



PVH

PVH CORP (PVH) 3Q16 RESULTS: BEATS ON EPS; UPDATES FY16 OUTLOOK

	3Q16	3Q15	YoY Change
Revenues (USD Bil.)	\$2.24	\$2.16	3.7%
Gross Margin	53.2%	51.1%	210 bps
SG&A/Sales	40.9%	30.1%	1280 bps
Adjusted Operating Margin	12.3%	13.3%	(100) bps
Adjusted EPS	\$2.60	\$2.66	(2.26)%

Source: Company reports/Fung Global Retail & Technology

- **PVH Corp. reported 3Q16 adjusted EPS of \$2.60, ahead of the \$2.35–\$2.40 consensus estimate but down 2.3% year over year. Revenues were \$2.24 billion, up 3.7% year over year and in line with the consensus estimate.**
- **Calvin Klein was the strongest-performing brand in the quarter, with revenues up 9% year over year, or 10% in constant currency. Europe and China were the regions with the strongest sales.**
- **The company updated its FY16 guidance, and now expects EPS of \$6.51–\$6.56 compared with \$6.89 in the prior year. Previous guidance called for EPS of \$7.50–\$7.60.**

3Q16 RESULTS

PVH Corp. reported 3Q16 revenues of \$2.24 billion, up 3.7% year over year and in line with the consensus estimate. Strength across the company's Calvin Klein and Tommy Hilfiger International businesses boosted results. Wholesale businesses in North America performed well in the quarter, although store traffic remained stagnant.

Adjusted EPS was \$2.60, ahead of the \$2.35–\$2.40 consensus estimate but down 2.3% year over year. The EPS result included a negative impact of \$0.46 per share related to foreign currency exchange.

RESULTS BY BRAND

- **Calvin Klein:** Revenue for the brand increased by 9% year over year (or 10% in constant currency), to \$891 million. International revenue increased by 16%, to \$398 million, including a 7% increase in comparable store sales. Europe and China were the regions with the strongest sales.
- **Tommy Hilfiger:** Sales increased by 4% year over year (or 6% in constant currency), to \$927 million. International revenue increased by 16%, to \$525 million, driven by strong sales in Europe, including a 10% increase in comparable store sales.
- **Heritage Brands:** Revenue decreased by 8% year over year, to \$426 million, due to rationalization initiatives implemented in 2015 that continue to impact the business. These include the exit of the Izod retail business and the discontinuation of several licensed product lines in the dress furnishings business.



FLASH REPORT

OUTLOOK

The company updated its full-year guidance: it now expects EPS to be negatively impacted compared with 2015 by approximately \$1.65 per share. The impact is attributable to foreign currency exchange due to the US dollar's strength versus other currencies in which the company does significant business.

- The company expects full-year EPS of \$6.51–\$6.56, which includes a \$77 million noncash loss related to the deconsolidation of a Mexican subsidiary, versus \$6.89 in the prior year. Previous guidance called for EPS of \$7.50–\$7.60.
- The company projects non-GAAP EPS of \$6.70–\$6.75 versus \$7.05 in the prior year and previous guidance of \$6.55–\$6.65.
- Both projections include a negative impact of approximately \$1.65 per share.
- Full-year revenue is projected to increase by 2%, or 3% in constant currency.



FLASH REPORT

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