

PVH Corp

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Company Overview :

Annual Sales: 9.6B Total Assets: 13B Market Value: 7.5B /Sales 1 year Growth : 8.32%

PVH has the buttoned-up look down. A top global apparel player, PVH is the world's largest dress shirt and neckwear company. The company owns three titans of the apparel industry: **Calvin Klein, Tommy Hilfiger, and Heritage Brands**. The former two are multi-billion dollar global lifestyle brands, while Heritage Brands is a luxury apparel wholesaler that owns the brands Van Heusen, IZOD, ARROW, Warner's, Olga, and True&Co. PVH is also has **licenses for third-party brands such as DKNY, Speedo, Kenneth Cole Reaction, Michael Kors Collection, and others**. The company generates sales from multiple channels, including about 1,700 company-operated retail stores, 1,500 concession stands, retail partners, and licensees. It also charges royalty and advertising fees.

Organization /19,600 full-time and 16,900 part-time employees (Based on 2018)

PVH organizes its business into three main areas: Tommy Hilfiger, Calvin Klein, and Heritage Brands.

Tommy Hilfiger, split into Tommy Hilfiger North America and Tommy Hilfiger International, contributes some **45%** to PVH's revenue. The brand makes everyday and formalwear for the upper-middle class, characterized by its classic American preppy stylings. It runs a number of sub-brands, such as Hilfiger Collection, Tommy Hilfiger Tailored, Tommy Hilfiger, Tommy Jeans, and Tommy Sport. It sells its products wholesale to third party retailers and at retail via a network of owned outlets, and has around 30 license agreements with third parties in Australia, Brazil, India, and Mexico, among other countries.

Calvin Klein accounts for nearly **40%** of revenue and runs a number of sub-brands alongside its Calvin Klein "master" brand: Calvin Klein By Appointment, Calvin Klein Jeans, CK Calvin Klein, and Calvin Klein Jeans. Together they fill various product niches, categories, and price points. As with **Tommy Hilfiger**, Calvin Klein has around 50 licensing and other arrangements across its brands, including JVs in Australia, India, and Mexico

Heritage Brands accounts for around **15% of revenue** and makes shirts, neckwear, sportswear, swimwear, intimates, underwear, and accessories through a range of owned brands and licensed brands. Its licensed brands are DKNY, Speedo, Kenneth Cole New York, Kenneth Cole Reaction, MICHAEL Michael Kors, Michael Kors Collection, and Chaps. It sells wholesale and through Heritage Brands retail outlets across the United States and Canada. Some of its stores stock IZOD Golf, Warner's, and Speedo products. Heritage Brands has licensing agreements with around 90 US and international companies. PVH also completes e-commerce sales through its various brand websites.

Own : ARROW, Bass, Calvin Klein Eagle IZOD, Tommy Hilfiger, Van Heusen

Licensed: Chaps,Claiborne, DKNY, Kenneth Cole New York, Kenneth Cole Reaction, MICHAEL Michael Kors, Michael Kors Collection, Robert Graham, Sean John

Geographic Reach

PVH's products are made in more 1,200 factories in some 50 countries worldwide. PVH maintains wholesale and retail warehousing and distribution centers in the US, Canada, Japan, and the Netherlands. The centers inspect, sort, pack, and ship goods to customers. The company sells products in the US, Canada, Europe, Asia, Mexico, and Brazil. Its US business accounts for about 45% of sales and Europe 35%. Asia and Canada bring in the rest.

Business Strategy

PVH is unifying Calvin Klein under one creative vision. The process began when it took back full control of its jeans and underwear businesses in 2013, and has steadily progressed. It will consolidate its Calvin Klein Sportswear and Calvin Klein Jeans brands in North America, close the Calvin Klein 205W39NYW brand, close its flagship Madison Avenue store in Manhattan, and restructure its creative and design teams globally. The changes should help become Calvin Klein operate more effectively and push PVH's sales towards its **\$12 billion goal**.

Mergers and Acquisitions - Bringing some of its international businesses under direct control, in 2019 PVH spent \$90 million on acquiring the remaining 78% of Gazal Corporation, PVH's long-term Australian partner, that it did not already own. PVH also paid \$75 million to acquire the Tommy Hilfiger business in Hong Kong.

Revenue By Business Segment

USD (mil)	31-Jan-19		31-Jan-18		31-Jan-17		31-Jan-16		31-Jan-15	
Advertising and other revenue	126.7	1.30%	-	-	-	-	-	-	-	-
Calvin Klein International	1,827.90	18.90%	1,753.80	19.70%	1,445.30	17.60%	1,287.90	16.10%	1,308.00	15.90%
Calvin Klein North America	1,599.90	16.60%	1,707.80	19.20%	1,689.90	20.60%	1,634.70	20.40%	1,550.80	18.80%
Heritage Brands Retail	259.2	2.70%	262.6	2.90%	261.3	3.20%	318.7	4%	355.6	4.30%
Heritage Brands Wholesale	1,293.20	13.40%	1,297.40	14.60%	1,295.80	15.80%	1,409.50	17.60%	1,445.00	17.50%
Royalty revenue	375.9	3.90%	-	-	-	-	-	-	-	-
Tommy Hilfiger International	2,599.70	26.90%	2,325.40	26.10%	1,947.50	23.70%	1,746.80	21.80%	1,946.00	23.60%
Tommy Hilfiger North America	1,574.30	16.30%	1,567.80	17.60%	1,563.30	19.10%	1,622.70	20.20%	1,635.80	19.80%
SegmentTotal	9,656.80	100%	8,914.80	100%	8,203.10	100%	8,020.30	100%	8,241.20	100%

Financial Highlight

PVH's sales stalled in 2015-17 but have grown strongly since, while net income has followed a similar pattern.

In fiscal 2019 (ended March 29) **PVH's sales grew 8.32% to \$9.7 billion**, a company record, thanks to strong growth in Tommy Hilfiger and Calvin Klein both domestically and abroad. By comparison, the Heritage Brands segment was flat.

Net income grew 39% to \$746 million as the company kept a lid on selling, general, and administrative (SG&A) expenses while growing sales. The decrease in SG&A expenses related to the absence of costs recorded in 2017 in connection with the Mr Hilfiger brands, the Li & Fung termination, and the move to a new New York office.

PVH's cash on hand fell \$41.9 million during fiscal 2019, standing at \$452.0 million at year's end. The company's operations generated \$852.5 million, offset by \$395.4 million used in investing activities and \$478.5 million used in financing activities. PVH's main cash uses in fiscal 2019 were capital expenditures, debt repayments, and share repurchases.

LOW RISK	Positive	Negative
Internal Organizational Attributes	Strengths	Weaknesses
	<p>Financial Growth</p> <p>Strong financial performance enables the company to provide higher returns to its shareholders, thereby attracting investments. Growth in revenue enhances the company's ability to allocate adequate funds for its future growth and expansion plans. In FY2019, PVH reported revenue of US\$9,656.8 million as compared to US\$8,914.8 million in FY2018, an annual growth of 8.3%. Revenue growth was due to 12%, 8% and 1% increase in revenue from Tommy Hilfiger North America and Tommy Hilfiger International; Calvin Klein North America and Calvin Klein International; and Heritage Brands Wholesale and Heritage Brands Retail segments, respectively. Growth in Tommy Hilfiger International and Tommy Hilfiger North America segment revenue was due to generation of US\$49 million from foreign currency translation impact, increase in sales for Tommy Hilfiger International segment products across all channels and regions and growth in store sales, and high performance of Tommy Hilfiger North America segment in store sales and wholesale business. Calvin Klein North America and Calvin Klein International segments' revenue growth was due to addition of US\$12 million from impact of foreign currency translation; increase in sales for Calvin Klein International segment products in Asia and Europe, and store sales; and growth in wholesale business and store sales of Calvin Klein North America segment. Growth in revenue of Heritage Brands Wholesale and Heritage Brands Retail segments was due to increase in store sales. In FY2019, the company's operating margin was 9.2% compared to an operating margin of 7.1% in FY2018. Its operating margin was also higher than the consumer products industry's average operating margin of 6.2%. The operating margin higher than the industry average indicates the company's ability to create value for shareholders with positive operating cash and fulfill obligations towards the creditors. Its operating cost as a percentage of sales declined from 92.9% in FY2018 to 90.8% in FY2019. Similarly, the company's net margin grew from 6% in FY2018 to a net margin of 7.7% in FY2019. The company's return on equity (ROE) grew from 9.7% in FY2018 to 12.8% in FY2019, which was higher than the consumer products industry's average ROE of 6.9%. The ROE higher than the industry average showcases the company's efficiency in utilizing its equity base in delivering better results to its shareholders.</p>	<p>Inventory Turnover Ratio</p> <p>The decline in turnover ratio and higher inventory turnover days signify that the company incurs high inventory carrying costs, which affect its operating performance. In FY2019, PVH reported inventory turnover ratio of 2.6 as compared to 2.8 in FY2018. Its inventory turnover ratio was lower than that of its major competitors, Abercrombie & Fitch Co (3.3) and Oxford Industries, Inc (3.2). Lower inventory turnover ratio than its competitors indicates that the company takes more days to clear its inventory in comparison with its competitors. With the given turnover ratio, PVH takes 140 days to sell its inventory compared to 110 days by Abercrombie & Fitch and 115 days by Oxford Industries.</p>
	<p>Operational Network</p> <p>The company has a strong and diversified operational network that enhances customer reach, minimizing dependence on single demographic group, product category, distribution channel or region. As of March 2018, the company produced its products at over 1,200 factories in more than 50 countries that were managed by independent third-party manufacturers. It ships the products from manufacturing facilities to company-owned and third-party operated retail and wholesale distribution centers in the US, Canada, the Netherlands, China, Hong Kong, Japan, South Korea, Brazil and Taiwan. The company markets its products through department stores, off-price and independent retailers, warehouse clubs, pure play digital commerce retailers digital commerce sites managed by department store customers, franchisees, distributors, full-price specialty and outlet stores, flagship stores, concession locations and company owned retail and online stores. It also sells its products through licensing agreements. As of March 2019, the company had licensing agreements with American Sportswear SA, Dickson Concepts (International) Ltd, F&T Apparel LLC, G-III, Hyundai G&F Co Ltd, MBF Holdings LLC, Movado Group Inc, Swissam Products Ltd, Peerless Clothing International Inc, PVH Mexico, Safilo Group SPA, CK21 Holdings Pte Ltd, CK Watch & Jewelry Co Ltd (Swatch SA), Coty Inc, Jimlar Corporation or LF USA Inc, Marchon Eyewear Inc, Onward Kashiwama Co Ltd, Peerless Clothing International Inc, Arvind Fashions Limited, Basic Resources Inc, Five Star Blue LLC, F&T Apparel LLC, I.C.C., International Public Company Ltd, Peerless Delaware Inc and Van Dale Industries Inc. In FY2018, the company generated over 18.9% of the revenue from the sales to its five largest customers.</p>	
External Environmental Attributes	Marketing Strategies	
	<p>The company focuses on its marketing strategies to maximize its sales, traffic and customer loyalty and increase its brand recognition. Extensive marketing activities help the company in building customer awareness and loyalty, and increasing customers reach. Through social networking sites such as Facebook, Twitter, Instagram, Snapchat, Pinterest and Wechat, the company posts blogs on product knowledge, trend statements and fashion. It holds website promotions and contests to attract teen customers. It involves in community-based marketing approach by undertaking marketing efforts with the local shopping center management before opening its new stores. Through frequent e-mails, it communicates with customers and provides information on latest in-store collection. The company hires celebrities to endorse its brands Calvin Klein and Tommy Hilfiger. PVH endorses global 360 degree marketing campaigns, designed to engage consumers through provocative, modern, iconic lifestyle imagery for promoting Calvin Klein and Tommy Hilfiger brands. It also advertises its products through print media such as entertainment or human interest, fashion, business, men's, sports and women's magazines and newspapers; outdoor signage; television; in-store point of sale materials; and cooperative advertising programs with its retail partners.</p>	
	Opportunities	Threats
	Positive Ourlook for Global Ecommerce Market	Stringent Regulations
	<p>The company being a marketer of clothing and lifestyle apparel to customers through physical and online stores could benefit the growing e-commerce industry across the world. With the increase in interactive methods and limitless content, the retail e-commerce is growing at a faster rate. According to in-house research, the global online retail sector was forecasted to grow at a CAGR of 87.1% during 2017-22 to reach US\$1,739.1 billion from US\$929.6 billion in 2017. The retailing of electrical and electronic goods was the largest segment in the sector, which accounted for 32% of the total value, followed by apparel retail (23.7%), food and grocery retail (15.1%), home and garden products (9.6%), furniture and floor coverings (4.8%), footwear (4.4%) and other (10.3%). The Asia-Pacific region accounted for 37.3% of the global online retail market value, the US (32%), Europe (25.5%), the Middle-East (0.5%) and Rest of the world (4.6%). In July 2018, the company launched a centralized e-commerce platform for its Heritage Brands to expand the distribution network of its brands.</p>	<p>The company is subject to various regulations governing the internet, e-commerce and apparel in addition to general business regulations and laws. These regulations are related to taxation, privacy, data protection, pricing, content, copyrights, electronic device certification, electronic waste, consumer protection, the provision of online payment services, the design and operation of websites, and the characteristics and quality of products and services. The US Supreme Court decisions restrict the collection of state and local taxes on Internet sales, while a number of states and the US Congress have been considering initiatives that could limit the court's position regarding sales and use taxes related to internet sales. If these initiatives are successful, the company would be required to collect sales and use taxes in states or change its business practices. Such imposition of taxes by state and local governments could create administrative burden on the company. Such existing and future regulations could reduce the demand for the company's products and services and increase its operating costs.</p>
	Partnerships and Agreements	Intense Competition
	<p>The company entered into certain partnerships and agreements to expand its distribution network, product offerings and business presence. In June 2019, PVH entered into a license agreement with G-III Apparel Group for design, manufacturing and distribution of Calvin Klein Jeans women's jeanswear collections in the US and Canada. This agreement enables the company to expand its women's jeanswear business in the North American apparel market through integration of G-III's product category and market expertise. In April 2019, the company signed a licensing agreement with NIKE Inc for design, marketing and distribution of NIKE-branded men's underwear. Through the partnership, the company sells NIKE men's underwear products across its underwear platform, expanding its men's underwear portfolio.</p>	<p>PVH operates in a highly competitive retail market. The factors that determine the level of competition within the industry include breadth of product offerings, price, style, quality, marketing and advertising activities, distribution capabilities, customer service and store location. The company's major competitors include Zuoan Fashion Limited, V.F. Corporation, The Donna Karan Company LLC, Seven For All Mankind LLC, Ralph Lauren Corp, Perry Ellis International Inc, Oxford Industries Inc, NIKE Inc, Nautica Enterprises Inc, Levi Strauss & Co, Delta Gall Industries Ltd, Cintas Corp, and Abercrombie & Fitch Co. Some of these competitors have higher operating histories, technical, marketing, distribution and support resources; greater brand recognition and higher financial capability than the company, could restrict the creation of innovative products and business expansion. In January 2019, Levi Strauss and Safilo entered into an agreement for the design, manufacture and distribution of Levi's branded eyewear. In November 2018, NIKE and Sun and Sands Sports entered into a partnership to open a new NIKE store at the Dubai mall, the UAE.</p>
	Acquisitions	Foreign Exchange Risks
	<p>In June 2019, the company acquired 78% of outstanding shares in Gazal Corporation Ltd, an Australian supplier and retailer of PVH brands for a value of AUD6 per share to assume control on all its brands in Australia. The acquisition enables the company to obtain direct control over its brands' regional licensed businesses and expands its business presence in international markets. It also allows the company to grow its business and market position in New Zealand and Australian markets. In March 2019, PVH signed a definitive agreement with Dickson Concepts (International) Limited to reacquire its Tommy Hilfiger brand in Macau, Hong Kong, Singapore, Taiwan, and Malaysia, and certain of its leased and retail assets. The transaction determines the company's commitment to support the growth of PVH and Tommy Hilfiger business, and monetize the growth opportunities in the region. In June 2018, the company acquired its licensor for apparel and accessories, Geoffrey Beene. Through the acquisition, the company integrates Geoffrey Beene brand portfolio with its heritage brands business portfolio that comprises Van Heusen, ARROW, IZOD, Speedo, Olga and Warner's.</p>	<p>PVH operates in many parts of the world and is exposed to fluctuations in foreign exchange rates. The company reports financials in the US dollar and therefore its revenue is exposed to volatility of the US dollar against other functional currencies, as it conducts business operations in 40 countries across the world. A significant part of its revenue is also denominated in other functional currencies such as Brazilian real, Japanese yen, Korean won, British pound, Canadian dollar, Mexican peso, Indian rupee, Russian ruble and Chinese yuan. The major elements exposed to exchange rate risks include the company's investments in overseas subsidiaries and affiliates and monetary assets and liabilities arising from business transactions in foreign currencies. In FY2019, the company reported a loss of US\$361.3 from foreign exchange translation adjustments as compared to gain of US\$561.3 million in FY2018 and a loss of US\$21.4 million in FY2017. To minimize risks from currency fluctuations, the company could involve in foreign exchange hedging by entering into foreign exchange forward contracts. However, there could be no assurance that such hedging would limit the impact of movements in exchange rates on the company's results of operations.</p>