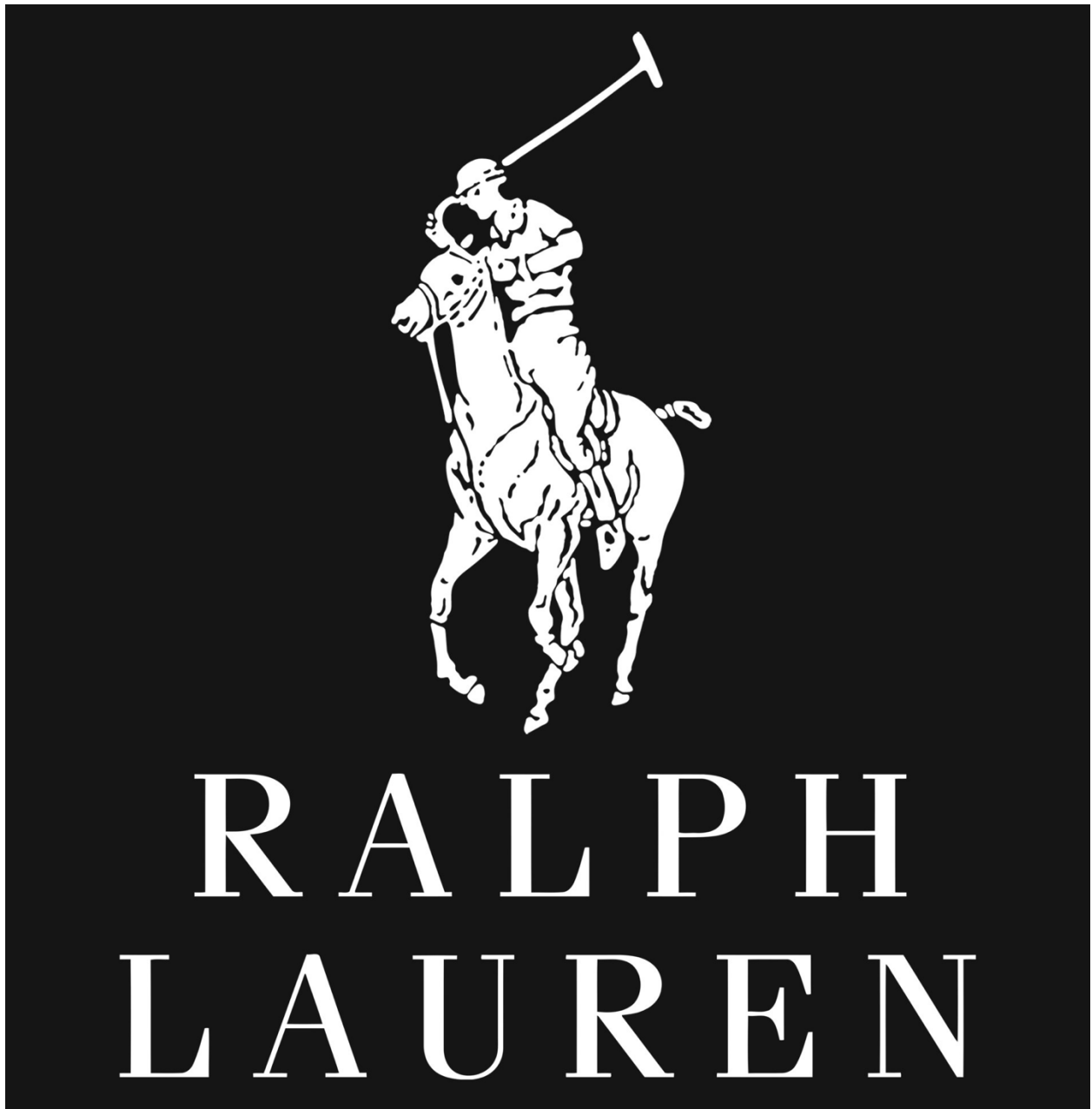


Financial Analysis of Ralph Lauren (2019-2023)



Nicholas Galvani

## **Project Overview:**

This project involves a comprehensive financial analysis of Ralph Lauren Corporation over the period from 2019 to 2023. The analysis encompasses a detailed review of the company's financial statements, including the balance sheet, income statement, and cash flow statement, along with an examination of relevant news and strategic developments. The objective is to assess Ralph Lauren's financial health and performance.

## **News:**

### **Expanded to Canada in 2023**

On September 27, 2023, Ralph Lauren announced its expansion to Canada, with the opening of its first store in the country and on October 11, 2023, the launch of a digital commerce site.

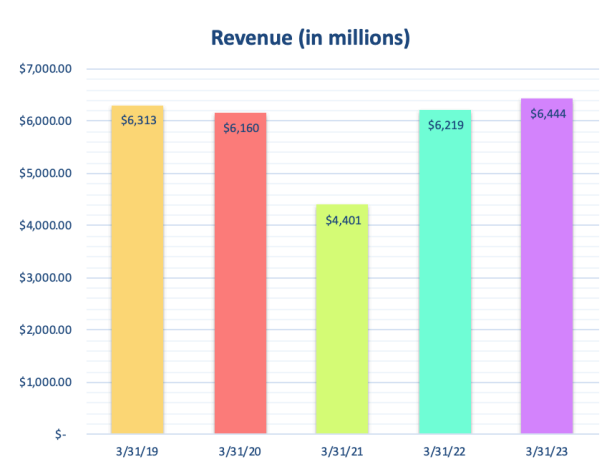
### **What happened in 2021?**

In 2021, Ralph Lauren announced plans to add 90 new stores and more localized websites. This includes digital channels, such as social media marketing and content creation.

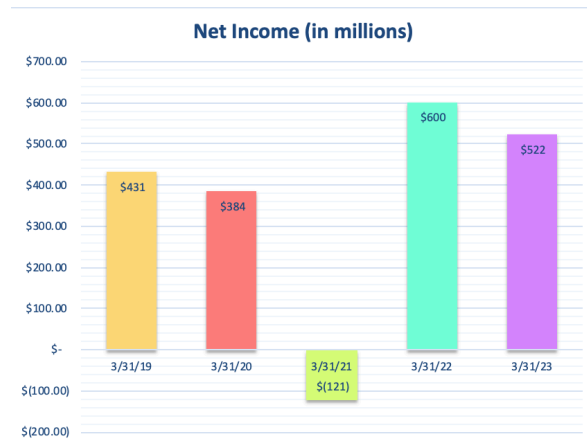
## Analysis:

### Income Statement

| Condensed - Income Statement             |               |               |                 |               |               |
|--|---------------|---------------|-----------------|---------------|---------------|
| <i>\$ in Millions</i>                    | 3/31/19       | 3/31/20       | 3/31/21         | 3/31/22       | 3/31/23       |
| <b>Revenue</b>                           | \$ 6,313      | \$ 6,160      | \$ 4,401        | \$ 6,219      | \$ 6,444      |
| Cost of goods sold / Cost of revenue     | 2,427         | 2,507         | 1,539           | 2,071         | 2,278         |
| <b>Gross profit</b>                      | <b>3,886</b>  | <b>3,653</b>  | <b>2,861</b>    | <b>4,148</b>  | <b>4,167</b>  |
| Operating Expenses                       | 3,324         | 3,336         | 2,905           | 3,350         | 3,463         |
| <b>Operating Income</b>                  | <b>562</b>    | <b>317</b>    | <b>(44)</b>     | <b>798</b>    | <b>704</b>    |
| Interest expense                         | 21            | 9             | (31)            | (44)          | (12)          |
| Other income / expenses                  | 583           | 326           | (75)            | 755           | 692           |
| Income taxes                             | 152           | (58)          | 46              | 155           | 169           |
| <b>Income from Continuing Operations</b> | <b>431</b>    | <b>384</b>    | <b>(121)</b>    | <b>600</b>    | <b>523</b>    |
|  | -             | -             | -               | -             | -             |
| <b>Net income</b>                        | <b>\$ 431</b> | <b>\$ 384</b> | <b>\$ (121)</b> | <b>\$ 600</b> | <b>\$ 522</b> |
| Earnings per share (basic)               | \$ 5.35       | \$ 5.07       | \$ (1.65)       | \$ 8.22       | \$ 7.22       |
| Earnings per share (diluted)             | \$ 5.27       | \$ 4.98       | \$ (1.65)       | \$ 8.07       | \$ 7.58       |



Ralph Lauren is a global luxury clothing company. They sell everything for both men and women. Some of their clothing includes: suits, sweaters, jeans, and polos. The chart above shows their revenue from fiscal 2019 to fiscal 2023. There was a dip in the fiscal year of 2021, this was due to a portion of their stores being closed for several weeks. This was also during the middle of the COVID-19 pandemic, which was a major contributing factor toward sales and the overall growth of companies. The following year, 2022, there was a huge turnaround in revenue as it spiked to above 6 Billion.



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. This was due to lower revenue, high operating expenses, along with negative operating income and negative income from continuing operations.

### Balance Sheet

| Condensed - Balance Sheet              | Input Area   |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| \$ in Millions                         | 3/31/19      | 3/31/20      | 3/31/21      | 3/31/22      | 3/31/23      |
| Cash & Cash Equivalents                | \$ 1,988     | \$ 2,116     | \$ 2,777     | \$ 2,598     | \$ 1,566     |
| Temporary Investments                  |              |              |              |              |              |
| Accounts Receivable, net               | 430          | 363          | 506          | 469          | 498          |
| Inventories                            | 818          | 736          | 759          | 977          | 1,071        |
| Prepaid Expenses & OTHER               | 359          | 161          | 167          | 173          | 189          |
| <b>Current assets</b>                  | <b>3,595</b> | <b>3,375</b> | <b>4,208</b> | <b>4,217</b> | <b>3,324</b> |
| Property, plant, and equipment, net    | 1,039        | 980          | 1,014        | 970          | 956          |
| Equity and Other Investments           |              |              |              |              |              |
| Goodwill and other intangible assets   | 1,083        | 1,057        | 1,056        | 1,012        | 988          |
| Other assets                           | \$ 2,348.00  | \$ 3,905.00  | 3,680        | 3,507        | 3,465        |
| <b>Total assets</b>                    | <b>5,943</b> | <b>7,280</b> | <b>7,888</b> | <b>7,725</b> | <b>6,790</b> |
| Accounts Payable                       | 300          | 247          | 356          | 449          | 371          |
| Other Current Liabilities              |              |              |              |              |              |
| <b>Total Current liabilities</b>       | <b>1,200</b> | <b>2,092</b> | <b>2,585</b> | <b>2,256</b> | <b>1,494</b> |
| Long-term Debt                         | 689          | 396          | 2,003        | 1,478        | 1,454        |
| Other long term liabilities            | 766          | 530          | 400          | 322          | 271          |
| <b>Total liabilities</b>               | <b>2,656</b> | <b>4,587</b> | <b>5,283</b> | <b>5,189</b> | <b>4,359</b> |
| Preferred Stock                        |              |              |              |              |              |
| Common Stock                           | 1            | 1            | 1            | 1            | 1            |
| Retained earnings                      | 5,979        | 5,994        | 5,873        | 6,275        | 6,589        |
| Treasury stock                         | (5,600)      | (5,778)      | (5,816)      | (6,309)      | (6,797)      |
| Accumulated Other Comprehensive Income | (103)        | (118)        | (121)        | (180)        | (196)        |
| Share Holder Equity                    | 3,287        | 2,693        | 2,604        | 2,536        | 2,431        |
| <b>Total equity</b>                    | <b>5,943</b> | <b>7,280</b> | <b>7,888</b> | <b>7,725</b> | <b>6,790</b> |

Ralph Lauren's assets have continued to grow from the fiscal 2019 to fiscal 2022, with a spike from fiscal 2019 to fiscal 2020. The PPE has been relatively steady over the periods with a small decrease from 2019 to 2020, but then an increase the following year in 2021, followed by a small downward slope from 2021- 2023. There has been a 14% growth in total assets from fiscal 2019 to fiscal 2023. There has been an 8% decrease in PPE over the same time period. During this time period the liabilities have continued to grow at a rate of 65.12%, which is more than the growth in total assets. It is important to note, that liabilities increase due to expansion of brick and mortar alone with the increase in their online presence.

## Statement of Cash Flows

| Condensed - Cash Flows                  | Input Area |         |         |         |         |
|---|------------|---------|---------|---------|---------|
| \$ in Millions                          | 3/31/19    | 3/31/20 | 3/31/21 | 3/31/22 | 3/31/23 |
| Net cash from operating activities      | 784        | 755     | 381     | 716     | 411     |
| Net cash from investing activities      | (880)      | 702     | 195     | (718)   | 471     |
| Net cash from financing activities      | (606)      | (438)   | 357     | (667)   | (1,209) |
| Effect of exchange rate changes on cash |            |         |         |         |         |
| Increase (decr) in Cash & Equiv         | (729)      | 1,003   | 958     | (716)   | (335)   |

Ralph Lauren's cash has had some ups and downs in the fiscal years from 2019 to 2023. There is a huge increase in the cash in fiscal 2020. We see that their investing activities were a big factor for the negative cash, specifically 2023, which is when they expanded to Canada, which would require many financial recourses and cash for the expansion.

## Liquidity and Solvency

| \$ in Millions                    | 3/31/19  | 3/31/20  | 3/31/21  | 3/31/22  | 3/31/23  |
|-----------------------------------|--|----------|----------|----------|----------|
| <b>LIQUIDITY</b>                  | <i>Are we meeting our current obligations ?</i>        |          |          |          |          |
| Working Capital                   | \$ 2,395   | \$ 1,283 | \$ 1,623 | \$ 1,961 | \$ 1,830 |
| Current Ratio                     | 3.00   | 1.61     | 1.63     | 1.87     | 2.22     |
| Quick Ratio                       | 2.01   | 1.19     | 1.27     | 1.36     | 1.38     |
| <b>PRODUCTIVITY</b>               | <i>Are we using the firm's resources efficiently ?</i> |          |          |          |          |
| Accounts Receivable Turnover      | 14.67  | 15.53    | 10.13    | 12.76    | 13.32    |
| Days sales outstanding            | 24.87  | 23.50    | 36.03    | 28.61    | 27.40    |
| Inventory Turnover                | 2.97   | 3.23     | 2.06     | 2.39     | 2.22     |
| Days in Inventory                 | 122.99   | 113.13   | 177.31   | 153.01   | 164.12   |
| Accounts Payable Turnover         | 8.09   | 9.17     | 5.10     | 5.15     | 5.56     |
| Days Payable Outstanding          | 45.12  | 39.82    | 71.51    | 70.94    | 65.69    |
| Cash Conversion Cycle             | 102.75   | 96.80    | 141.83   | 110.68   | 125.83   |
| PPE Turnover                      | 6.07   | 6.10     | 4.42     | 6.27     | 6.70     |
| <b>SOLVENCY</b>                   | <i>Are we handling debt appropriately ?</i>            |          |          |          |          |
| Debt-to-Assets ratio (Debt ratio) | 44.7%  | 63.0%    | 67.0%    | 67.2%    | 64.2%    |

From the chart above, you can see that Ralph Lauren's working capital has been on a bit of a rollercoaster seeing a 46.42% dip from 2019 to 2020. Then followed by 26.5% increase in 2021 and has since been increasing. There was a dip for both the current ratio and the quick ratio as their total assets increased over the years but so did their total liabilities. For example, for the period of 2019 – 2020, there was a 25% increase in total assets, and a 72.7% increase in total liabilities. This explains their solvency and the high debt-to-asset ratios as well. They have become less solvent with the increase in liabilities over the year

## Profitability

| \$ in Millions   | 3/31/19  | 3/31/20 | 3/31/21 | 3/31/22 | 3/31/23 |
|--|--|---------|---------|---------|---------|
| <b>PROFITABILITY Ratios</b>                            | <i>Are we generating enough returns on revenues and investments?</i> |         |         |         |         |
| Return on Equity (ROE)                                 | 13.1%  | 14.2%   | -4.5%   | 22.1%   | 19.3%   |
| Return on Assets (ROA)                                 | 7.3%   | 5.8%    | -1.6%   | 7.7%    | 7.2%    |
| <b>PROFITABILITY</b>                                   |  |         |         |         |         |
| Gross Profit Rate (GP Margin)                          | 61.56%   | 59.30%  | 65.01%  | 66.70%  | 64.66%  |
| Operating Expense Margin                               | 52.65%   | 54.16%  | 66.00%  | 53.86%  | 53.74%  |
| Operating Margin                                       | 8.90%  | 5.15%   | -0.99%  | 12.83%  | 10.92%  |
| Net Profit Margin, also known as Return on Sales (ROS) | 6.83%  | 6.23%   | -2.75%  | 9.65%   | 8.10%   |

The chart above shows that from fiscal 2019 to fiscal 2023, there was an increase of ROE, from 13.1.0% to 19.3%. In fiscal 2021, there is a huge dip, which is shown in many different charts, because of the impact of COVID-19, and the global economy coming to a halt as companies were forced to close their brick and mortar stores for several weeks. In fiscal 2022, it shot up to a mere 22.1%, which is higher than it was back in 2019. The stores were back open, and the public started purchasing again once the pandemic was phasing out of the public's eye and the infection rates decreased due to the vaccines. Ralph Lauren's ROA has been on a steady hovering around 7% for most of this period, excluding 2020 and 2021. The GPM has been steady around the 65% with a slight variance in 2019 and 2020. Throughout this entire period, with the expense margin hovering around 53%. The operating margin hovering has a wide range from 8.9% in 2019 to 10.92% in 2023. There were outlier years for 2021, with the OM being negative and then a spike in 2022. This is due to the increase in revenue once stores opened back up. The NPM has been steady around 6% from fiscal 2019 to fiscal 2020, and then started to hit above 9% in 2022 and above 8% in 2023. These margins all relate heavily on the impact on retail that was endured during the COVID-19 pandemic. Overall, sales have come back and are stronger than they were prior to the pandemic and they are healthy.

Sources:

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

<https://investor.ralphlauren.com/financial-information/fundamentals/income-statement>

<https://www.investing.com/equities/polo-ralph-laur-cash-flow>