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Softline Wholesale Channel Must Evolve or Die (Seven Upgrades, One Downgrade)

Downgrade UAA, KORS, PVH, RL, VFC, DECK, FOSL from BUY to HOLD; Upgrade COH from HOLD to BUY

We believe that many years from now, when economic and market historians study the digital revolution in retrospect, one of the most profound structural changes for which this era will be remembered is the destruction of middlemen throughout the economy. And the Softline Retail industry we cover is replete with middlemen all through the vertical chain – manufacturers, distributors, wholesalers, licensees, licensors, retailers, etc. – each one exacting plump markups for their role in the multilayered process of designing, producing, and distributing discretionary soft goods to consumers. But these once-important layers are becoming obsolete in today's digital landscape where: a) consumers have instant visibility into price, selection, and value across retailers and brands; b) celebrities, fashion bloggers, and YouTubers (not department store buyers) define style and synthesize trends; c) brand building is achieved more through social than traditional media; and d) the new standard of convenience is same-day delivery, not a shopping center with a bunch of stores in one place that requires a several-hour time commitment. Our biggest concern is the viability of the underlying value proposition of selling soft goods to consumers with multiple layers of ~2x markups imbedded in the price. This is especially unsustainable given consumers' digitally enabled visibility into prices and quality levels of comparable goods across an infinite marketplace of sellers. And while we have long felt angst regarding department stores' diminishing role in the food chain of retailing, we have also become concerned about the stability and trajectory of the wholesale brands' P&Ls during what could be a volatile multi-year channel shift towards more direct-to-market business models.

Over the long-run, we wholeheartedly believe that innovation-driven brand stocks will win, and win big, in a digital landscape where content-producing companies with strong brands can connect more directly with consumers and rely less on superfluous third-party middleman. However, with many players in the wholesale-to-retail Softlines paradigm still drawing massive amounts of profitability from this antiquated vertical chain, and 2017 shaping up to be another fundamentally challenging year (declining traffic, weak sell-through, shrinking inventories, falling reorders, weather unpredictability, etc.), we recommend reducing exposure to company's with significant profit exposure to traditional wholesale channels. Accordingly, we are downgrading the following stocks from BUY to HOLD: UAA, KORS, PVH, RL, VFC, DECK, and FOSL. In part for the same reason (and other reasons as well), we are upgrading COH from HOLD to BUY.

Ron Johnson was right all along??...Concession/marketplace model inevitable, AMZN will be catalyst for dominos to start falling. We believe that over time, traditional third-party multi-brand retailers will morph into more of a concession/marketplace model (common today in Asian dept stores and also on TMall's brand marketplace websites). Such a transformation would mean that retailers no longer need to bear the risk of selecting, buying, and holding inventory, while also allowing them to massively cut payroll costs related to their merchants, buyers, and store associates, all of which would be unnecessary in a concession model. And in return, these evolved concession department stores and other multi-brand softline retailers would collect a steady, pure-margin % licensing/concession fee from the brands shop-in-shops. While we suspect many of the traditional players in the industry are resistant to such an idea today, we think it may be the best and most efficient way to collapse the excessively layered vertical industry profit chain, which in turn would allow the entire complex significant breathing room to improve the value of Softline goods to consumers. We would even go so far as to predict that the key catalyst to accelerate an industry-wide transformation from wholesale to concession will be when the first high-profile brand company partners with Amazon in the form of a Prime-eligible concession/marketplace website within Amazon's larger platform, with all orders fulfilled directly by the branded vendor and the branded vendor paying a % of sales concession fee in return. Just such a development could be first real warning

Company Changes									Estimates			
				Rating			Target Price		Current Year		Next Year	
Symbol	Company	Price		Curr	Prev		Curr	Prev	Curr	Prev	Curr	Prev
COH	Coach Inc.	$37.35	▲	B	H	▲	$50.00	$45.00				
DECK	Deckers Outdoor Corp.	$57.60	▼	H	B	▼	$60.00	$65.00				
FOSL	Fossil Inc.	$25.57	▼	H	B	▼	$30.00	$35.00				
KORS	Michael Kors Holdings Limited	$42.81	▼	H	B	▼	$45.00	$65.00				
PVH	PVH Corp.	$93.81	▼	H	B	▼	$100.00	$125.00				
RL	Ralph Lauren Corp.	$88.43	▼	H	B	▼	$95.00	$120.00				
UA	Under Armour Inc.	$21.49	▼	H	B	▼	$20.00	$40.00				
VFC	VF Corp.	$51.48	▼	H	B	▼	$50.00	$62.00				

Source: Company data, Evercore ISI Research

U.S. wholesale weakness a recurring theme. One of the recurring data points we keep hearing from all different types of companies we cover (luxury, athletic, accessories, basic, fashion, low-end, etc.) is that U.S. wholesale is the biggest, and most glaring source of weakness. Companies that have conveyed this dynamic publicly over the last couple quarters includes: VFC, NKE, UA, BOSS, BRBY, KATE, KORS, FOSL, DECK, EL, SKX and others. See inside for many detailed quotes from these players.

Multi-layered markups all along the vertical chain no longer a relevant value equation for consumers. We have deep doubts about the ability of wholesale channel players to continue selling apparel, footwear, and accessories to consumers with multiple layers of ~2x markups imbedded in the price, especially given consumers digital ability to see with a high degree of visibility prices and quality levels of comparable goods across the internet. For example, a designer button-down dress shirt produced by an apparel plant in Asia at a unit cost of ~$20 is marked up by the manufacturer and sold to the brand that designed and ordered the shirt for ~ $30, which is then marked up to $60+ and sold by the brand to the retailer, who then marks the shirt up to $120 to sell to customers in its stores (or at least attempts to sell it at a full price of $120). A $120 retail price point for a shirt that cost ~$20 to manufacture is simply no longer a relevant value equation, especially in a world where a more vertically integrated, low-markup retailer such as Primark is selling products with ~$20 of 'make' for only $40-50 at retail. And we think this challenging dynamic is worse at higher price points when the various layers of markups can sometimes be as high as 3 or 4x! For example, a Brunello Cucinelli suit with an MSRP of $5,000 was likely manufactured for a unit cost of only ~$750, providing ample room to cover both Cucinelli's and the luxury department store's robust markups. These dynamics are attracting growing competition from more direct providers of both the digital and physical variety, which in turn will lead to the elimination of superfluous middlemen from the Softlines industry.

Paradoxically, the historically volatile American specialty retailers actually have a better business model for the shifting landscape. The traditional specialty retailers with little or no wholesale to speak of inherently have fewer middlemen along their vertical chains. This leaner, more direct model has a much better chance to thrive in the totally digital world that lies ahead, and is an important factor behind today's upgrade of COH as well as our still bullish view on LULU, TIF, and URBN.

RATINGS CHANGES

COH: Newness and Innovation Taking Hold in Outlets

We are upgrading COH shares to BUY from HOLD given the growing signs that the company is being able to translate its successful full-price store formula (more fashion, frequent newness, better style, high quality, more color, better hardware, younger imagery, etc.) to its lagging outlet business. Outlets are still a large and critical business for Coach, and the growing momentum in the channel gives us confidence that COH can sustain its positive comp even if the category remains flat or slow growth. As COH has undergone its ambitious brand turnaround over the past few years, we have been impressed with the commitment to innovation and quality on the full-price side of the business, where promotions have also remained very disciplined. The results have been clear: significantly better quality product, a strong response from customers at higher ASPs (>$400 handbags now 50% of penetration vs. 20% pre-turnaround), a positive reception by the fashion press and with high end retailers, a huge reduction in in the brand-dilutive flash sale business (which had quietly grown to nearly $300m), and a 25% rationalization of wholesale doors (where promotionality had become most rampant), all while maintaining very healthy gross margins (still best-in-class at nearly 70%).

A key concern of ours has been that this brand elevation was largely predicated on skewing higher in both quality and price, a formula which might not work as well for much-more-value-conscious Outlet customer. In our view, the decision to focus on runway shows and fashion press certainly helped the brand break into new high-end wholesale accounts (e.g., Saks, Colette, Opening Ceremony, Nordstrom, etc.), and also laid the foundation for the success of the luxury 1941 collection (which now represents a third of the full-price business). However, we had not been convinced that these successes would necessarily translate commercially for the core Outlet business. Therefore, it was good to see Coach describe the roll out its first ever outlet-only collaboration in the quarter (the Pac-man collaboration) as 'very successful'. Even more importantly, management announced several other collaborations and made-for collections that will soon be following up on this momentum, including a new drawstring Petal bag coming in March (inspired-by-but-completely-different-from the full-price Prairie florals collection in 2015), two limited edition collections in Spring, and a Disney-for-outlet collection coming in the June quarter (translating strongest-ever collaboration in retail to the outlet channel). These ideas all came from a systematic and outlet-focused design process (carried out in an outlet 'war room') that seems to be feeding a steady flow of newness and innovation into the channel. We note that while some of the product is inspired by existing full-price collections, an increasing amount is completely unique to outlet. And judging by the success of both the Pac-man and Peanuts collaboration, the outlet customer also seems willing to pay more for the additional design and innovation, an especially intriguing development.

We were also impressed by the performance of the Stuart Weitzman brand in the quarter. While only accounting for HSD% of total company sales today, we think the strong performance since COH acquired the brand (+DD% top-line and expanding gross margins) could embolden the company to make more accretive strategic acquisitions in the future. COH now has a $1.2bn net cash position on the balance sheet, which translates to as much as ~$5bn of deal capacity at a leverage ratio of 3x EBITDA. Management noted strategic acquisitions remain a high priority (#2 after investing in its own brands) and that the company would prioritize the handbag/accessories, footwear, and outerwear categories, also noting that it was less interested in acquiring brands in turnaround mode (which we read as making a play for KATE less likely). We also love that COH has just a ~MSD exposure to the NA wholesale channel, and continues to pare this exposure lower back (on track to take out 250 doors by the end of March).

To reflect the latest Fx changes, we are lowering our FY17 EPS estimate to $2.14 from $2.20, our FY18 EPS estimate to $2.30 from $2.40, and our FY19 EPS estimate to $2.55 from $2.65. However, we are raising our price target from $45 to $50, reflecting 22x our FY18 EPS estimate.

UA: Maturing U.S. Wholesale Footprint and Sluggish DTC Limit Growth Algorithm and P/E Multiple

We are downgrading Under Armour to HOLD from BUY as part of our broader downgrade of six other U.S. wholesale brand stocks. While UA has one of the strongest, most authentic, and innovation-driven brands within the healthy athletic sector, the structural, industry-wide pressures plaguing the entire U.S. softline retail complex (digital disintermediation, falling traffic, inventory reductions, etc.) are too much for the shares to overcome in the near- and medium-term, especially with valuation still at 54x our new 2017 EPS estimate of $0.40 following yesterday's share price correction. Although we think UA will ultimately stabilize and return to profitable growth, the current fundamental and sentiment dynamics remind us of Lulu in late 2013 to 2014 when the market was then also concerned about a adjusting to a new, much lower growth algorithm, and the shares fell 44% and didn't start to work again until comps started picking up again a year later. During that 'penalty box' period, Lulu shares traded at an approximate 30% multiple discount to history on lowered EPS estimates. Assuming UA shares settle into a similar pattern, our new price target of $20 applies a 34x P/E multiple (well below UA's 5-year average P/E of 52x) to our lowered 2018 EPS estimate of $0.60.

Despite sustained momentum in its key growth segments (footwear and international) the sudden collapse of its North American apparel market proved to be too much for a high-flying growth stock to overcome– weighing on both overall sales growth and margins. As a result, UA's string of 20%+ revenue growth came to a screeching halt in 4Q with 2017 shaping up to be a significant transition year with growth target of 11-12%, well below historical norms (even with the benefit of layering in a new major Kohl's wholesale account). Moreover, a lack of visibility into how the company might moderate its strategic investments in the face of contracting profits in its most profitable segment (North American apparel) means earnings are poised contract meaningfully in 2017, likely back to 2013 level, despite sales having more than doubled since then. The market's willingness to accept significant margin investment is understandably more limited when revenues are decelerating, and we think the company would be better served by narrowing its strategic focus to its top 3-4 priorities.

Unfortunately, we think there is too much uncertainty around the depth of the U.S. wholesale correction and in our experience, these types of adjustments rarely take just 1-2 quarters to play out. While we are confident that UA will be able to leverage its many strengths to get the company back on its hyper-growth trajectory, the transition could be rocky and protracted and we believe a sideline view at present is more prudent. We are lowering 2017 EPS to $0.40 from $0.65 and our 2018 EPS to $0.60 from $0.80. We are estimating revenue growth rebounds modestly to 15% in 2018 and UA recaptures some of its lost operating margin to 7%, still well below the 11% levels it consistently delivered prior to the start of its accelerated investment stage starting in 2015.

Maybe more than a channel issue for UA. To be fair, UA's DTC business has been relatively muted over the last six quarter as well – with total comps including ecommerce growing low single digits at best, by our estimation, and likely were around flat-to-slightly down in 4Q. Given the investments in its digital assets and accelerating unit growth and international expansion, the DTC performance should be stronger and suggests something else is amiss in its core apparel category – beyond just a channel issue – that might take longer to correct. Recent organizational changes and an objective to layer in more lifestyle and fashion quotient on top of its performance heritage should help adjust the assortment to current consumer preferences. That said, these broad adjustments in product design generally take a few seasons to resonate at minimum, and given the combination of long lead times and a strongly ingrained consumer perception of the brand as pure technical it will also likely require some marketing to educate consumers on the new more stylish offerings.

DECK: Healthy Evolution Underway in Core Ugg Brand May be Masked by Channel Shifts

We are downgrading DECK to HOLD from BUY. While there are several company-specific drivers that we like about the DECK story, the heavy reliance of the Ugg brand on the US wholesale channel puts us on the sidelines for now, especially with the company's own retail comps still not recovered from negative territory heading into a period of tougher compares. Over the last couple years, DECK has seen its core US wholesale customers plan their order books much more conservatively, lightening up on Spring pre-orders and leaving much more of the planned purchases into the Fall and winter for an at-once nature. This has resulted in even more pronounced seasonality, and a more exposed business in warm winter years when sell-through disappoints. To DECK's credit the company has done a good job of shedding its weakest distribution partners, but the brand remains heavily dependent on department stores and smaller third party retailers. The lack of direct control of the consumer touchpoints has also recently caused some promotion-control issues. Last November, well-publicized deep discounts at RueLaLa and Costco over the Black Friday weekend undermined the company's pricing architecture despite representing just 1% of sales (prompting the company to take legal action).

Just over a month later, a similar issue occurred again, this time with the Walking Company. The good news is that UGG seems to be cracking down aggressively on these 'rogue' distributors. But these highlight to us the risks of not controlling the end distribution, especially for the Ugg brand that grew up largely through fragmented wholesale distribution. We remain encouraged with several elements of the DECK story. Newness and innovation have clearly been a major focus (Street and Classic 2.0 had a strong debut this past fall following up on last year's successful Luxe and Slim lines). DTC continues to grow (now 35% of sales and helping ease the reliance on wholesale). Distribution is significantly healthier (200+ low quality accounts exited with more sophisticated segmentation within wholesale). And the customer analytic capabilities have been greatly improved, including the launch of a new loyalty program last month. To reflect Fx changes and the elevated risk of U.S. wholesale exposure, we are lowering our 2017 EPS estimate to $4.60 from $4.75 and our 2018 EPS estimate to $5.05 from $5.25. We are also lowering our target price from $65 to $60, which reflects 13x FY17 EPS.

FOSL: Hybrid Watches Still Key, but Wholesale Drags Outweigh for Now

We are downgrading FOSL shares to HOLD from BUY. Our longer term thesis on the strong and unique value proposition of the Hybrid watch (ability to offer fashion and key wearable utilities in a battery-powered device that doesn't need to be recharged) remains intact. But FOSL's huge exposure to the NA wholesale channel (roughly a third of sales) presents a major risk to sales near-term. Despite the steady double digit growth in the number of own retail stores over the last few years (mostly outlets), the biggest distribution for channel for FOSL's core multi-brand watch portfolio remains U.S. department stores, where traffic continues to decline, promotions remain high, and the watch buying experience has become dated and not as compelling. We remain very bullish on the long-term viability of the Hybrid watch, which we think is very under-appreciated by the market. However, we were a little disappointed by the dearth of marketing support for the Hybrid watches over holiday, as well as the underwhelming in-store experience. To be fair, it is hard to fully appreciate the value of either the health & fitness functionality or the notification functionality without wearing the watch for an extended period of time (cannot be easily appreciated in the store). Therefore, word-of-mouth and greater consumer education will be key to these products' eventual success, but neither of these are quick or easy to implement, with next holiday likely the earliest point at which Hybrids become material to the growth story again. In the meantime, FOSL's high degree of exposure to the structurally challenged NA wholesale channel could lead to sales down-side, which would be magnified on the earnings line as it flows through FOSL's high fixed cost P&L. To reflect Fx changes and the elevated risk of FOSL's U.S. wholesale exposure, we are lowering our 2017 EPS estimate to $2.10 from $2.40 and our 2018 EPS estimate to $2.25 from $3.00. We are also lowering our target price from $35 to $30, which reflects 14x our 2017 EPS estimate.

KORS: Returning to Fashion Innovation Roots, but Wholesale Drag Will Persist

We are downgrading KORS shares to HOLD from BUY. Although we remain eager to see what the Michael Kors brand can do as it continues to return to its fashion innovation roots, the company's 40% exposure to the North American department store channel puts us on the sidelines for now. We applaud the measures KORS has taken over the last year to combat the secular challenges associated with the US department store channel. In 2016, KORS proactively limited sell-in to its wholesale partners in an effort to clean inventories and reduce promotions. And in February, the company will roll-out its promotion harmonization initiative (at which time all retailers will only be allowed to discount KORS product during certain official company-wide promotional periods). These should help mitigate some of the secular headwinds facing KORS' biggest distribution channel, but we fear the company may continue to find itself in chase mode for this piece of the business as sell-in continues to weaken (as department stores buy even more conservatively), consumers and retailers resist KORS' more disciplined promotional strategies, and traffic to third party brick-and-mortar retailers continues to decline. On the plus side, we have been pleased to finally see more innovation and newness in the handbag lines (the fall lines 'exceeded expectations' led by the Mercer and Brooklyn collections), with five new major lines expected to launch in the Spring. KORS is also riding strong momentum in some of its non-handbag categories, including good sell-through (wide reports of selling out of initial allocations) for the display smartwatches launched in the fall, and solid performance of footwear and Men's in the fall. To reflect Fx changes and the elevated risk of U.S. wholesale exposure, we are lowering our FY18 EPS estimate to $4.50 from $4.85 and our FY19 EPS estimate to $4.65 from $5.25. We are also lowering our target price to $45, which reflects 10x our FY18 EPS estimate.

PVH: Strong Momentum, but Doubling Down on U.S. Wholesale amidst Retail Struggles May Create Challenges Ahead

We are downgrading PVH shares to from HOLD from BUY. Although PVH is one of the only branded apparel companies enjoying positive momentum at the moment (closest peers RL, BOSS, and VFC all continue to have some challenges, while both CK and Tommy Hilfiger have performed well of late), we believe the company's high wholesale and factory outlet exposure will pressure overall sales growth, especially as the company cycles the shelf space gains from a year ago. We acknowledged that by many accounts, PVH has managed fairly well through a fairly challenging retail environment over the last two years that has seen most of its peers stumble badly over the last two years. PVH has begun to deliver on the promise of a globally controlled Calvin Klein brand, leveraging a sharp marketing campaign and expanded distribution (including Amazon for its underwear and basics to great success), Tommy resumed its European outperformance after a modest slowdown, and heritage appears to have stabilized. And in a reversal to the experience of most vendors in our universe, PVH's US wholesale business has actually been a bright spot over the last year, offsetting shortfalls in its U.S. retail operations. Moreover, PVH has already pre-announced its 4Q results at the high-end of its original guidance, despite a fairly disappointing department store and general apparel retail environment, so near-term earnings risk is limited. That said we see some of the potential wholesale challenges inevitably coming down the pike for PVH that is likely to limit both margins and sales expansion in the next couple of years. It appears opportunities for further allocation gains will be much more limited after fairly robust expansion over the last year (CK poised to contract in 4Q), exposing PVH's wholesale business to the broader dislocation happening across the sector. With wholesale comprising roughly 60% of total company revenues – along with the company's North American retail segment still not back on track, limited traction in direct ecommerce so far, and volatility of currency and tourism flows – we believe PVH's current successes will at some point be overshadowed by these overhangs. In addition, although Macy's comprises less than 10% of total revenues and department stores less than 20% in aggregate, the challenging department store channel will continue to weigh on investor sentiment for the group. In light of these elevated risks, we believe it is prudent to stay on the sidelines for now. To reflect Fx changes and the elevated risk of U.S. wholesale exposure, we are reducing our 2017 EPS estimate to $7.25 from $7.40 and our 2018 EPS to $7.80 from $8.20. Our new $100 price target represents 14x 2017 EPS.

VFC: US Wholesale Dislocation Undercuts Strong Multi-Brand Portfolio

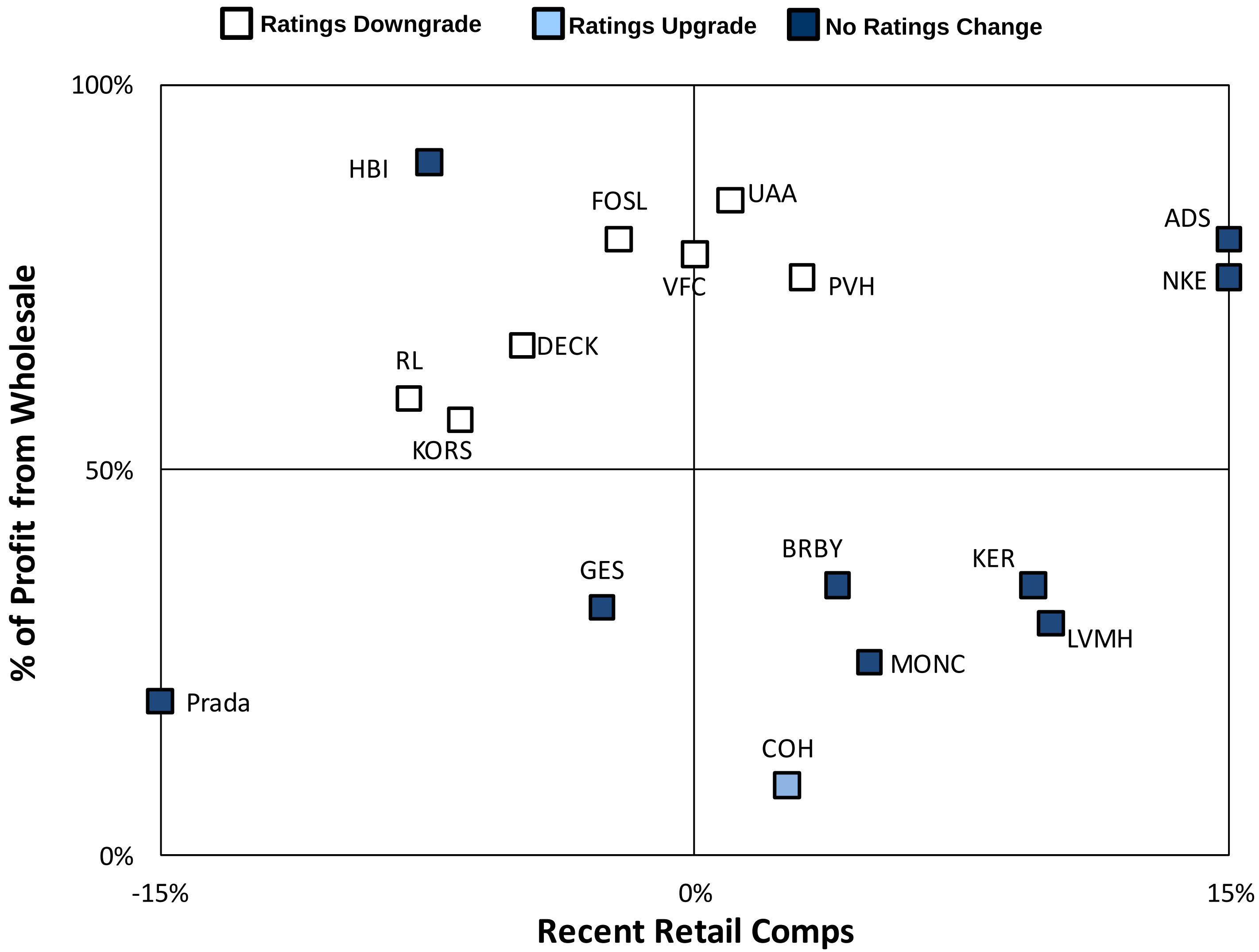
We are downgrading VFC shares to HOLD from BUY. While we have always lauded VFC as the strongest multi-brand operator in our universe – leveraging its unique consumer insights platform and stable of strong well-entrenched brands to deliver steady above-average growth – its normally predictable algorithm has been upended over the last year largely due to challenges in the U.S. wholesale channel. We continue to have confidence that VFC's core franchises – The North Face, Vans, and Timberland – remain highly relevant brands with strong emotional attachment and that enable VFC to return to its long-term growth targets of double digit growth on the back of international and DTC expansion opportunities. But first VFC needs to deal with a fairly intractable problem in its traditional wholesale relationships (still more than 70% of its revenues), which has no quick or easy solutions. It appears 2017 is set to be another transition year for VFC as both its wholesale customers and VFC look to get the right balance of inventory in the channel, following earnings that are already poised to be flat for the last two years. Moreover, we are unsure if the wholesale issue can be largely resolved in 2017 or whether this issue will persist over a much longer time frame. We look forward to the upcoming analyst day this spring provides as an opportunity for VFC management to provide its prescription to this wholesale issue – and potential M&A might help accelerate the shift towards DTC. But present, the challenges seem too severe to maintain a BUY on the stock and we are moving to a HOLD rating as a result. To reflect Fx changes and the elevated risk of U.S. wholesale exposure, we are lowering our 2016 EPS estimate to $3.10 from $3.13, our 2017 EPS estimate to $3.20 from $3.30, and our 2018 EPS estimate to $3.50 from $3.55. We are also lowering our target price to $50, applying 15x PE to our new 2017 estimate

RL: Head Start Addressing Wholesale, but Probably Not Far Enough

We are downgrading RL shares to HOLD from BUY. RL management is taking a series of bold steps to address its wholesale problem with its "Way Forward" plan, proactively cleaning up the department store channel, selling in 25% less goods and focusing only on the best doors. RL is also working on a test-and-react model that might allow for better product freshness and frequent newness starting this fall. In this regard, RL is likely ahead of its peers and moving closer to a prescriptive solution to strengthen its wholesale operations. Unfortunately, we fear that the company is not going far enough in altering the relationship with its wholesale partners and will find itself dealing with similar issues in a year from now. Moreover, the challenges across retail and with RL's key retail partners are worsening, likely pushing out the revenue and earnings recovery further into FY18 with FY19 more likely to be the inflection year. Even though we think management is taking the right steps for the long-term health of the brand, the market is moving faster than the company can adjust at this point and the goal line is shifting further away. As a result, our more protracted view on the timing of turnaround coupled with potential further wholesale adjustments suggests a cautious view would be more prudent and we are downgrading RL shares from BUY to HOLD despite the many positive developments at the company.

More disciplined execution around inventory, stores, and the wholesale footprint are driving gross margin upside currently, increasing our confidence that management is on the right path to revitalize the brand more holistically. Management is taking the hard steps breaking the destructive promotional mark-down spiral that the company and its wholesale partners so often found themselves the last few years. That said, despite the potential for these actions to greatly improve the brand perception and full price selling, the intrinsic problem of the wholesale relationship will still persist. In our view, RL is actually one of the best-positioned brands to take the bold first step to drastically change the traditional middleman-ridden softlines wholesale industry. With shop-in-shops already largely built in many of the Macy's locations, RL and Macy's could easily transition to a concession model and create a healthier and more sustainable value proposition to consumers as well as brands and department stores (discussed above in the industry portion of this report). We are not sure that either is quite ready to take that leap just yet, however. If the company can continue to demonstrate tangible progress toward its long-term vision over the next 1-2 years, given the heritage and strength of the brand (with EPS power of $10+ in our view), the shares could move significantly higher over time. We look forward to watching the progress in the interim. To reflect the recent Fx changes and the elevated risk associated with U.S. wholesale exposure, we are lowering our FY18 estimate to $5.60 from $5.90 and our FY19 EPS estimate to $6.70 from $7.25. We are also lowering our target price to $95, reflecting 16.5x our new FY18 estimate.

More Cautious View on Those Traditional Wholesalers Struggling to Grow Own Retail Profitably



Source: Company Data, Evercore ISI

Negative Commentary on U.S. Wholesale across the Board

VFC: “In wholesale, conservative retailer open-to-buys, buy-now, wear-now calendar shifts and leaner inventory positions remain among the top priorities for many retailers. As you'd imagine, this conservatism has put even greater pressure on vendors who are being asked to take on larger inventory risk to meet demand closer to consumer need.”

KORS: “Our Wholesale segment revenues declined 18%. In the Americas, we saw a decline of 22%. We are strategically reducing our sell-in to department stores in order to protect our brand and margins in this channel through disciplined inventory control and reduced promotional activity, which has impacted our sales in this segment. We expect this trend will continue through the remainder of this year, as we reduce both inventory flow and promotions.”

BOSS: “n the U.S., declines were driven by the wholesale channel. In this channel, year-to-date sales are down 24% year-over-year. Around half of the decline is due to our conscious decision to exit distribution formats”

RL: “Our revenue in the quarter declined in line with our plan, down 8% vs. prior year, with continued and expected larger decline in wholesale than retail…. Wholesale revenues decreased 10% to $831mm on both a reported and constant currency basis in Q2 The decrease was primarily driven by a decline in North America, as shipments were strategically reduced as a part of the Way Forward Plan

KATE: “While the wholesale environment remains promotional, we are continuing our industry-leading efforts to maintain a reduced promotional posture to protect our long-term brand health.”

EL: “we saw continued declines in the brick and mortar business of mid-tier department stores”

FOSL: “Consistent with prior quarters, our wholesale channels continued to be the weaker channel with declines in the Americas and Europe offsetting growth in Asia.”

DECK: “the overall total UGG brand inventory in the wholesale channel is lower y-o-y… expecting wholesale business to be flat to down LSD.”

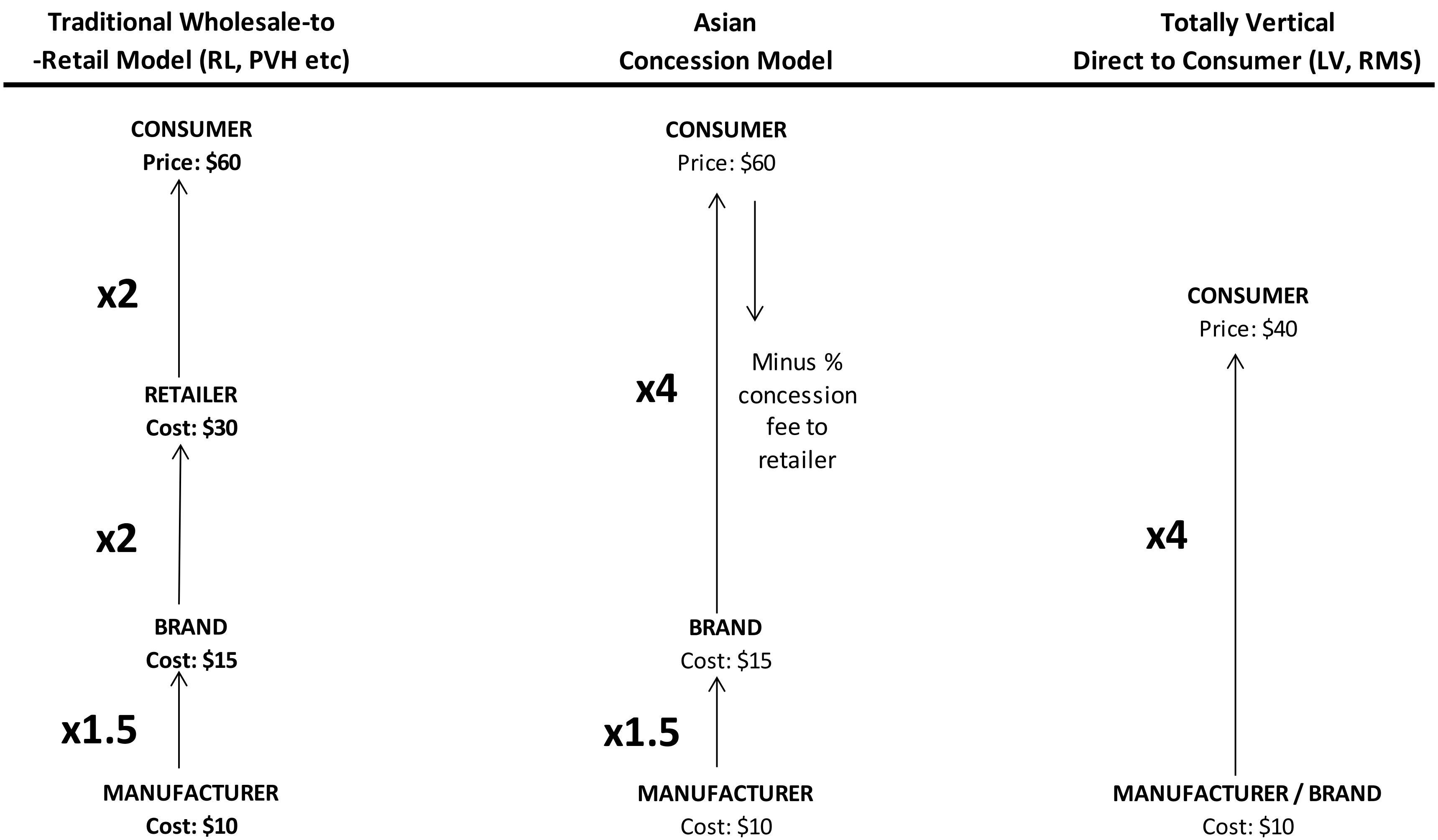
BRBY: “The U.S. market was a very promotional environment with the majority of businesses going on sale earlier than in previous years.”

UA: “While it’s certainly not new news throughout 2016; bankruptcies, channel dislocation and destocking combined to disrupt the overall North American retail landscape….Sales to our wholesale customers were up 5% to $742mm, a result moderated by the challenges in our North American business that we've spoken to today.”

SKX: “We continue to believe the retail environment in the United States remains challenging, which has resulted in several retailers either closing doors or ceasing operations and widespread promotions on a normally full-priced brand.”

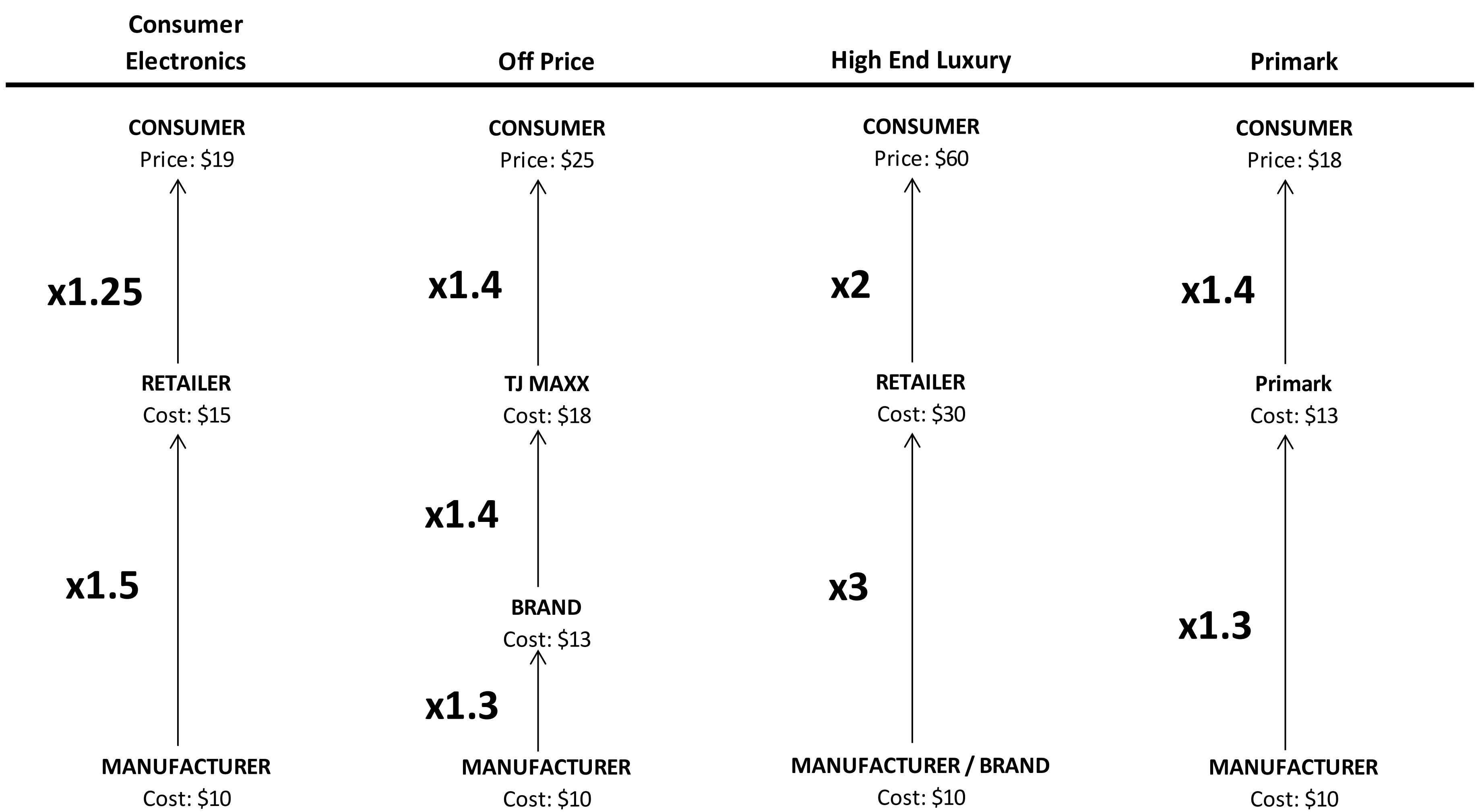
Source: Evercore ISI

Evolving Towards Fewer Middlemen



Source: Evercore ISI

Varying Markups by Category



Source: Evercore ISI

Learning from the Asian Concession Model

The U.S. model of organizing by category commoditizes its own merchandise…

Women's	Men's	Juniors	Guys
Children's	Baby	Home	Bed & Bath
Toys	Shoes	Handbags	Accessories
Jewelry	Watches	Beauty	Sports
Swim	Lingerie	Designer	Suiting

U.S.	EBIT Margin
Dept. Store	5-10%
Vendor	8-12%

…Asian shop-in-shop model allows for differentiation and price umbrella

POLO RALPH LAUREN	OMEGA	Calvin Klein underwear	COACH
Dior	RALPH LAUREN	Cartier	UGG australia
CHANEL	UNDER ARMOUR	BOSS HUGO BOSS	ROLEX
BURBERRY	DIESEL FOR SUCCESSFUL LIVING		GUCCI
THE NORTH FACE	LOUIS VUITTON	BVLGARI	PRADA

Asia	EBIT Margin
Dept. Store	25-30%
Vendor	20-35%

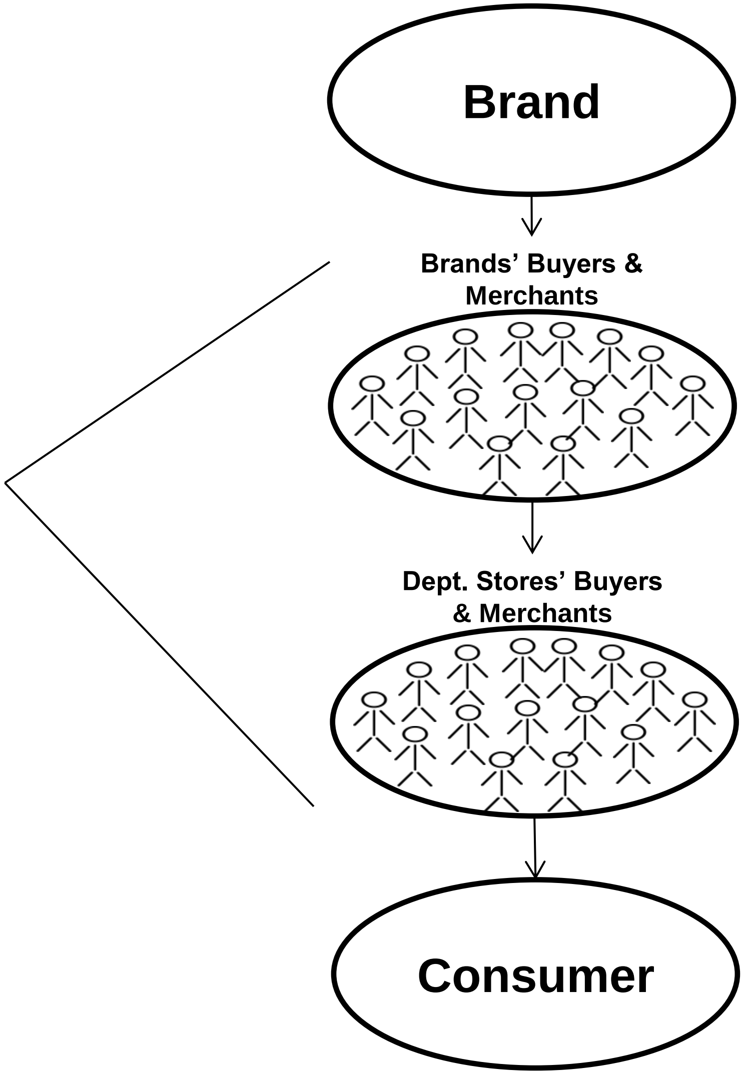
Asian dept. store margins based on average of Parkson, Golden Eagle, and Intime. US dept. store margins based on average M, KSS, JWN, DDS. Vendor margins EVR ISI est.

Source: Evercore ISI

The Concession Model Eliminates Redundancy

Brands' own merchants don't always see eye to eye with dept. store merchants…

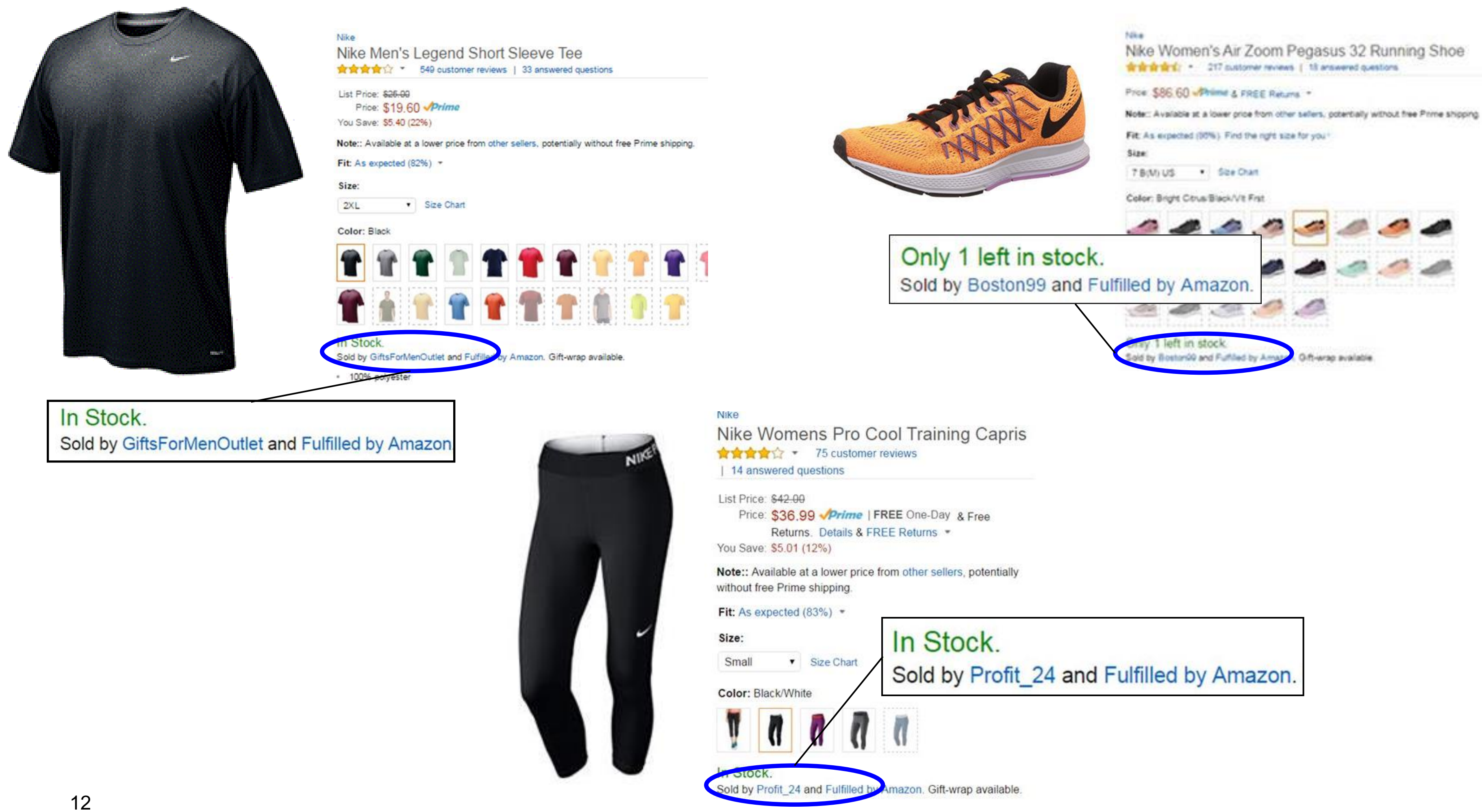
the shop-in-shop model can eliminate some redundancy and improve the brand's retail presentation



Source: Evercore ISI

Random Middlemen Even on Amazon.com

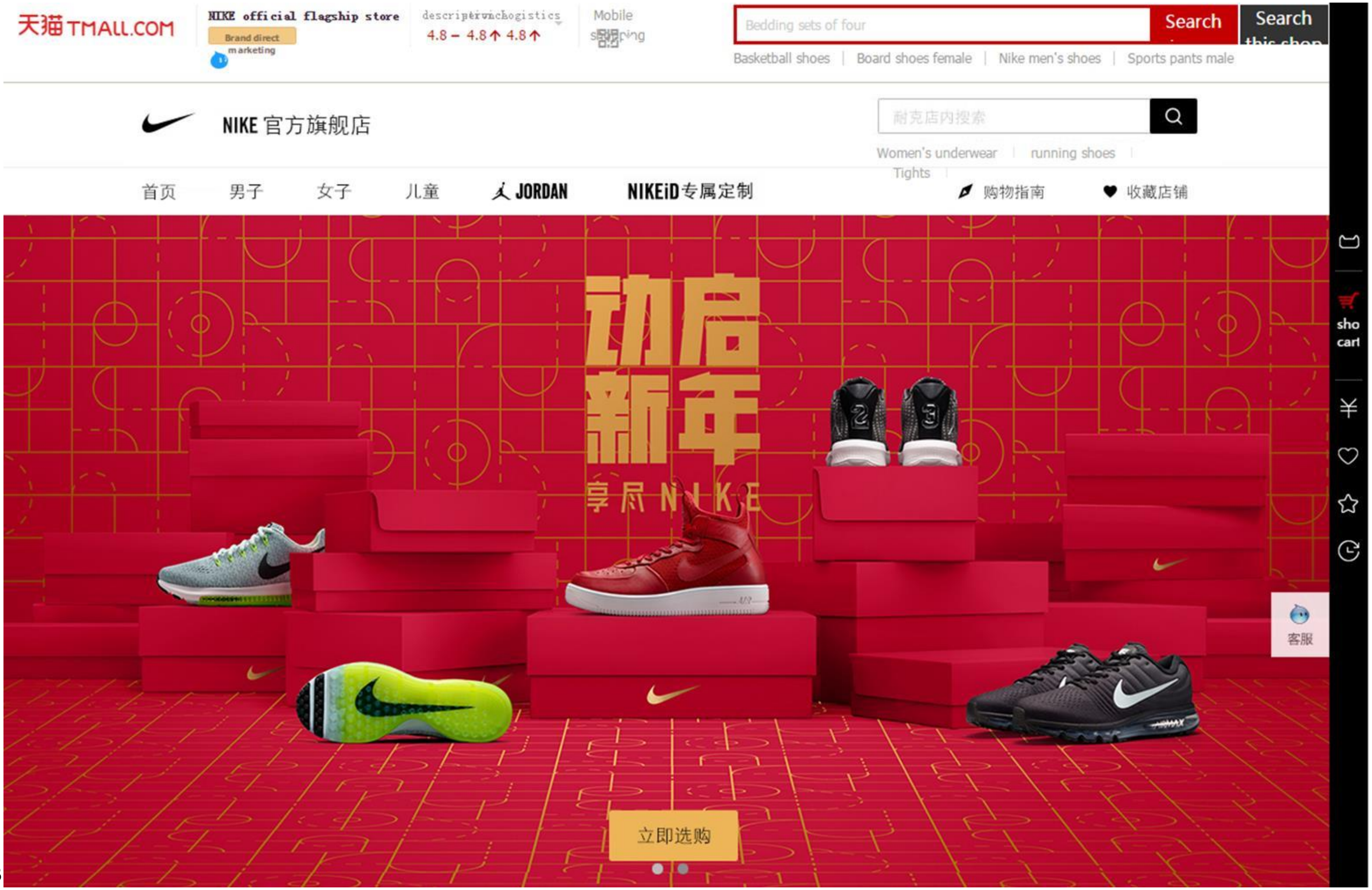
Shopping for Nike products on Amazon is an undifferentiated experience



Source: Evercore ISI

T-Mall's Marketplace Model Highly Effective

Nike has control over most aspects of its T-mall site, from design, operations, fulfillment, logistics etc, enabling Nike to differentiate itself from the thousands of brands / retail sites in the marketplace.



Source: Evercore ISI

COH Income Statement

	FY13	FY14	FY15	FY16	1Q	2Q	3Q	4Q	FY17E	1Q	2Q	3Q	4Q	FY18E	FY19E
Revenues	5,075	4,806	4,192	4,492	1,038	1,322	1,022	1,120	4,502	1,072	1,390	1,086	1,198	4,746	5,011
Growth	*6.6 %*	*(5.3)%*	*(12.8)%*	*7.2 %*	*0.7 %*	*3.8 %*	*(1.0)%*	*(3.0)%*	*0.2 %*	*3.3 %*	*5.2 %*	*6.2 %*	*6.9 %*	*5.4 %*	*5.6 %*
Growth (Coach brand)	*6.6 %*	*(5.3)%*	*(12.8)%*	*(1.0)%*	*0.7 %*	*1.9 %*	*(2.4)%*	*3.8 %*	*(0.8)%*	*2.7 %*	*4.7 %*	*5.8 %*	*6.6 %*	*5.0 %*	*5.2 %*
Growth (Coach brand const FX)	*8.0 %*	*(3.0)%*	*(11.1)%*	*0.2 %*	*(1.0)%*	*2.0 %*	*(1.6)%*	*5.6 %*	*1.3 %*	*5.1 %*	*5.4 %*	*5.7 %*	*6.6 %*	*5.5 %*	*5.2 %*
Comp (NA, includes ecomm)	*0.4 %*	*(14.5)%*	*(22.0)%*	*(3.3)%*	*2.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*2.8 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*3.0 %*
COGS	1,372	1,427	1,273	1,439	323	416	298	345	1,381	329	430	312	363	1,433	1,511
Gross profit	3,703	3,379	2,918	3,052	715	906	724	776	3,121	743	960	774	835	3,312	3,501
Gross margin	*73.0 %*	*70.3 %*	*69.6 %*	*68.0 %*	*68.9 %*	*68.6 %*	*70.8 %*	*69.2 %*	*69.3 %*	*69.3 %*	*69.1 %*	*71.3 %*	*69.7 %*	*69.8 %*	*69.9 %*
SG&A	2,125	2,128	2,130	2,276	538	612	557	570	2,277	559	644	586	601	2,390	2,503
SG&A growth	*9.8 %*	*0.1 %*	*0.1 %*	*6.9 %*	*1.1 %*	*6.6 %*	*(0.7)%*	*(6.3)%*	*0.1 %*	*3.9 %*	*5.2 %*	*5.1 %*	*5.5 %*	*5.0 %*	*4.7 %*
SG&A rate	*41.9 %*	*44.3 %*	*50.8 %*	*50.7 %*	*51.9 %*	*46.3 %*	*54.5 %*	*50.8 %*	*50.6 %*	*52.2 %*	*46.3 %*	*54.0 %*	*50.2 %*	*50.4 %*	*49.9 %*
Operating income	1,578	1,252	789	777	177	294	167	206	844	184	316	188	234	922	998
Growth	*3 %*	*(21)%*	*(37)%*	*(2)%*	*7 %*	*3 %*	*10 %*	*18 %*	*9 %*	*4 %*	*7 %*	*13 %*	*13 %*	*9 %*	*8 %*
Operating margin	*31.1 %*	*26.0 %*	*18.8 %*	*17.3 %*	*17.0 %*	*22.3 %*	*16.3 %*	*18.4 %*	*18.7 %*	*17.2 %*	*22.7 %*	*17.4 %*	*19.5 %*	*19.4 %*	*19.9 %*
Interest expense (income)	4	(2)	6	27	6	5	7	7	25	7	7	7	7	28	24
Pretax income	1,574	1,254	782	750	171	289	160	199	819	177	309	181	227	894	974
Income taxes	507	384	251	198	45	78	34	56	212	48	83	49	61	241	263
Tax rate	*32.2 %*	*30.6 %*	*32.1 %*	*26.4 %*	*26.4 %*	*27.0 %*	*21.0 %*	*28.0 %*	*25.9 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*
Net Income	1,067	870	531	552	126	211	126	143	607	129	226	132	166	653	711
Growth	*3 %*	*(18)%*	*(39)%*	*4 %*	*11 %*	*12 %*	*2 %*	*14 %*	*10 %*	*3 %*	*7 %*	*5 %*	*15 %*	*8 %*	*9 %*
Net margin	*21.0 %*	*18.1 %*	*12.7 %*	*12.3 %*	*12.1 %*	*16.0 %*	*12.4 %*	*12.8 %*	*13.5 %*	*12.1 %*	*16.2 %*	*12.2 %*	*13.8 %*	*13.8 %*	*14.2 %*
Diluted EPS	**$ 3.73**	**$ 3.10**	**$ 1.92**	**$ 1.98**	**$ 0.45**	**$ 0.75**	**$ 0.45**	**$ 0.51**	**$ 2.15**	**$ 0.46**	**$ 0.79**	**$ 0.47**	**$ 0.58**	**$ 2.30**	**$ 2.55**
Growth	*6 %*	*(17)%*	*(38)%*	*3 %*	*10 %*	*11 %*	*0 %*	*13 %*	*9 %*	*2 %*	*6 %*	*5 %*	*15 %*	*7 %*	*11 %*
Diluted share count	286	280	277	279	282	282	284	284	283	284	284	284	284	284	279
Yoy	*(3)%*	*(2)%*	*(1)%*	*1 %*	*1 %*	*1 %*	*1 %*	*1 %*	*1 %*	*1 %*	*1 %*	*0 %*	*— %*	*0 %*	*(2)%*

Source: Company reports, EvercoreISI estimates

UA Income Statement

Income Statement	2011	2012	2013	2014	2015	2016	1Q	2Q	3Q	4Q	2017E	2018E
Revenues	1,473	1,835	2,332	3,084	3,963	4,828	1,114	1,127	1,663	1,457	5,361	6,166
Growth	*38 %*	*25 %*	*27 %*	*32 %*	*28 %*	*22 %*	*6 %*	*13 %*	*13 %*	*11 %*	*11 %*	*15 %*
Cost of Goods Sold	760	956	1,195	1,572	2,058	2,585	620	601	883	801	2,904	3,311
Gross Profit	713	879	1,137	1,512	1,906	2,243	494	527	780	656	2,457	2,855
Gross margin	*48.4 %*	*47.9 %*	*48.7 %*	*49.0 %*	*48.1 %*	*46.5 %*	*44.4 %*	*46.7 %*	*46.9 %*	*45.0 %*	*45.8 %*	*46.3 %*
SG&A	550	671	872	1,158	1,497	1,823	513	521	599	517	2,149	2,410
Growth	*32%*	*22%*	*30%*	*33%*	*29%*	*22%*	*15%*	*14%*	*20%*	*23%*	*18%*	*12%*
SG&A rate	*37.4 %*	*36.5 %*	*37.4 %*	*37.6 %*	*37.8 %*	*37.8 %*	*46.0 %*	*46.2 %*	*36.0 %*	*35.5 %*	*40.1 %*	*39.1 %*
Operating Income	163	209	265	354	409	420	(18)	6	181	139	308	445
Growth	*45 %*	*28 %*	*27 %*	*34 %*	*15 %*	*3 %*	*(152)%*	*(69)%*	*(9)%*	*(17)%*	*(27)%*	*45 %*
Operating margin	*11.1 %*	*11.4 %*	*11.4 %*	*11.5 %*	*10.3 %*	*8.7 %*	*(1.6)%*	*0.5 %*	*10.9 %*	*9.5 %*	*5.7 %*	*7.2 %*
Interest/other expense (income)	6	5	4	12	22	29	10	11	11	11	43	48
Pre-Tax Income	157	203	261	342	387	391	(28)	(5)	170	128	265	397
Income Taxes	60	75	99	134	154	132	(11)	(2)	56	42	85	127
Tax rate	*38.2 %*	*36.7 %*	*37.8 %*	*39.2 %*	*39.9 %*	*33.9 %*	*40.0 %*	*40.0 %*	*33.0 %*	*33.0 %*	*32.1 %*	*32.0 %*
Net Income	97	129	162	208	232	259	(17)	(3)	114	86	180	270
Growth	*42 %*	*33 %*	*26 %*	*28 %*	*12 %*	*11 %*	*(188)%*	*(148)%*	*(11)%*	*(18)%*	*(31)%*	*50 %*
Net margin	*6.6 %*	*7.0 %*	*7.0 %*	*6.7 %*	*5.9 %*	*5.4 %*	*(1.5)%*	*(0.3)%*	*6.8 %*	*5.9 %*	*3.4 %*	*4.4 %*
Diluted EPS	**$ 0.23**	**$ 0.30**	**$ 0.38**	**$ 0.48**	**$ 0.53**	**$ 0.58**	**$ (0.04)**	**$ (0.01)**	**$ 0.25**	**$ 0.19**	**$ 0.40**	**$ 0.60**
Growth	*38 %*	*31 %*	*25 %*	*27 %*	*10 %*	*10 %*	*(187)%*	*(147)%*	*(13)%*	*(19)%*	*(31)%*	*50 %*
Diluted share count	420.2	425.6	430.6	436.0	440.9	444.3	448.6	449.6	450.0	450.0	449.5	451.0

Source: Company reports, EvercoreISI estimates

DECK Income Statement

	2013	2014	2015	2016	1Q	2Q	3Q	4Q	2017E	1Q	2Q	3Q	4Q	2018E	2019E
Revenues	1,432	1,588	1,817	1,875	174	486	792	390	1,842	183	501	818	406	1,908	1,985
Growth	*0.9 %*	*10.9%*	*14.5%*	*3.2 %*	*-18.4%*	*-0.2%*	*-0.5%*	*2.9%*	*(1.8)%*	*5.1%*	*3.2%*	*3.2%*	*4.2%*	*3.6 %*	*4.0 %*
Growth (constant FX)			*15.6%*	*5.4 %*	*-18.8%*	*0.3%*	*-0.6%*	*3.4%*	*(2.1)%*	*5.1%*	*3.2%*	*3.2%*	*4.2%*	*3.6 %*	*— %*
Cost of goods sold	789	830	939	1,023	98	270	389	215	972	102	275	396	221	994	1,025
Gross profit	642	757	878	852	76	216	403	174	870	81	227	422	184	915	959
Gross margin	*44.9 %*	*47.7 %*	*48.3 %*	*45.4 %*	*43.7 %*	*44.5 %*	*50.9 %*	*44.7 %*	*47.2 %*	*44.3 %*	*45.2 %*	*51.6 %*	*45.4 %*	*47.9 %*	*48.3 %*
SG&A	465	552	654	656	153	161	215	151	680	159	168	223	157	706	731
SG&A growth	*19 %*	*18.8 %*	*18.3 %*	*0.4 %*	*1.7 %*	*(0.9)%*	*14.0 %*	*(2.3)%*	*3.7 %*	*3.9 %*	*3.8 %*	*3.8 %*	*3.8 %*	*3.8 %*	*3.4 %*
SG&A rate	*32.5 %*	*34.8 %*	*36.0 %*	*35.0 %*	*87.6 %*	*33.2 %*	*27.1 %*	*38.8 %*	*36.9 %*	*86.6 %*	*33.4 %*	*27.3 %*	*38.6 %*	*37.0 %*	*36.8 %*
Operating income	178	205	224	196	(77)	55	188	23	190	(78)	59	199	28	208	228
Growth	*(78)%*	*15 %*	*10 %*	*(13)%*	*20 %*	*7 %*	*(7)%*	*305 %*	*(3)%*	*1 %*	*8 %*	*6 %*	*19 %*	*10 %*	*10 %*
Operating margin	*12.4 %*	*12.9 %*	*12.4 %*	*10.4 %*	*(43.9)%*	*11.3 %*	*23.8 %*	*6.0 %*	*10.3 %*	*(42.3)%*	*11.8 %*	*24.3 %*	*6.8 %*	*10.9 %*	*11.5 %*
Other expense (income)	3	3	3	5	1	2	1	1	4	1	1	1	1	4	4
Pretax income	174	202	221	190	(77)	53	187	22	186	(79)	58	198	27	204	224
Taxes	52	60	59	41	(20)	13	51	6	50	(21)	16	53	7	55	61
Tax rate	*30.0 %*	*29.8 %*	*26.8 %*	*21.4 %*	*25.3 %*	*25.1 %*	*27.0 %*	*27.0 %*	*27.2 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*
Net income	122	142	162	150	(58)	40	137	16	135	(57)	42	145	19	149	164
Growth		*16 %*	*14 %*	*(7)%*	*22 %*	*10 %*	*(13)%*	*341 %*	*(10)%*	*(0)%*	*6 %*	*6 %*	*19 %*	*10 %*	*10 %*
Net margin	*8.5 %*	*8.9 %*	*8.9 %*	*8.0 %*	*(33.0)%*	*8.2 %*	*17.3 %*	*4.2 %*	*7.4 %*	*(31.3)%*	*8.5 %*	*17.7 %*	*4.8 %*	*7.8 %*	*8.3 %*
Diluted EPS	**$ 3.37**	**$ 4.06**	**$ 4.63**	**$ 4.57**	**$ (1.80)**	**$ 1.23**	**$ 4.22**	**$ 0.50**	**$ 4.15**	**$ (1.77)**	**$ 1.31**	**$ 4.46**	**$ 0.60**	**$ 4.60**	**$ 5.05**
Growth	*-30%*	*20%*	*14%*	*-1%*	*26%*	*11%*	*-12%*	*339%*	*-9%*	*-2%*	*6%*	*6%*	*19%*	*11%*	*10%*
Diluted share count	36	35	35	33	32	32	32	32	32	32	32	32	32	32	32
Growth	*-7%*	*-4%*	*0%*	*-5%*	*-3%*	*-1%*	*-1%*		*-1%*	*1%*	*0%*	*0%*	*0%*	*0%*	*0%*

Source: Company reports, EvercoreISI estimates

FOSL Income Statement

Income Statement	2012	2013	2014	2015	1Q	2Q	3Q	4Q	2016E	1Q	2Q	3Q	4Q	2017E	2018E
Revenues	2,858	3,260	3,510	3,229	660	685	738	993	3,076	670	689	735	1,001	3,096	3,188
Growth	*11.3 %*	*14.1 %*	*7.7 %*	*(8.0)%*	*(9.0)%*	*(7.4)%*	*(4.3)%*	*0.0 %*	*(4.7)%*	*1.5 %*	*0.6 %*	*(0.4)%*	*0.8 %*	*0.6 %*	*3.0 %*
Growth (const FX)	*13.5 %*	*14.1 %*	*8.2 %*	*(1.3)%*	*(6.7)%*	*(6.5)%*	*(3.8)%*	*2.3 %*	*(3.2)%*	*2.9 %*	*3.2 %*	*1.7 %*	*0.7 %*	*2.0 %*	*3.0 %*
Fx impact	*(2.2)%*	*(0.0)%*	*(0.5)%*	*(5.9)%*	*(2.3)%*	*(0.9)%*	*(0.5)%*	*(2.3)%*	*(1.5)%*	*(1.2)%*	*(2.4)%*	*(1.9)%*	*0.1 %*	*(1.4)%*	*— %*
Cost of Goods Sold	1,251	1,398	1,509	1,476	312	330	353	474	1,468	314	329	349	474	1,465	1,503
Gross Profit	1,607	1,862	2,001	1,753	348	356	385	519	1,608	356	361	387	527	1,631	1,686
Gross margin	*56.2 %*	*57.1 %*	*57.0 %*	*54.3 %*	*52.8 %*	*51.9 %*	*52.2 %*	*52.2 %*	*52.3 %*	*53.2 %*	*52.3 %*	*52.6 %*	*52.6 %*	*52.7 %*	*52.9 %*
Total SG&A	1,118	1,300	1,435	1,462	334	340	349	417	1,441	333	340	350	429	1,452	1,495
Growth	*15.6%*	*16.3%*	*10.3%*	*1.9%*	*-3.1%*	*0.4%*	*2.2%*	*-4.4%*	*-1.5%*	*-0.3%*	*0.0%*	*0.2%*	*2.9%*	*0.8%*	*3.0%*
SG&A rate	*39.1%*	*39.9%*	*40.9%*	*45.3%*	*50.6%*	*49.6%*	*47.3%*	*42.0%*	*46.8%*	*49.7%*	*49.3%*	*47.6%*	*42.9%*	*46.9%*	*46.9%*
Operating Income	488	562	567	291	14	15	36	102	167	23	20	37	97	178	190
Growth	*3 %*	*15 %*	*1 %*	*(49)%*	*(74)%*	*(78)%*	*(53)%*	*14 %*	*-43%*	*63 %*	*32 %*	*3 %*	*(4)%*	*7%*	*7%*
Operating margin	*17.1 %*	*17.2 %*	*16.1 %*	*9.0 %*	*2.2 %*	*2.3 %*	*4.8 %*	*10.2 %*	*5.4 %*	*3.5 %*	*3.0 %*	*5.0 %*	*9.7 %*	*5.8 %*	*6.0 %*
Interest expense	5	9	16	20	6	6	7	7	26	7	7	7	7	28	28
Other expense (income)	(9)	(9)	(7)	(40)	(2)	(3)	(2)	1	(5)	(0)	(0)	(0)	(0)	(1)	(1)
Pre-Tax Income	492	562	558	312	11	12	30	93	146	17	14	30	91	151	163
Income Taxes	150	173	172	82	3	4	8	28	42	5	4	9	27	45	49
Tax rate	*30.5 %*	*30.9 %*	*30.7 %*	*26.2 %*	*30.8 %*	*30.2 %*	*24.8 %*	*30.0 %*	*29.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*
Minority Interest	11	10	10	9	2	2	2	1	7	1	1	1	1	4	6
Net Income	331	378	377	221	6	6	21	64	97	10	8	20	62	101	109
Growth	*12 %*	*14 %*	*(0)%*	*(41)%*	*(85)%*	*(89)%*	*(64)%*	*(9)%*	*(56)%*	*80 %*	*41 %*	*(3)%*	*(3)%*	*5 %*	*7 %*
Net margin	*11.6 %*	*11.6 %*	*10.7 %*	*6.8 %*	*0.9 %*	*0.9 %*	*2.8 %*	*6.4 %*	*3.1 %*	*1.6 %*	*1.2 %*	*2.8 %*	*6.2 %*	*3.3 %*	*3.4 %*
Diluted EPS	**$ 5.39**	**$ 6.55**	**$ 7.10**	**$ 4.51**	**$ 0.12**	**$ 0.12**	**$ 0.43**	**$ 1.32**	**$ 2.00**	**$ 0.22**	**$ 0.18**	**$ 0.42**	**$ 1.29**	**$ 2.10**	**$ 2.25**
Growth	*17 %*	*22 %*	*8 %*	*(36)%*	*(84)%*	*(89)%*	*(64)%*	*(9)%*	*(56)%*	*80 %*	*41 %*	*(3)%*	*(3)%*	*5 %*	*7 %*
Diluted share count	61	58	53	49	48	48	48	48	48	48	48	48	48	48	48
Growth	*(4)%*	*(6)%*	*(8)%*	*(8)%*	*(4)%*	*(1)%*	*0 %*	*0 %*	*(1)%*	*— %*	*0 %*	*— %*	*— %*	*0 %*	*— %*

Source: Company reports, EvercoreISI estimates

KORS Income Statement

Income Statement	FY13	FY14	FY15	FY16	1Q	2Q	3Q	4Q	FY17E	1Q	2Q	3Q	4Q	FY18E	FY19E
Net sales	2,095	3,171	4,200	4,539	957	1,049	1,304	1,100	4,411	1,001	1,082	1,364	1,153	4,600	4,692
Growth	*69.3 %*	*51.4 %*	*32.5 %*	*8.1 %*	*1.1 %*	*(3.4)%*	*(2.8)%*	*(5.4)%*	*(2.8)%*	*4.5 %*	*3.1 %*	*4.6 %*	*4.8 %*	*4.3 %*	*2.0 %*
Comps (reported)	*40.1 %*	*26.2 %*	*10.3 %*	*(4.2)%*	*(7.4)%*	*(5.4)%*	*(4.9)%*	*(3.5)%*	*(5.0)%*	*(0.4)%*	*0.6 %*	*1.2 %*	*1.9 %*	*0.8 %*	*1.0 %*
Comps (constant FX)			*11.9 %*	*(0.9)%*	*(7.6)%*	*(5.6)%*	*(4.3)%*	*(2.9)%*	*(2.8)%*	*1.2 %*	*1.8 %*	*1.4 %*	*1.9 %*	*1.6 %*	*1.0 %*
Royalty revenue	87	140	172	173	31	39	49	29	147	32	41	51	30	154	162
Growth	*33 %*	*61 %*	*22 %*	*1 %*	*(21)%*	*(10)%*	*(13)%*	*(19)%*	*(15)%*	*5 %*	*5 %*	*5 %*	*5 %*	*5 %*	*5 %*
Total Revenue	2,182	3,311	4,371	4,712	988	1,088	1,352	1,129	4,557	1,033	1,123	1,415	1,183	4,754	4,853
Growth	*67 %*	*52 %*	*32 %*	*8 %*	*0 %*	*(4)%*	*(3)%*	*(6)%*	*(3)%*	*5 %*	*3 %*	*5 %*	*5 %*	*4 %*	*2 %*
COGS	875	1,295	1,724	2,088	397	444	523	448	1,811	415	457	548	469	1,889	1,917
Gross profit on net sales	1,220	1,876	2,476	2,624	561	606	780	652	2,599	586	625	816	684	2,711	2,774
% of net sales	*58.2 %*	*59.2 %*	*59.0 %*	*57.8 %*	*58.6 %*	*57.7 %*	*59.9 %*	*59.3 %*	*58.9 %*	*58.6 %*	*57.7 %*	*59.9 %*	*59.3 %*	*58.9 %*	*59.1 %*
Total gross profit	1,307	2,016	2,648	2,797	591	645	829	681	2,746	618	666	867	714	2,865	2,936
% of total revenue	*59.9 %*	*60.9 %*	*60.6 %*	*59.4 %*	*59.9 %*	*59.2 %*	*61.3 %*	*60.3 %*	*60.3 %*	*59.9 %*	*59.3 %*	*61.3 %*	*60.3 %*	*60.3 %*	*60.5 %*
SG&A	677	1,008	1,391	1,622	393	441	467	498	1,800	421	466	503	532	1,922	1,963
Growth	*44 %*	*49 %*	*38 %*	*17 %*	*11 %*	*13 %*	*11 %*	*10 %*	*11 %*	*7 %*	*6 %*	*8 %*	*7 %*	*7 %*	*2 %*
SG&A rate	*31.0 %*	*30.4 %*	*31.8 %*	*34.4 %*	*39.8 %*	*40.5 %*	*34.5 %*	*44.1 %*	*39.5 %*	*40.8 %*	*41.5 %*	*35.5 %*	*44.9 %*	*40.4 %*	*40.4 %*
Operating income	630	1,008	1,257	1,175	198	204	362	183	946	197	199	364	182	943	974
Growth	*127 %*	*60 %*	*25 %*	*(7)%*	*(20)%*	*(25)%*	*(12)%*	*(25)%*	*(19)%*	*(1)%*	*(2)%*	*1 %*	*(0)%*	*(0)%*	*3 %*
Operating margin	*28.9 %*	*30.5 %*	*28.8 %*	*24.9 %*	*20.1 %*	*18.7 %*	*26.8 %*	*16.2 %*	*20.8 %*	*19.1 %*	*17.7 %*	*25.8 %*	*15.4 %*	*19.8 %*	*20.1 %*
Interest expense (income)	2	0	0	2	0	1	-	-	2	-	-	-	-	-	-
Other expense (income)	1	0	1	1	-	-	-	-	-	-	-	-	-	-	-
Pretax income	627	1,008	1,256	1,172	198	202	362	183	944	197	199	364	182	943	974
Income Taxes	230	346	375	335	42	42	76	38	198	41	42	77	38	198	204
Tax rate	*36.6 %*	*34.4 %*	*29.8 %*	*28.5 %*	*21.1%*	*20.7%*	*21.0 %*	*21.0 %*	*21.0 %*	*21.0 %*	*21.0 %*	*21.0 %*	*21.0 %*	*21.0 %*	*21.0 %*
Net Income	398	661	881	838	156	160	286	144	747	156	157	288	144	745	769
Growth	*141 %*	*66 %*	*33 %*	*(5)%*	*(10)%*	*(17)%*	*(3)%*	*(19)%*	*(11)%*	*(0)%*	*(2)%*	*1 %*	*(0)%*	*(0)%*	*3 %*
Margin	*18.2 %*	*20.0 %*	*20.2 %*	*17.8 %*	*15.8 %*	*14.7 %*	*21.1 %*	*12.8 %*	*16.4 %*	*15.1 %*	*14.0 %*	*20.3 %*	*12.1 %*	*15.7 %*	*15.8 %*
Diluted EPS	**$ 1.97**	**$ 3.22**	**$ 4.28**	**$ 4.43**	**$ 0.88**	**$ 0.95**	**$ 1.71**	**$ 0.87**	**$ 4.41**	**$ 0.94**	**$ 0.95**	**$ 1.74**	**$ 0.87**	**$ 4.50**	**$ 4.65**
Growth	*127 %*	*63 %*	*33 %*	*3 %*	*1 %*	*(5)%*	*8 %*	*(11)%*	*(0)%*	*6 %*	*0 %*	*1 %*	*(0)%*	*2 %*	*3 %*
Diluted share count	201.5	205.6	205.8	189.2	176.6	168.8	166.7	165.6	169.4	165.6	165.6	165.6	165.6	165.6	165.6
Growth	*6 %*	*2 %*	*0 %*	*(8)%*	*(12)%*	*(12)%*	*(10)%*	*(8)%*	*(10)%*	*(6)%*	*(2)%*	*(1)%*	*— %*	*(2)%*	*— %*

Source: Company reports, EvercoreISI estimates

PVH Income Statement

Income Statement	2011	2012	2013	2014	2015	1Q	2Q	3Q	4Q	2016E	2017E	2018E
Net sales	5,410	5,541	7,836	7,849	7,606	1,818	1,845	2,123	2,012	7,798	8,030	8,214
Growth	*28.2 %*	*2.4 %*	*41.4 %*	*0.2 %*	*(3.1)%*	*1.8 %*	*4.5 %*	*4.0 %*	*(0.1)%*	*2.5 %*	*3.0 %*	*2.3 %*
Royalty & other revenues	481	502	380	392	415	100	88	121	106	415	438	451
Growth	*15.2 %*	*4.5 %*	*(24.3)%*	*3.1 %*	*5.8 %*	*6.3 %*	*(10.4)%*	*(2.2)%*	*7.1 %*	*0.0 %*	*5.7 %*	*2.9 %*
Total revenue	5,891	6,043	8,216	8,241	8,020	1,918	1,933	2,244	2,118	8,213	8,468	8,666
Growth	*27.0 %*	*2.6 %*	*36.0 %*	*0.3 %*	*(2.7)%*	*2.0 %*	*3.7 %*	*3.7 %*	*0.2 %*	*2.4 %*	*3.1 %*	*2.3 %*
Growth constant FX					*4.0 %*	*3.0 %*	*5.0 %*	*4.9 %*	*2.3 %*	*4.3 %*	*3.2 %*	*2.4 %*
COGS	2,827	2,794	3,911	3,908	3,878	910	895	1,050	1,030	3,885	3,987	4,064
Gross profit on net sales	2,583	2,747	3,925	3,941	3,727	908	950	1,074	982	3,914	4,043	4,150
% of net sales	*47.7 %*	*49.6 %*	*50.1 %*	*50.2 %*	*49.0 %*	*49.9 %*	*51.5 %*	*50.6 %*	*48.8 %*	*50.2 %*	*50.4 %*	*50.5 %*
Total gross profit	3,064	3,249	4,305	4,333	4,142	1,008	1,038	1,195	1,088	4,328	4,482	4,601
% of total revenue	*52.0%*	*53.8%*	*52.4%*	*52.6%*	*51.6%*	*52.6%*	*53.7%*	*53.2%*	*51.4%*	*52.7%*	*52.9%*	*53.1%*
SG&A	2,389	2,498	3,338	3,413	3,320	820	856	919	942	3,536	3,661	3,754
Growth	*24%*	*5%*	*34%*	*2%*	*-3%*	*5%*	*5%*	*11%*	*5%*	*7%*	*4%*	*3%*
SG&A rate	*40.6 %*	*41.3 %*	*40.6 %*	*41.4 %*	*41.4 %*	*42.7 %*	*44.3 %*	*40.9 %*	*44.5 %*	*43.1 %*	*43.2 %*	*43.3 %*
Operating income	674	752	967	920	822	189	183	276	145	792	820	847
Growth	*23.0 %*	*11.5 %*	*28.6 %*	*(4.9)%*	*(10.6)%*	*(0.8)%*	*4.9 %*	*(2.3)%*	*(17.4)%*	*(3.6)%*	*3.6 %*	*3.3 %*
Operating Margin	*11.4 %*	*12.4 %*	*11.8 %*	*11.2 %*	*10.3 %*	*9.8 %*	*9.5 %*	*12.3 %*	*6.9 %*	*9.6 %*	*9.7 %*	*9.8 %*
Interest & other expense	128	114	184	137	101	29	28	29	31	117	113	97
Pre-Tax Income	546	638	783	783	722	160	155	246	114	675	708	750
Income taxes	154	152	202	174	136	37	35	37	20	128	133	142
Tax rate	*28.2 %*	*23.8 %*	*25.8 %*	*22.3 %*	*18.8 %*	*23.0 %*	*22.5 %*	*14.9 %*	*17.2 %*	*18.9 %*	*18.9 %*	*18.9 %*
Net income (loss)	392	486	581	609	586	123	119.80	210	95	547	574	608
Growth	*36.6 %*	*24.0 %*	*19.4 %*	*4.7 %*	*(3.7)%*	*(1.5)%*	*4.4 %*	*(5.2)%*	*(24.4)%*	*(6.6)%*	*5.0 %*	*5.9 %*
Net margin	*6.7 %*	*8.0 %*	*7.1 %*	*7.4 %*	*7.3 %*	*6.4 %*	*6.2 %*	*9.3 %*	*4.5 %*	*6.7 %*	*6.8 %*	*7.0 %*
Diluted EPS	**$ 5.38**	**$ 6.58**	**$ 7.03**	**$ 7.31**	**$ 7.05**	**$ 1.50**	**$ 1.47**	**$ 2.60**	**$ 1.18**	**$ 6.75**	**$ 7.25**	**$ 7.80**
Growth	*26.3 %*	*22.4 %*	*6.8 %*	*4.0 %*	*(3.5)%*	*0.0 %*	*7.3 %*	*(2.3)%*	*(22.3)%*	*(4.3)%*	*7.4 %*	*7.6 %*
Diluted share count	73	74	83	83	83	82	81	81	80	81	79	78

Source: Company reports, EvercoreISI estimates

VFC Income Statement

Income Statement	2011	2012	2013	2014	2015	1Q	2Q	3Q	4Q	2016E	1Q	2Q	3Q	4Q	2017E	2018E
Net sales	9,365	10,766	11,302	12,155	11,995	2,735	2,418	3,458	3,514	12,125	2,771	2,438	3,488	3,529	12,227	12,592
Growth	22.8 %	15.0 %	5.0 %	7.5 %	(1.3)%	0.7 %	0.9 %	(1.2)%	4.0 %	1.1 %	1.3 %	0.8 %	0.9 %	0.4 %	0.8 %	3.0 %
Royalty income	94	114	117	127	124	29	27	31	33	120	30	27	31	33	122	124
Growth	20.2 %	21.4 %	3.0 %	8.6 %	(2.6)%	(11.6)%	(7.3)%	5.5 %	— %	(3.5)%	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
Total revenues	9,459	10,880	11,420	12,282	12,119	2,765	2,445	3,488	3,547	12,245	2,801	2,466	3,519	3,563	12,349	12,717
Growth	22.8 %	15.0 %	5.0 %	7.6 %	(1.3)%	0.6 %	0.8 %	(1.2)%	3.9 %	1.0 %	1.3 %	0.8 %	0.9 %	0.5 %	0.8 %	3.0 %
Cost of Goods Sold	5,129	5,818	5,931	6,288	6,277	1,436	1,269	1,801	1,809	6,315	1,470	1,282	1,809	1,799	6,361	6,481
Gross Profit	4,331	5,062	5,488	5,994	5,843	1,328	1,177	1,687	1,738	5,930	1,330	1,184	1,710	1,764	5,988	6,235
Gross margin	45.8 %	46.5 %	48.1 %	48.8 %	48.2 %	48.0 %	48.1 %	48.4 %	49.0 %	48.4 %	47.5 %	48.0 %	48.6 %	49.5 %	48.5 %	49.0 %
SG&A	3,053	3,566	3,830	4,160	4,052	996	965	1,083	1,167	4,211	1,008	971	1,089	1,169	4,236	4,352
Growth	19.2%	16.8%	7.4%	8.6%	-2.6%	4.8%	1.9%	3.5%	5.2%	3.9%	1.2%	0.6%	0.6%	0.1%	0.6%	2.7%
SG&A rate	32.3 %	32.8 %	33.5 %	33.9 %	33.4 %	36.0 %	39.5 %	31.0 %	32.9 %	34.4 %	36.0 %	39.4 %	30.9 %	32.8 %	34.3 %	34.2 %
Operating Income	1,278	1,496	1,658	1,834	1,791	332	211	605	571	1,720	322	213	622	595	1,752	1,883
Growth	23.4 %	17.1 %	10.8 %	10.6 %	(2.4)%	(15.1)%	(3.4)%	(5.4)%	5.6 %	(4.0)%	(3.1)%	0.7 %	2.8 %	4.2 %	1.9 %	7.5 %
Operating margin	13.5 %	13.8 %	14.5 %	14.9 %	14.8 %	12.0 %	8.6 %	17.3 %	16.1 %	14.0 %	11.5 %	8.6 %	17.7 %	16.7 %	14.2 %	14.8 %
Interest expense	73	90	81	80	82	20	21	23	23	87	20	20	20	20	80	80
Misc expense (income)	7	(11)	4	6	(2)	(1)	(2)	1	-	(2)	-	-	-	-	-	-
Pre-Tax Income	1,198	1,417	1,573	1,749	1,711	313	192	581	548	1,635	302	193	602	575	1,672	1,803
Income Taxes	284	338	354	395	393	57	43	103	123	326	58	45	113	135	351	378
Tax rate	23.7 %	23.8 %	22.5 %	22.6 %	23.0 %	18.1 %	22.6 %	17.8 %	22.4 %	20.0 %	19.1 %	23.6 %	18.8 %	23.4 %	21.0 %	21.0 %
Net Income(1)	912	1,078	1,218	1,354	1,318	257	148	478	426	1,308	244	147	489	440	1,321	1,425
Growth	28.0 %	18.2 %	13.0 %	11.2 %	(2.7)%	(9.3)%	(11.6)%	4.4 %	4.0 %	(0.7)%	(4.8)%	(0.5)%	2.3 %	3.5 %	1.0 %	7.9 %
Net margin	9.7 %	10.0 %	10.8 %	11.1 %	11.0 %	9.4 %	6.1 %	13.8 %	12.1 %	10.8 %	8.8 %	6.0 %	14.0 %	12.5 %	10.8 %	11.3 %
Diluted EPS	**$ 2.05**	**$ 2.41**	**$ 2.73**	**$ 3.08**	**$ 3.05**	**$ 0.60**	**$ 0.35**	**$ 1.14**	**$ 1.02**	**$ 3.10**	**$ 0.59**	**$ 0.36**	**$ 1.19**	**$ 1.07**	**$ 3.20**	**$ 3.50**
Growth	27 %	18 %	13 %	13 %	(1)%	(8)%	(10)%	7 %	7 %	2 %	(2)%	2 %	4 %	5 %	3 %	9 %
Diluted share count	445	448	447	440	432	429	422	419	419	422	415	413	412	412	413	408

(1) Includes net loss attributable to non-controlling interests.

Source: Company reports, EvercoreISI estimates

RL Income Statement

Income Statement	FY10	FY11	FY12	FY13	FY14	FY15	FY16	1Q	2Q	3Q	4Q	FY17E	FY18E	FY19E	FY20E
Sales	4,979	5,660	6,860	6,945	7,450	7,620	7,405	1,552	1,821	1,671	1,565	6,609	6,471	6,765	7,341
Growth	*(0.8)%*	*13.7 %*	*21.2 %*	*1.2 %*	*7.3 %*	*2.3 %*	*(2.8)%*	*(4.1)%*	*(7.6)%*	*(14.2)%*	*(16.3)%*	*(10.8)%*	*(2.1)%*	*4.5 %*	*8.5 %*
Comp (constant FX)	*2.0 %*	*10.0 %*	*12.0 %*	*4.0 %*	*95.5 %*	*1.0 %*	*(3.0)%*	*(7.0)%*	*(9.0)%*	*(9.0)%*	*(7.0)%*	*(8.0)%*	*(1.8)%*	*2.0 %*	*5.0 %*
COGS	2,080	2,342	2,861	2,789	3,140	3,242	3,212	603	786	727	704	2,820	2,753	2,811	2,977
Gross profit	2,899	3,318	3,998	4,156	4,310	4,378	4,193	949	1,035	944	861	3,789	3,718	3,954	4,364
Gross margin	*58.2 %*	*58.6 %*	*58.3 %*	*59.8 %*	*57.9 %*	*57.5 %*	*56.6 %*	*61.1 %*	*56.8 %*	*56.5 %*	*55.0 %*	*57.3 %*	*57.5 %*	*58.4 %*	*59.4 %*
SG&A	2,192	2,473	2,959	3,011	3,180	3,343	3,413	821	809	763	767	3,160	3,050	3,175	3,430
Growth %	*6%*	*13%*	*20%*	*2%*	*6%*	*5%*	*2%*	*-1%*	*-4%*	*-9%*	*-15%*	*-7%*	*-3%*	*4%*	*8%*
SG&A rate	*44.0 %*	*43.7 %*	*43.1 %*	*43.4 %*	*42.7 %*	*43.9 %*	*46.1 %*	*52.9 %*	*44.4 %*	*45.7 %*	*49.0 %*	*47.8 %*	*47.1 %*	*46.9 %*	*46.7 %*
Operating income	707	845	1,039	1,145	1,130	1,035	780	128	226	181	94	629	668	779	934
Growth	*6 %*	*20 %*	*23 %*	*10 %*	*(1)%*	*(8)%*	*(25)%*	*(9)%*	*(16)%*	*(32)%*	*(11)%*	*(19)%*	*6 %*	*17 %*	*20 %*
Operating margin	*14.2 %*	*14.9 %*	*15.2 %*	*16.5 %*	*15.2 %*	*13.6 %*	*10.5 %*	*8.2 %*	*12.4 %*	*10.9 %*	*6.0 %*	*9.5 %*	*10.3 %*	*11.5 %*	*12.7 %*
Interest expense (income)	10	11	13	16	18	13	17	3	4	4	4	15	16	16	12
Other expense (income)	8	9	11	20	13	24	3	(3)	(2)	-	-	(5)	-	-	-
Minority interest	-	-	-	1	3	11	10	2	1	1	1	5	10	10	10
Pretax income	689	825	1,015	1,108	1,096	987	750	126	223	176	89	614	642	753	912
Income Taxes	210	258	334	346	320	285	205	36	65	51	26	178	186	218	264
Tax rate	*30.4 %*	*31.2 %*	*32.9 %*	*31.2 %*	*29.2 %*	*28.9 %*	*27.3 %*	*28.6 %*	*29.1 %*	*29.0 %*	*29.0 %*	*29.0 %*	*29.0 %*	*29.0 %*	*29.0 %*
Net Income	480	568	681	762	777	702	545	90.0	158.0	125	63	436	456	535	647
Growth	*7 %*	*18 %*	*20 %*	*12 %*	*2 %*	*(10)%*	*(22)%*	*(5)%*	*(14)%*	*(35)%*	*(15)%*	*(20)%*	*4 %*	*17 %*	*21 %*
Net margin	*9.6 %*	*10.0 %*	*9.9 %*	*11.0 %*	*10.4 %*	*9.2 %*	*7.4 %*	*5.8 %*	*8.7 %*	*7.5 %*	*4.0 %*	*6.6 %*	*7.0 %*	*7.9 %*	*8.8 %*
Diluted EPS	**$ 4.73**	**$ 5.75**	**$ 7.14**	**$ 8.13**	**$ 8.44**	**$ 7.87**	**$ 6.35**	**$ 1.07**	**$ 1.90**	**$ 1.51**	**$ 0.77**	**$ 5.25**	**$ 5.60**	**$ 6.70**	**$ 8.27**
Growth	*7 %*	*22 %*	*24 %*	*14 %*	*4 %*	*(7)%*	*(19)%*	*(2)%*	*(11)%*	*(33)%*	*(12)%*	*(17)%*	*7 %*	*20 %*	*23 %*
Diluted share count	101	99	95	94	92	89	86	84	83	83	82	83	81	80	78

Source: Company reports, EvercoreISI estimates

TIMESTAMP
(Article 3(1)e and Article 7 of MAR)

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ANALYST CERTIFICATION

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Current Ratings Definition

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Buy – the total forecasted return is expected to be greater than 10%
Hold – the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%
Sell – the total forecasted return is expected to be less than 0%
Coverage Suspended – the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
Rating Suspended - Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon.*

* Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended".

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On October 31, 2014, Evercore Partners acquired International Strategy & Investment Group LLC ("ISI Group") and ISI UK (the "Acquisition") and transferred Evercore Group's research, sales and trading businesses to ISI Group. On December 31, 2015, the combined research, sales and trading businesses were transferred back to Evercore Group in an internal reorganization. Since the Acquisition, the combined research, sales and trading businesses have operated under the global marketing brand name Evercore ISI.

ISI Group and ISI UK:

Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy - Return > 20%
Buy - Return 10% to 20%
Neutral - Return 0% to 10%

Cautious - Return -10% to 0%
Sell - Return < -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage universe over the following 12 months. Stocks under coverage were divided into three categories:

Overweight – the stock is expected to outperform the average total return of the analyst's coverage universe over the next 12 months.
Equal-Weight – the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.
Underweight – the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.
Suspended – the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

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Evercore ISI utilizes an alternate rating system for companies covered by analysts who use a model portfolio-based approach to determine a company's investment recommendation. Covered companies are included or not included as holdings in the analyst's Model Portfolio, and have the following ratings:

Long – the stock is a positive holding in the model portfolio; the total forecasted return is expected to be greater than 0%.
Short – the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.

No Position – the stock is not included in the model portfolio.

Coverage Suspended – the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company, and in certain other circumstances; a stock in the model portfolio is removed.

Rating Suspended - Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon; a stock in the model portfolio is removed.

Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal 100%.

Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Buy, Hold and Sell. However, for the purposes of ratings distribution disclosure only (below), FINRA requires members who use a ratings system with terms different than "Buy," "Hold/Neutral" and "Sell," to equate their own ratings to these categories. **For this purpose, our Long, No Position and Short ratings can be equated to Buy, Hold and Sell respectively.**

Evercore ISI ratings distribution (as of 02/01/2017)

Coverage Universe

Ratings	Count	Pct.
Buy	339	51%
Hold	275	41%
Sell	26	4%
Coverage Suspended	15	2%
Rating Suspended	8	1%

Investment Banking Services / Past 12 Months

Rating	Count	Pct.
Buy	53	16%
Hold	15	5%
Sell	1	4%
Coverage Suspended	1	7%
Rating Suspended	1	12%

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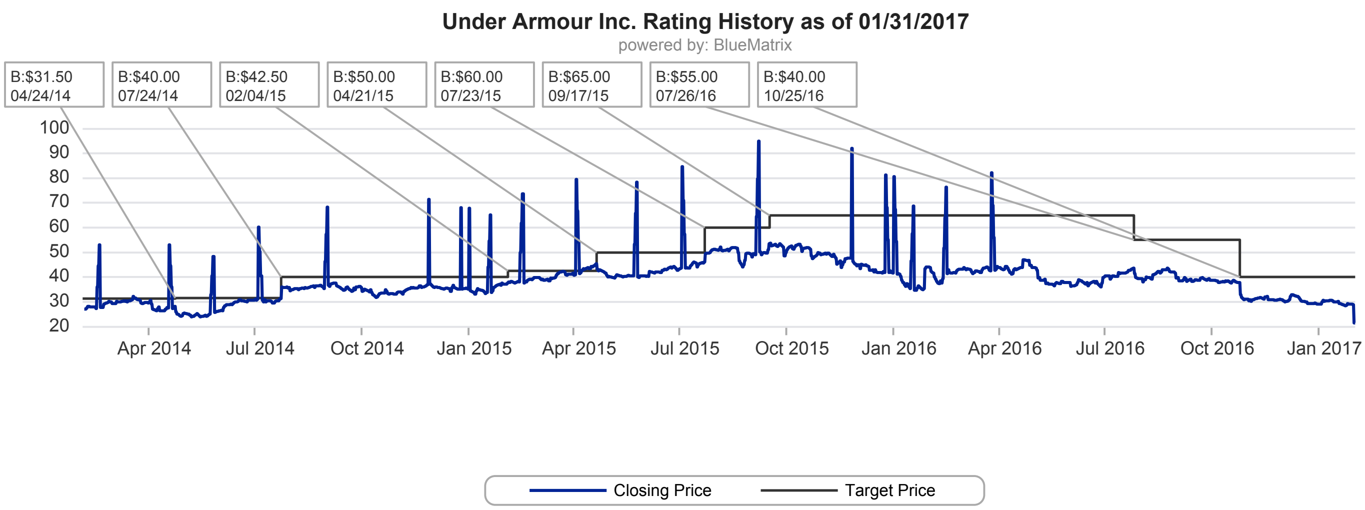
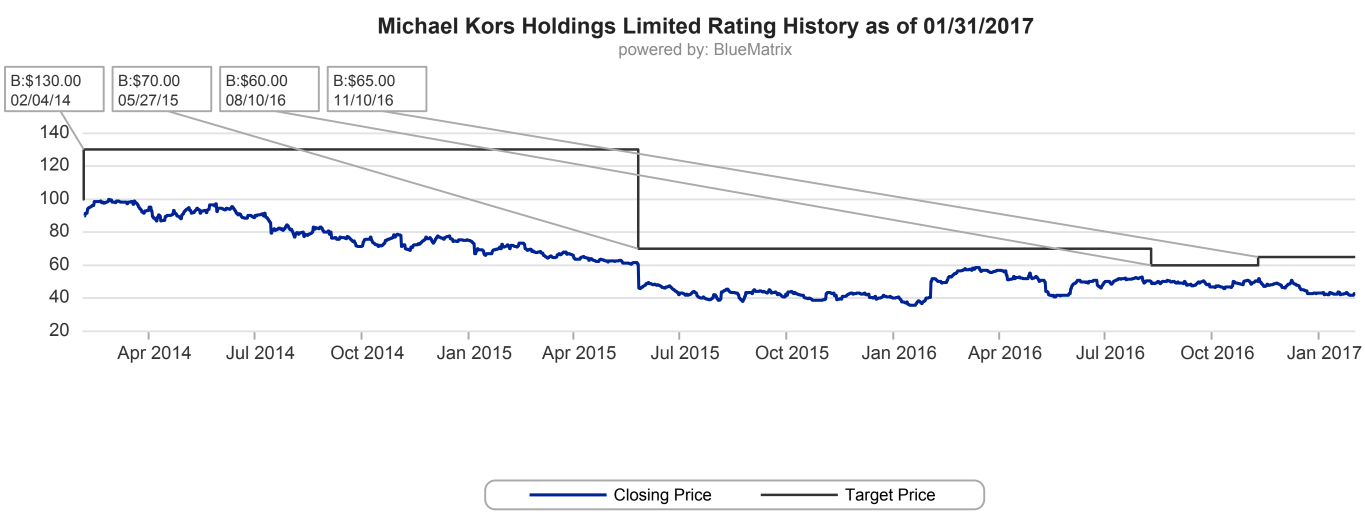
Price Charts





PVH Corp. Rating History as of 01/31/2017

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Ralph Lauren Corp. Rating History as of 01/31/2017

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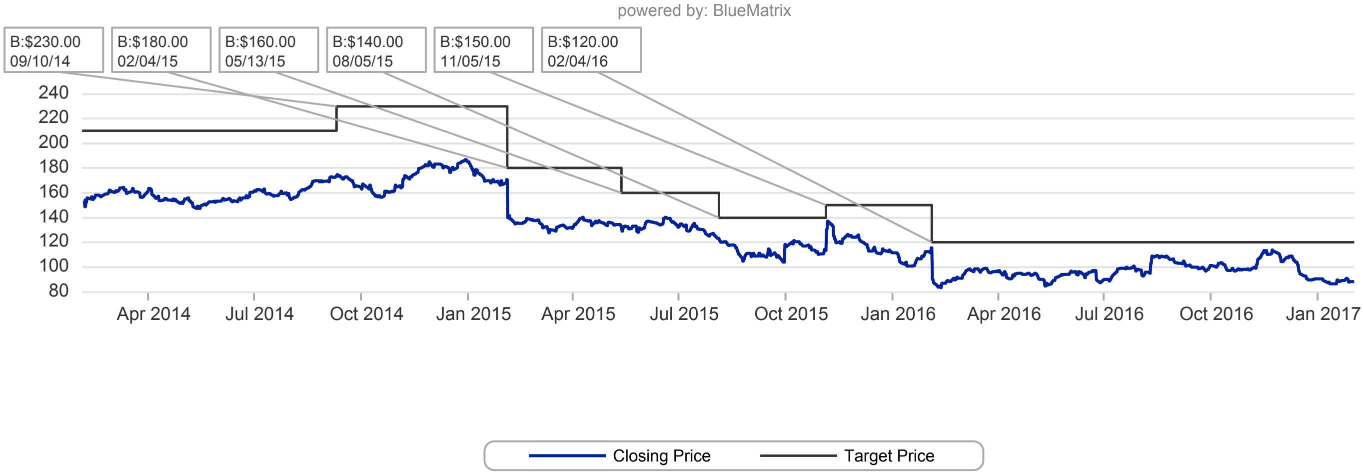

VF Corp. Rating History as of 01/31/2017

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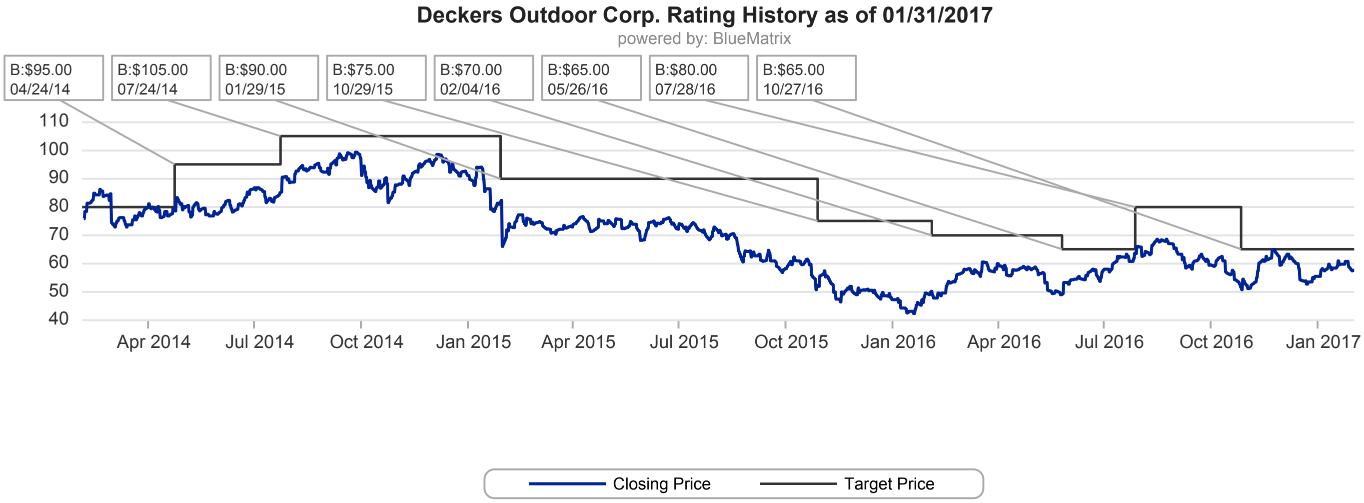

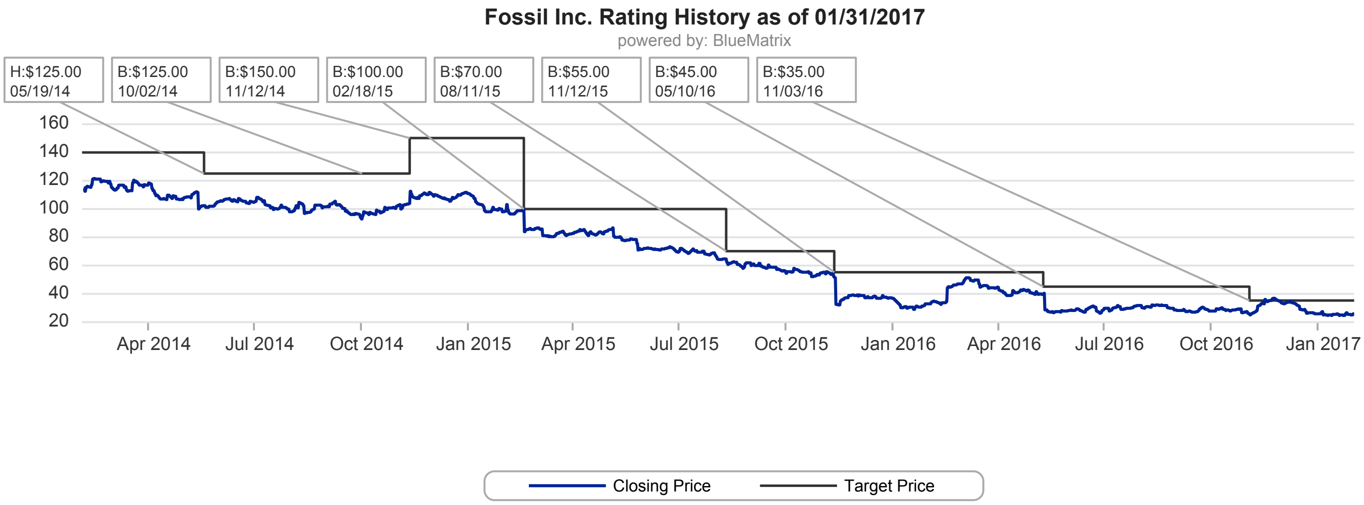

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