

## RALPH LAUREN RALPH LAUREN [RL] 2Q17 RESULTS: BEATS CONSENSUS WITH “WAY FORWARD” PLAN

	2Q17	2Q16	YoY Change
Revenues (USD Bil.)	\$1.82	\$1.97	(7.6)%
Adjusted Gross Margin	56.9%	56.5%	40 bps
Adjusted SG&A/Sales	44.5%	43.0%	150 bps
Adjusted Operating Margin	12.4%	13.5%	(109) bps
Adjusted EPS	\$1.90	\$2.13	(10.8)%

Source: Company reports/Fung Global Retail & Technology

- **Ralph Lauren reported 2Q17 adjusted EPS of \$1.90, beating the consensus estimate of \$1.71.**
- **Revenues decreased by 7.6%, to \$1.82 billion, from \$1.97 billion in the second quarter last year, and beat the consensus estimate of \$1.81 billion. Comparable-store sales decreased by 8% on a reported basis and by 9% in constant currency versus consensus estimates that called for declines of 6% and 7%, respectively.**
- **The company maintained its fiscal year 2017 guidance for net revenues to decrease at a low single-digit rate. The company continues to expect its full-year operating margin to be 10%.**

### 2Q17 RESULTS

Ralph Lauren reported 2Q17 revenues of \$1.82 billion, down 7.6% year over year, but beating the consensus estimate of \$1.81 billion. International net revenues rose by 2%.

The wholesale segment’s revenue decreased by 10% on both a reported and constant-currency basis, to \$831 million. The decrease was driven by a decline in North America, as shipments were strategically reduced as part of the company’s “Way Forward” plan. This decrease was partially offset by an increase in Europe.

The retail segment’s revenue decreased by 5% on a reported basis, to \$942 million, and decreased by 6% on a constant-currency basis. Comparable-store sales decreased by 8% on a reported basis and by 9% in constant currency. The declines in traffic were partially offset by moderate markdowns.

The company improved efficiencies by lowering inventory levels by 15%, and by reducing fall 2016 SKUs by 10% across its apparel brands. The company reported that it is on track to achieve a 20% SKU reduction by spring 2017 and that this improved discipline in assortment creation enables it to buy closer to market and to reduce early commitments.

### 2017 OUTLOOK

For fiscal 2017, the company is maintaining its guidance: net revenue is expected to decrease at a low double-digit rate. The company continues to expect operating margin for fiscal 2017 to be approximately 10%.

For the third quarter of 2017, Ralph Lauren expects net revenues to be down in the low double digits to the low teens on a reported basis. Foreign currency is expected to have minimal impact on revenue growth in the third quarter, and will pressure gross margin



# FLASH REPORT

by at least 120 basis points. The operating margin is expected to be down by approximately 200–225 basis points.



FLASH REPORT

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