

**PVH**

## PVH Corp. (PVH) 2Q17 Results: Beats Consensus and Raises EPS Guidance

**Figure 1. PVH Corp. 2Q17 Key Metrics**

	2Q17	2Q16	YoY Change
Revenues (USD Bil.)	\$2.1	\$1.9	7.0%
Adjusted Gross Margin	55.4%	53.7%	170 bps
Adjusted SG&A/Sales	45.9%	44.2%	170 bps
Adjusted Operating Margin	9.7%	9.5%	20 bps
Adjusted EPS	\$1.69	\$1.47	15.0%

*Source: Company reports/FGRT*

- **PVH Corp. reported 2Q17 revenues of \$2.1 billion, up 7.0% year over year and slightly above the \$2.03 billion consensus estimate. Adjusted EPS was \$1.69, up from \$1.47 in the year-ago quarter and beating both the consensus estimate of \$1.64 and the company's own guidance of \$1.60–\$1.63.**
- **Calvin Klein revenue increased by 8%, driven by a 20% increase in international sales. Tommy Hilfiger revenue increased by 4%, driven by a 9% increase in international sales. Heritage Brands revenue increased by 13% due to order timing.**
- **The company raised its full-year GAAP EPS guidance to \$6.44–\$6.54 from \$6.24–\$6.34 previously, and it raised its non-GAAP EPS guidance to \$7.60–\$7.70 from \$7.40–\$7.50 previously.**

### 2Q17 Results

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The 2Q17 results were better than management had expected, driven by a planned increase of \$25 million in marketing for Calvin Klein and Tommy Hilfiger that boosted market share and capitalized on international expansion opportunities. Foreign currency had no impact on the company's revenue in the quarter.

### Results by Segment

- **Calvin Klein:** Revenue increased by 8% (up 6% on a constant-currency basis), to \$786 million, which includes a reduction of approximately \$15 million resulting from the November 2016 deconsolidation of the Calvin Klein business in Mexico. Calvin Klein international revenue increased by 20%, to \$394 million, primarily due to continued strength in Europe and China. North America revenue decreased by 1% compared with the prior-year period, to \$392 million, primarily due to the Mexico deconsolidation and a 2% decline in North America comparable store sales.



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- **Tommy Hilfiger:** Revenue increased by 4%, to \$892 million. International revenue increased by 9%, to \$492 million, driven by strong performance in Europe and Asia. International comparable store sales increased by 6%. North America revenue decreased by 2%, to \$400 million. The North America revenue decline was primarily due to a reduction of the directly operated womenswear wholesale business in the US and Canada in connection with the licensing of that business to G-III Apparel Group. North America comps were flat during the quarter.
- **Heritage Brands:** Revenue increased by 13%, to \$392 million, primarily due to a planned shift in the timing of shipments from both the first and third quarter. Comparable store sales were up 1%.

**Outlook****FY17**

PVH Corp. raised its full-year guidance based on the better-than-expected 2Q17 results, a positive outlook for the second half and improved foreign currency rates. The company now plans to invest an additional \$10 million in marketing.

The company raised its full-year GAAP EPS guidance to \$6.44–\$6.54 from \$6.24–\$6.34 previously, and it raised its non-GAAP EPS guidance to \$7.60–\$7.70 from the \$7.40–\$7.50 previously. The company expects revenue in 2017 to increase by approximately 6% (and by approximately 5% on a constant-currency basis) compared with 2016.

- Revenue for the Calvin Klein business is projected to increase by 8%, which includes the negative impact of the Mexico deconsolidation.
- Revenue for the Tommy Hilfiger business is projected to increase by 6%, which includes the negative impact of the G-III license.
- Revenue for the Heritage Brands business is projected to be flat compared with the prior year.

**3Q17**

Revenue in 3Q17 is projected to increase by approximately 4% year over year (and by approximately 3% on a constant-currency basis). GAAP EPS is expected to be \$2.74–\$2.78 and non-GAAP EPS is expected to be \$2.88–\$2.92.



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**Deborah Weinswig, CPA**

Managing Director  
FGRT  
New York: 917.655.6790  
Hong Kong: 852.6119.1779  
China: 86.186.1420.3016  
deborahweinswig@fung1937.com

**Jing Wang**  
Research Associate

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**Hong Kong:**

2nd Floor, Hong Kong Spinners Industrial Building Phase 1&2  
800 Cheung Sha Wan Road, Kowloon  
Hong Kong  
Tel: 852 2300 4406

**London:**

242–246 Marylebone Road  
London, NW1 6JQ  
United Kingdom  
Tel: 44 (0)20 7616 8988

**New York:**

1359 Broadway, 18th Floor  
New York, NY 10018  
Tel: 646 839 7017

**[FungGlobalRetailTech.com](http://FungGlobalRetailTech.com)**