

RALPH LAUREN CORP  
Form 10-Q  
November 08, 2018

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 29, 2018

or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-13057

Ralph Lauren Corporation

(Exact name of registrant as specified in its charter)

Delaware 13-2622036  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
650 Madison Avenue, 10022  
New York, New York (Zip Code)

(Address of principal executive offices)

(212) 318-7000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At November 2, 2018, 54,556,873 shares of the registrant's Class A common stock, \$.01 par value, and 25,881,276 shares of the registrant's Class B common stock, \$.01 par value, were outstanding.

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RALPH LAUREN CORPORATION  
CONSOLIDATED BALANCE SHEETS

	September 30, 2018	March 31, 2018
	(millions)	
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$553.1	\$1,304.6
Short-term investments	1,319.5	699.4
Accounts receivable, net of allowances of \$215.9 million and \$222.2 million	432.3	421.4
Inventories	994.6	761.3
Income tax receivable	34.9	38.0
Prepaid expenses and other current assets	359.1	323.7
Total current assets	3,693.5	3,548.4
Property and equipment, net	1,130.5	1,186.3
Deferred tax assets	67.6	86.6
Goodwill	928.6	950.5
Intangible assets, net	175.0	188.0
Other non-current assets	160.3	183.5
Total assets	\$6,155.5	\$6,143.3
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term debt	\$—	\$10.1
Current portion of long-term debt	—	298.1
Accounts payable	202.1	165.6
Income tax payable	42.8	30.0
Accrued expenses and other current liabilities	996.2	1,083.4
Total current liabilities	1,241.1	1,587.2
Long-term debt	683.9	288.0
Income tax payable	124.8	124.8
Non-current liability for unrecognized tax benefits	80.0	79.2
Other non-current liabilities	563.7	606.7
Commitments and contingencies (Note 13)		
Total liabilities	2,693.5	2,685.9
Equity:		
Class A common stock, par value \$.01 per share; 102.9 million and 102.0 million shares issued; 54.6 million and 55.4 million shares outstanding	1.0	1.0
Class B common stock, par value \$.01 per share; 25.9 million shares issued and outstanding	0.3	0.3
Additional paid-in-capital	2,448.0	2,383.4
Retained earnings	5,925.4	5,752.2
Treasury stock, Class A, at cost; 48.3 million and 46.6 million shares	(4,804.9 )	(4,581.0 )
Accumulated other comprehensive loss	(107.8 )	(98.5 )
Total equity	3,462.0	3,457.4
Total liabilities and equity	\$6,155.5	\$6,143.3
See accompanying notes.		

RALPH LAUREN CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
	(millions, except per share data)			
	(unaudited)			
Net revenues	\$1,690.9	\$ 1,664.2	\$3,081.5	\$ 3,011.3
Cost of goods sold	(661.6 )	(668.4 )	(1,156.5 )	(1,164.3 )
Gross profit	1,029.3	995.8	1,925.0	1,847.0
Selling, general, and administrative expenses	(793.6 )	(772.7 )	(1,535.5 )	(1,487.1 )
Impairment of assets	(9.8 )	(11.2 )	(11.1 )	(20.9 )
Restructuring and other charges	(15.9 )	(18.6 )	(38.3 )	(55.4 )
Total other operating expenses, net	(819.3 )	(802.5 )	(1,584.9 )	(1,563.4 )
Operating income	210.0	193.3	340.1	283.6
Interest expense	(6.0 )	(4.6 )	(10.4 )	(9.6 )
Interest income	10.4	2.3	19.6	4.3
Other income (expense), net	0.4	0.2	(1.6 )	(0.3 )
Income before income taxes	214.8	191.2	347.7	278.0
Income tax provision	(44.5 )	(47.4 )	(68.4 )	(74.7 )
Net income	\$170.3	\$ 143.8	\$279.3	\$ 203.3
Net income per common share:				
Basic	\$2.09	\$ 1.76	\$3.42	\$ 2.49
Diluted	\$2.07	\$ 1.75	\$3.37	\$ 2.47
Weighted average common shares outstanding:				
Basic	81.3	81.7	81.6	81.6
Diluted	82.3	82.3	82.8	82.4
Dividends declared per share	\$0.625	\$ 0.50	\$1.25	\$ 1.00
See accompanying notes.				

RALPH LAUREN CORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(millions)			
	(unaudited)			
Net income	\$170.3	\$ 143.8	\$279.3	\$ 203.3
Other comprehensive income (loss), net of tax:				
Foreign currency translation gains (losses)	(6.2 )	31.1	(36.9 )	87.7
Net gains (losses) on cash flow hedges	(0.2 )	(2.3 )	27.5	(24.3 )
Net gains (losses) on defined benefit plans	—	(0.1 )	0.1	(0.4 )
Other comprehensive income (loss), net of tax	(6.4 )	28.7	(9.3 )	63.0
Total comprehensive income	\$163.9	\$ 172.5	\$270.0	\$ 266.3

See accompanying notes.

RALPH LAUREN CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	September 30,	September 30,
	2018	2017
	(millions)	
	(unaudited)	
Cash flows from operating activities:		
Net income	\$279.3	\$ 203.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	140.0	146.7
Deferred income tax expense (benefit)	11.2	(25.3 )
Non-cash stock-based compensation expense	42.8	39.4
Non-cash impairment of assets	11.1	20.9
Non-cash restructuring-related inventory charges	—	1.3
Other non-cash charges	6.2	4.4
Changes in operating assets and liabilities:		
Accounts receivable	(18.7 )	(17.4 )
Inventories	(251.8 )	(53.4 )
Prepaid expenses and other current assets	(49.8 )	(1.9 )
Accounts payable and accrued liabilities	3.4	72.2
Income tax receivables and payables	29.5	51.4
Deferred income	(11.6 )	3.0
Other balance sheet changes	21.4	(7.6 )
Net cash provided by operating activities	213.0	437.0
Cash flows from investing activities:		
Capital expenditures	(93.1 )	(74.7 )
Purchases of investments	(1,822.8 )	(426.3 )
Proceeds from sales and maturities of investments	1,211.4	591.3
Acquisitions and ventures	(4.5 )	(3.6 )
Settlement of net investment hedges	(23.8 )	—
Net cash provided by (used in) investing activities	(732.8 )	86.7
Cash flows from financing activities:		
Repayments of short-term debt	(9.9 )	—
Proceeds from the issuance of long-term debt	398.1	—
Repayments of long-term debt	(300.0 )	—
Payments of capital lease obligations	(10.5 )	(14.2 )
Payments of dividends	(91.3 )	(81.1 )
Repurchases of common stock, including shares surrendered for tax withholdin		