

Ralph Lauren Corporation

Recommendation **STRONG SELL** ★ ★ ★ ★ ★

Price
\$85.26 (as of Oct 12, 2017 4:00 PM ET)

12-Mo. Target Price
\$75.00

Report Currency
USD

Investment Style
Mid-Cap Value

Equity Analyst Victor Ahluwalia

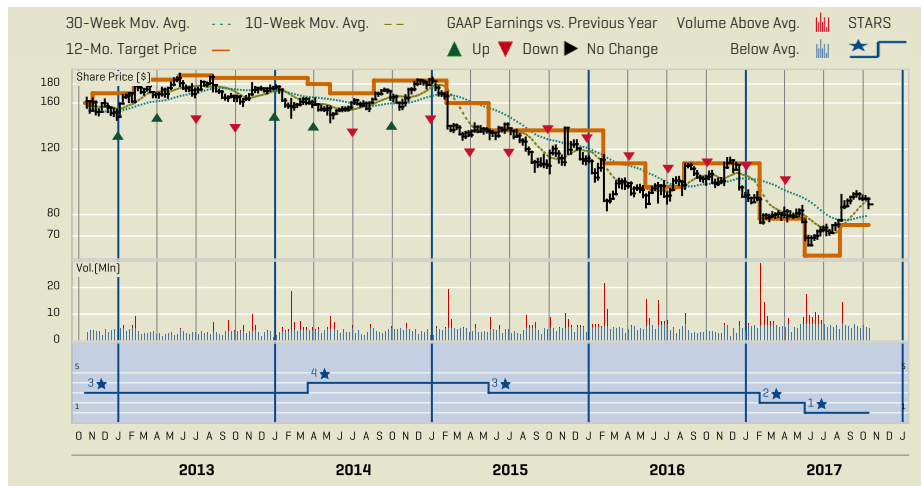
GICS Sector Consumer Discretionary
Sub-Industry Apparel, Accessories & Luxury Goods

Summary This company designs, markets and distributes men's and women's apparel, accessories, fine watches and jewelry, as well as other premium lifestyle products.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	\$114.00 - 66.06	Oper. EPS 2018E	5.17	Market Capitalization(B)	\$4.722	Beta	0.61
Trailing 12-Month EPS	NM	Oper. EPS 2019E	5.10	Yield (%)	2.35	3-Yr Proj. EPS CAGR[%]	10
Trailing 12-Month P/E	NM	P/E on Oper. EPS 2018E	16.48	Dividend Rate/Share	\$2.00	SPGMI's Quality Ranking	A
\$10K Invested 5 Yrs Ago	\$6,065	Common Shares Outstg.(M)	55.4	Institutional Ownership [%]	68		

Price Performance



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **T. Amobi, CPA, CFA** on Aug 09, 2017 03:16 PM, when the stock traded at **\$87.15**.

Highlights

- After a 10% decline in FY 17 (Mar.), total revenues are projected to drop another 8.6% in FY 18, within management's target range of 8% to 9% decline. This outlook likely reflects some lingering challenges for the global wholesale business and a mid- to high-single digit decrease in same-store sales, on notable declines in across the key geographic regions. Conversely, we see modest square footage growth on new store openings versus further targeted closings. With further e-commerce gains, we see 2018 revenues dipping 1.0%.
- We project operating margins of 9.8% in FY 18, within management's target of 9.0% to 10.5%, a potential contraction versus 10.2% in FY 17. This should reflect wholesale promotional markdowns, new store expenses and e-commerce infrastructure investments, combined with fixed expense deleverage and negative currency impact. Noting some targeted cost savings under a current restructuring plan ("Way Forward"), we see margins slightly recovering to 9.9% in FY 19.
- With share buybacks under a \$300 million plan, we see EPS of \$5.17 in FY 18, down versus FY 17 normalized EPS of \$5.71, and \$5.10 in FY 19.

Investment Rationale/Risk

- After what we saw as continued lackluster results through its Jun-Q, with persisting revenue declines across distribution channels and geographic markets, the company in early August alluded to some early progress with its turnaround plan and reaffirmed its highly tempered financial targets for FY 18, a likely crucial transition period. Still, we anticipate some lingering turnaround challenges for a newly appointed CEO, following a seemingly abrupt departure of his predecessor. Meanwhile, we see intensifying competition in the global luxury and premium apparel markets and some headwinds related to international tourist traffic.
- Risks to our recommendation and target price include greater-than-expected upside related to ongoing restructuring actions; better-than-expected customer response to new product assortments; and a sharp rebound in global consumer spending.
- Our 12-month target price is \$75, on P/E of 14.5X our FY 18 estimate, a relatively modest discount to luxury apparel/accessories retail peers and well below its recent historical averages. We note a recent dividend yield of 2.3% and almost \$1.7 billion in cash equivalents [\$19 a share].

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects some concerns related to corporate governance and management stability (after recent changes in CEO and other key leaders) amid intensifying global competition versus potential upside on brand equity and international growth opportunities.

Revenue/Earnings Data

Revenue (Million U.S. \$)	1Q	2Q	3Q	4Q	Year
2019	--	--	--	--	--
2018	1,347	--	--	--	--
2017	1,552	1,821	1,714	1,566	6,653
2016	1,618	1,970	1,946	1,871	7,405
2015	1,708	1,994	2,033	1,885	7,620
2014	1,653	1,915	2,015	1,867	7,450

Earnings Per Share (U.S. \$)

Earnings Per Share (U.S. \$)	1Q	2Q	3Q	4Q	Year
2019	--	--	--	--	E 5.10
2018	0.72	E 1.70	E 1.64	E 0.72	E 5.17
2017	-0.27	0.54	0.98	-2.48	-1.20
2016	0.73	1.86	1.54	0.49	4.62
2015	1.80	2.25	2.41	1.41	7.88
2014	1.94	2.23	2.57	1.68	8.43

Fiscal year ended Mar 31. Next earnings report expected: Early Nov. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.50	Dec 13	Dec 28	Dec 30	Jan 13 '17
0.50	Mar 10	Mar 29	Mar 31	Apr 13 '17
0.50	Jun 16	Jun 28	Jun 30	Jul 14 '17
0.50	Sep 15	Sep 28	Sep 29	Oct 13 '17

Past performance is not an indication of future performance and should not be relied upon as such.

Forecasts are not reliable indicator of future performance.

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Ralph Lauren Corporation

Business Summary June 05, 2017

CORPORATE OVERVIEW. Since its modest beginnings in men's ties in 1967, RL has grown into one of America's leading lifestyle brands encompassing multiple permutations targeted at specific demographics, usage occasions, and price points, with merchandise available at more than 13,000 retail locations throughout the world. Licensor relationships extend the brand to fragrance, eyewear and jewelry, and an extensive home merchandise offering.

COMPETITIVE LANDSCAPE. RL holds leading market shares in department stores, with its three largest wholesale customers/department stores accounting for about 21% of its total revenues and Macy's (the company's largest wholesale account) for 10%. RL competes with The Jones Group, Kate Spade Co., PVH Corp., Michael Kors Holdings, and VF Corp., as well as private label offerings, which garner about a third of total apparel purchases and are an important differentiator for retailers. RL also sells directly to consumers through 466 retail locations globally and 619 concessions-based shop-within-shops located primarily in Asia and Europe, as of April 1, 2017, spanning the luxury, mid-market and factory channels, and at several e-commerce websites (including RalphLauren.com, ClubMonaco.com, ClubMonaco.ca, RalphLauren.co.uk, RalphLauren.fr, RalphLauren.de, RalphLauren.co.jp, and RalphLauren.co.kr).

CORPORATE GOVERNANCE. Founder, chairman, and CEO Ralph Lauren and entities controlled by the Lauren family own about 83% of the voting power of the company's outstanding common stock, as of April 1, 2017. As a result, Mr. Lauren is able to elect directors and control any matter that is submitted to shareholder vote, including mergers and asset sales. In May 2017, the company named fashion industry outsider Patrice Louvet as its new CEO, replacing its former CEO Stefan Larsson, who left the company after a relatively short tenure of less than two years due to creative differences.

PRIMARY BUSINESS DYNAMICS. We think lifestyle branding got its start with Ralph Lauren, and the company has successfully parlayed its moneyed American ambience into categories spanning men's haberdashery to bespoke suits, women's collection to table top, and fragrance to house paint. The company has the following reporting segments: North America [57% of net revenues and 70% of total segment operating income in FY 17], Europe [23% and 32%], Asia [13% and -9%], and Other [7% and 7%]. Its brands include Polo Ralph Lauren, Ralph Lauren Purple Label, Black Label, Blue Label, Lauren Ralph Lauren, RRL, Denim & Supply Ralph Lauren, RLX Ralph Lauren, Ralph Lauren Childrenswear, Club Monaco, and Chaps.

The company sells its apparel and home furnishings products to upscale department and specialty stores, and golf and pro shops. Department store distribution (the company's largest wholesale customer group) consists of more than 23,000 Ralph Lauren shops-within-shops dedicated to RL products. We think the 105 Ralph Lauren stores (as of April 1, 2017), in addition to being strong profit centers, showcase the epitome of Ralph Lauren's luxury lifestyle with exclusive or limited-distribution products that enhance overall brand positioning. The company's retail store fleet also includes 79 Club Monaco and 278 factory stores. International licensing partners operate 105 Ralph Lauren stores and 22 Ralph Lauren concession shops, as well as 136 Club Monaco stores.

RL earns royalties from product and international licensing partners that manufacture and sell at wholesale specified products under one or more of its trademarks. The company has bought back many of its licensed businesses first domestically and then internationally to much success in the past decade as it takes worldwide control of its franchise.

International expansion is a potentially lucrative growth opportunity, in our view, and RL's long-term goal is to increase Europe and Asia to about a third each of its total business, with international sales targeted by the company to reach approximately 50% of total sales in the next few years (versus about 40% in FY 17). In Asia, the company is focused on elevating its brand positioning through upgrades to its existing distribution network and merchandising operations. As part of this restructuring, RL closed about 95 points of distribution (retail stores and concession shops) in Greater China, which is comprised of mainland China, Macau, Hong Kong, Taiwan, Malaysia, and Singapore, during FY 12.

FINANCIAL TRENDS. Over the period from FY 13 to FY 17, the company generated a five-year compound annual growth rate (CAGR) in revenues and operating income of -0.6% and -8.5%, respectively. Meanwhile, over the same period, its adjusted operating margins also narrowed to 10.2% in FY 17, after a recent peak of 16.7% in FY 13. In FY 17, the company management projects a decline of 8% to 9% in revenues (before about 150 basis points negative impact on currency headwinds) and operating margins of 9.0% to 10.5% (versus 10.2% in FY 16).

Corporate Information

Investor Contact

Evren Kopelman (212-813-7862)

Office

650 Madison Avenue, New York, New York 10022

Telephone

212-318-7000

Website

www.ralphlauren.com

Officers

Chrmn	CFO
R. Lauren	J.H. Nielsen
Vice Chrmn	Secy & General Counsel
D. Lauren	A.S. Fischer
CEO & Pres	
P.J. Louvet	

Board Members

J.R. Alchin	R. Lauren
A.H. Aronson	D. Lauren
F.A. Bennack, Jr.	P.J. Louvet
J.F. Brown	J.A. McHale
J.L. Fleishman	R.C. Wright
H. Joly	

Domicile

Delaware

Founded

1967

Employees

18,250

Ralph Lauren Corporation

Quantitative Evaluations						
Fair Value Rank	NR	1	2	3	4	5
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
Fair Value Calculation	NA					
Volatility		LOW	AVERAGE	HIGH		
Technical Evaluation	BULLISH	Since July, 2017, the technical indicators for RL have been BULLISH.				
Insider Activity		UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2017	2016	2015	2014
Price/Sales	1.01	1.13	1.53	1.95
Price/EBITDA	6.87	7.57	8.68	10.49
Price/Pretax Income	-64.35	15.14	11.84	13.28
P/E Ratio	-67.98	21.05	16.65	18.77
Avg. Diluted Shares Outsg.(M)	82.70	85.90	89.10	92.00

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Sales		-10.16	-3.70	-0.61
Net Income		NM	-49.61	-31.96
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	NM
% LT Debt to Capitalization		0.14	0.11	NA
Return on Equity [%]		-2.82	8.43	13.06

Company Financials Fiscal year ending Mar. 31

Per Share Data [U.S. \$]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tangible Book Value	26.85	NA	31.53	31.24	NA	24.70	NA			
Free Cash Flow	8.08	6.91	NA	5.70	NA	6.61	4.52			
Earnings	-1.20	4.62	7.88	NA	8.00	7.13	5.75			
Earnings [Normalized]	5.03	5.56	7.05	NA	7.47	6.73	5.28			
Dividends	2.00	NA	1.85	1.70	1.60	0.80	0.50			
Payout Ratio [%]	NM	NA	23	19	17	11	7			
P/E Ratio: High	NM	NA	23.8	22.8	22.5	25.6	22.4			
P/E Ratio: Low	NA	17.8	16.2	17.3	16.8	14.7	12.4			

Income Statement Analysis [Million U.S. \$]								
Revenue	NA	7,405	7,620	7,450	6,945	6,860	5,660	
Operating Income	676	NA	1,052	1,130	1,158	1,053	853	
Depreciation + Amortization	308	309	294	258	233	225	194	
Interest Expense	12.4	NA	16.7	20.0	NA	24.0	NA	
Pretax Income	-105	NA	987	1,096	1,089	1,015	825	
Effective Tax Rate	NA	28.2	NA	29.2	NA	NA	31.2	
Net Income	-99	396	702	NA	750	681	568	
Net Income [Normalized]	NA	477	628	685	700	643	521	

Balance Sheet and Other Financial Data [Million U.S. \$]								
Cash	1,353	1,086	1,144	1,285	1,299	1,187	1,047	
Current Assets	NA	3,053	3,324	3,329	2,963	2,900	2,478	
Total Assets	5,652	6,213	6,106	6,088	5,418	5,416	4,981	
Current Liabilities	NA	1,198	1,186	970	NA	946	NA	
Long Term Debt	598	NA	298	NA	NA	274	292	
Total Capital	4,171	NA	4,680	4,603	4,094	3,965	3,637	
Capital Expenditures	284	NA	391	NA	276	272	255	
Cash from Operations	952	1,007	NA	907	NA	885	NA	
Current Ratio	2.55	NA	2.80	3.43	2.64	3.06	2.98	
% Long Term Debt of Capitalization	0.001	0.001	0.001	0.001	NA	0.001	0.001	
% Net Income of Revenue	NA	5.4	NA	10.4	10.8	NA	10.0	
% Return on Assets	7.1	8.1	10.8	12.3	13.4	12.7	11.1	
% Return on Equity	-2.8	10.4	17.7	19.8	20.2	NA	NA	

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Ralph Lauren Corporation

Sub-Industry Outlook

Our fundamental outlook for the apparel, accessories and luxury goods sub-industry is neutral. In the near term, we expect sales of both accessories and luxury goods to outpace those of apparel, a category that has been negatively impacted by the bankruptcies of a number of specialty apparel retailers. While apparel is a relatively low cost category that is likely to benefit from improving consumer spending, aided by lower gasoline prices, we expect shoppers on relatively limited budgets to invest more in accessories, which offer more "bang for the buck," despite intensifying competition from potentially disruptive wearables categories.

As for personal luxury goods, our neutral outlook in part reflects some potential macroeconomic, currency, and geopolitical headwinds. According to international management consulting firm Bain & Co., the global market for personal luxury goods was essentially flat (in constant exchange rates) at EUR 249 billion in 2016, marking the third consecutive year of stagnant growth (or 1% contraction in current exchange rates), further confirming the "new normal" thesis. Across regions, the Americas and Asia (ex-Japan) each contracted 3%, while Europe declined 1%, with the U.S. presidential elections, Brexit, and terrorism creating added uncertainties.

Among product categories, accessories are expected to be the strongest driver, followed by jewelry, watches and other "hard" luxury goods, with modest growth for apparel and beauty products. Amid rising global tourist shopping, we look for growth to be supported

by underlying demand for luxury goods in Europe, Japan, and parts of Asia, while the dollar strength likely remains a major constraint for tourist visitors to the U.S., even more so since the Brexit vote.

Apparel, accessories, and luxury brands are increasing their investments in company-owned retail, outlet, and online stores, which provide higher-margin growth opportunities than the wholesale channel and enable them to showcase their entire merchandise assortment, enhance consumer brand awareness, and test new products. Some companies are also pursuing growth through development of new product lines specifically for discounters and mass merchandisers, as well as international expansion. Meanwhile, we see an increased focus on wearable offerings since the last holiday selling season, following some notable recent acquisitions and related investments by a number of companies that face intensifying competition from technology-infused products.

Looking ahead, we expect supply chain improvements to help support gross margin expansion for some of the apparel, accessories, and luxury goods brands in 2017. We also look for companies to maintain discipline in inventory and expense management in support of earnings growth. We believe companies with strong brands, differentiated products, and attractive price-value propositions are likely to outperform their peers.

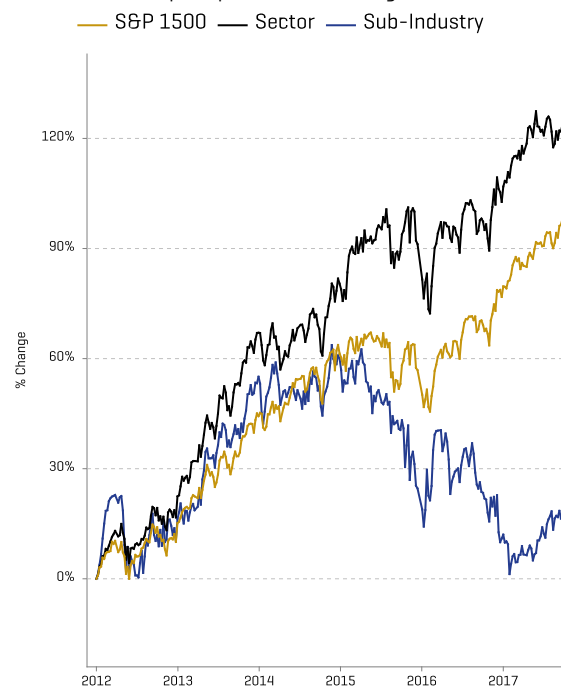
Year to date through July 7, 2017, the S&P Apparel, Accessories and Luxury Goods Index was up 1.1%, lagging a 7.9% advance for the S&P 1500 Composite Index. In 2016, the sub-industry index fell 11.3%, significantly underperforming a 10.6% advance for the broader market benchmark.

--Tuna N. Amobi, CFA, CPA

Industry Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Apparel, Accessories & Luxury Goods

Based on S&P 1500 Indexes
Five-Year market price performance through Oct 14, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

Sub-Industry: Apparel, Accessories & Luxury Goods Peer Group*: Apparel, Accessories & Luxury Goods

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price [\$]	Stk. Mkt. Cap. [M \$]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Ralph Lauren Corporation	RL	NYSE	USD	85.26	4,722	-6.7	-16.2	NM	2.3	-2.8	14.3
Carter's, Inc.	CRI	NYSE	USD	92.76	4,437	0.8	5.6	18	1.6	31.0	42.4
Columbia Sportswear Company	COLM	NasdaqGS	USD	60.40	4,213	3.1	0.6	22	1.2	13.2	0.9
Delta Galil Industries Ltd.	DELT.Y	OTCPK	USD	32.42	824	2.3	12.5	16	1.7	13.9	31.6
G-III Apparel Group, Ltd.	GIII	NasdaqGS	USD	26.03	1,269	-10.6	-11.6	40	Nil	5.4	31.1
Gildan Activewear Inc.	GIL	NYSE	USD	31.01	6,959	-1.1	12.6	19	1.2	16.1	22.1
Hugo Boss AG	BOSS.Y	OTCPK	USD	18.42	6,484	2.4	63.9	23	3.1	21.0	11.6
Lululemon Athletica Inc.	LULU	NasdaqGS	USD	60.50	7,599	-2.1	5.9	29	Nil	25.4	NA
Michael Kors Holdings Limited	KORS	NYSE	USD	47.65	7,224	11.9	1.9	15	Nil	30.7	NA
Oxford Industries, Inc.	OXM	NYSE	USD	63.22	1,064	6.0	-5.8	22	1.7	15.3	19.6
Under Armour, Inc.	UAA	NYSE	USD	16.55	6,433	-5.6	-57.0	33	Nil	13.9	27.8

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Ralph Lauren Corporation

Analyst Research Notes and other Company News

August 08, 2017

01:59 pm ET... CFRA KEEPS STRONG SELL OPINION ON SHARES OF RALPH LAUREN CORP. [RL 86.79*]: We raise our 12-month target price by \$13 to \$75 [2.3% yield] on FY 18 [Mar.] P/E of 14.5X, slightly below peers. We cut FY 18 and FY 19 EPS estimates by \$0.05 to \$0.57 to \$5.17 and \$5.10. RL mostly reaffirmed its FY 18 financial targets even as we see some lingering turnaround challenges. Jun-Q adjusted EPS of \$1.11 vs. \$1.06, was \$0.17 above consensus estimate. Revenues fell 16%, with North America and Europe down 17% and 14% [retail comps for both fell 8%, ex-forex] vs. Asia down 1% [up 2%]. With improved merchandise margins, adjusted EBIT margins widened 200 basis points. /T. Amobi, CPA, CFA

May 18, 2017

11:51 am ET... CFRA REDUCES OPINION ON SHARES OF RALPH LAUREN CORP. TO STRONG SELL FROM SELL [RL 71.62*]: We cut our 12-month target by \$16 to \$62 [noting a 2.3% yield] on a FY 18 [Mar.] P/E of 11.9X, near peers. We cut our FY 18 EPS estimate by \$0.55 to \$5.22 and set FY 19's at \$5.67. Mar-Q adjusted EPS of \$0.89 vs. \$0.88, was \$0.11 above the consensus. Revenues fell 16%, with wholesale down 17% and retail comps down 11% [partly on calendar shift]. Adjusted EBIT margins were flattish. We see challenges for a new CEO [Patrice Louvet] with the "Way Forward" restructuring plan, as RL guides FY 18 revenues down 8%-9%, with potential margins contraction and persisting forex pressures. /T. Amobi, CPA, CFA

May 17, 2017

Ralph Lauren Corporation announced that Patrice Louvet has been named President and Chief Executive Officer. His appointment will become effective July 17, 2017, at which time he will also be appointed to the Ralph Lauren Corporation Board of Directors. Mr. Louvet will dual report to Ralph Lauren in his capacity as Executive Chairman of the Board and to the company's Board of Directors. Mr. Louvet most recently served as Group President, Global Beauty at Procter & Gamble [P&G].

May 05, 2017

Ralph Lauren Corporation announced that Stefan Larsson resigned from the company's Board of Directors, in connection with his departure as the company's President and Chief Executive Officer, on May 1, 2017. In connection with the foregoing matters, the company has commenced a search for a new Chief Executive Officer. Jane Nielsen, the company's Chief Financial Officer, will continue to lead the execution of the company's Way Forward Plan until a new Chief Executive Officer joins the company.

February 25, 2017

Ralph Lauren Corp. reported two senior executive appointments, further solidifying its leadership team in support of its Way Forward Plan. Jonathan Bottomley has been named chief marketing officer, a newly created role for the company. He will be responsible for evolving Ralph Lauren's brand voice, leading the global marketing team and building cut-through marketing strategies across the company's brands. Tom Mendenhall has been named brand president, Men's Polo, Purple Label and Double RL. In this newly created role, all men's brand functions will report into Tom, including design and merchandising, and he will be charged with maximizing brand strength to improve sales growth. Bottomley joins Ralph Lauren most recently from vice media, where he served as chief strategy officer. He will be a part of the company's executive team and dual report to Valerie Hermann, President of Global Brands and company, executive chairman and chief creative officer, on an interim basis. He will then report to the new CEO, once that appointment is made. Jonathan begins at the Company on April 3, 2017. Mendenhall joins Ralph Lauren from Tom Ford International, where he served as chief operating officer for more than a decade, working alongside Tom Ford to build the brand from its inception. Prior to that, Mendenhall was a Senior Vice President at Abercrombie & Fitch. He also spent eight years as Worldwide Director of Merchandising at Gucci. Tom will report to Valerie Hermann, President of Global Brands, and will begin with the Company on March 29, 2017.

February 16, 2017

Ralph Lauren Corporation announced two senior executive appointments, further solidifying its leadership team in support of its Way Forward Plan. Jonathan Bottomlev has been named Chief Marketing Officer, a newly created role

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

for the company. He will be responsible for evolving Ralph Lauren's brand voice, leading the global marketing team and building cut-through marketing strategies across the company's brands. Tom Mendenhall has been named Brand President, Men's Polo, Purple Label and Double RL. In this newly created role, all men's brand functions will report into Tom, including design and merchandising, and he will be charged with maximizing brand strength to improve sales growth. Jonathan joins Ralph Lauren most recently from Vice Media, where he served as Chief Strategy Officer. He will be a part of the company's Executive Team and dual report to Valerie Hermann, President of Global Brands and Ralph Lauren, Executive Chairman and Chief Creative Officer, on an interim basis. He will then report to the new CEO, once that appointment is made. Jonathan begins at the Company on April 3. Tom joins Ralph Lauren from Tom Ford International, where he served as Chief Operating Officer for more than a decade, working alongside Tom Ford to build the brand from its inception. Tom will report to Valerie Hermann, President of Global Brands, and will begin with the Company on March 29.

February 02, 2017

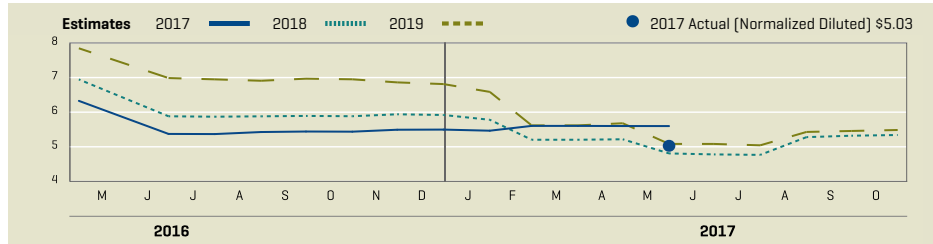
09:42 am ET... S&P CAPITAL IQ REDUCES OPINION ON SHARES OF RALPH LAUREN TO SELL, FROM HOLD [RL 87.37**]: We cut our 12-month target price by \$32 to \$78 [2.3% yield] on FY 18 [Mar.] P/E of 13.5X, near peers. We cut FY 17 and FY 18 EPS estimates by \$0.08 and \$0.11 to \$5.46 and \$5.77. We see some uncertainties amid the execution of the "Way Forward" restructuring plan, with RL's relatively new CEO Stefan Larsson set to exit by May 1, seemingly abruptly. Dec-Q adjusted EPS of \$1.86 vs. \$1.54, was \$0.22 above Capital IQ consensus. Revenues fell 12%, with wholesale down 26%, and retail comps down 5%. Adjusted EBIT margins shed 90 basis points. RL reaffirmed its FY 17 financial targets. /T. Amobi, CPA, CFA

February 02, 2017

Ralph Lauren Corporation announced that Stefan Larsson, President and Chief Executive Officer, will depart from the Company on May 1, 2017. A search for a new Chief Executive Officer will be conducted. The Company will continue to execute the Way Forward Plan announced in June 2016, and Chief Financial Officer Jane Nielsen will lead the execution of the Plan until a new CEO joins the Company.

Ralph Lauren Corporation

Wall Street Consensus Estimates



Wall Street Consensus Opinion

HOLD

Wall Street Consensus vs. Performance

For fiscal year 2018, analysts estimate that RL will earn USD \$5.34. For the 1st quarter of fiscal year 2018, RL announced earnings per share of USD \$0.72, representing 13.5% of the total revenue estimate. For fiscal year 2019, analysts estimate that RL's earnings per share will grow by 3% to USD \$5.49.

Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2019	5.49	6.16	4.62	21	15.5
2018	5.34	5.78	5.05	21	16.0
2019 vs. 2018	▲3%	▲7%	▼-9%	0%	▼-3%
Q2'19	1.87	1.96	1.70	10	45.7
Q2'18	1.88	1.95	1.83	17	45.4
Q2'19 vs. Q2'18	▼-1%	▲1%	▼-7%	▼-41%	▲1%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

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Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100.0%	100.0%	100.0%	100.0%

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