

Comparative Analysis of Calvin Klein and Ralph Lauren



VS.



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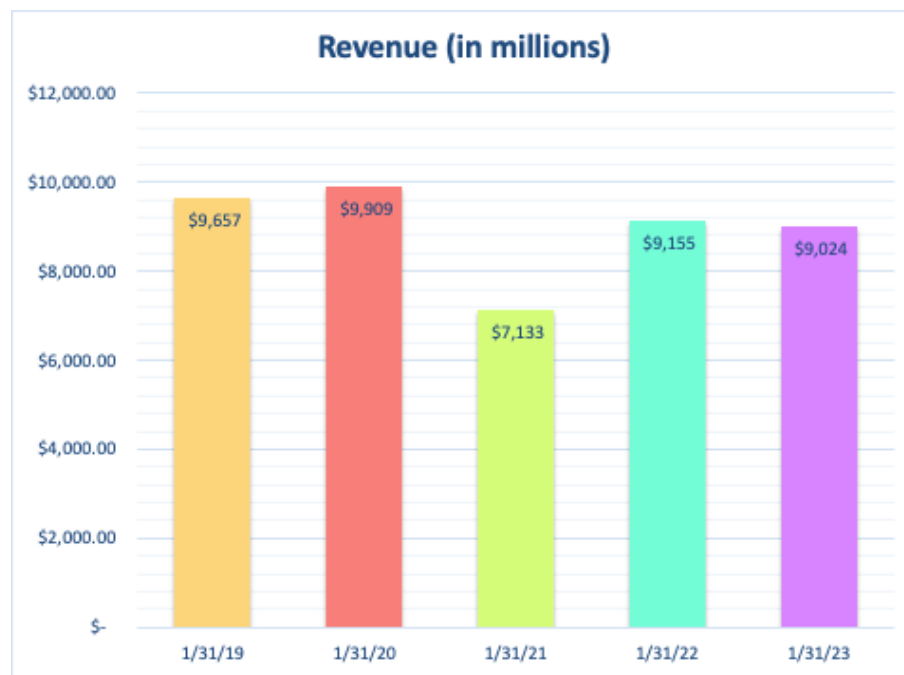
Financial Analysis of Calvin Klein (PVH) (2019-2023)

Project Overview: A brief analysis of PVH income statement and balance sheet for the past five years. Then a comparison of the competitor Ralph Lauren over the same period.

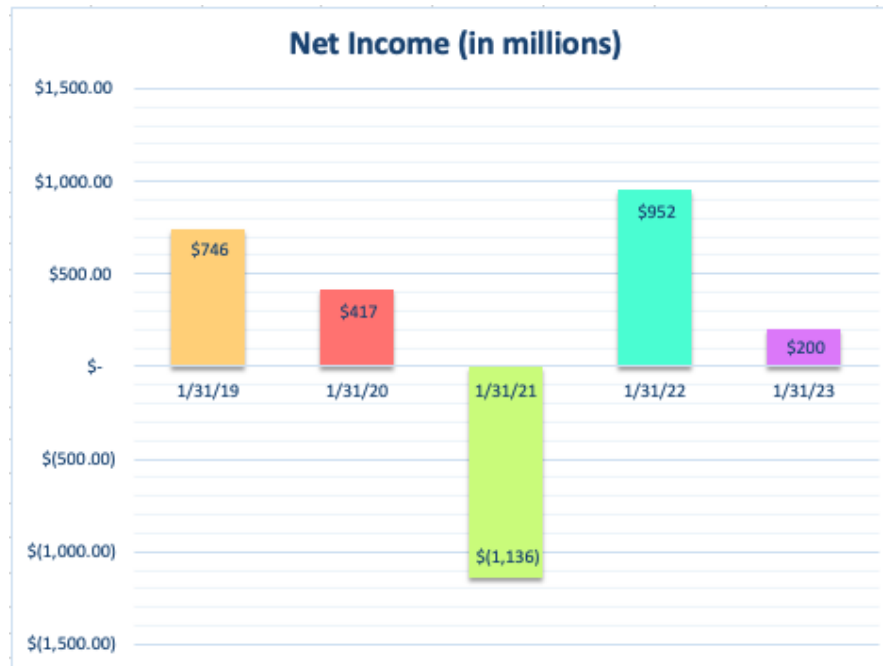
Analysis:

Income Statement

Condensed - Income Statement					
	1/31/19	1/31/20	1/31/21	1/31/22	1/31/23
\$ in Millions					
Revenue	\$ 9,657	\$ 9,909	\$ 7,133	\$ 9,155	\$ 9,024
Cost of goods sold / Cost of revenue	4,349	4,503	3,356	3,831	3,901
Gross profit	5,308	5,388	3,777	5,324	5,123
Operating Expenses	4,417	4,801	3,912	4,366	4,652
Operating income	892	588	(135)	958	470
Interest expense	122	119	115	106	90
Other income / expenses	(28)	22	(75)	(5)	41
Income taxes	31	29	(56)	21	189
Income from Continuing Operations	745	415	(1,138)	952	200
	-	-	-	-	-
Net income	\$ 746	\$ 417	\$ (1,136)	\$ 952	\$ 200
Earnings per share (basic)	\$ 9.75	\$ 5.63	\$ (15.96)	\$ 13.45	\$ 3.05
Earnings per share (diluted)	\$ 9.65	\$ 5.60	\$ (15.96)	\$ 13.25	\$ 3.03



The chart above shows their revenue from fiscal 2019 to fiscal 2023. Prior to COVID-19, there was a 2.6% increase in revenue from 2019 to 2020. Since PVH uses January and not March like Ralph Lauren does, there should be no affects from the pandemic in their revenue. Unlike the prior year, in 2021 you can see a 28% decrease in revenue once the pandemic took full affect. Since 2021, the revenue continues to climb back up to close to pre-pandemic numbers, but there is still a 6.5% decline in 2023 when comparing to 2019.



The graph above shows the income for the for the same period. You can see there was a decline again for the fiscal year 2021, so much so it is in the negative. The net income for 2019 combine with 2020 is equal to \$1163 when comparing to 2021 with a -\$1136, the net income is nearly wiped out in one fiscal year. 2022, there was a massive increase in net income so much so, that they were a 183.8% increase, which put PVH back in the green. Unfortunately, this was short lived, as in 2023 there was a 78.9% decrease in their net income.

Balance Sheet

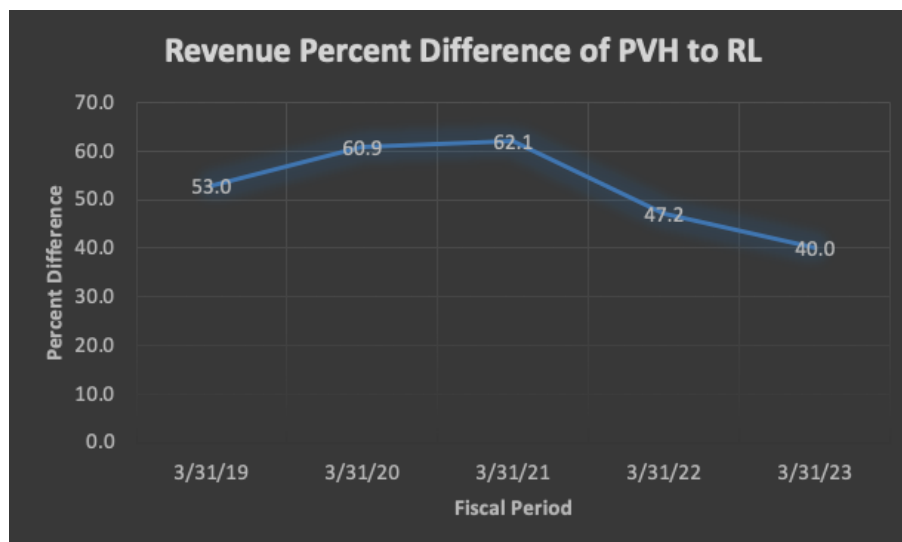
Condensed - Balance Sheet					
<i>\$ in Millions</i>	1/31/19	1/31/20	1/31/21	1/31/22	1/31/23
Cash & Cash Equivalents	452	503	1,651	1,243	551
Temporary Investments	-	-	-	-	-
Accounts Receivable, net	804	765	667	765	945
Inventories	1,732	1,616	1,417	1,349	1,803
Prepaid Expenses & Other	82	350	50	128	72
Current assets	\$ 3,239	\$ 3,394	\$ 3,944	\$ 3,654	\$ 3,580
Property, plant, and equipment, net	985	2,703	2,508	2,255	2,200
Equity and Other Investments	-	-	-	-	-
Goodwill and other intangible assets	3,671	3,678	2,954	2,829	2,359
Other assets	149	141	149	159	153
Total assets	\$ 11,864	\$ 13,631	\$ 13,294	\$ 12,397	\$ 11,768
Current liabilities	\$ 1,894	\$ 2,361	\$ 2,582	\$ 2,788	\$ 2,768
Long-term liabilities	2,819	4,226	4,944	3,532	3,324
Other long term liabilities	1,322	1,235	1,040	798	671
Total liabilities	6,036	7,822	8,567	7,108	6,756
Preferred Stock	-	-	-	-	-
Common Stock	85	86	86	87	88
Retained earnings	4,350	4,753	3,613	4,563	4,753
Treasury stock	(1,117)	(1,463)	(1,580)	(1,947)	(2,359)
AOCI	(508)	(640)	(519)	(613)	(713)
Non-Controlling Interest	5,828	5,812	4,730	5,289	5,013
Total equity	\$ 5,828	\$ 5,810	\$ 4,727	\$ 5,289	\$ 5,013



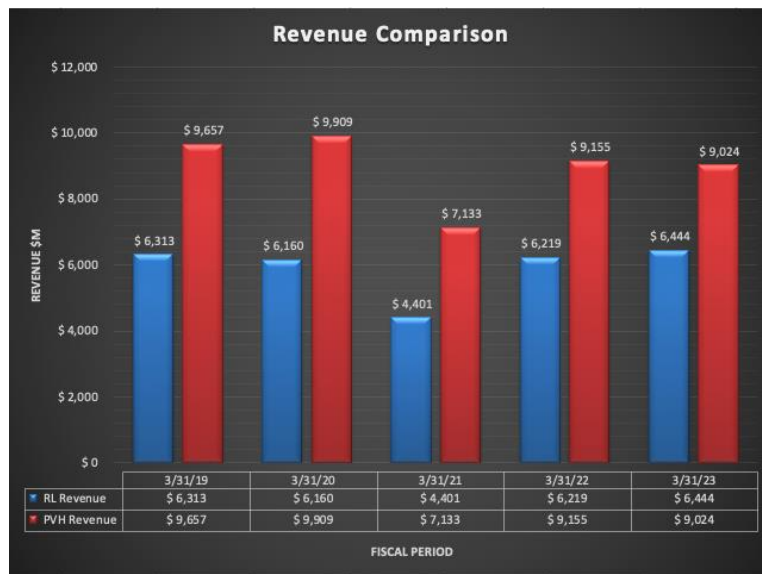
PVH total assets have climbed from the fiscal 2019 to fiscal 2020, with a very small dip in 2021, followed by a continued descent through 2023. In comparison to the total liabilities, which during the fiscal years of 2020 and 2021 increased 41.9%, while the total assets only increased 12.1% for the same period. The assets and liabilities follow a similar trend line over the past five years. The cash on hand increased more than 265% for the period of 2019 through 2021, with a 66.6% decrease from 2021 to 2023.

Revenue Comparison

I chose to date the chart with the periods for Ralph Lauren, who submit their findings for the month of March annually, whereas PVH submits their findings in January. There should not be that much of a difference for PVH over the two-month period, so the data should suffice.

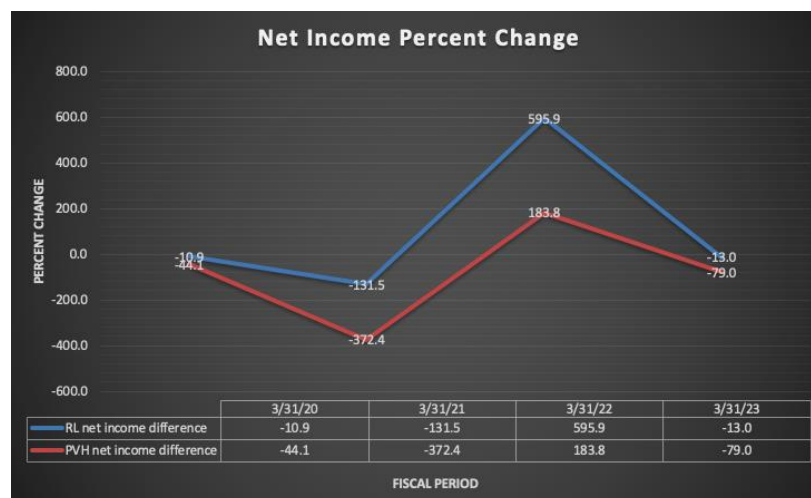


The chart above shows a revenue comparison of Ralph Lauren and PVH for the fiscal periods of 2019 through 2023. When comparing the revenue difference from PVH to Ralph Lauren for the years 2019, 2020, 2021 there is a 52.9%, 60.9%, and 62.1% increase for those years respectively. 2021 was the peak of this as it has begun to decline to 47.2% for 2022 and 40.0% for 2023. So even though PVH has many more companies generating revenue, the spread between the two companies has begun to shrink.

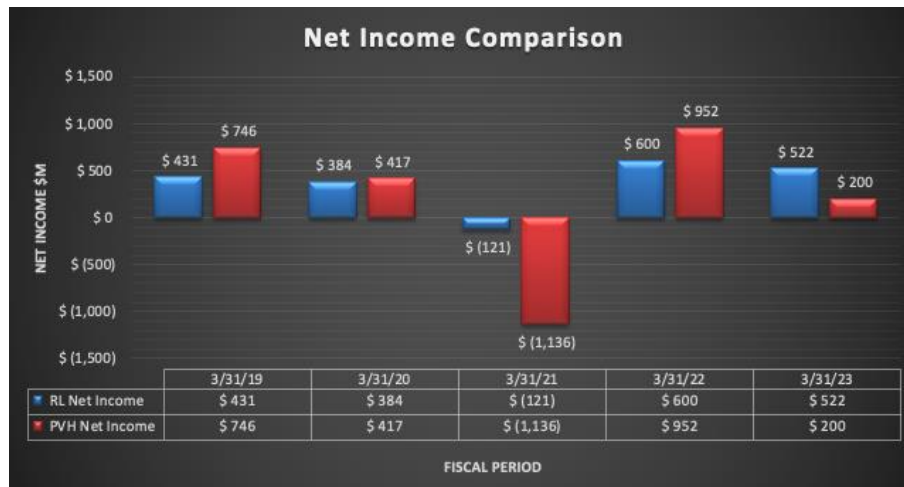


They both have followed the same trends for the past five years, but the sales gap has begun to shrink. Something to note is that the revenue cycles are much more drastic with PVH than Ralph Lauren. For example, in 2021, Ralph Lauren has a 28.6% decrease in revenue compared to PVH 28.0% decrease, both are very similar. But, in 2021 Ralph Lauren had a 41.3% increase compared to PVH increase of 28.4%. And in 2023, Ralph Lauren increased by 3.6% where PVH decreased by 1.4%. This is also why the gap in revenue has been shrinking, because the sales have increased tremendously for Ralph Lauren after the pandemic.

Net Income Comparison



The chart above shows a revenue comparison of Ralph Lauren and PVH for the fiscal periods of 2019 through 2023. Much has been said about the revenue changes for both companies when analyzing their revenue figures over the past five years. It can also be said that the Net income would follow a similar path. Ralph Lauren has had a much larger increase in net income since 2021 even though it had a slight drop from 2022 to 2023. This could be from the fact that sales have increase and their COGS is lower than it was prior to 2020.



This chart shows how similar the figures are for both companies, except for the outlier of the dramatic income drop for PVH in 2021. What is obvious is that Ralph Lauren (in blue) has not been far behind PVH and has started to surpass them when comparing net income.

Conclusion

In conclusion after comparing the two competitors in the leading luxury clothing line, I can deduce that they both follow similar trends over the past five years. Yes, PVH has higher numbers, but PVH is also encompassing several companies such as Calvin Klein and Tommy Hilfiger. So, the right thing to do is to see how closely Ralph Lauren follows them year over year, knowing they are a fraction of the size. Starting in 2023, Ralph Lauren started to surpass PVH in terms of net income, we will have to see how this holds out for 2024 and beyond. Also, the percent differences in revenue has decreased since 2021, meaning revenue for Ralph Lauren has increase while PVH has remained rather stagnant. To put everything into one coherent thought, Ralph Lauren has been growing and as of now becoming bigger than it has been, while PVH begins to lose its footing on the market.

Sources:

<https://www.macrotrends.net/stocks/charts/PVH/>

<https://www.macrotrends.net/stocks/charts/RL/ralph-lauren/balance-sheet>