

Company Overview

Figure 1. PVH Revenue Distribution by Business Segment

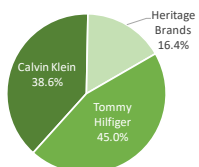
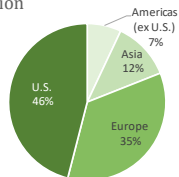


Figure 2. PVH Revenue Distribution by Region



Phillips-Van Heusen Corporation ("PVH" or the "Company") is a pure-play fashion company that operates a portfolio of leading brands such as Calvin Klein ("CK") and Tommy Hilfiger ("TH"). The Company also operates its Heritage Brands, including IZOD, Arrow and Warner's. PVH operates through wholesalers, licensees and retail outlets. Currently, the Company has 6,380 stores (including franchisees, licensee stores and distributor stores over 4 regions).

(US\$M)	FY18A	FY19A	FY20E	FY21E
Revenue	8,915	9,657	10,078	10,529
Net Income	538	746	654	690
NI Gr Rate (%)	(2.0)	38.8	(12.3)	5.4
Profit Margin (%)	6.0	7.7	6.5	6.5
ROA (%)	4.5	6.3	5.3	5.3
ROE (%)	9.7	12.8	10.3	9.9
EV/EBITDA	7.7	6.9	6.4	5.7
EPS	7.3	10.1	8.8	9.3
D/E	0.6	0.5	0.4	0.4

Investment Thesis

Figure 5. 5-Year Outstanding Shares

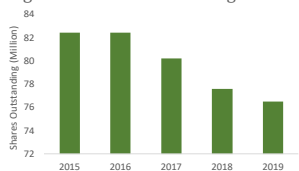


Figure 6. Breakdown of PVH's Source of Revenue (US\$b)



- Portfolio Restructuring to Support Core Brands** – Revenue from CK and TH constituted 83.6% of PVH revenue in 2019, with drag from Heritage Brands segment. Cash generated from the ongoing divestiture of Speedo will aid in share repurchases, while allowing PVH to consolidate resources to focus on their core brands.
- Untapped Potential in Asia** may be realised in the coming year with PVH currently deriving 12% of revenue from Asia, up from 9.8% in 2015. PVH typically operates their brands via selling licences to third parties, reducing geographical risk in entering newer markets. PVH has fully acquired their licensee, TH China, in order to leverage sales momentum concurrent with events "Tommy Now" and partnerships with Maggie Jiang. Also, PVH has repurchased licences in Singapore, Hong Kong, Macau and Taiwan to maximise earnings in the region.
- Adopting Digital Transformation** will aid efficiencies throughout the supply-chain for existing earnings base. By end 2020, implementing 100% 3D modelling and IoT sensors aim to ensure the products are not manufactured until they are sold online, improving bottom-line efficiency through reduced warehousing costs.

Sources: Company Filings, McKinsey, NUS Investment Society Estimates and Research

12M Industry Outlook

Figure 3. 2025 Population Aged 30 and Below

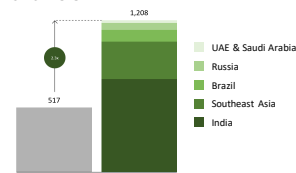


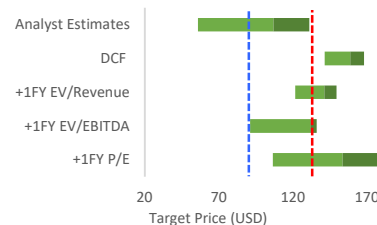
Figure 4. Repurchase of Licenses & Acquisition of Former JVs



- Demand:** Population of PVH's target demographic in Asia is set to contribute a larger segment of revenue, with Asia excluding China representing 2.3x the penetrable market for China, of which, Southeast Asia is the second largest market. Alongside China's rapidly growing middle class (5% in 2000 to 38% in 2020), increased Chinese fashion tourism in part due to the depreciating Euro against the Chinese Yuan will bolster demand for luxury goods in Europe and Southeast Asia.
- Supply Chain Management:** The 2008 Financial Crisis demonstrated the importance of an efficient supply chain and a core-business-focused model where added financial flexibility facilitated EBITDA growth of 10% in 2009 vs unprepared firms shedding assets and sustaining 15% EBITDA contraction.
- Risk:** McKinsey's State of Fashion 2020 forecasts a slowdown of growth in 2020 (3-4%) vs 2019 (3.5-4.5%) owing to trade tensions, election-uncertainty and tariffs. Sportswear and Athleisure are forecasted to grow at ~7%. While TH has increasingly adopted the Athleisure trend, an inability to successfully predict market trends may cause earnings to fall short as seen in '16 CK Jeans' failure despite hiring designer Raf Simons as Chief Creative Officer.

Valuations

Figure 7. Football Field Analysis



Target Price

Blended Target Price	\$130.00
Blended Upside	+45.61%

Relative Valuation: Blended +1FY P/E, +1FY EV/EBITDA, and +1FY EV/Revenue, with 40-40-20 weightage respectively. The result at the 25th percentile range was a price of \$117.20.

DCF: Using a WACC of 9.42%, and blended valuation over a 5-year forecast using a Gordon growth method and exit multiple method with a terminal growth rate of 2.34%, and an Exit EBITDA multiple of 9.41x, we arrived at a target price of \$149.22 (+67.14%).

Blended Upside: We selected the 25th percentile RV to account for lower growth companies like PVH, giving it a greater weightage to take into consideration potential uncertainty in growth prospects as core markets mature and penetration into new markets are still ongoing. This was blended with our DCF valuation in a 60-40 weightage, achieving a target price of \$130.00, representing an upside of +45.61%.

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