

---

---

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

---

**FORM 8-K**

---

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

**Date of Report (Date of earliest event reported):**  
October 24, 2014

---

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

---

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

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

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

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

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

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

---

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

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

## **ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On October 30, 2014, Columbia Sportswear Company (the “Company”) issued a press release reporting its third quarter 2014 financial results and updated outlook for 2014. 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 third quarter of 2014 and forward-looking statements relating to the outlook for 2014, and preliminary indications for 2015, as posted on the Company’s investor website, <http://investor.columbia.com>, on October 30, 2014. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

## **ITEM 5.03 AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR**

Effective October 24, 2014, the Board of Directors of Columbia Sportswear Company (the “Company”) amended the Company’s 2000 Restated Bylaws, as amended, to permit, but not require, the Board to hold a regular meeting without notice immediately after, and at the same place as, the annual meeting of shareholders, as set forth in the Amendment to 2000 Restated Bylaws, as amended, of the Company. A copy of the amendment to the Company’s 2000 Restated Bylaws, as amended, is attached hereto as Exhibit 3.2 and is incorporated herein by reference.

## **ITEM 7.01 REGULATION FD DISCLOSURE**

In its October 30, 2014 press release, the Company also announced that its board of directors approved a cash dividend of \$0.15 per share of common stock to be paid on December 4, 2014 to its shareholders of record on November 20, 2014.

## **ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits

- |      |  |
|------|--|
| 3.2  | Amendment to 2000 Restated Bylaws of Columbia Sportswear Company, as amended, effective October 24, 2014   |
| 99.1 | Press Release, dated October 30, 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 October 30, 2014 (furnished pursuant to Items 2.02 and 7.01 hereof). |
-

**SIGNATURES**

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

**COLUMBIA SPORTSWEAR COMPANY**

Dated: October 30, 2014

By: /s/ THOMAS B. CUSICK

Thomas B. Cusick  
Senior Vice President of Finance, Chief Financial  
Officer and Treasurer

---

## EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
3.2	Amendment to 2000 Restated Bylaws of Columbia Sportswear Company, as amended, effective October 24, 2014
99.1	Press Release, dated October 30, 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 October 30, 2014 (furnished pursuant to Items 2.02 and 7.01 hereof).

**AMENDMENT TO 2000 RESTATED BYLAWS  
OF  
COLUMBIA SPORTSWEAR COMPANY**

**ARTICLE II**

**BOARD OF DIRECTORS**

**2.2 Regular Meetings.** A regular meeting of the Board of Directors may be held without notice other than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders.

**Contact:**

Ron Parham  
Sr. Director of Investor Relations  
& Corporate Communications  
Columbia Sportswear Company  
(503) 985-4584  
rparham@columbia.com

**COLUMBIA SPORTSWEAR COMPANY  
REPORTS 29 PERCENT NET SALES INCREASE TO A RECORD \$675 MILLION;  
RAISES FULL YEAR 2014 NET SALES AND EARNINGS OUTLOOK;  
INCREASES QUARTERLY DIVIDEND**

**Third Quarter 2014 Highlights:**

- Consolidated net sales increased 29 percent to a record \$675.3 million.
- Operating income increased 28 percent to \$98.3 million, or 14.6 percent of sales. Adjusted operating income, which excludes prAna's operating results and approximately \$3.9 million of expenses related to the prAna acquisition and integration, totaled \$97.7 million, or 15.1 percent of net sales.
- Net income totaled \$65.6 million, or \$0.93 per diluted share.
- The Board of Directors approved a 7 percent increase in the quarterly dividend to \$0.15 per share, payable December 4, 2014 to shareholders of record on November 20, 2014.

**Full Year 2014 Outlook Revised Upward:**

- Consolidated net sales are now expected to increase approximately 22 percent.
- Consolidated operating margin is expected to be approximately 8.7 percent compared with full year 2013 operating margin of 7.8 percent.
- Net income is expected to increase approximately 35 percent to \$127 million, or \$1.80 per diluted share.

(Note: All per-share amounts have been adjusted to reflect the 2-for-1 stock split completed on September 26, 2014.)

**PORTLAND, Ore.** — October 30, 2014 — Columbia Sportswear Company (NASDAQ: COLM) today announced record net sales of \$675.3 million for the quarter ended September 30, 2014, an increase of \$152.2 million, or 29 percent, compared with net sales of \$523.1 million for the same period in 2013. Third quarter operating income increased 28 percent to \$98.3 million and net income grew 20 percent to \$65.6 million, or \$0.93 per diluted share.

Tim Boyle, Columbia's president and chief executive officer, commented, "I'm thrilled to announce these outstanding third quarter results which reflect strong performance by our Columbia and Sorel brands in North American wholesale and direct-to-consumer channels. In addition, strengthening of the Columbia brand in our Europe-direct markets and incremental sales from our new China JV and newly-acquired prAna brand further bolstered top-line growth."

---

“In response to our strong year-to-date performance, we raised our full year 2014 financial outlook to anticipate consolidated net sales growth of approximately 22 percent and a 35 percent increase in net income. In addition, we raised our quarterly dividend for the second time this year, bringing the cumulative increase in the dividend during 2014 to 20 percent.

“We see solid momentum continuing into 2015, assuming seasonal weather prevails in key global markets. Our confidence is based on strong early Fall 2014 sell-through, coupled with growth in Spring 2015 advance wholesale orders, and our plans for continued growth in our direct-to-consumer channels.”

Boyle concluded, “The efforts of our global teams over the last several years to deliver meaningful innovation, performance and compelling styling through our products, while increasing our investments in demand creation, are resonating with wholesale customers and, more importantly, with consumers, positioning us to generate double-digit net sales growth again in 2015, and to make further progress toward our goal of mid-teen operating margin.”

### **Third Quarter Results**

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

Third quarter consolidated net sales growth of \$152.2 million included organic growth of approximately \$73.3 million, or 14 percent, coupled with incremental net sales of approximately \$50.7 million from the company’s China joint venture (JV) and approximately \$28.2 million from the newly-acquired prAna brand. Changes in currency exchange rates negatively affected the year-over-year net sales comparison by less than 1 percentage point.

Net sales in the U.S. increased 26 percent to \$406.3 million, including \$28.2 million of incremental prAna net sales; Latin America/Asia Pacific (LAAP) region net sales increased 72 percent to \$123.5 million, including \$50.7 million of incremental sales from the company’s new China joint venture and a 1 percentage point benefit from changes in currency exchange rates; Europe/Middle East/Africa (EMEA) region net sales increased 1 percent to \$78.8 million, including a 1 percentage point benefit from changes in currency exchange rates; and net sales in Canada increased 34 percent to \$66.7 million, including a 6 percentage point negative effect from changes in currency exchange rates. (See “Geographical Net Sales” table below.)

Apparel, Accessories & Equipment net sales grew 28 percent to \$549.4 million. Footwear net sales increased 33 percent to \$125.9 million. (See “Categorical Net Sales” table below.)

Columbia brand net sales increased 29 percent to \$555.4 million, Sorel brand net sales increased 23 percent to \$58.2 million, and the newly-acquired prAna brand contributed \$28.2 million of incremental net sales. Those increases were partially offset by a 24 percent decline in Mountain Hardwear net sales to \$31.0 million. (See “Brand Net Sales” table below.)

Third quarter income from operations increased 28 percent to \$98.3 million, or 14.6 percent of sales, including approximately \$3.9 million of amortization of certain acquired assets, costs associated with the step-up in acquired inventory, and other integration costs related to the prAna acquisition. Excluding prAna’s operating results and the \$3.9 million of expenses related to the prAna acquisition, adjusted operating income increased to 15.1 percent of net sales, compared with \$76.9 million, or 14.7 percent of net sales, for the same period in 2013.

Third quarter net income increased 20 percent, to \$65.6 million, or \$0.93 per diluted share, compared with net income of \$54.6 million, or \$0.79 per diluted share, for the same period in 2013.

### **Balance Sheet and Cash Flow**

The company ended the third quarter with \$185.8 million in cash and short-term investments, compared with \$303.2 million at September 30, 2013. Approximately 76 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 inventory totaled \$494.8 million at September 30, 2014, approximately 21 percent higher than the \$410.1 million balance at September 30, 2013. Excluding incremental inventory of the China JV and newly-acquired prAna, inventory was 9 percent higher than one year ago.

During the third quarter and through October 20, 2014, the company repurchased approximately 420,500 shares of common stock at an aggregate purchase price of approximately \$15.0 million, including 54,600 shares (\$2.0 million) purchased during the third quarter. Approximately \$43.6 million remains under the current repurchase authorization, which does not obligate the company to acquire any specific number of shares or to acquire shares over any specified period of time.

### **Dividend**

The board of directors authorized a 7 percent increase in the company's regular quarterly dividend to \$0.15 per share from the prior \$0.14 per share, payable on December 4, 2014 to shareholders of record on November 20, 2014, bringing the cumulative increase in the dividend during 2014 to 20 percent.

### **Updated 2014 Financial Outlook**

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ, perhaps materially. The company's annual net sales are weighted more heavily toward the second half of the fiscal year, while operating expenses are more equally distributed, resulting in a highly seasonal profitability pattern weighted toward the second half of the fiscal year.

All per-share amounts in the following outlook are based on outstanding shares that reflect the two-for-one stock split which took effect after the close of business on September 26, 2014.

A more detailed version of the company's 2014 financial outlook and preliminary 2015 indications can be found in the "**CFO Commentary on Third Quarter 2014 Financial Results, Upward-Revised 2014 Outlook, and Preliminary 2015 Indications**", available on the company's investor relations website: <http://investor.columbia.com/results.cfm>.

### **Consolidated FY2014 Financial Outlook**

Including prAna's anticipated operating results for the June through December period, as well as non-recurring transaction costs of \$3.4 million, and a total of approximately \$7.6 million of amortization of certain acquired assets, costs associated with the step-up in acquired inventory, and other integration costs related to the prAna acquisition, we expect full year 2014 financial results to include:

- global net sales of approximately \$2.06 billion, representing 22 percent growth over 2013 net sales of \$1.68 billion.



- gross margin expansion of up to 130 basis points compared with 2013;
- SG&A expense leverage of up to 15 basis points compared with 2013;
- licensing income of approximately \$6 million;
- operating margin of approximately 8.7 percent, compared with 2013 operating margin of 7.8 percent;
- a full year tax rate of approximately 27.0 percent;
- net income after non-controlling interest of approximately \$127 million, or approximately \$1.80 per diluted share, representing an increase of approximately 35 percent compared to \$94.3 million, or \$1.36 per diluted share, in 2013.

### **Preliminary FY2015 Financial Indications**

We currently expect 2015 net sales to grow at a double-digit rate compared with our current 2014 net sales outlook of approximately \$2.06 billion, and are planning the business to realize further improvement toward our long-term goal of returning to a mid-teen operating margin.

These expectations are based on the following preliminary factors, and assume that normal seasonal weather patterns prevail during the 2014 fall/winter season, and that macro and market conditions in key markets do not worsen materially:

- encouraging early Fall 2014 sell-through across our North American wholesale channels;
- increased advance wholesale and distributor orders for Spring 2015;
- our internal plans for continued expansion and growth in our global direct-to-consumer businesses;
- encouraging initial discussions about Fall 2015 purchasing plans of our wholesale partners and many of our international distributors.

### **CFO's Third Quarter Financial Commentary Available Online**

At approximately 4:15 p.m. ET today, a commentary by Tom Cusick, senior vice president and chief financial officer, reviewing the company's third quarter 2014 financial results and fourth quarter and full year 2014 financial outlook 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 Thursday, October 30, 2014 at 5:00 p.m. ET to review its third quarter financial results and full year 2014 financial outlook. Dial 877-407-9205 to participate. The call will also be webcast live on the Investor Relations section of the Company's website at <http://investor.columbia.com> where it will remain available until October 29, 2015.

### **Fourth Quarter and Full Year 2014 Reporting Schedule**

Columbia Sportswear plans to report fourth quarter and full year 2014 financial results on Thursday, February 12, 2015 at approximately 4:00 p.m. ET. Following issuance of the earnings release, a commentary reviewing the results will be furnished to the SEC on Form 8-K and published on the investor relations section of the company's website at <http://investor.columbia.com/results.cfm>. A public webcast of Columbia's earnings conference

call will follow at 5:00 p.m. ET at [www.columbia.com](http://www.columbia.com). To receive email notification of future announcements, please visit <http://investor.columbia.com/events.cfm> and register for E-Mail Alerts.

### **About Columbia Sportswear**

Columbia Sportswear Company is a leader in the global outdoor and active lifestyle apparel, footwear, accessories and equipment industry. Founded in 1938 in Portland, Oregon, the company has assembled a portfolio of global brands whose products are sold in approximately 100 countries. In addition to the Columbia® brand, Columbia Sportswear Company also owns the Mountain Hardwear®, Sorel®, prAna®, Montrail® and OutDry® brands. 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.pranacom.com](http://www.pranacom.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 and net sales growth, gross margins, operating expenses and leverage, licensing income, operating income, operating margins, anticipated acquisition effects (including accretive earnings, operating margins, projected net sales, advance order expectations, transaction and integration expenses, and purchase accounting amortization), tax rates, projected growth in global direct-to-consumer businesses, performance of our China joint venture in future periods, and net income. Forward-looking statements often use words such as “will,” “anticipate,” “estimate,” “expect,” “should,” and “may” and other words and terms of similar meaning or reference future dates. The company’s expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this document, those described in the company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q under the heading “Risk Factors,” and those that have been or may be described in other reports filed by the company, including reports on Form 8-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the company to differ materially from the anticipated results expressed or implied by forward-looking statements in this document include: our ability to realize the forecasted benefits of the prAna acquisition; loss of key customer accounts; our ability to effectively implement IT infrastructure and business process initiatives; the effects of unseasonable weather; unfavorable economic conditions generally, the financial health of our customers, and changes in the level of consumer spending and apparel preferences; changes in international, federal or state tax policies and rates; risks inherent in doing business in foreign markets; our ability to attract and retain key employees; 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; unforeseen increases and volatility in the cost of raw materials; our reliance on product innovations; our dependence on independent manufacturers and suppliers and our ability to source finished products and components at competitive prices from them; 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 or assess the impact 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.

- Financial tables follow-

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

	September 30,	
	2014	2013
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 185,247	\$ 274,160
Short-term investments	537	29,049
Accounts receivable, net	458,844	378,032
Inventories, net	494,795	410,111
Deferred income taxes	50,710	50,342
Prepaid expenses and other current assets	42,916	38,514
Total current assets	1,233,049	1,180,208
Property, plant and equipment, net	289,480	280,682
Intangibles and other non-current assets	239,348	73,412
Total assets	<u>\$ 1,761,877</u>	<u>\$ 1,534,302</u>
<b>Current Liabilities:</b>		
Short-term borrowings	\$ 2,185	\$ -
Accounts payable	218,804	141,755
Accrued liabilities	140,660	119,654
Income taxes payable	18,922	9,257
Deferred income taxes	39	67
Total current liabilities	380,610	270,733
Note payable to related party	15,897	-
Other long-term liabilities	38,835	43,847
<b>Equity:</b>		
Columbia Sportswear Company shareholders' equity	1,316,059	1,211,912
Non-controlling interest	10,476	7,810
Total equity	1,326,535	1,219,722
Total liabilities and equity	<u>\$ 1,761,877</u>	<u>\$ 1,534,302</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	\$ 675,296	\$ 523,084	\$ 1,423,626	\$ 1,151,886
Cost of sales	368,515	290,735	775,734	645,949
Gross profit	306,781	232,349	647,892	505,937
	45.4%	44.4%	45.5%	43.9%
Selling, general and administrative expenses	210,659	162,951	536,214	437,789
Net licensing income	2,160	7,501	5,066	11,482
Income from operations	98,282	76,899	116,744	79,630
Interest income, net	238	56	861	403
Interest expense on note payable to related party	(282)	-	(769)	-
Other non-operating income (expense)	666	417	161	(686)
Income before income tax	98,904	77,372	116,997	79,347
Income tax expense	(30,972)	(22,822)	(32,127)	(22,025)
Net income	67,932	54,550	84,870	57,322
Net income (loss) attributable to non-controlling interest	2,288	(36)	3,300	(289)
Net income attributable to Columbia Sportswear Company	<u>\$ 65,644</u>	<u>\$ 54,586</u>	<u>\$ 81,570</u>	<u>\$ 57,611</u>
Earnings per share attributable to Columbia Sportswear Company:				
Basic	\$ 0.94	\$ 0.79	\$ 1.17	\$ 0.84
Diluted	0.93	0.79	1.15	0.83
Weighted average shares outstanding:				
Basic	70,093	68,904	69,811	68,650
Diluted	70,818	69,506	70,693	69,280

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

	Nine Months Ended September 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 84,870	\$ 57,322
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	38,625	30,337
Loss on disposal or impairment of property, plant and equipment	350	370
Deferred income taxes	82	2,173
Stock-based compensation	8,136	6,532
Excess tax benefit from employee stock plans	(4,029)	(1,083)
Changes in operating assets and liabilities:		
Accounts receivable	(139,578)	(43,712)
Inventories	(163,874)	(46,795)
Prepaid expenses and other current assets	(7,990)	114
Other assets	303	330
Accounts payable and accrued liabilities	68,732	10,133
Income taxes payable	1,846	7,530
Other liabilities	3,998	472
Net cash provided by (used in) operating activities	<u>(108,529)</u>	<u>23,723</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of business, net of cash acquired	(188,467)	-
Net sales of short-term investments	91,424	15,880
Capital expenditures	(42,843)	(49,157)
Proceeds from sale of property, plant, and equipment	58	49
Net cash used in investing activities	<u>(139,828)</u>	<u>(33,228)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from credit facilities	15,287	36,896
Repayments on credit facilities	(12,999)	(37,052)
Proceeds from issuance of common stock under employee stock plans	19,293	14,199
Tax payments related to restricted stock unit issuances	(2,969)	(2,144)
Excess tax benefit from employee stock plans	4,029	1,083
Repurchases of common stock	(7)	-
Proceeds from related party note payable	16,072	-
Capital contribution from non-controlling interest	-	8,000
Cash dividends paid	(29,369)	(22,665)
Net cash provided by (used in) financing activities	<u>9,337</u>	<u>(1,683)</u>
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(13,222)</u>	<u>(5,433)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(252,242)</u>	<u>(16,621)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>437,489</u>	<u>290,781</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 185,247</u>	<u>\$ 274,160</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Capital expenditures incurred but not yet paid	\$ 5,796	\$ 1,259
Repurchases of common stock not yet paid	1,950	-

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

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<b>Geographical Net Sales:</b>						
United States	\$ 406.3	\$ 323.1	26 %	\$ 793.8	\$ 663.4	20 %
Latin America & Asia Pacific	123.5	72.0	72 %	336.4	236.3	42 %
Europe, Middle East, & Africa	78.8	78.1	1 %	190.9	172.1	11 %
Canada	66.7	49.9	34 %	102.5	80.1	28 %
Total	<u>\$ 675.3</u>	<u>\$ 523.1</u>	29 %	<u>\$ 1,423.6</u>	<u>\$ 1,151.9</u>	24 %
<b>Categorical Net Sales:</b>						
Apparel, Accessories and Equipment	\$ 549.4	\$ 428.6	28 %	\$ 1,166.1	\$ 958.6	22 %
Footwear	125.9	94.5	33 %	257.5	193.3	33 %
Total	<u>\$ 675.3</u>	<u>\$ 523.1</u>	29 %	<u>\$ 1,423.6</u>	<u>\$ 1,151.9</u>	24 %
<b>Brand Net Sales:</b>						
Columbia	\$ 555.4	\$ 431.5	29 %	\$ 1,222.4	\$ 985.1	24 %
Mountain Hardwear	31.0	40.6	(24)%	85.2	95.2	(11)%
Sorel	58.2	47.4	23 %	74.1	62.7	18 %
prAna	28.2	-	-	33.7	-	-
Other	2.5	3.6	(31)%	8.2	8.9	(8)%
Total	<u>\$ 675.3</u>	<u>\$ 523.1</u>	29 %	<u>\$ 1,423.6</u>	<u>\$ 1,151.9</u>	24 %

###



14375 NW Science Park Drive  
Portland, OR 97229  
October 30, 2014

## **CFO Commentary on Third Quarter 2014 Financial Results, Upward-Revised 2014 Financial Outlook, and Preliminary 2015 Indications**

### **Related Information**

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

### **Conference Call**

The company will host a conference call on Thursday, October 30, 2014 at 5:00 p.m. ET to review third quarter results and its upward-revised FY2014 financial outlook. 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 October 29, 2015.

**All per-share amounts have been adjusted to reflect the 2-for-1 stock split that was completed on September 26, 2014 to shareholders of record on September 8, 2014.**

### **Summary**

Several significant factors affected the company's third quarter 2014 financial results, financial position and comparisons to third quarter 2013, including:

- Shipment of increased North American Fall 2014 wholesale orders for the Columbia and Sorel brands;
- Increased direct-to-consumer (DTC) net sales, primarily in North America;
- Inclusion of the financial results of the China joint venture that commenced January 1, 2014;
- Inclusion of a full quarter of financial results from the prAna business, which was acquired on May 30, 2014; and
- Increased depreciation and operating costs associated with the U.S. ERP implementation that occurred in April 2014.

These factors are reflected in the financial results reported herein except where specifically noted otherwise.

Third quarter consolidated net sales increased \$152.2 million, or 29 percent, to a record \$675.3 million, compared with net sales of \$523.1 million for the third quarter of 2013.

Gross margin expanded approximately 100 basis points to 45.4 percent of net sales. Selling, general & administrative (SG&A) expenses increased \$47.7 million, or 29 percent, and represented 31.2 percent of net sales. Excluding the incremental expenses associated with prAna and the China JV, SG&A expense increased approximately 12 percent.

---



Third quarter 2014 operating income totaled \$98.3 million, an increase of 28 percent compared to operating income of \$76.9 million in last year's third quarter.

Net income totaled \$65.6 million, or \$0.93 per diluted share, an increase of 20 percent compared to third quarter 2013 net income of \$54.6 million, or \$0.79 per diluted share.

Our updated full year 2014 financial outlook, including the effects of the prAna acquisition, anticipates:

- a 22 percent increase in net sales to approximately \$2.06 billion;
- operating income to increase up to 36 percent compared with 2013 operating income, to approximately \$180 million, representing operating margin of approximately 8.7 percent, compared with 2013 operating margin of 7.8 percent, which included a non-cash asset impairment charge of approximately \$9.0 million;
- net income after non-controlling interest of approximately \$127 million, or approximately \$1.80 per diluted share, a 35 percent increase compared with full year 2013 net income after non-controlling interest of \$94.3 million, or \$1.36 per diluted share;

The **Updated 2014 Financial Outlook and Preliminary 2015 Indications** section beginning on page 5 below contains a more detailed discussion of the factors contributing to this outlook and includes comparisons of anticipated 2014 and actual 2013 operating results.

### **Third Quarter Financial Results**

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

#### **Net Sales**

Consolidated net sales increased \$152.2 million, or 29 percent, to a record \$675.3 million, compared with \$523.1 million, with all four geographic regions contributing growth. The increase in third quarter 2014 net sales included organic growth of approximately \$73.3 million, or 14 percent, and incremental net sales of \$50.7 million from the company's new China joint venture (JV) and \$28.2 million from the newly-acquired prAna brand. Changes in foreign currency exchange rates had a negative effect of less than 1 percentage point on net sales growth.

#### **Regions**

- U.S. net sales increased \$83.2 million, or 26 percent, to \$406.3 million. The increase in U.S. net sales primarily reflected shipments of higher Fall 2014 advance orders to wholesale customers, \$28.2 million of incremental prAna net sales, and increased direct-to-consumer sales. During the third quarter of 2014, the company operated 84 U.S. retail stores (71 outlet, 13 branded including 5 prAna), compared with 68 stores (60 outlet, 8 branded) during the same period in 2013, plus 5 branded ecommerce sites.
- Net sales in the LAAP region increased \$51.5 million, or 72 percent, to \$123.5 million, primarily reflecting incremental net sales of \$50.7 million from the company's new China JV and small offsetting variances in Korea, Japan and distributor markets. The net sales comparison includes a 1 percentage point benefit from changes in currency exchange rates.
- Net sales in the EMEA region increased \$0.7 million, or 1 percent, to \$78.8 million, due to a 1 percentage point benefit from changes in currency exchange rates. Net sales increased 9 percent in Europe direct markets, primarily reflecting shipments of increased advance fall 2014 orders for the Columbia brand in those markets, and a 2 percentage point benefit from favorable changes in currency exchange rates. That increase was partially offset by lower net sales to EMEA distributors, reflecting a shift in timing of shipments of increased Fall 2014 advance orders into the second quarter.

- Net sales in Canada increased \$16.8 million, or 34 percent, to \$66.7 million, reflecting increased wholesale and DTC net sales, and included a 6 percentage point negative effect from changes in currency exchange rates.

#### **Global Product Categories**

- Global Apparel, Accessories & Equipment net sales increased \$120.8 million, or 28 percent, to \$549.4 million, primarily due to increased Columbia brand net sales and \$28.2 million of incremental prAna net sales, partially offset by lower Mountain Hardwear net sales.
- Global Footwear net sales increased \$31.4 million, or 33 percent, to \$125.9 million, consisting primarily of higher Columbia and Sorel brand net sales.

#### **Global Brands**

- Columbia global brand net sales increased \$123.9 million, or 29 percent, to \$555.4 million, primarily reflecting increased U.S. wholesale and DTC net sales, incremental net sales from the China JV, and increased net sales in Canada and Europe-direct markets.
- Sorel global brand net sales increased \$10.8 million, or 23 percent, to \$58.2 million, driven by increased North American wholesale and DTC net sales.
- prAna contributed \$28.2 million of incremental net sales, representing its first full quarter of consolidation following its acquisition by Columbia on May 30, 2014.
- Mountain Hardwear global brand net sales decreased \$9.6 million, or 24 percent, to \$31.0 million, primarily reflecting lower net sales in North America and Korea.

#### **Gross Margin**

Third quarter 2014 gross margins expanded 100 basis points to 45.4 percent, primarily reflecting:

- a more favorable mix of full-price wholesale and direct-to-consumer sales,
- the effect of including in gross margin amounts that were previously recognized as licensing income prior to commencement of the China JV, and
- a lower mix of lower margin shipments to international distributors,

partially offset by:

- unfavorable foreign currency hedge rates.

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

Third quarter 2014 SG&A expense increased \$47.7 million, or 29 percent, to \$210.7 million, or 31.2 percent of net sales, a comparable expense ratio to last year's third quarter.

The increase included:

- incremental consolidated operating costs associated with the China JV and prAna brand,
- increased expenses related to the company's expanding DTC operations,
- increased demand creation expenses,
- increased operating costs of our new ERP and related IT initiatives, and
- increased personnel and incentive compensation costs.

Excluding the incremental expenses associated with the China JV and prAna, SG&A increased \$19.9 million, or 12%.

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. We now have our North American wholesale business and the majority of our global supply chain operations functioning on the new platform. The next implementation phase, scheduled to occur in the second quarter of 2015, will involve our international

distributor businesses in the EMEA and LAAP regions. We expect continued global ERP investments to enable improved supply chain efficiencies and inventory utilization, which we expect to positively affect operating cash flow and gross margins over time.

### **Operating Income**

Consolidated operating income increased 28 percent, to \$98.3 million, or 14.6 percent of net sales, compared with third quarter 2013 operating income of \$76.9 million, or 14.7 percent of net sales.

Excluding prAna's operating results, as well as approximately \$3.9 million of amortization of certain acquired assets, costs associated with the step-up in acquired inventory, and other integration costs related to the prAna acquisition, adjusted third quarter 2014 net operating income totaled \$97.7 million, or 15.1 percent of adjusted net sales.

### **Income Tax Expense**

The effective income tax rate for the third quarter of 2014 was 31.3 percent, compared to 29.5 percent for the third quarter of 2013. The effective income tax rate for the first nine months of 2014 was 27.5 percent, compared to 27.8 percent for the comparable 2013 period. We continue to forecast a full year tax rate of approximately 27.0 percent.

### **Net Income**

Consolidated net income increased 20 percent to \$65.6 million, or \$0.93 per diluted share, compared with net income of \$54.6 million, or \$0.79 per diluted share, in the third quarter of 2013.

### **Balance Sheet**

At September 30, 2014, cash and short-term investments totaled \$185.8 million, compared to \$303.2 million at the same time last year. At September 30, 2014, approximately 76 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 September 30, 2014 totaled \$458.8 million, a 21 percent increase on 29 percent sales growth. Consolidated Days Sales Outstanding (DSO) at September 30, 2014 stood at 61 days, a decrease of 4 days compared with September 30, 2013.

Consolidated inventory of \$494.8 million at September 30, 2014 increased \$84.7 million, or 21 percent, compared to September 30, 2013. Excluding \$47.4 million of incremental inventory of the China JV and prAna, inventory was 9 percent higher than one year ago.

### **Year-to-Date 2014 Cash Flow**

Net cash used in operations through the first nine months of 2014 was \$108.5 million, compared to net cash provided by operations of \$23.7 million in the first nine months of 2013. The \$132.2 million decrease in operating cash flow was due primarily to increased inventory purchases and lower collections of receivables, partially offset by increased accounts payable and accrued liabilities, and increased net income.

Capital expenditures through the first nine months of 2014 totaled \$42.8 million, compared to \$49.2 million in the first nine months of 2013. Capital expenditures in both periods were concentrated in the expansion of DTC operations and the company's ongoing global ERP system implementation and related projects.

The company paid regular quarterly cash dividends of \$29.4 million during the first nine months of 2014.

During the third quarter and through October 20, 2014, the company repurchased approximately 420,500 shares of common stock at an aggregate purchase price of approximately \$15.0 million, including 54,600 shares (\$2.0 million) purchased during the third quarter. Approximately \$43.6 million remains under the current repurchase authorization, which does not obligate the company to acquire any specific number of shares or to acquire shares over any specified period of time.

#### **Two-for-One Stock Split**

The company completed a previously-approved two-for-one stock split in the form of a 100 percent stock dividend on September 26, 2014 to shareholders of record on September 8, 2014.

#### **Regular Quarterly Cash Dividend**

At its regular board meeting on October 24, 2014, the board of directors authorized a 7 percent increase in the company's regular quarterly cash dividend, to \$0.15 per share, payable on December 4, 2014 to shareholders of record on November 20, 2014. This is the second increase in the quarterly dividend during 2014, bringing the cumulative increase in the dividend over the past 12 months to 20 percent.

#### **Updated 2014 Financial Outlook and Preliminary 2015 Indications**

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 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 that 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.

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

The company expects to recognize incremental prAna net sales of approximately \$55 million during fiscal year 2014, which is expected to contribute low double-digit operating margin to Columbia's consolidated 2014 results. In addition, during 2014 the company incurred one-time transaction costs of approximately \$3.4 million, and expects to record amortization of certain acquired assets, costs associated with the step-up in acquired inventory, and other integration costs totaling approximately \$7.6 million which, combined, equate to approximately \$6.9 million net of tax, or \$(0.10) per diluted share.

#### **Consolidated FY2014 Financial Outlook**

Including prAna's anticipated operating results for the June through December period, as well as the non-recurring transaction costs, amortization of certain acquired assets, costs associated with the step-up in acquired inventory, and other integration costs described above, we expect full year 2014 financial results to include:

- global net sales of approximately \$2.06 billion, representing 22 percent growth over 2013 net sales of \$1.68 billion. Approximately 55 percent of this anticipated growth represents incremental net sales of the company's China JV and newly acquired prAna brand; the remainder represents 10 percent organic growth from the company's existing brand portfolio, led by growth in the Columbia and Sorel brands.

- gross margin expansion of up to 130 basis points compared with 2013 reflecting the following key drivers:
  - o 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;
  - o a higher proportion of full-price product sales, reflecting less close-out/excess inventory and less promotional activity;
  - o a higher proportion of wholesale sales, which generate higher gross margins than sales to international distributors;
 partially offset by:
  - o unfavorable foreign currency hedge rates.
- SG&A expense leverage of up to 15 basis points compared with 2013. The increase in projected SG&A expenses of approximately \$137 million consists primarily of:
  - o approximately \$43 million of incremental operating costs of the China JV;
  - o increased demand creation costs of approximately 5.4 percent of net sales compared to 4.6 percent of net sales in 2013;
  - o approximately \$22 million of incremental operating costs related to the prAna brand;
  - o approximately \$20 million to support continued global expansion and operations of our DTC business;
  - o approximately \$15 million of increased operating costs related to our new ERP and related systems in the U.S., which went live in April 2014; and
  - o approximately \$14 million in increased personnel, incentive compensation and other variable costs;
 partially offset by:
  - o anticipated non-recurrence of \$9 million in asset impairment charges recognized in 2013; and
  - o favorable foreign currency exchange translation.
- licensing income of approximately \$6 million;
- operating margin of approximately 8.7 percent, compared with 2013 operating margin of 7.8 percent;
- a full year tax rate of approximately 27.0 percent, which could differ based on the status of tax uncertainties, the geographic mix of pre-tax income, and other discrete events that may occur during the year;
- net income after non-controlling interest of approximately \$127 million, or approximately \$1.80 per diluted share, an increase of approximately 35 percent compared to \$94.3 million, or \$1.36 per diluted share, in 2013. Fiscal year 2014 net income includes the expected effects of:
  - o one-time acquisition costs, amortization of certain acquired assets, costs associated with the step-up in acquired inventory, and other integration costs related to the prAna acquisition totaling approximately \$6.9 million, net of tax, or \$(0.10) per diluted share;
  - o approximately \$0.08 incremental diluted earnings per share from the new China JV, after interest, taxes and non-controlling interest;
- inventory expected to increase at a rate slower than anticipated sales growth, including incremental China JV and prAna inventory;

capital expenditures of approximately \$65 to \$70 million, comprising investments in DTC business expansion, ERP and IT-related initiatives, and other project-based and maintenance capital.

### **Preliminary FY2015 Financial Indications**

We recently completed accepting advance wholesale and distributor orders for the Spring 2015 season. The growth indicated by those advance orders, together with anticipated incremental net sales of the prAna brand in the first half of 2015, and our internal plans for continued expansion and growth in our global direct-to-consumer businesses, leads us to anticipate that net sales growth will continue at a double-digit percentage rate through the first half of 2015.

In addition, early Fall 2014 sell-through has been encouraging across our North American wholesale channels, and we expect this trend to continue under the assumption that normal seasonal weather patterns prevail during the fall/winter season.

This current positive momentum, combined with the continued innovations and product refinements that we are introducing across our product lines, have provided a favorable backdrop for encouraging initial discussions about the Fall 2015 purchasing plans of our wholesale partners and many of our international distributors.

We are facing macro-economic, competitive, and/or geopolitical uncertainty in certain markets, most notably in China, Korea and Russia, making it difficult to forecast our sales in those markets with confidence, particularly for the second half of 2015. In addition, foreign currency exchange rates may continue to be volatile and unpredictable.

Taking the above factors into consideration, and assuming macro and market conditions in key markets do not worsen materially, we currently expect 2015 net sales to grow at a double-digit rate compared with our current 2014 net sales outlook of approximately \$2.06 billion, and are planning the business to realize further improvement toward our long term goal of returning to a mid-teen operating margin.

### **Forward-Looking Statements**

This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, net sales and net sales growth, gross margins, operating expenses and leverage, licensing income, operating income, operating margins, anticipated acquisition effects (including accretive earnings, operating margins, projected net sales, advance order expectations, transaction and integration expenses, and purchase accounting amortization), tax rates, projected growth in global direct-to-consumer businesses, performance of our China joint venture in future periods, inventory, capital expenditures, volatility of foreign currency exchange rates, and net income. Forward-looking statements often use words such as “will,” “anticipate,” “estimate,” “expect,” “should,” and “may” and other words and terms of similar meaning or reference future dates. The company’s expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this document, those described in the company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q under the heading “Risk Factors,” and those that have been or may be described in other reports filed by the company, including reports on Form 8-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the company to differ materially from the anticipated results expressed or implied by forward-looking statements in this document include: our ability to realize the forecasted benefits of the prAna acquisition; loss of key customer accounts; our ability to effectively implement IT infrastructure and business process initiatives; the effects of unseasonable weather; unfavorable economic conditions generally, the financial health of our customers, and changes in the level

of consumer spending and apparel preferences; changes in international, federal or state tax policies and rates; risks inherent in doing business in foreign markets; our ability to attract and retain key employees; 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; unforeseen increases and volatility in the cost of raw materials; our reliance on product innovations; our dependence on independent manufacturers and suppliers and our ability to source finished products and components at competitive prices from them; 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 or assess the impact 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.