

PVH CORP. /DE/
Form 10-Q
September 12, 2013

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 August 4, 2013

OR

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

For the transition period from _____ to _____

Commission File Number 001-07572

PVH CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-1166910
(I.R.S. Employer
Identification No.)

200 Madison Avenue, New York, New York
(Address of principal executive offices)

10016
(Zip Code)

(212) 381-3500
(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(do not check if a smaller reporting company)

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

The number of outstanding shares of common stock, par value \$1.00 per share, of the registrant as of September 3, 2013 was 81,572,863.

PVH CORP.
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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Quarterly Report on Form 10-Q including, without limitation, statements relating to our future revenue and cash flows, plans, strategies, objectives, expectations and intentions are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) in connection with the acquisition of The Warnaco Group, Inc. (“Warnaco”), we borrowed significant amounts, may be considered to be highly leveraged, and will have to use a significant portion of our cash flows to service such indebtedness, as a result of which we might not have sufficient funds to operate our businesses in the manner we intend or have operated in the past; (iii) the levels of sales of our apparel, footwear and related products, both to our wholesale customers and in our retail stores, the levels of sales of our licensees at wholesale and retail, and the extent of discounts and promotional pricing in which we and our licensees and other business partners are required to engage, all of which can be affected by weather conditions, changes in the economy, fuel prices, reductions in travel, fashion trends, consolidations, repositionings and bankruptcies in the retail industries, repositionings of brands by our licensors and other factors; (iv) our plans and results of operations will be affected by our ability to manage our growth and inventory, including our ability to realize benefits from Warnaco; (v) our operations and results could be affected by quota restrictions and the imposition of safeguard controls (which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and technical expertise needed), the availability and cost of raw materials, our ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where our products can best be produced), changes in available factory and shipping capacity, wage and shipping cost escalation, and civil conflict, war or terrorist acts, the threat of any of the foregoing, or political and labor instability in any of the countries where our or our licensees’ or other business partners’ products are sold, produced or are planned to be sold or produced; (vi) disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas, as well as reduced consumer traffic and purchasing, as consumers become ill or limit or cease shopping in order to avoid exposure; (vii) acquisitions and issues arising with acquisitions and proposed transactions, including, without limitation, the ability to integrate an acquired entity, such as Warnaco, into us with no substantial adverse effect on the acquired entity’s or our existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (viii) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands; and (ix) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

We do not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimate regarding revenue or cash flows, whether as a result of the receipt of new information, future events or otherwise.

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

PVH Corp.

Consolidated Income Statements

Unaudited

(In thousands, except per share data)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Net sales	\$1,884,439	\$1,219,620	\$3,707,484	\$2,532,469
Royalty revenue	62,561	82,513	129,628	167,973
Advertising and other revenue	17,847	34,490	37,895	63,587
Total revenue	1,964,847	1,336,623	3,875,007	2,764,029
Cost of goods sold	938,759	593,962	1,897,058	1,264,539
Gross profit	1,026,088	742,661	1,977,949	1,499,490
Selling, general and administrative expenses	953,468	589,333	1,860,476	1,192,004
Debt modification and extinguishment costs	—	—	40,395	—
Equity in income (loss) of unconsolidated affiliates, net	813	(74)	3,140	1,850
Income before interest and taxes	73,433	153,254	80,218	309,336
Interest expense	49,495	28,552	97,439	58,069
Interest income	2,116	197	4,111	470
Income (loss) before taxes	26,054	124,899	(13,110)	251,737
Income tax expense	41,963	34,981	22,812	66,343
Net (loss) income	\$(15,909)	\$89,918	\$(35,922)	\$185,394
Less: Net income attributable to redeemable non-controlling interest	87	—	126	—
Net (loss) income attributable to PVH Corp.	\$(15,996)	\$89,918	\$(36,048)	\$185,394
Basic net (loss) income per common share attributable to PVH Corp.	\$(0.20)	\$1.24	\$(0.45)	\$2.57
Diluted net (loss) income per common share attributable to PVH Corp.	\$(0.20)	\$1.22	\$(0.45)	\$2.52
Dividends declared per common share	\$0.0375	\$0.0000	\$0.1125	\$0.0750

See accompanying notes.

PVH Corp.
 Consolidated Statements of Comprehensive (Loss) Income
 Unaudited
 (In thousands)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012
Net (loss) income	\$(15,909)	) \$89,918	\$(35,922)	) \$185,394
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of tax expense (benefit) of \$107; \$(690); (45,713 \$(330) and \$(453)	(45,713)	) (150,188)	(150,770)	) (133,187)
Amortization of prior service credit related to pension and postretirement plans, net of tax (benefit) of \$(84); \$(84); \$(168) and \$(168)	(135)	) (135)	(271)	) (271)
Net unrealized and realized gain on effective hedges, net of tax expense (benefit) of \$482; \$(625); \$(754) and \$364	1,656	) 6,346	9,514	) 2,099
Comprehensive (loss) income	(60,101)	) (54,059)	(177,449)	) 54,035
Less: Comprehensive loss attributable to redeemable non-controlling interest	(1,771)	) —	(1,625)) —
Total comprehensive (loss) income attributable to PVH Corp.	\$(58,330)	) \$(54,059)	\$(175,824)	) \$54,035

See accompanying notes.

PVH Corp.

Consolidated Balance Sheets

(In thousands, except share and per share data)

	August 4, 2013 UNAUDITED	February 3, 2013 AUDITED	July 29, 2012 UNAUDITED
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 628,920	\$ 892,209	\$ 261,986
Trade receivables, net of allowances for doubtful accounts of \$22,121, \$16,114 and \$13,955	712,057	418,251	411,381
Other receivables	44,212	23,073	14,284
Inventories, net	1,348,598	878,415	909,447
Prepaid expenses	233,659	157,802	117,826
Other, including deferred taxes of \$88,189, \$38,310 and \$53,150	113,199	67,256	105,014
Total Current Assets	3,080,645	2,437,006	1,819,938
Property, Plant and Equipment, net	693,857	561,335	484,443
Goodwill	3,368,002	1,958,887	1,777,724
Tradenames	2,975,764	2,413,809	2,332,811
Perpetual License Rights	206,336	—	—
Other Intangibles, net	850,218	167,196	150,932
Other Assets, including deferred taxes of \$114,320, \$61,465 and \$5,315	339,924	243,316	165,640
Total Assets	\$ 11,514,746	\$ 7,781,549	\$ 6,731,488
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	\$ 552,221	\$ 377,231	\$ 372,531
Accrued expenses, including deferred taxes of \$3,329, \$0 and \$0	755,326	646,130	554,078
Deferred revenue	29,208	40,239	41,972
Short-term borrowings	3,447	10,847	52,791
Current portion of long-term debt	85,000	88,000	88,021
Total Current Liabilities	1,425,202	1,162,447	1,109,393
Long-Term Debt	4,195,151	2,211,642	1,715,464
Other Liabilities, including deferred taxes of \$1,126,386, \$589,796 and \$501,858	1,841,033	1,154,891	1,125,803
Redeemable Non-Controlling Interest	5,600	—	—
Stockholders' Equity:			
Preferred stock, par value \$100 per share; 150,000 total shares authorized	—	—	—
Series A convertible preferred stock, par value \$100 per share; 0, 8,000 and 8,000 total shares authorized; 0, 0 and 4,000 shares issued and outstanding (with total liquidation preference of \$0, \$0 and \$100,000)	—	—	94,298
Common stock, par value \$1 per share; 240,000,000 shares authorized; 82,052,537; 73,324,491 and 70,951,932 shares issued	82,053	73,324	70,952
Additional paid in capital - common stock	2,623,659	1,623,693	1,500,032

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Retained earnings	1,398,797	1,445,673	1,202,722
Accumulated other comprehensive income (loss)	106	139,882	(57,524)
Less: 478,934; 413,596 and 409,440 shares of common stock held in treasury, at cost	(56,855)	(30,003)	(29,652)
Total Stockholders' Equity	4,047,760	3,252,569	2,780,828
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	\$11,514,746	\$7,781,549	\$6,731,488

See accompanying notes.

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PVH Corp.
 Consolidated Statements of Cash Flows
 Unaudited
 (In thousands)

	Twenty-Six Weeks Ended	
	August 4, 2013	July 29, 2012
OPERATING ACTIVITIES		
Net (loss) income	\$(35,922)	) \$185,394
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	205,348	67,792
Equity in income of unconsolidated affiliates, net	(3,140)	) (1,850)
Deferred taxes	(23,697)	) 15,906
Stock-based compensation expense	34,478	18,891
Debt modification and extinguishment costs	40,395	—
Changes in operating assets and liabilities:		
Trade receivables, net	(14,276)	) 46,095
Inventories, net	(34,010)	) (117,028)
Accounts payable, accrued expenses and deferred revenue	(145,871)	) 39,893
Prepaid expenses	(28,923)	) (8,590)
Employer pension contributions	(30,000)	) (7,489)
Other, net	97,659	) (31,716)
Net cash provided by operating activities	62,041	207,298
INVESTING ACTIVITIES⁽¹⁾		
Business acquisitions, net of cash acquired	(1,815,329)) —
Purchase of property, plant and equipment	(105,571)	) (81,685)
Contingent purchase price payments	(26,734)	) (25,749)
Net cash used by investing activities	(1,947,634)	) (107,434)
FINANCING ACTIVITIES⁽¹⁾		
Net proceeds from revolving credit facilities	346	40,000
Net payments on short-term borrowings	(34,673)	) (249)
Repayment of old credit facilities	(900,000)	) (89,680)
Repayment of new credit facilities	(181,688))