

WESTPEAK RESEARCH ASSOCIATION

PVH Corp. (NYSE: PVH)

Consumer Discretionary – Clothing and Accessories

Strategy Up the Sleeve

March 4th, 2021

PVH Corp. (PVH) is a global apparel company offering fashion apparel, accessories and footwear ranging from luxury to everyday wear through its owned and licensed brands including Calvin Klein, Tommy Hilfiger, Van Huesen, Izod, and Arrow.

Thesis

PVH has the liquidity, expertise and opportunities in the accessories and intimate apparel spaces to make a major acquisition in the coming years, which would significantly diversify its revenue streams and promote long term growth. Additionally, we believe the market has overlooked the company's strategic positioning of Tommy Hilfiger in Asia. As competitors in the rapidly growing Asian apparel market target China, PVH's consolidatory acquisition strategy has set Tommy Hilfiger up with comparative advantage in significant emerging apparel markets such as Indonesia, Vietnam and the Philippines.

Drivers

PVH's revenue is driven largely by its wholesale and retail sales. These drivers are dependent on consumers' discretionary income, as higher disposable income levels indicate increased willingness to spend on goods like apparel. Disposable income generally fluctuates in tandem with fluctuations in the global economy. Therefore, PVH's revenue stands to grow in line with the steadily recovering economy post-COVID-19 and subsequent rising disposable income levels.

Valuation

PVH's current share price is \$99.55. Based on a discounted cash flow analysis and comparable company analysis weighted at 50% each, we arrived at a target price of \$118.18, with an upside of 18.7%. Given this target price, we initiate a **BUY** rating on PVH.

Analyst: Jocelyn Bachmann, BCom. '24
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Equity Research US

Price Target	USD\$118.18
Rating	Buy
Share Price (Mar. 4 Close)	USD\$ 99.55
Total Return	18.7%

Key Statistics

52 Week H/L	\$108.84/\$28.40
Market Capitalization	\$6.98B
Average Daily Trading Volume	\$1.14M
Net Debt	\$3.94B
Enterprise Value	\$10.63B
Net Debt/EBITDA	19.4x
Diluted Shares Outstanding	\$71.5M
Free Float	99.45%
Dividend Yield	N/A

WestPeak's Forecast

	2020E	2021E	2022E
Revenue	\$7.5B	\$8.4B	\$9.7B
EBITDA	-\$882M	\$907M	\$1.2B
Net Income	-\$1.3B	\$482M	\$730M
EPS	-\$17.94	\$6.74	\$10.21
P/E	N/A	14.8x	9.7x
EV/EBITDA	N/A	12.0x	8.5x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

PVH Corp. (PVH) is an American apparel company that offers products internationally under both licensed and owned brands, most notably Tommy Hilfiger and Calvin Klein. The company's strategy consists of developing its brands to complement one another and foster consumer loyalty, as well as pursuing growth through acquisitions for diversification and consolidation. Despite its well-known luxury brands, PVH focuses on offering products at various prices and through multiple channels to minimize dependence on any one consumer segment, product type, price point, channel, or region.

PVH generates revenue through its wholesale distribution of apparel to retailers, licensees, franchisees, and e-commerce sites operated by wholesale partners, as well as through sales from its 3,330 global retail stores and concessions locations, and e-commerce sites in over 30 countries. The company also generates royalty and advertising revenue through licensing.

Brands

Calvin Klein

PVH purchased Calvin Klein in 2002 for an estimated \$630 million USD. Calvin Klein did not rank among the top preferred brands in North America in 2019 but garnered 5% brand preference in the United Kingdom.

As part of its strategy to avoid dependence on specific price points, product types, and channels, PVH operates its Calvin Klein North America and International segments through five brands: CK Calvin Klein, Calvin Klein, Calvin Klein Jeans, Calvin Klein Underwear, and Calvin Klein Performance. CK Calvin Klein is distributed in the Asia-Pacific region, Calvin Klein and Calvin Klein Performance are primarily distributed in North America, Europe and Asia-Pacific, and Calvin Klein Jeans and Underwear are distributed worldwide.



Tommy Hilfiger

PVH purchased Tommy Hilfiger in 2010 for \$3 billion USD as its second large brand acquisition. As of 2019, Tommy Hilfiger is PVH's strongest brand in terms of brand recognition in North America, ranking within the top nine brands in the region with 5% brand preference.

Like its management of Calvin Klein, PVH operates its Tommy Hilfiger North America and International segments through the following brands: Hilfiger Collection, Tommy Hilfiger Tailored, Tommy Hilfiger, Tommy Jeans, and Tommy Sport. All brands are available globally, with Hilfiger Collection, Tommy Hilfiger Tailored and Tommy Hilfiger target 25 to 40-year-old consumers, while Tommy Jeans and Sport target 18 to 30-year-old consumers



Heritage Brands

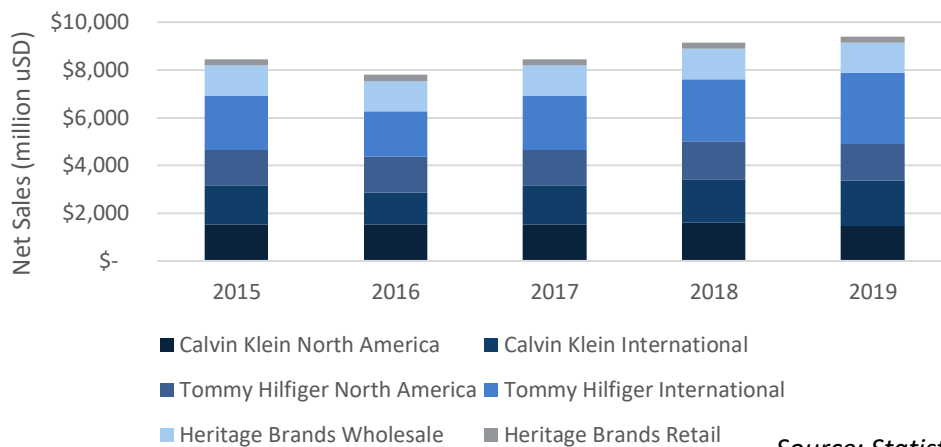
Heritage Brands includes brands such as Van Heusen, Izod, Arrow, Geoffrey Beene, Warner’s, and True&Co. This collection of relatively mid-range brands allows the company to maintain diversification in price point targeting despite its two largest brands falling more in the luxury segment.



Segments

PVH operates internationally through six segments based around its most notable wholly owned subsidiaries: Tommy Hilfiger North America and International, Calvin Klein North America and International, and Heritage Brands Retail and Wholesale. Of the company’s 2019 revenue, 52% was generated internationally, and 85% was generated by the Tommy Hilfiger and Calvin Klein brands.

PVH Net Sales by Segment, 2015-2019



Source: Statista

North America

For Calvin Klein and Tommy Hilfiger, North American wholesale distribution is principally through warehouse clubs, department stores, off-price and independent retailers, and e-commerce sites operated by department stores digital commerce retailers. Retail distribution for both brands in the region occurs through their *tommy.com* and *calvinklein.com* sites as well as through stores primarily located in premium outlet centres. Both brands are well established in North America but are seemingly more popular overseas.

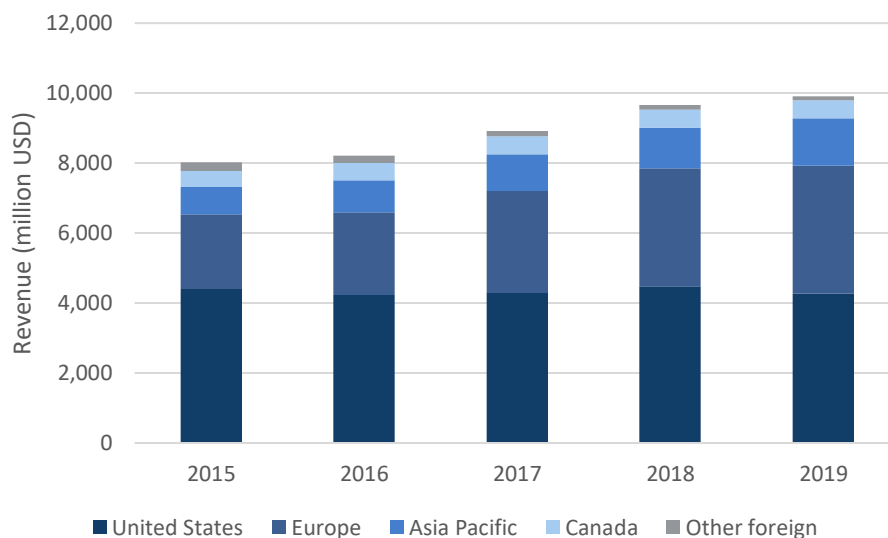
Both Heritage Brands segments sell exclusively in North America and are PVH’s weaker segments in terms of revenue generation and growth potential. Heritage Brands are primarily distributed at wholesale in the United States (U.S.) and Canada through department, chain and specialty stores, warehouse clubs, and off-price, mass market and independent retailers both in stores and online, as well as e-commerce retailers. Speedo products were also distributed through sporting goods stores, team dealers and swim clubs. The Speedo brand was sold to Pentland Group PLC in 2020 for \$170 million USD but is still licensed by PVH. In terms of retail, PVH markets Heritage Brands products directly to consumers through Heritage

Brands stores located in outlet centres throughout the U.S. and Canada, as well as through directly operated e-commerce sites for Speedo, True&Co., Van Heusen, and Izod, and the company's *styleBureau.com* site. In response to low earnings and perceived changes to the retail industry resulting from COVID-19, PVH will exit its Heritage Brands Retail business by mid-2021, permanently closing its approximately 162 Heritage Brands stores in North America.

International

In addition to North American operations, Tommy Hilfiger and Calvin Klein wholesale primarily consist of sales and distribution throughout Europe and Asia-Pacific, including Brazil for Calvin Klein. Wholesale distribution in Europe, Asia-Pacific, and Brazil for Calvin Klein is through specialty and department stores, e-commerce sites, distributors and franchisees. International retail for both brands also consists of sale and distribution in Europe and Asia-Pacific, including Brazil for Calvin Klein, as well as through the *tommy.com* and *calvinklein.com* sites operated in over 30 and 35 countries, respectively. In Europe and Asia-Pacific, the company operates full-price outlet and specialty stores, as well as select flagship stores and concession locations. Additionally, the company licenses the Tommy Hilfiger, Calvin Klein, and Heritage Brands brands to third parties globally through 25, 45 and 80 licensing agreements, respectively. Territorial licenses for the Tommy Hilfiger and Calvin Klein brands include joint ventures in India and Mexico, as well as Brazil for Tommy Hilfiger. Within the Heritage Brands segment, Van Heusen, Izod, Arrow, Geoffrey Beene, Speedo, Warner's and Olga are licensed globally.

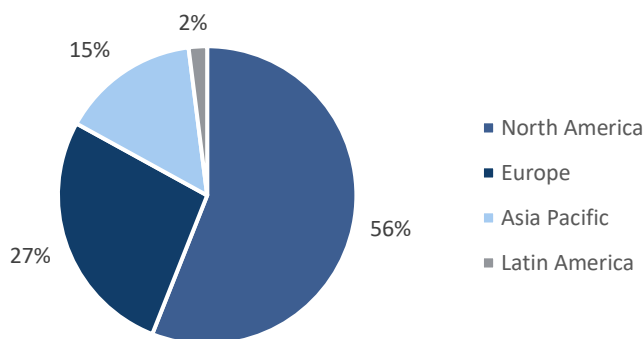
PVH Revenue Share by Region, 2015-2019



Source: Statista

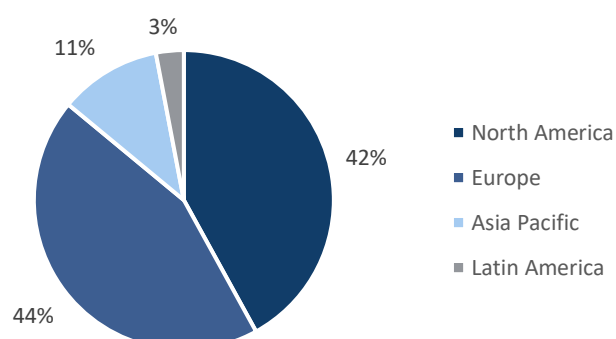
PVH's revenue is increasingly generated internationally, with Tommy Hilfiger and Calvin Klein experiencing significantly higher growth—and higher revenue generation in the case of Tommy Hilfiger—overseas. Both brands' international operations are focused in Europe and Asia Pacific, with Calvin Klein holding a more established presence in Asia Pacific but Tommy Hilfiger showing more promising growth potential in the region.

Calvin Klein Retail Sales by Region, 2019



Source: Statista

Tommy Hilfiger Retail Sales by Region, 2019



Source: Statista

Company Strategy

Strategic Acquisitions – Growth and Diversification

Given that its inception was the result of the acquisition of Van Huesen by Phillips-Jones in 1957, it is no surprise the defining feature of PVH's growth strategy is its strategic acquisitions. Excluding its formation, PVH's first acquisition was Izod in 1995, followed by Arrow in 2000, forming the beginnings of what would become its Heritage Brands. In 2002, the company carried out its first major acquisition, purchasing Calvin Klein for an estimated \$400 million USD cash, \$30 million USD in stock, and \$200 million to \$300 million USD in licensing rights and royalties tied to revenues over the next 15 years. Not only did Calvin Klein, already an established brand, serve to boost PVH's market share and relevance within the apparel industry, but it also allowed the company to diversify beyond men's semi-formal attire into women's and everyday apparel, as well as high fashion. The company went on to further diversify by acquiring Superba Inc. in 2007, gaining necktie licenses for brands including DKNY, Nautica, Michael Kors, Perry Ellis, and Jones New York. In 2010, PVH executed its next large acquisition, purchasing Tommy Hilfiger for \$3 billion USD, further strengthening its portfolio. The company's most recent large acquisition for diversification was the purchase of textile corporation Warnaco Group in 2013 for \$2.9 billion USD. Similar to PVH, Warnaco designs, sources, licenses and distributes swimwear, sportswear and underwear globally. This acquisition added the Warner's, Olga and Speedo brands to PVH's portfolio, facilitating diversification into intimate apparel and swimwear. As a smaller recent acquisition, PVH purchased digital intimate apparel retailer True&Co. in 2017. We believe this acquisition is a testament to PVH's strong awareness of industry trends and ability to make acquisitions of strategic significance, as True&Co. allowed for further diversification into intimate apparel and, most importantly, into e-commerce.

Strategic Acquisitions – Consolidation

While PVH’s portfolio strengthening acquisitions do not occur annually, the company has a track record of making frequent purchases to further consolidate its brands. A key strategic acquisition, the Warnaco purchase not only served to diversify PVH’s portfolio but is also amongst the company’s largest acquisitions for consolidation. This acquisition’s primary strategic significance was the consolidation of the Calvin Klein brand, as Warnaco was a Calvin Klein licensee that manufactures products for many of the brand’s lines, including its most popular lines: underwear and jeans.

Normally, PVH’s consolidatory acquisitions are of a smaller scale than Warnaco. Often as a means of expanding into various international markets, PVH deals in multitudes of licenses and joint ventures, frequently purchasing licensees and additional interest in ventures over time to reconsolidate brands once they have established presences abroad or otherwise. Most recently, the company acquired the Tommy Hilfiger retail business in Central and Southeast Asia from its former licensee for \$74.3 million USD in 2019, allowing for direct operation of the Tommy Hilfiger brand in the region. Also, the company acquired the remaining 78% of the Gazal Corporation Ltd. (Gazal) that it did not already own in 2019. Gazal and PVH previously jointly owned and managed PVH Brands Australia Pty., which licensed and operated businesses in Australia, New Zealand and other parts of Oceania, as a means of facilitating a unified approach to expansion of Calvin Klein in the region. With the brand established in Oceania, PVH now wholly owns and operates these businesses. We believe that PVH’s consolidatory acquisition strategy is effective, as it facilitates low risk international expansion by leveraging the expertise of partners and then regaining complete control once channels are established, generally improving marketing and pricing.

Industry Analysis

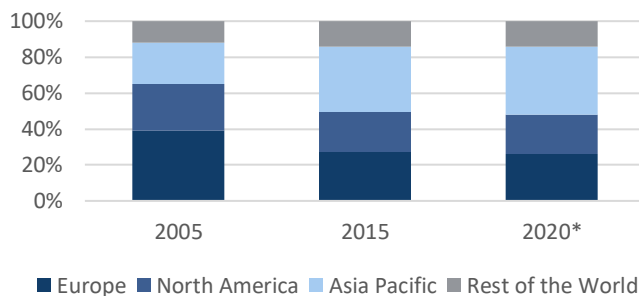
PVH operates in the apparel industry, with a focus on adult apparel, as well as the luxury apparel segment of the luxury fashion industry. Within these markets, the company primarily operates via wholesale and retail sales, but is steadily branching out into e-commerce.

Apparel Industry: Regional Overview

The global apparel industry, worth \$1.9 trillion USD, has maintained a steady revenue growth rate of about 4.6% for the past decade. Due to reduced sales caused by COVID-19, this dropped to -18.9% in 2020. However, the industry is expected to rebound relatively quickly, returning to its pre-COVID revenue numbers by 2022. While PVH is considered a leading apparel company, the market is highly concentrated, putting the company’s market share at approximately 0.49% in 2019. However, the company has a greater hold on the U.S. apparel industry, holding a market share of 4.8% in 2019.

The industry’s highest revenue contributors are China and the U.S., generating a projected \$321.3 billion USD and \$316.6 billion USD in 2021, respectively, more than quadruple the projected revenue from Japan, the industry’s next highest

**Demand Share of Apparel Market
by Region, 2005, 2015, 2020**



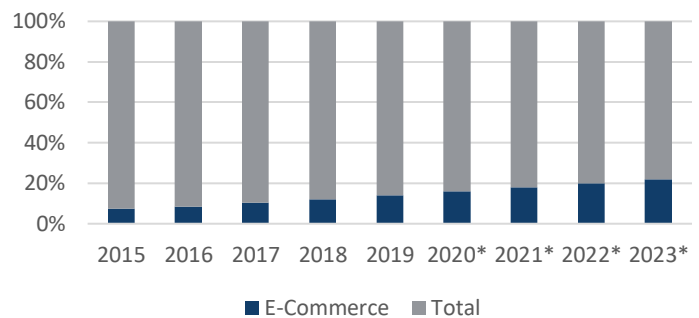
Source: Statista

contributor. The U.S. apparel market has seen steady revenue growth rates of about 3% in the past decade, dropping to -28.9% in 2020, while China has seen higher but slightly less stable revenue growth, ranging from 7.9% to 4.2% over the past decade, and dropping to -13.4% in 2020. Demand in the apparel market was once most concentrated in Europe, PVH’s second highest revenue generating region, but has begun shifting to Asia Pacific. Moreover, Asia Pacific exhibited the highest compound annual growth rate (CAGR) between 2015 and 2020 of any region in the apparel market, growing at 4% compared to North America and Europe’s 2%. PVH has made moves to expand further into Asia Pacific in recent years, and there are significant growth opportunities available in the region, especially in the emerging Southeast Asian and Indian markets.

Apparel Industry: E-Commerce Trend

Within the past five years, e-retail has become an increasingly important sales channel in the apparel industry. Given the large-scale negative impact on sales caused by COVID-19’s restriction of in-person shopping, it is likely that the industry shift towards e-commerce will accelerate in the coming years. PVH is well positioned to respond to this trend, as the company acquired intimate apparel e-commerce retailer True&Co. in 2017 and operates the *tommy.com* and *calvinklein.com* sites in over 30 countries, with its wholesale partners and licensees operating many more. Much of the company’s marketing is also focused on digital initiatives, with Calvin Klein and Tommy Hilfiger placing third and ninth, respectively, on the ranking of most popular everyday fashion brands on social media in the U.S. in 2019. PVH plans to expand e-commerce to 20% of sales within the next two years from 12% in 2019. Given its already established channels and rapid e-commerce response to COVID-19, this seems possible.

E-Commerce Share of Total Global Retail Sales, 2015-2023

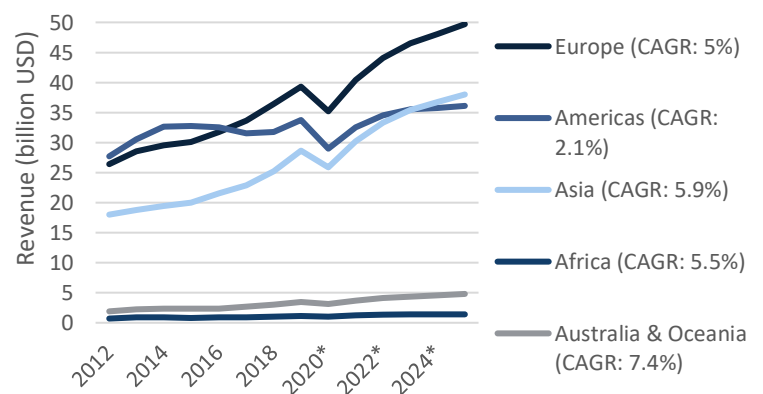


Source: Statista

Luxury Apparel Industry

Through Calvin Klein and Tommy Hilfiger’s status as high-end brands, PVH also operates considerably in the luxury apparel industry. The global luxury apparel industry, worth \$106.2 billion USD and consistently making up about 4% of revenue in the larger apparel industry, saw somewhat of a flatline in revenue growth between 2014 and 2017, with growth rates picking up again in 2018 to reach 8.6% in 2019. In line with the apparel industry, luxury apparel saw a sharp decline in revenue growth to an estimated -14.5% in 2020 due to reduced sales caused by COVID-19. However, the industry is expected to rebound relatively quickly, returning to its pre-COVID

Luxury Fashion Sales Growth by Region, 2012-2025



Source: Statista

revenue growth trend by 2023. As it is a competitive but relatively less concentrated industry than general apparel, PVH had a market share of approximately 7.4% in luxury apparel in 2019.

Unlike the apparel industry's split between the U.S. and China, luxury apparel revenue is considerably concentrated in the U.S., with the country projected to generate \$18.097 million USD in 2021, more than triple the industry's next highest contributors, Japan and China, which have projected 2021 revenues of \$5.511 million USD and \$5.375 million USD, respectively. However, luxury fashion is projected to achieve the highest revenue growth in Asia, amongst its most relevant regions. The region is expected to achieve a CAGR of 5.9% between 2012 and 2025, compared to a projected 2.1% CAGR in the Americas.

Despite its top brands operating largely in the luxury apparel sector, PVH seems to be shifting its focus more towards expanding these brands' appeal within the mid-range apparel sector. This is largely due to the current athleisure trend and an accelerated consumer shift to prioritising casual product categories caused by COVID-19. However, PVH operates in mid-range apparel with somewhat of a luxury apparel mindset, as the company focuses "hero products", products consumers consider staple and meaningful items, which is usually a strategy reserved for luxury products. Bringing this strategy into their mid-range strategy may give PVH competitive advantage in an era in which consumers have more apparel choices than ever and harbour increasing disdain for fast fashion.

Catalysts

Major Acquisition

In late 2019 Emanuel Chirico, PVH's Chief Executive Officer at the time, stated that the company was aggressively looking for new acquisition opportunities. While this initiative was presumably put on hold during 2020 as COVID-19 worsened, the search is likely to resume by late 2021 or 2022 once the company has recovered. Historically, PVH has made a large acquisition for diversification every 3 to 5 years. A purchase in late 2019 or early 2020 would have marked over 6 years since their last large acquisition; they seemingly waited until they had paid off all debts associated with previous brand acquisitions to look into new opportunities. Now, it has been over 7 years without a new brand acquisition, and the company has ample liquidity and a management team with extensive acquisition experience both at PVH and other apparel companies. Moreover, concerns surrounding the company's overwhelming dependence on Calvin Klein and Tommy Hilfiger are increasing amongst investors and hence likely within PVH as well. Comparable apparel holding companies such as Tapestry Inc. and Capri Holdings Ltd. seem to hold a higher number of well-known brands than PVH, with Tapestry owning Coach, Kate Spade, and Stuart Weizman and Capri owning Versace, Jimmy Choo and Michael Kors. PVH's 85% revenue generation from Calvin Klein and Tommy Hilfiger is both a signal to acquire and a testament to the company's exceptional ability to grow brands.

Luxury Options

Given that Mr. Chirico mentioned interest in acquiring a brand or *portfolio of brands*, PVH could make the move to acquire an entire holding company like Capri, which would significantly diversify their revenue streams as it would lessen dependence on Calvin Klein and Tommy Hilfiger while also branching into accessories and footwear. However, given the impact of COVID-19, it seems more likely that the company would opt for a smaller acquisition such as purchasing Michael

Kors from Capri or Kate Spade from Tapestry. Both of these brands were already struggling before the pandemic and hence were hit particularly hard, so it is definitely plausible that Tapestry or Capri could be looking to sell. Additionally, PVH licenses Michael Kors, meaning they have experience with the brand which may facilitate smoother integration. These options represent the accessories and luxury apparel route for PVH, which would diversify its brand portfolio and revenue streams but potentially reduce their comparative advantage over competitors like Tapestry and Capri who depend heavily on the smaller and more unpredictable market of luxury fashion.

Mid-Range Options

Alternatively, PVH could choose to diversify further into intimate apparel. Victoria's Secret, owned by L Brands, is a particularly promising target. L Brands is struggling with debt currently and permanently closed approximately 250 Victoria's Secret stores in the U.S. and Canada in 2020, with more closures expected in 2021 and 2022. The company is clearly looking to sell the brand as it announced a deal in February 2020 to sell 55% of Victoria's Secret to Sycamore partners, but this fell through after COVID-19 hit. Victoria's Secret, including its Pink subsidiary, is an extremely well-known brand and has suffered as a result of poor strategic management rather than reduced appeal. As PVH already has an established presence and extensive experience in the intimate apparel space both in e-commerce with True&Co. and omnichannel distribution with Calvin Klein and Olga, we believe the company has the potential to turn Victoria's Secret into a third large revenue generator. This acquisition route focuses more on diversification further into mid-range apparel than luxury apparel. This is potentially a good move for PVH, as it diversifies revenue streams not only away from strictly clothing but also away from strictly higher-end brands. An acquisition of this kind could balance the company's portfolio, making it rely on two more luxury-leaning segments and two mid-range segments. This route would also fall more closely in line with the company's general strategic focus on avoiding dependence on specific price points and product types.

Price Impact

Ultimately, as shown by the company's successful growth of Calvin Klein and Tommy Hilfiger, PVH is adept at making acquisitions and maximising the potential of large acquired brands. We expect that announcement of any large acquisition would push PVH's share price up as it would indicate not only increased revenue and growth potential, but also reduced risk as dependence on the two major brands has been a deterrent for investors.

Tommy Hilfiger Asia Expansion Under Biden Administration

Strategic Positioning in Asia

We believe the strategic positioning of Tommy Hilfiger in Asia has been largely overlooked by the market. China has taken the stage as the primary target market for apparel companies looking to expand overseas. Succeeding in China has proved difficult for many companies due to marketing and competition challenges, but PVH has undoubtedly successfully established its Calvin Klein brand in the country, with 52% of the brand's revenue in Asia being generated in China. PVH believes that Tommy Hilfiger still has the potential to double in size in China over time and has made moves to increase its control over the brand in the region.

However, we believe there is a hyperfocus on targeting China which PVH has beneficially not leaned too far into. According to McKinsey's report on the State of Fashion 2020, India and Southeast Asian markets are teeming with opportunities for

apparel. The Indian clothing market is the sixth largest globally, worth an estimated \$53.7 billion USD, Indonesia is the fourth largest country in the world by population, and Vietnam and the Philippines are seeing rapid GDP growth. Evidently, amongst PVH's largest license business for Tommy Hilfiger, the company lists a joint venture in India and major operations with distributors in Indonesia, Vietnam and the Philippines. Not only did PVH have the foresight to quietly strategically position Tommy Hilfiger in these emerging markets early on, but its expansion strategy gives the company further competitive advantage in Southeast Asia. McKinsey highlights that Southeast Asian countries are highly diverse, with a wide spectrum of taste within each country and differences in regulation. PVH's strategy of partering with local companies to facilitate international expansion initially and later acquiring full control provides the company with significant comparative advantage in this case, as it allows for tailored approaches to each country guided by partners with expertise in those areas. Therefore, we believe that Tommy Hilfiger has tremendous growth potential in Asia and new acquisitions for consolidation, such as purchasing the India joint venture, could awaken the market to the brand's optimal positioning in the region.

Political Implications

A caveat associated with this catalyst is the Trump administration's ongoing trade war with China, which has negatively affected PVH's operations since 2018. In 2019, significant additional tariffs were placed on PVH's products from China. Consequently, the company has been steadily moving production out of China to Vietnam, bringing Chinese-sourced production down to 4% of COGS in 2019 from 9% in 2018 and approximately 35% in 2016. However, in recent months, the Trump administration labelled Vietnam a currency manipulator, indicating plans to impose tariffs. Furthermore, potentially harder hitting than its financial impact, the "America first" attitude spurred on by the trade war has damaged PVH's relations with Asian consumers.

Biden took office on January 20th, beginning a presidency that is likely to create a significantly more stable economic landscape for U.S. businesses, especially those that operate internationally. It is highly likely that the Biden administration will roll back the baseless tariffs on Vietnam and facilitate generally cooler trade tensions. While Biden's approach to China remains uncertain, there is an expectation that the government will shift towards more respectable and less aggressive rhetoric, likely mending some of the ill will created by the Trump administration. As tariff avoidance and improved customer relations would mean expanding profit margins for PVH in Asia and reduced risk associated with further expansion in the region, we expect that signs of a shift towards improved relations between the U.S. and Asia would push PVH's price up.

Management Team

Emanuel Chirico – Chairman

Emanuel Chirico is PVH's current Chairman. He has spent 25 years at PVH in positions including President, Chief Operating Officer, Chief Financial Officer and Chief Executive Officer. Prior to joining PVH, Mr. Chirico was a partner at Ernst & Young and head of its Retail and Apparel Practice Group. With a bachelor's degree from Fordham University's Gabelli School of Business, he has received a plethora of business apparel awards, including the American Apparel & Footwear Association's 2018 Person of the Year, and a 2019 induction into the Business of Fashion 500 Hall of Fame.



Stefan Larsson – Chief Executive Officer

Stefan Larsson transitioned from his position as PVH’s President to the company’s Chief Executive Officer on February 1st, 2021. Prior to joining PVH, Mr. Larsson served as the Chief Executive Officer of Ralph Lauren, where he refocused the company and improved its overall performance. With a joint MBA from Finland’s Hanken School of Economic and Business Administration and Sweden’s Jonkoping International Business School, Mr. Larsson has also served as the Global President of Old Navy and in multiple leadership positions in H&M, including Head of Global Sales.



Michael Shaffer – Executive Vice President, Chief Operating Officer, Chief Financial Officer

Michael Shaffer is Executive Vice President, Chief Operating Officer and Chief Financial Officer at PVH Corp. He has spent over 25 years at PVH, beginning as a Financial Budget Manager and progressing to positions such as Executive Vice President of Finance. Prior to PVH, Mr. Shaffer served as a Senior Auditor at Deloitte & Touche, and, since 2014, has served on the Board of Directors at Build-A-Bear Workshop. He has been instrumental to PVH’s strategy, directing acquisitions such as Tommy Hilfiger and Warnaco and implementing expansion into digital channels and investments.



Management Expertise

Given management’s extensive experience at PVH and other well-known companies in the apparel industry, we believe management is qualified to lead PVH through the current COVID-induced recession and expand the company in the long term. Additionally, the change of leadership to Mr. Larsson is unlikely to disrupt the company, as his experience growing Ralph Lauren, a direct competitor and highly comparable company for PVH, is indicative of his expertise in the apparel industry.

Management Compensation

Management’s compensation plan is heavily dependent on bonuses and restricted stock awards, making up over 54% of their compensation in 2020.

Management Compensation Structure as of September 2020

Name	Position	Salary	Restricted Stock Awards	Bonus and Other Compensation	Total Compensation
Emanuel Chirico	Chairman (CEO at time)	\$ 1,500,000.00	\$ 8,000,329.00	\$ 7,963,984.00	\$ 17,464,313.00
Stefan Larsson	CEO (President at time)	\$ 800,000.00	\$ 3,000,044.00	\$ 2,855,795.00	\$ 6,655,839.00
Michael Shaffer	Exec. VP, COO, CFO	\$ 941,667.00	\$ 6,400,307.00	\$ 2,849,041.00	\$ 10,191,015.00

Source: Capital IQ

Mr. Chirico, Mr. Larsson and Mr. Shaffer, along with the majority of PVH’s executives receive bonuses based on EPS. Executives are also compensated with performance share units which are based on relative total shareholder return goals absolute stock price growth. This is somewhat concerning, as linking compensation to less easily manipulated measures that encourage capital allocation for shareholders’ benefit such as ROIC is typically preferred. The strong relationship between ROIC and valuation has been proven and is intuitive: ideally, since the purpose of capital markets is to promote the most efficient use of capital, the market should reward companies that earn the most relative to the capital invested with the highest valuations. Despite this unideal compensation plan, PVH has not compensated management at the expense of shareholder value in the past.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

PVH has 7.1 million shares outstanding of common stock with minimal insider ownership. Collectively, management owns less than 2% of PVH’s shares outstanding. The majority of the company’s shareholder base is composed of institutional holders, with 101.27% of the free float held by institutions. Although over 100% of the free float is held by institutional investors, PVH does not have particularly high short interest, with a short interest ratio of 2 days to cover and at 3.27% of free float with short interest. PVH’s institutional ownership is slightly higher than comparable apparel holding companies like Tapestry Inc., Capri Holdings Ltd., or Hanesbrands Inc., which average about 93.8% ownership by institutions. We view this as an indication that PVH is a good investment, as the stock is held by many reputable institutions. However, it also adds a degree of risk, as institutions could all move collectively based on sudden news and significantly impact the price.

Top Institutional Shareholders

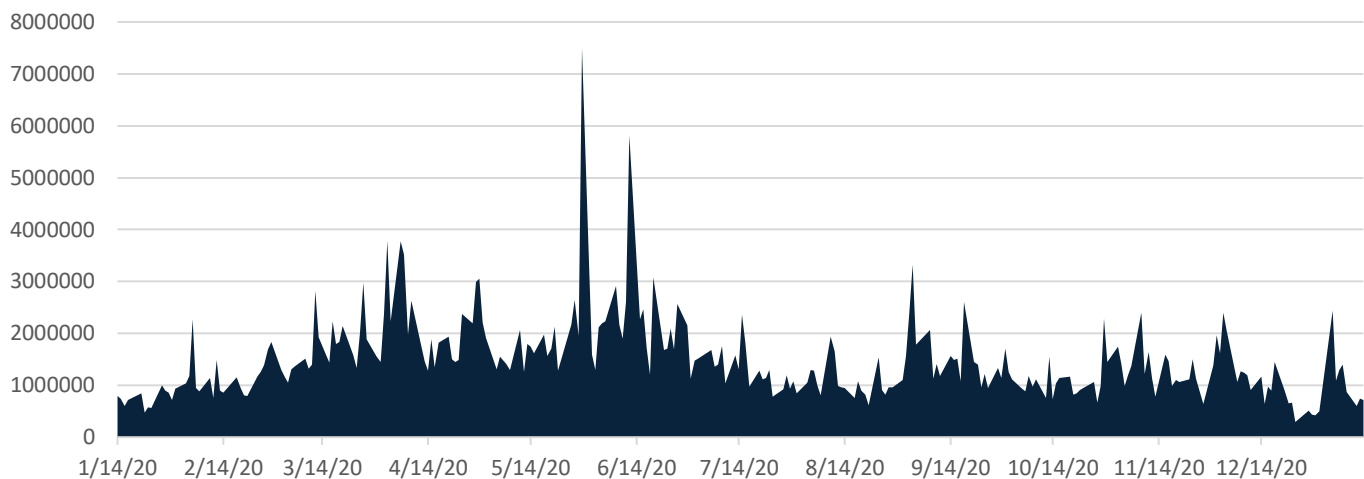
Shareholder (Name)	Shares Held (mm)	Shares Outstanding (%)	Last Filing Date (Date)
FMR, LLC	9.653	13.58%	31-Dec-20
Vanguard Group, Inc.	7.412	10.43%	29-Sep-20
Pzena Investment Management, LLC	7.375	10.37%	31-Dec-20
Wellington Management Company, LLP	6.990	9.83%	29-Sep-20
Blackrock Inc.	3.992	5.61%	31-Dec-20
State Street Corporations	2.415	3.40%	29-Sep-20
Dimensional Fund Advisors LP	2.190	3.08%	29-Sep-20
Viking Global Investors, LP	1.762	2.48%	29-Sep-20
Franklin Resources, Inc.	16.898	2.39%	29-Sep-20
Bank Of New York Mellon Corporation	1.505	2.12%	29-Sep-20
Institutional Ownership	73.827	99.72%	

Source: Yahoo Finance

Liquidity

PVH's average daily trading volume from the past year (January 14th, 2020 to January 14th, 2021) is about 1,471,677 shares. The spike in volume in mid-May is likely a response to the U.S. government's announcement of a trillion-dollar stimulus package. The second spike in early June is likely due to the release of the first quarter results, which stated the company had \$1.8 billion USD of liquidity, including \$800 million USD of cash on hand, indicating favourable positioning at the onset of COVID-19.

LTM Daily Trading Volume



Source: Yahoo Finance

On the operational front, PVH entered COVID-19 with impressive liquidity and has made continuous efforts to increase liquidity since. The company has generated positive free cash flow in eight of the past ten years, with free cash flow yield averaging over 6% in the past five years, significantly surpassing the Consumer Cyclical sector average of 3.5%. PVH ended the third quarter of 2020 with \$1.5 billion USD of cash on hand and \$1.5 billion USD of available borrowing capacity. This indicates ample financial flexibility to weather the remainder of COVID-19 and build on opportunities in Asia Pacific.

Valuation

Discounted Cash Flow Assumptions

Revenue

Revenue from each segment was projected to experience slightly improved but still negative growth in the fourth quarter of 2020, and positive growth throughout 2021 as COVID-19 vaccines are distributed and consumers begin to shop in person and spend on apparel again.

Calvin Klein and Tommy Hilfiger North America were projected a 20% growth rate for 2022, producing revenues below 2019 values but beginning to return to their regular growth trend, as COVID-19 will have mostly died down and consumers will be eager to spend on new clothing coming out of almost two years of lockdown. From 2023 onwards, these two segments

were projected revenue growth rates of 5% as the brands are not expected to grow significantly in North America but leveraging e-commerce and digital marketing strategies to maintain brand recognition will likely sustain a healthy growth pattern. Heritage Brands Wholesale was predicted a 10% growth rate for 2022 due to uptick in consumer spending post-pandemic – lower than Calvin Klein and Tommy Hilfiger as the segment consists of lesser-known brands and generally experiences slower growth rates. From 2023 forward, Heritage Brands Wholesale was projected slowing growth rates, reaching -0.5% by 2025, due to the shrinking wholesale market in North America.

PVH's international segments grow at a much faster rate than its North American segments. Calvin Klein International was projected a 12% revenue growth rate beginning in 2022, in line with its historical range, as we do not foresee a catalyst for this segment but PVH's constant acquisitions and joint ventures will likely sustain this overseas growth. Tommy Hilfiger International has a historically higher growth rate than any other segment. We projected a growth rate of 17% beginning in 2022 for this segment, slightly higher than its historical values based on the aforementioned catalyst of international growth, especially in Asia Pacific.

Capital Expenditures and Acquisitions

Capital expenditure (capex) was projected in the fourth quarter of 2020 based on PVH's estimate that 2020 capex would decrease to \$190 million USD. In 2021, projections were based on the same COVID-19 assumptions of steady improvement leading up to vaccine distribution and slightly higher improvement from there on out. Due to continued expansion overseas, especially in Asia Pacific, we project that PVH's capex will remain around its historical value of 40% from 2022 onwards.

Although we expect that PVH will continue to make smaller scale acquisitions after they have recovered from COVID-19, in line with their general strategy, we did not project values associated with these acquisitions or with any potential large scale brand acquisition, as the exact timing and numbers of these purchases are relatively unpredictable. We believe that the constant nature of PVH's acquisitions gives them a comparative advantage over other companies in the apparel industry as they do not rely as heavily on increasing the appeal of their individual brands for growth, and are skilled at integrating acquired brands and managing consolidatory acquisitions due to their ample experience.

Dividend Policy

In the second quarter of 2020, PVH suspended dividend payments during its relief period, which ends the third quarter of 2021. From then forward, PVH's constant dividends of \$0.0375 per quarter were projected. We view PVH's dividend policy as a comparative advantage over other comparable companies, as it is extremely consistent.

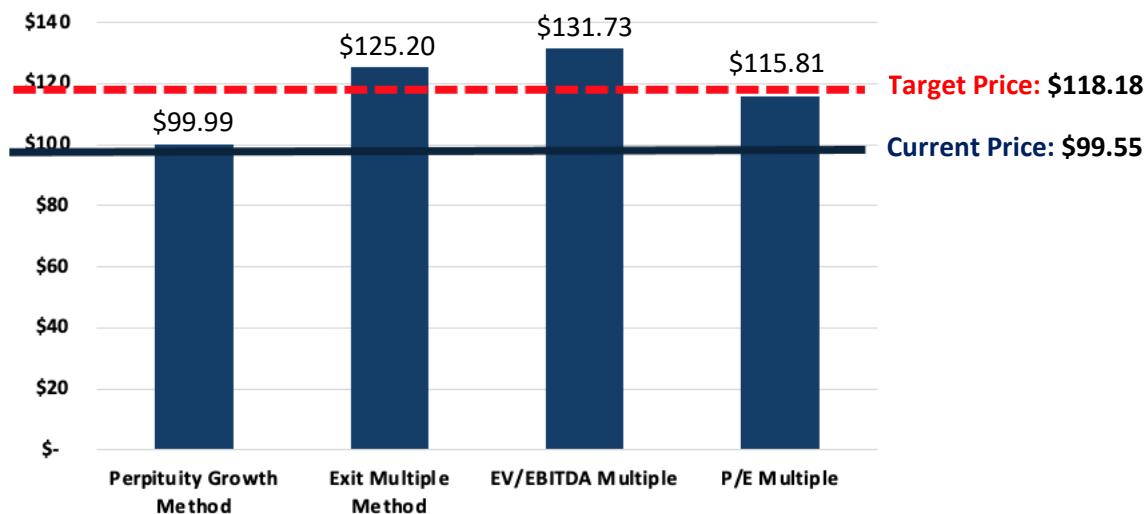
Effective Tax Rate

PVH's tax rate is consistently significantly lower than other apparel companies and the U.S. statutory tax rate of about 21% due to its heavy international revenue generation. As we expect that the company's international segments will continue to experience superior growth to its North American segments, we projected a steady annual effective tax rate of 7.1% based on the average of PVH's rate from the last five years.

Weighted Price Target

Our target price for PVH is based on our EV/EBITDA exit multiple and the perpetuity growth multiple from our DCF as well as the P/E and EV/EBITDA multiples from our comparable company analysis, each weighted at 25%. We weighed these methods equally as we believe they are generally equally reliable valuation methods for PVH. In terms of our perpetuity growth method, we used a relatively conservative 2% perpetuity growth rate. On top of maintaining predictable cash flows historically, PVH has taken ample measures since the onset of COVID-19 to ensure liquidity and continues to do so aggressively. This indicates reliability for our DCF, as the valuation is not being skewed by fluctuating cash flow projections.

For our exit multiple method, we used an EV/EBITDA exit multiple of 10.2x based on the mean trading multiples of PVH’s comparable companies. Therefore, the reliability of our exit multiple method, as well as our comparable company analysis, hinges on our comparable set, which we believe accurately represents PVH as a corporation. PVH is a unique apparel company within its market cap range, especially in the North American market, as it essentially acts as an apparel holding company giant—of which there are few in the region—yet does not specifically target high-end fashion as its few American comparable holding companies tend towards. Therefore, our comparable set is comprised of companies in the holding space and the more mid-range single-brand sector.



Comparable Company Analysis

For the comparable companies set, publicly traded apparel and accessories companies with similar market capitalization and business structure to PVH were chosen. Given PVH’s diversified brand portfolio, companies in segments of the apparel industry ranging from high fashion to sportswear were included. To ensure balance, the set is also composed of a mixture of apparel holding companies like Tapestry Inc., and companies centred around single brands that are similar to one or multiple of PVH’s brands, like Ralph Lauren Corp.

Tapestry Inc. (NYSE: TPR)

Market Cap: \$10.04 billion USD

Tapestry Inc. is an American luxury apparel holding company that offers accessories and branded lifestyle products internationally. Like PVH, Tapestry's segments centre around its three wholly owned brands: Coach, Kate Spade, and Stuart Weitzman. Also similar to PVH's business model, the company generates revenue through wholesale and retail sales, as well as licensing its brands. Although Tapestry's market cap is higher than PVH's, its extremely similar business model makes it a good comparable company. Other comparable holding companies that were chosen for similar reasons to Tapestry are Capri Holdings Ltd. (NYSE: CPRI) and Hanesbrands Inc. (NYSE: HBI).

tapestry

COACH | kate spade | STUART WEITZMAN

Ralph Lauren Corp. (NYSE: RL)

Market Cap: \$7.88 billion USD

Ralph Lauren Corp. is an American fashion company that designs, markets and distributes apparel, home goods, accessories and fragrances internationally. Although Ralph Lauren focuses on one brand rather than acting as a holding company, its business model is similar to PVH in that it focuses on luxury apparel while also offering mid-range products. Additionally, the Ralph Lauren brand is very similar to Tommy Hilfiger and Calvin Klein aesthetically as well as in terms of target customers and product offerings. The comparable single-brand-centred companies that were chosen for similar reasons to Ralph Lauren are Levi Strauss & Co. (NYSE: LEVI), Abercrombie & Fitch Co. (NYSE: ANF), and The Gap Inc. (NYSE: GPS).

RALPH  LAUREN

Recommendation

We believe that PVH is undervalued by the market. Given the macroeconomic challenges and frenzy of store closures unleashed upon the apparel industry in the past year, PVH has done well minimizing its losses and maintaining strong brand presence online and through e-commerce channels. The company is due to make another large acquisition to strengthen its brand portfolio and potentially diversify into accessories or intimate apparel, and we believe they have the liquidity, expertise, and opportunities available to do so. Additionally, we believe the company's foresight and consolidatory acquisitions strategy for international growth has set Tommy Hilfiger up with ample comparative advantage in emerging Asian markets and the Biden administration is likely to reinforce the stability of growth opportunities in the region. For these reasons, coupled with a target price of \$118.18 produced by our discounted cash flow and comparable company analysis, we initiate a **Buy** rating on PVH Corp.

Risks

Dependence on Calvin Klein and Tommy Hilfiger

In 2019, 85% of PVH's revenue was generated by its Calvin Klein and Tommy Hilfiger segments. Given that the dwindling success of the company's Heritage Brands segments, as demonstrated by its complete exit from the Heritage Brands Retail segment due to low earnings, PVH may make efforts to exit many or most of its Heritage Brands operations in the coming years while further expanding the Calvin Klein and Tommy Hilfiger brands abroad. It is possible that Calvin Klein and Tommy Hilfiger may constitute up to 95% of the company's revenue in the coming years. This poses significant risk, as the value of these brands can be easily impacted by factors such as volatile style trends, consumer spending habits, the public image of their namesake founders, or employment agreements with said founders.

Struggling Wholesale Segment

In the past three years, almost 19% of PVH's revenue has been generated through sales to its five largest wholesale customers. Due to increasing consolidation in the U.S. retail market, Macy's and J.C. Penney, two of PVH's largest customers, have closed over 275 stores since 2016 and plan to close an additional 125 within the next three years. Contractually, Macy's has been the sole department store distributor of Tommy Hilfiger sportswear. However, these contracts were terminated in Spring 2019. Therefore, there is no assurance that Macy's and other large wholesalers will continue to place large orders, which poses risk to PVH's wholesale operations in North America.

Foreign Exchange Risks

About half of PVH's revenues are generated internationally, with the Calvin Klein and Tommy Hilfiger segments each having substantial international components. Consequently, the company's revenue is negatively impacted during periods of a strong U.S. dollar against currencies in countries in which PVH generates significant revenue. As these countries include Brazil, Japan, Korea, Great Britain, Australia, Canada and China, the risk of some foreign exchange impact is high. Given that 52% of PVH's revenue was generated internationally in 2019, fluctuating revenues due to foreign exchange is significant.

Southeast Asian Expansion Risks

While PVH will likely be able to maneuver around Southeast Asia's stringent regulations for foreign companies due to its pre-established operations in the region, the company may face less escapable cultural challenges. Most notably, many Southeast Asian countries have loose or nonexistent copyright laws, facilitating a prevalent counterfeit culture. This is a potentially significant concern, as higher-end brands like Tommy Hilfiger in particular are often the target of counterfeit fashion, resulting in reduced sales. Additionally, succeeding in the region's unique cultural landscapes may require extra initiative on PVH's part to tailor products to local preferences. For example, predominantly Muslim countries like Indonesia tend towards more modest fashion tastes. Should PVH fail to tailor its products with the necessary cultural knowledge and sensitivity, it could cause backlash for Tommy Hilfiger and significantly hinder the brand's appeal in these countries.

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Appendix 1: Model Summary

(Figures in mm USD)	Feb-16 FY2015	Feb-17 FY2016	Feb-18 FY2017	Feb-19 FY2018	Feb-20 FY2019	Feb-21 FY2020	Feb-22 FY2021	Feb-23 FY2022	Feb-24 FY2023	Feb-25 FY2024	Feb-26 FY2025
Income Statement											
Revenue	8,020.3	8,203.1	8,914.8	9,656.8	9,909.0	7,473.3	8,369.7	9,708.6	10,730.5	11,888.5	13,199.0
EBITDA	1,017.9	1,111.0	957.3	1,226.5	882.5	(882.1)	907.4	1,165.0	1,287.7	1,426.6	1,583.9
Net Income	572.4	548.7	536.1	744.6	415.1	(1,281.2)	482.0	730.3	822.8	928.6	1,049.5
Earnings Per Share	\$ 6.89	\$ 6.79	\$ 6.84	\$ 9.66	\$ 5.59	\$ (17.94)	\$ 6.74	\$ 10.21	\$ 11.51	\$ 12.99	\$ 14.68
Cash Flow Statement											
Capital Expenditures	(263.80)	(246.60)	(358.10)	(379.50)	(345.20)	(187.30)	(208.40)	(336.36)	(365.79)	(397.80)	(432.61)
Acquisitions	-	(157.7)	(40.1)	(15.9)	(192.4)	-	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(12.5)	(12.2)	(11.9)	(11.6)	(11.3)	(2.7)	(5.3)	(10.7)	(10.7)	(10.7)	(10.7)
Dividend Per Share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.04	\$ 0.08	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Dividend Payout to Earnings	2.2%	2.2%	2.2%	1.6%	2.7%	-0.2%	1.1%	1.5%	1.3%	1.1%	1.0%
Dividend Yield	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.1%	0.2%	0.2%	0.2%	0.2%
Balance Sheet											
Current Assets	2,812.6	2,879.6	3,030.8	3,238.6	3,394.2	3,606.8	4,183.3	4,713.3	5,633.4	6,677.5	7,862.8
Non-Current Assets	7,883.8	8,188.3	8,854.9	8,625.1	10,236.8	9,241.0	9,177.0	9,250.6	9,330.6	9,417.6	9,512.3
Assets	10,696.4	11,067.9	11,885.7	11,863.7	13,631.0	12,847.8	13,360.3	13,963.9	14,964.0	16,095.1	17,375.0
Current Liabilities	1,527.2	1,564.8	1,871.6	1,893.9	2,361.1	2,360.3	2,396.1	2,280.1	2,468.1	2,681.2	2,922.3
Non-Current Liabilities	4,616.9	4,698.6	4,477.7	4,142.0	5,458.4	6,013.1	6,013.1	6,013.1	6,013.1	6,013.1	6,013.1
Liabilities	6,144.1	6,263.4	6,349.3	6,035.9	7,819.5	8,373.4	8,409.2	8,293.2	8,481.2	8,694.3	8,935.4
Shareholders' Equity	4,552.3	4,804.5	5,536.4	5,827.8	5,811.5	4,474.4	4,951.1	5,670.7	6,482.8	7,400.8	8,439.6
Cash	556.4	730.1	493.9	452.0	503.4	1,339.4	1,615.7	2,622.2	3,329.5	4,132.4	5,044.8
Debt	3,216.8	3,216.4	3,080.8	2,832.2	4,652.8	5,386.8	5,386.8	5,386.8	5,386.8	5,386.8	5,386.8
Net Debt	2,660.4	2,486.3	2,586.9	2,380.2	4,149.4	4,047.4	3,771.1	2,764.6	2,057.3	1,254.4	342.0
Minority Interests	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	2.6 x	2.2 x	2.7 x	1.9 x	4.7 x	n/a	4.2 x	2.4 x	1.6 x	0.9 x	0.2 x
Operating Metrics											
Return on Equity (ROE)	12.6%	11.4%	9.7%	12.8%	7.1%	-28.6%	9.7%	12.9%	12.7%	12.5%	12.4%
Return on Assets (ROA)	5.4%	5.0%	4.5%	6.3%	3.0%	-10.0%	3.6%	5.2%	5.5%	5.8%	6.0%
Return on Invested Capital (ROIC)	9.2%	8.4%	8.2%	10.4%	5.4%	-14.5%	7.1%	10.4%	11.4%	12.5%	13.8%
Valuation Metrics											
Stock Price (High)	\$ 126.34	\$ 114.00	\$ 137.56	\$ 168.16	\$ 132.71	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55
Stock Price (Low)	\$ 72.79	\$ 66.41	\$ 85.48	\$ 86.83	\$ 69.01	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55
Stock Price (Average)	\$ 99.57	\$ 90.21	\$ 111.52	\$ 127.50	\$ 100.86	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55	\$ 99.55
Diluted Shares Outstanding (Average)	83.1	80.9	78.6	77.3	74.6	71.4	71.5	71.5	71.5	71.5	71.5
Market Capitalization (Average)	8,273.9	7,297.6	8,765.5	9,855.4	7,524.2	7,105.4	7,117.8	7,117.8	7,117.8	7,117.8	7,117.8
Enterprise Value (Average)	10,934.3	9,783.9	11,352.4	12,235.6	11,673.6	11,152.8	10,889.0	9,882.5	9,175.1	8,372.2	7,459.9
P/E	14.5 x	13.3 x	16.3 x	13.2 x	18.0 x	n/a	14.8 x	9.7 x	8.7 x	7.7 x	6.8 x
EV/EBITDA	10.7 x	8.8 x	11.9 x	10.0 x	13.2 x	n/a	12.0 x	8.5 x	7.1 x	5.9 x	4.7 x
FCF Yield to Market Capitalization	7.9%	11.6%	7.0%	5.7%	8.6%	-8.4%	5.5%	15.8%	11.6%	12.9%	14.5%
FCF Yield to Enterprise Value	6.0%	8.7%	5.4%	4.6%	5.5%	-5.3%	3.6%	11.4%	9.0%	11.0%	13.8%
Free Cash Flow											
EBIT	760.5	789.2	632.4	891.7	558.7	(1,199.2)	634.9	902.2	1,001.9	1,115.8	1,245.9
Tax Expense	(75.1)	(125.5)	25.9	(31.0)	(28.9)	85.4	(45.2)	(64.2)	(71.3)	(79.4)	(88.7)
D&A	257.4	321.8	324.9	334.8	323.8	317.1	272.4	262.8	285.8	310.8	338.0
Capital Expenditures	(263.8)	(246.6)	(358.1)	(379.5)	(345.2)	(187.3)	(208.4)	(336.4)	(365.8)	(397.8)	(432.6)
Changes in NWC	(27.2)	110.6	(15.6)	(257.3)	138.0	387.5	(264.4)	360.5	(24.8)	(28.1)	(31.8)
Unlevered Free Cash Flow	651.8	849.5	609.5	558.7	646.4	(596.5)	389.4	1,124.9	825.7	921.3	1,030.8
Valuation Summary											
Current Price	\$ 99.55										
Target Price	\$ 118.18										
Total Return	18.7%										
Recommendation	BUY										
DCF Valuation											
Perpetuity Growth Implied Price	\$ 99.99										
Exit Multiple Implied Price	\$ 125.20										
Comps Valuation											
Comps - EV/EBITDA Implied Price	\$ 131.73										
Comps - P/E Implied Price	\$ 115.81										

Appendix 2: Discounted Cash Flow Analysis

(Figures in mm USD)	Feb-16 FY2015	Feb-17 FY2016	Feb-18 FY2017	Feb-19 FY2018	Feb-20 FY2019	May-20 Q1-2020	Aug-20 Q2-2020	Nov-20 Q3-2020	Feb-21 Q4-2020	Feb-21 FY2020	Feb-22 FY2021	Feb-23 FY2022	Feb-24 FY2023	Feb-25 FY2024	Feb-26 FY2025
WACC Calculations															
Cost of Equity															
Risk-free rate	1.1%														
Expected market return	8.9%														
Market Risk Premium	7.8%														
Beta	2.01														
Cost of Equity	16.8%														
Cost of Debt															
Pre-tax cost of debt	1.0%														
Effective tax rate	7.1%														
Cost of Debt	0.9%														
WACC															
Market value of equity	7,117.8														
Market value of debt	5,386.8														
Total Capitalization	12,504.6														
Cost of equity	16.8%														
Cost of debt	0.9%														
WACC	10.0%														
Free Cash Flow															
EBIT	760.5	789.2	632.4	891.7	558.7	(1,218.4)	(1.7)	122.1	(101.2)	(1,199.2)	634.9	902.2	1,001.9	1,115.8	1,245.9
Less: Tax expense	(75.1)	(125.5)	25.9	(31.0)	(28.9)	142.4	(17.9)	(19.1)	7.2	85.4	(45.2)	(64.2)	(71.3)	(79.4)	(88.7)
Add: Depreciation and amortization	257.4	321.8	324.9	334.8	323.8	81.1	78.9	80.2	76.9	317.1	272.4	262.8	285.8	310.8	338.0
Less: Capital Expenditures	(263.8)	(246.6)	(358.1)	(379.5)	(345.2)	(56.4)	(51.2)	(51.1)	(28.6)	(187.3)	(208.4)	(336.4)	(365.8)	(397.8)	(432.6)
Less: Change in net working capital	(27.2)	110.6	(15.6)	(257.3)	138.0	(40.5)	338.0	57.1	32.9	387.5	(264.4)	360.5	(24.8)	(28.1)	(31.8)
Unlevered Free Cash Flow	651.8	849.5	609.5	558.7	646.4	(1,091.8)	346.1	189.2	(12.8)	(596.5)	389.4	1,124.9	825.7	921.3	1,030.8
Discount factor	-	-	-	-	-	-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow	-	-	-	-	-	-	-	-	(12.5)	(12.5)	355.9	907.9	605.9	614.6	625.1
Discounted Cash Flow Valuations															
Perpetuity Growth Method															
Perpetuity Growth Rate	2.0%														
PV sum of unlevered FCF	3,096.8														
Terminal value	7,976.0														
Enterprise Value	11,072.8														
Add: Cash	1,460.0														
Less: Debt	5,386.8														
Less: Other EV adjustments	(3.0)														
Equity Value	7,149.0														
Shares outstanding	71.5														
Implied Share Price	\$ 99.99														
Current Price	\$ 99.55														
Implied Price	\$ 99.99														
Total Return	0.4%														
Exit Multiple Method															
Terminal EV/EBITDA Multiple	10.2 x														
PV sum of unlevered FCF	3,096.8														
Terminal value	9,778.54														
Enterprise Value	12,875.4														
Add: Cash	1,460.0														
Less: Debt	5,386.8														
Less: Other EV adjustments	(3.0)														
Equity Value	8,951.6														
Shares outstanding	71.5														
Implied Share Price	\$ 125.20														
Current Price	\$ 99.55														
Implied Price	\$ 125.20														
Total Return	25.8%														
WACC Sensitivity Analysis															
Perpetuity Growth Rate		WACC													
		11.00%	10.50%	10.00%	9.50%	9.00%									
	1.00%	\$ 71.34	\$ 78.52	\$ 86.52	\$ 95.46	\$ 105.53									
	1.50%	\$ 76.21	\$ 84.04	\$ 92.80	\$ 102.67	\$ 113.86									
	2.00%	\$ 81.62	\$ 90.20	\$ 99.87	\$ 110.84	\$ 123.38									
2.50%	\$ 87.67	\$ 97.14	\$ 107.88	\$ 120.17	\$ 134.36										
3.00%	\$ 94.47	\$ 105.00	\$ 117.04	\$ 130.94	\$ 147.18										
Terminal EV/EBITDA Multiple		WACC													
		11.00%	10.50%	10.00%	9.50%	9.00%									
	8.2 x	\$ 91.92	\$ 95.06	\$ 98.29	\$ 101.61	\$ 105.02									
	9.2 x	\$ 104.73	\$ 108.18	\$ 111.72	\$ 115.36	\$ 119.11									
	10.2 x	\$ 117.54	\$ 121.29	\$ 125.15	\$ 129.12	\$ 133.20									
	11.2 x	\$ 130.34	\$ 134.41	\$ 138.58	\$ 142.88	\$ 147.29									
	12.2 x	\$ 143.15	\$ 147.52	\$ 152.01	\$ 156.63	\$ 161.38									

