

DESK NOTE

16.01.2025

PVH Corp. (PVH US) – Calvin Klein owner on “black Friday” sale with China risk overblown!

Conclusive Summary: Despite modest recent quarters’ financial results and renewed Chinese risks, PVH offers strong fundamental value, particularly near its long-term support level. Today’s sharp stock decline reflects investor concerns about risks tied to China, including potential inclusion on the China Unreliable Entity List over allegations of boycotting Xinjiang cotton. This could materially influence financial performance, as China accounts for 6% of revenue, 16% of net income, and remains a key growth market as well as India. These risks, along with the downside Q4 guidance continue to pressure the stock price. However, the \$88–\$90 range has been historically a very strong technical support level, presenting **39% fundamental upside**. We see China risk somewhat overplayed, and rate PVH a **momentum buy** with a recommended entry price @ **\$91** with the near term exit @ **\$115**.

Competitive Position: PVH’s competitive position is anchored by its strong global brands, Calvin Klein and Tommy Hilfiger, which drive premium pricing and broad appeal. Its extensive global footprint and focus on digital transformation enhance market reach. However, reliance on international markets on the one hand allows for the cash flow diversification, but on the other hand, provides for susceptibility to the strong USD and geopolitical risks. The company also faces intense competition from peers like Ralph Lauren and fast fashion brands (Zara, H&M, Uniqlo, etc.). Recent divestitures help to streamline focus, but concentrate brand risk with the fewer assets.

Valuation: Based on DCF analysis and market multiples, PVH's 12-month blended target price is estimated at **\$126**, representing a **39% upside** from the recommended entry point of **\$91**. Our relatively high DCF valuation assumes China cash flows stay intact, otherwise steeper multiple based valuation is more prudent.

Ticker: PVH US

Previous day close price: \$99.01

Price range (52w): \$ 88.60 - \$141.15

Target price (12m): \$126 (+39% upside)

Reason for note: sharp price correction

Recommendation: **Buy@ \$91**

Description: PVH Corp. (formerly known as Phillips-Van Heusen Corporation) designs and markets branded apparel in more than 40 countries. Its key fashion categories include men's dress shirts, ties, sportswear, underwear, and jeans. Its two iconic designer brands, Calvin Klein and Tommy Hilfiger, now generate practically all its revenue after its recent disposition of most of its smaller brands. It operates in the retail and wholesale segments, selling its products through a mix of about 1,500 company-owned stores, e-commerce, and third-party retailers. The company’s global footprint spans North America (33.2% of rev), Europe (47.5%), Asia (17.8%), and Latin America.

Valentin Zhurba, yz@dprginvestment.com

Tel: +357 223 22030

Multiple (Historical 5 year avg.)		Factor	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/EBITDA	6.1	1,208.5	7,371.6	2,950.7	4,420.9	55.6	\$79.48
EV/Sales	1.17	8,719.1	10,201.4	2,950.7	7,250.7	55.6	\$130.35
P/E	8.6	11.9			5,707.5	55.6	\$102.61
Avg. Multiple Price							\$104.15
DCF Price							\$148.52
Avg. Multiple & DCF Price							\$126.33

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