 were 11 percent lower than the \$325.2 million balance at March 31, 2013. Excluding approximately \$19.9 million of incremental inventory in the company's China joint venture that commenced January 1, 2014, consolidated inventories at March 31, 2014 were approximately 17 percent lower compared to March 31, 2013.

### **Dividend**

The board of directors authorized a regular quarterly dividend of \$0.28 per share, payable on May 29, 2014 to shareholders of record on May 15, 2014.

### **Upward-Revised 2014 Financial Outlook (Excludes Anticipated Effects of Pending prAna Purchase)**

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ, perhaps materially.

Excluding anticipated effects of the pending prAna acquisition, the company currently expects 2014 net sales growth of 16 to 18 percent compared to 2013 net sales of \$1.68 billion, with slightly more than half of that growth anticipated to come from incremental sales by the new China joint venture and the remainder from the company's global direct-to-consumer and wholesale businesses.

Also excluding effects of the pending prAna acquisition, the company expects fiscal year 2014 gross margins to improve by approximately 50 basis points, and to generate approximately 50 basis points of operating expense leverage. Based on those assumptions, the company expects operating income to increase approximately 25 percent, resulting in 2014 operating margin of approximately 8.25 percent of net sales.

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

### **Anticipated Financial Effects of prAna Purchase**

Assuming the transaction closes in the second quarter of 2014, Columbia expects to recognize incremental prAna net sales of approximately \$55 million over the remainder of 2014, which is expected to contribute low double-digit operating margin to Columbia's consolidated 2014 results, excluding the effect of one-time transaction fees, purchase accounting adjustments, and other integration costs. One-time transaction fees are expected to total approximately \$4 million in 2014. In addition, under GAAP purchase accounting methods, amortization of certain acquired assets and other integration costs are expected to total approximately \$9 million in 2014. In 2015, Columbia expects prAna's annual sales to increase at a double-digit rate over 2014 and operating margin to be in the low-teens, excluding purchase accounting amortization and other integration costs of approximately \$5 million, resulting in accretion to Columbia's consolidated earnings in 2015.

The transaction is subject to customary conditions and applicable regulatory approvals.

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**CFO's Commentary on First Quarter 2014 Results, Upward Revised 2014 Outlook and Agreement to Purchase prAna Living LLC Available Online**

At approximately 4:15 p.m. ET today, a detailed commentary by Tom Cusick, senior vice president and chief financial officer, reviewing the company's first quarter 2014 financial results, upward-revised 2014 outlook and agreement to purchase prAna Living LLC, will be furnished to the SEC on Form 8-K and published on the company's website at <http://investor.columbia.com/results.cfm>. Analysts and investors are encouraged to review this commentary prior to participating in the conference call.

**Conference Call**

The company will host a conference call on Tuesday, April 29, 2014 at 5:00 p.m. ET to review its first quarter financial results, upward-revised 2014 outlook and pending purchase of prAna. Dial 877-407-9205 to participate. The call will also be webcast live on the Investor Relations section of the Company's website at <http://investor.columbia.com> where it will remain available until approximately April 28, 2015.

**About Columbia Sportswear**

Columbia Sportswear Company is a leading innovator in the global outdoor apparel, footwear, accessories and equipment industry. Founded in 1938 in Portland, Oregon, Columbia products are sold in approximately 100 countries and have earned an international reputation for innovation, quality and performance. Columbia products feature innovative technologies and designs that protect outdoor enthusiasts from the elements, increase comfort, and make outdoor activities more enjoyable. In addition to the Columbia® brand, Columbia Sportswear Company also owns the outdoor brands Mountain Hardwear®, Sorel®, Montrail® and OutDry®. To learn more, please visit the company's websites at [www.columbia.com](http://www.columbia.com), [www.mountainhardwear.com](http://www.mountainhardwear.com), [www.sorel.com](http://www.sorel.com), [www.montrail.com](http://www.montrail.com) and [www.outdry.com](http://www.outdry.com).

**Forward-Looking Statements**

This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, net sales, gross margins, operating expenses and leverage, operating income, operating margins, anticipated acquisition effects (including closing dates, accretive earnings, operating margins, projected sales growth, transaction expenses, purchase accounting expenses and the ability to leverage global operational platforms to support key market expansion), market conditions, and the operations of our wholesale and direct-to-consumer businesses and China joint venture in future periods. Actual results could differ materially from those projected in these and other forward-looking statements. The company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this document, those described in the company's Annual Report on Form 10-K for the year ended December 31, 2013 under the heading "Risk Factors," and other risks and uncertainties that have been or may be described from time to time in other reports filed by the company, including reports on Form 8-K, Form 10-Q and Form 10-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the company to differ materially from those expressed or implied by forward-looking statements in this document include: the possibility that the prAna acquisition does not close successfully, including, but not limited to, as a result of the failure to obtain governmental approval; the ability to realize the forecasted benefits of the prAna acquisition on a timely basis or at all; the ability to combine Columbia's business operations with prAna successfully or in a timely and cost-efficient manner; the degree of business disruption to Columbia and/or to prAna that may result from the acquisition and related integration efforts; loss of key customer accounts; the ability to successfully develop prAna's brand and business globally; our ability to effectively and timely implement our IT infrastructure, data management and business process initiatives, failure of which could result in material unanticipated expenses and/or significant disruptions to our business; the effects of unseasonable weather (including, for example, warm weather in the winter and cold weather in the spring), which affects consumer demand for the company's products; unfavorable economic conditions



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generally and weakness in consumer confidence and spending rates; the operations of our computer systems and third party computer systems; changes in international, federal and/or state tax policies and rates, which we expect to increase; international risks, including changes in import limitations and tariffs or other duties, political instability in foreign markets, exchange rate fluctuations, and trade disruptions; our ability to attract and retain key employees; the financial health of our customers and their continued ability to access credit markets to fund their ongoing operations; higher than expected rates of order cancellations; increased consolidation of our retail customers; our ability to effectively source and deliver our products to customers in a timely manner, the failure of which could lead to increased costs and/or order cancellations; unforeseen increases and volatility in the cost of raw materials, such as cotton, natural down, and/or oil; our reliance on product acceptance by consumers; our reliance on product innovations, which may involve greater regulatory and manufacturing complexity and could pose greater risks of quality issues or supply disruptions; our dependence on independent manufacturers and suppliers; our ability to source finished products and components at competitive prices from independent manufacturers in foreign countries that may experience unexpected periods of inflation, labor and materials shortages or other manufacturing disruptions; the effectiveness of our sales and marketing efforts; intense competition in the industry; business disruptions and acts of terrorism, cyberattacks, or military activities around the globe; and our ability to establish and protect our intellectual property. The company cautions that forward-looking statements are inherently less reliable than historical information. The company does not undertake any duty to update any of the forward-looking statements after the date of this document to conform them to actual results or to reflect changes in events, circumstances or its expectations. New factors emerge from time to time and it is not possible for the company to predict all such factors, nor can it assess the impact of each such factor 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.

- Financial tables follow-

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

	March 31,	
	2014	2013
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 528,038	\$ 303,654
Short-term investments	39,537	70,988
Accounts receivable, net	249,115	238,325
Inventories, net	290,196	325,241
Deferred income taxes	50,496	48,444
Prepaid expenses and other current assets	34,810	41,814
<b>Total current assets</b>	<b>1,192,192</b>	<b>1,028,466</b>
Property, plant and equipment, net	282,290	266,946
Intangibles and other non-current assets	75,047	77,069
<b>Total assets</b>	<b>\$1,549,529</b>	<b>\$1,372,481</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 104,863	\$ 75,980
Accrued liabilities	95,119	88,338
Income taxes payable	6,088	2,217
Deferred income taxes	65	23
<b>Total current liabilities</b>	<b>206,135</b>	<b>166,558</b>
Note payable to related party	15,699	—
Other long-term liabilities	53,004	41,800
<b>Equity:</b>		
Columbia Sportswear Company shareholders' equity	1,266,322	1,164,123
Non-controlling interest	8,369	—
<b>Total equity</b>	<b>1,274,691</b>	<b>1,164,123</b>
<b>Total liabilities and equity</b>	<b>\$1,549,529</b>	<b>\$1,372,481</b>

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

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net sales	\$ 424,084	\$ 348,307
Cost of sales	226,998	195,003
Gross profit	197,086	153,304
	46.5%	44.0%
Selling, general and administrative expenses	163,359	142,903
Net licensing income	1,724	2,327
Income from operations	35,451	12,728
Interest income, net	239	132
Interest expense on note payable to related party	(210)	—
Other non-operating expense	(356)	(630)
Income before income tax	35,124	12,230
Income tax expense	(11,448)	(2,128)
Net income	23,676	10,102
Net income attributable to non-controlling interest	1,421	—
Net income attributable to		
Columbia Sportswear Company	\$ 22,255	\$ 10,102
Earnings per share attributable to Columbia		
Sportswear Company:		
Basic	\$ 0.64	\$ 0.30
Diluted	0.63	0.29
Weighted average shares outstanding:		
Basic	34,709	34,167
Diluted	35,195	34,449

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

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 23,676	\$ 10,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,252	9,858
Loss on disposal or impairment of property, plant and equipment	185	43
Deferred income taxes	4,399	2,624
Stock-based compensation	2,577	1,950
Excess tax benefit from employee stock plans	(2,557)	(574)
Changes in operating assets and liabilities:		
Accounts receivable	57,763	95,995
Inventories	39,031	38,075
Prepaid expenses and other current assets	(1,921)	(3,186)
Other assets	382	(1,752)
Accounts payable and accrued liabilities	(90,517)	(86,309)
Income taxes payable	(621)	(1,769)
Other liabilities	847	778
Net cash provided by operating activities	<u>43,496</u>	<u>65,835</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net sales (purchases) of short-term investments	52,412	(26,317)
Capital expenditures	(17,763)	(14,770)
Proceeds from sale of property, plant, and equipment	16	41
Net cash provided by (used in) investing activities	<u>34,665</u>	<u>(41,046)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from credit facilities	—	800
Repayments on credit facilities	—	(956)
Proceeds from issuance of common stock under employee stock plans	11,168	6,005
Tax payments related to restricted stock unit issuances	(2,791)	(1,891)
Excess tax benefit from employee stock plans	2,557	574
Proceeds from related party note payable	16,072	—
Cash dividends paid	(9,762)	(7,521)
Net cash provided by (used in) financing activities	<u>17,244</u>	<u>(2,989)</u>
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(4,856)</u>	<u>(8,927)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	90,549	12,873
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	437,489	290,781
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 528,038</u>	<u>\$ 303,654</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:</b>		
Capital expenditures incurred but not yet paid	\$ 1,260	\$ 3,803

**COLUMBIA SPORTSWEAR COMPANY**  
(In millions, except percentage changes)  
(Unaudited)

	<b>Three Months Ended March 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>Geographical Net Sales:</b>			
United States	\$241.2	\$200.5	20%
Latin America & Asia Pacific	116.8	83.1	41%
Europe, Middle East, & Africa	39.2	40.9	(4)%
Canada	26.9	23.8	13%
Total	<u>\$424.1</u>	<u>\$348.3</u>	22%
<b>Categorical Net Sales:</b>			
Apparel, Accessories and Equipment	\$353.7	\$294.3	20%
Footwear	70.4	54.0	30%
Total	<u>\$424.1</u>	<u>\$348.3</u>	22%
<b>Brand Net Sales:</b>			
Columbia	\$376.0	\$301.1	25%
Mountain Hardwear	32.4	32.1	1%
Sorel	12.9	12.4	4%
Other	2.8	2.7	4%
Total	<u>\$424.1</u>	<u>\$348.3</u>	22%



14375 NW Science Park Drive  
Portland, OR 97229  
April 29, 2014

**CFO Commentary on First Quarter 2014 Financial Results,  
Upward-Revised 2014 Pre-Acquisition Financial Outlook, and Agreement to  
Purchase prAna Living LLC**

**Related Information**

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

Please reference accompanying press release regarding the pending acquisition of prAna Living LLC at <http://investor.columbia.com/releases.cfm>.

**Conference Call**

The company will host a conference call on Tuesday, April 29, 2014 at 5:00 p.m. ET to review first quarter results, its upward-revised FY2014 pre-acquisition financial outlook, and its agreement to purchase prAna Living LLC. To participate, please dial (877) 407-9205 in the U.S. The call will be webcast live on the Investor Relations section of the company's website <http://investor.columbia.com> where it will remain available until April 28, 2015.

**Summary**

First quarter net sales increased 22 percent to a first-quarter record \$424.1 million, including incremental sales of \$42.4 million by the company's new China joint venture (JV), partially offset by an approximate 1 percentage point negative effect from changes in foreign currency exchange rates, compared with net sales of \$348.3 million for the first quarter of 2013. Gross margin expanded approximately 250 basis points, while selling, general & administrative (SG&A) expenses increased \$20.5 million, or 14 percent, producing an additional 250 basis points of operating margin leverage. First quarter 2014 SG&A expenses included incremental expenses of approximately \$14.5 million related to the China JV. First quarter 2014 operating income increased 179 percent to \$35.5 million, representing operating margin of 8.4 percent, compared to operating income of \$12.7 million and operating margin of 3.7 percent in last year's first quarter. Net income totaled \$22.3 million, or \$0.63 per diluted share. First quarter 2013 net income totaled \$10.1 million, or \$0.29 per diluted share, which included restructuring charges of approximately \$2.0 million, after-tax, or \$0.06 per diluted share. A 32.6 percent effective tax rate in the first quarter of 2014, compared with a rate of 17.4 percent in the first quarter of 2013, also reduced net income by approximately \$5.3 million, or \$0.15 per diluted share.

The company declared a quarterly dividend of \$0.28 per share, payable May 29, 2014 to shareholders of record on May 15, 2014.

The company also separately announced that it has signed a definitive agreement to purchase prAna Living LLC for \$190 million in cash, which is subject to customary working capital adjustments at closing.

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Our updated 2014 financial outlook (excluding anticipated effects of the pending prAna acquisition) anticipates a 16 to 18 percent increase in net sales and an approximate 25 percent increase in operating income compared with 2013, producing an anticipated operating margin of approximately 8.25 percent.

The **Upward-Revised 2014 Financial Outlook** section beginning on page 5 below contains a more detailed discussion of the factors contributing to this outlook.

### **First Quarter Financial Results**

(All comparisons are between first quarter 2014 and first quarter 2013, unless otherwise noted.)

#### **Net Sales**

Consolidated net sales increased 22 percent to a first-quarter record \$424.1 million, compared with \$348.3 million. Growth in the U.S., Latin America/Asia Pacific (LAAP) region and Canada offset a decline in the Europe/Middle East/Africa (EMEA) region. Changes in foreign currency exchange rates negatively affected consolidated first quarter sales comparisons by approximately 1 percent.

#### **Regions**

- U.S. net sales increased \$40.7 million, or 20 percent, to \$241.2 million, driven by increased direct-to-consumer (DTC) and wholesale sales. The company operated 72 U.S. retail stores (64 outlet, 8 branded) during the first quarter of 2014, compared with 63 stores (55 outlet, 8 branded) during the same period in 2013, plus 4 branded ecommerce sites during both periods. The increase in wholesale sales reflected increased at-once shipments of Fall styles to wholesale customers, which more than offset the effect of reduced shipments of Spring styles due to lower advance wholesale orders. In addition, in order to mitigate risks associated with the company's U.S. ERP implementation which began in early April, approximately \$14 million of North American advance Spring wholesale orders originally scheduled for shipment during the second quarter of 2014 were shipped in the first quarter at the request of certain customers.
- Net sales in the LAAP region increased \$33.7 million, or 41 percent, to \$116.8 million, including a 5 percentage point negative effect from changes in currency exchange rates. Incremental sales of \$42.4 million by the company's new China JV more than offset lower net sales to LAAP distributors resulting from on-going import restrictions and currency constraints that have severely restricted trade in Argentina and Venezuela. Net sales in Japan decreased due to unfavorable changes in currency exchange rates, which more than offset a double-digit increase in net sales in local currency. Net sales declined in Korea, partially offset by a small benefit from changes in currency exchange rates.
- Net sales in the EMEA region decreased \$1.7 million, or 4 percent, to \$39.2 million, including a 2 percentage point benefit from changes in currency exchange rates. Net sales to EMEA distributors decreased primarily due to a timing shift into the fourth quarter of 2013 of shipments of increased Spring 2014 advance orders. Net sales increased in EMEA direct markets, benefiting from favorable changes in currency exchange rates on flat local currency sales.
- Net sales in Canada increased \$3.1 million, or 13 percent, to \$26.9 million, including an 11 percentage point negative effect from changes in currency exchange rates. The sales growth reflected increased wholesale and DTC sales.

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## **Brands**

- Columbia brand net sales increased \$74.9 million, or 25 percent, to \$376.0 million. Incremental sales through the China JV, increased U.S. wholesale and DTC sales, and increased sales in Canada were partially offset by lower sales to LAAP and EMEA distributors, lower sales in Japan due entirely to unfavorable changes in currency exchange rates, and a decline in Korea.
- Mountain Hardwear brand net sales increased \$0.3 million, or 1 percent, to \$32.4 million, primarily reflecting increases in the EMEA and LAAP regions, largely offset by declines in the U.S. and Canada.
- Sorel brand net sales increased \$0.5 million, or 4 percent, to \$12.9 million, primarily driven by U.S. DTC sales, partially offset by lower U.S. wholesale sales attributable to lower end-of-season close-out sales compared to first quarter 2013.

## **Product Categories**

- Global Apparel, Accessories & Equipment net sales increased \$59.4 million, or 20 percent, to \$353.7 million, primarily due to increased Columbia brand net sales.
- Global Footwear net sales increased \$16.4 million, or 30 percent, consisting primarily of higher Columbia brand net sales.

## **Gross Margin**

First quarter 2014 gross margins expanded 250 basis points to 46.5 percent, primarily reflecting:

- a less promotional retail environment in the DTC channel,
- the effect of including in gross margin amounts that were previously classified as licensing income prior to commencement of the China JV, and
- a lower proportion of sales to international distributors, which carry lower gross margins than wholesale and direct to consumer channels,

partially offset by:

- Unfavorable foreign currency hedge rates.

## **Selling, General and Administrative (SG&A) Expense**

First quarter 2014 SG&A expense increased \$20.5 million, or 14 percent, to \$163.4 million, or 38.5 percent of net sales, compared to 41.0 percent of net sales in last year's first quarter.

The \$20.5 million increase was primarily the result of:

- Incremental costs associated with the China JV,
- increased expenses related to the company's expanding DTC operations, and
- increased advertising expenses,

partially offset by:

- cost reductions implemented in 2013 in our EMEA-direct business, and
- favorable foreign currency translation.

## **Operating Income**

Operating income increased \$22.8 million, or 179 percent, to \$35.5 million, compared to operating income of \$12.7 million in the first quarter of 2013. Operating margin equaled 8.4 percent of net sales compared with 3.7 percent of net sales in the first quarter of 2013, reflecting 250 basis points of gross margin improvement and 250 basis points of SG&A expense leverage, partially offset by lower licensing income.



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### **Income Tax Expense**

The effective tax rate for the first quarter was 32.6 percent, compared to a 17.4 percent rate in the first quarter of 2013, which benefited from the U.S. legislative reinstatement of the research and development tax credit. In addition, the first quarter 2014 tax rate increased due to changes in the anticipated geographic mix of full year 2014 taxable income, with a higher percentage of income expected to be generated in the U.S. compared to 2013.

### **Net Income**

Net income totaled \$22.3 million, or \$0.63 per diluted share, an increase of \$12.2 million, or 120 percent, compared with net income of \$10.1 million, or \$0.29 per diluted share, in the first quarter of 2013, which included restructuring charges of approximately \$2.0 million, after-tax, or \$0.06 per diluted share. The higher effective tax rate in the first quarter of 2014 reduced net income by approximately \$5.3 million, or \$0.15 per diluted share.

### **Balance Sheet**

The balance sheet strengthened substantially at March 31, 2014, with cash and short-term investments totaling a record \$567.6 million, compared to \$374.6 million at the same time last year. At March 31, 2014, approximately 40 percent of cash and short-term investments were held in foreign jurisdictions where a repatriation of those funds to the United States would likely result in a significant tax cost to the company.

Consolidated accounts receivable at March 31, 2014 totaled \$249.1 million, a 5 percent increase on a 22 percent sales increase. Consolidated Days Sales Outstanding (DSO) at March 31, 2014 stood at 53 days, a decrease of 9 days compared with March 31, 2013.

Consolidated inventories of \$290.2 million at March 31, 2014 decreased \$35.0 million, or 11 percent, compared to March 31, 2013. This decrease primarily reflected reduced wholesale and DTC inventories of current Fall and Spring season styles in the company's North American and European wholesale businesses, partially offset by \$19.9 million of incremental inventory in the company's China joint venture that commenced January 1, 2014. Excluding the incremental China JV inventory, consolidated inventories at March 31, 2014 were approximately 17 percent lower compared to March 31, 2013.

### **First Quarter 2014 Cash Flow**

Net cash provided by operations in the first quarter of 2014 was \$43.5 million, compared to \$65.8 million in the first quarter of 2013. The \$22.3 million decrease in operating cash flow was due primarily to lower collections of receivables, partially offset by increased net income.

Capital expenditures totaled \$17.8 million, compared to \$14.8 million in the first quarter of 2013. Capital expenditures in both periods were concentrated in the company's ongoing global ERP system implementation and related projects.

Cash flows from financing included proceeds of \$16.1 million from a minority shareholder loan to our China JV. The company paid quarterly cash dividends of \$9.8 million during the first quarter of 2014 and made no repurchases of common stock. Approximately \$58.6 million remains available under the current repurchase authorization.

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### **Upward-Revised 2014 Financial Outlook (Excluding Anticipated Effects of Pending prAna Acquisition)**

Our objective in providing a forward-looking financial outlook is to help investors understand our business and the variables that we consider when planning our business and evaluating our own performance.

All projections related to anticipated future results are forward-looking in nature and may change, perhaps significantly. Our annual net sales are weighted more heavily toward the Fall/Winter season, while operating expenses are more equally distributed throughout the year, resulting in a highly seasonal sales and profitability pattern weighted toward the second half of the fiscal year.

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

Excluding anticipated effects of the pending prAna acquisition, we expect 2014 sales and profitability growth to be driven by the following major factors:

- incremental sales of approximately \$160 million from the new China JV, which we expect to contribute high single-digit operating margin and approximately \$0.15 incremental diluted earnings per share, after interest, taxes and minority interest, to our consolidated 2014 results,
- continued growth of our DTC business, and
- renewed growth in our wholesale businesses.

Excluding anticipated effects of the pending prAna acquisition, our fiscal year 2014 outlook currently assumes:

- a global net sales increase of approximately 16 to 18 percent compared to 2013. This assumption is based on the following expectations:
  - increased sales in the LAAP region consisting primarily of approximately \$160 million in incremental sales from the new China JV, partially offset by the effects of continuing import restrictions and currency constraints in key South American distributor markets and a sales decline in Japan due entirely to a weaker yen;
  - increased sales in the U.S. and Canada, driven by our DTC businesses, combined with renewed growth in our wholesale businesses; and
  - increased sales in the EMEA region, primarily reflecting increased sales to EMEA distributors.
- gross margin expansion of approximately 50 basis points compared with 2013, reflecting:
  - the addition of China JV wholesale and retail sales, which are anticipated to carry higher gross margins than our previous China distributor business, including recording in gross margin amounts previously reported as licensing income, as a result of the transition to the China JV;
  - a higher proportion of DTC and wholesale sales, which generate higher gross margins than sales to international distributors; and
  - a lower proportion of close-out product sales, reflecting less excess inventory;

partially offset by:

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- unfavorable foreign currency hedge rates.
  - SG&A expense leverage of approximately 50 basis points compared with 2013. The implied increase in projected SG&A expenses of approximately \$100 million consists primarily of:
    - approximately \$45 million of incremental operating costs of the China JV,
    - increased demand creation costs to approximately 5.1 percent of net sales compared to 4.6 percent of net sales in 2013, including planned marketing investments of approximately 10 percent of the China JV's net sales;
    - approximately \$20 million of increased operating costs, or 50 basis points of deleverage, related to our new ERP and related systems in the U.S., which went live in April 2014; and
    - approximately \$20 million to support continued global expansion and operations of our DTC business;

partially offset by:

- anticipated non-recurrence of asset impairment charges recognized in 2013;
- favorable foreign currency exchange translation, resulting from a weaker Japanese yen and Canadian dollar.
- licensing income of approximately \$5 million, which includes the effect of recording in gross margin amounts previously included in licensing income, as a result of the transition to the China JV.
- a full year tax rate of approximately 27.0 percent. The actual rate could differ based on the resolution and status of tax uncertainties, the geographic mix of pre-tax income, and other discrete events that may occur during the year; and
- 2014 capital expenditures of approximately \$65 to \$70 million, comprising investments in DTC business expansion, project-based and maintenance capital, and information technology.

The combination of the above assumptions leads us to anticipate 2014 operating margin of approximately 8.25 percent, excluding anticipated effects of the pending prAna acquisition.

Consistent with the historical seasonality of the business, we anticipate 2014 profitability to be heavily concentrated in the second half of the year.

Our new ERP system and multiple ancillary systems went live in the U.S. in early April 2014, as phase 2 of a multi-year, global ERP implementation. The implementation was scheduled to occur after the heaviest shipping period of our spring season and prior to the start of our larger fall wholesale and DTC season. We are currently receiving and shipping inventory, invoicing customers, collecting receivables and paying vendors at volumes typical for this time of year and now have our North American wholesale business and the majority of our global supply chain operations functioning on the new platform.

Although we recently discontinued our prior practice of providing guidance specific to anticipated quarterly results, we want to highlight that we expect to incur a significantly greater operating loss in the second quarter of 2014 compared to the second quarter of 2013. This expectation stems, in part, from customer requests to pull forward into the first quarter of 2014 approximately \$14 million of spring 2014 North American wholesale orders that were originally scheduled for shipment in the second quarter in order to mitigate potential risk in advance of our April ERP go-live. In addition, elevated SG&A expenses related to the April ERP go-live, comprising increased depreciation expense and reduced capitalization of ongoing implementation costs, commence in the second quarter of 2014. We expect our continued global ERP investments to enable improved supply chain efficiencies and better inventory utilization, which will positively affect operating cash flow and gross margins over time.

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### **Anticipated Fiscal 2014 Effects of prAna Purchase**

Assuming the transaction closes in the second quarter of 2014, Columbia expects to recognize incremental prAna net sales of approximately \$55 million over the remainder of 2014, which is expected to contribute low double-digit operating margin to Columbia's consolidated 2014 results, excluding the effect of one-time transaction fees, purchase accounting adjustments, and other integration costs. One-time transaction fees are expected to total approximately \$4 million in 2014. In addition, under GAAP purchase accounting methods, amortization of certain acquired assets and other integration costs are expected to total approximately \$9 million in 2014. In 2015, Columbia expects prAna's annual sales to increase at a double-digit rate over 2014 and operating margin to be in the low-teens, excluding purchase accounting amortization and other integration costs of approximately \$5 million, resulting in accretion to Columbia's consolidated earnings in 2015.

The transaction is subject to customary conditions and regulatory approvals.

### **Dividend**

At its regular board meeting on April 18, 2014, the board of directors authorized a regular quarterly dividend of \$0.28 per share, payable on May 29, 2014 to shareholders of record on May 15, 2014.

### **Forward-Looking Statements**

This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, net sales, gross margins, operating costs and leverage, operating income or loss, operating margins, operating cash flow, SG&A and other expenses, effects of changes in foreign currency exchange rates, anticipated acquisition effects (including closing dates, projected accretive earnings, operating margins, projected sales growth, transaction expenses, purchase accounting expenses and the ability to leverage global operational platforms to support key market expansion), licensing income, inventory levels, incremental diluted earnings per share, improved supply chain efficiencies, inventory utilization, market conditions, import restrictions and currency constraints, product innovations, expansion of DTC and wholesale businesses, joint venture costs and results, asset impairment charges, tax rates, capital expenditures, global ERP platform implementation and related costs, and cost containment measures in future periods. Actual results could differ materially from those projected in these and other forward-looking statements. The company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this document, those described in the company's Annual Report on Form 10-K for the year ended December 31, 2013 under the heading "Risk Factors," and other risks and uncertainties that have been or may be described from time to time in other reports filed by the company, including reports on Form 8-K, Form 10-Q and Form 10-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the company to differ materially from those expressed or implied by forward-looking statements in this document include: the possibility that the prAna acquisition does not close successfully, including, but not limited to, as a result of the failure to obtain governmental approval; the ability to realize the forecasted benefits of the prAna acquisition on a timely basis or at all; the ability to combine Columbia's business operations with prAna successfully or in a timely and cost-efficient manner; the degree of business disruption to Columbia and/or to prAna that

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may result from the acquisition and related integration efforts; loss of key customer accounts; the ability to successfully develop prAna's brand and business globally; our ability to effectively and timely implement our IT infrastructure, data management and business process initiatives, failure of which could result in material unanticipated expenses and/or significant disruptions to our business; the effects of unseasonable weather (including, for example, warm weather in the winter and cold weather in the spring), which affects consumer demand for the company's products; unfavorable economic conditions generally and weakness in consumer confidence and spending rates; the operations of our computer systems and third party computer systems; changes in international, federal and/or state tax policies and rates; international risks, including changes in import limitations and tariffs or other duties, political instability in foreign markets, exchange rate fluctuations, and trade disruptions; our ability to attract and retain key employees; the financial health of our customers and their continued ability to access credit markets to fund their ongoing operations; higher than expected rates of order cancellations; increased consolidation of our retail customers; our ability to effectively source and deliver our products to customers in a timely manner, the failure of which could lead to increased costs and/or order cancellations; unforeseen increases and volatility in the cost of raw materials, such as cotton, natural down, and/or oil; our reliance on product acceptance by consumers; our reliance on product innovations, which may involve greater regulatory and manufacturing complexity and could pose greater risks of quality issues or supply disruptions; our dependence on independent manufacturers and suppliers; our ability to source finished products and components at competitive prices from independent manufacturers in foreign countries that may experience unexpected periods of inflation, labor and materials shortages or other manufacturing disruptions; the effectiveness of our sales and marketing efforts; intense competition in the industry; business disruptions and acts of terrorism, cyberattacks, or military activities around the globe; and our ability to establish and protect our intellectual property. The company cautions that forward-looking statements are inherently less reliable than historical information. The company does not undertake any duty to update any of the forward-looking statements after the date of this document to conform them to actual results or to reflect changes in events, circumstances or its expectations. New factors emerge from time to time and it is not possible for the company to predict all such factors, nor can it assess the impact of each such factor 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.