

PVH Earnings Call Transcript

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Operator: Good morning, everyone, and welcome to today's PVH Third Quarter 2025 Earnings Conference Call. [Operator Instructions]. Please note this call may be recorded. [Operator Instructions]. It is now my pleasure to turn today's program over to Sheryl Freeman, Senior Vice President of Investor Relations.

Sheryl Freeman: Thank you, operator. Good morning, everyone, and welcome to the PVH Corp. Third Quarter 2025 Earnings Conference Call. Leading the call today will be Stefan Larsson, Chief Executive Officer; and Zac Coughlin, Chief Financial Officer. This webcast and conference call is being recorded on behalf of PVH and consists of copyrighted material. It may not be recorded, rebroadcast or otherwise transmitted without PVH's written permission. Your participation constitutes your consent to having anything you say appear on any transcript or replay of this call. The information to be discussed includes forward-looking statements that reflect PVH's view as of December 3, 2025, of future events and financial performance. These statements are subject to risks and uncertainties indicated in the company's SEC filings and the safe harbor statement included in the press release that is the subject of this call. These include PVH's right to change its strategies, objectives, expectations and intentions, and the company's ability to realize anticipated benefits and savings from divestitures, restructurings and similar plans such as the actions undertaken to focus principally on its Calvin Klein and Tommy Hilfiger businesses and its current multiyear initiative to simplify its operating model and achieve cost savings. PVH does not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimates regarding revenue or earnings. Generally, the financial information and projections to be discussed will be on a non-GAAP basis as defined under SEC rules. Reconciliations to GAAP amounts are included in PVH's third quarter 2025 earnings release, which can be found on www.pvh.com, and in the company's current report on Form 8-K furnished to the SEC in connection with the release. At this time, I'm pleased to turn the conference over to Stefan Larsson.

Stefan Larsson: Thank you, Sheryl, and good morning, everyone, and thank you for joining us today. I want to start by thanking our Calvin Klein, Tommy Hilfiger and PVH teams around the world for your hard work this quarter as we continue to make important progress on our multiyear journey to build Calvin and Tommy into 2 of the most desirable lifestyle brands in the world. For the third quarter, we exceeded our guidance across reported revenue, operating profit and EPS, and we delivered constant currency revenues in line with our guidance. Total revenue for the company was \$2.3 billion, down less than 1% in constant currency and in line with our expectations. Third quarter direct-to-consumer revenue was also down 1% in constant currency, partially offset by 1% growth in our wholesale revenue. For the full year, we are reaffirming our constant currency revenue and operating margin outlook and narrowing our reported revenue and non-GAAP EPS outlook to the high end of our previous ranges, reflecting our confidence in our brands and execution despite the continued uneven global consumer backdrop and the impact of tariffs in North America, which Zac will share more details about. We remain disciplined in our execution of the PVH+ Plan, where we lean into the iconic global power of Calvin and Tommy, and focus on the key growth categories where each brand has the right to play to win with the consumer. We continue to expand innovation and newness across our core product franchises and amplify that in both brands with cut-through full funnel marketing that connects with culture and our target consumer. In Europe, revenues declined low single digits in constant currency.

And coming into the fourth quarter in Europe, we had an unplanned start to Black Friday and the important holiday period. In the Americas in Q3, our digital channels continued to outperform, driven by strong customer engagement. And also here, the Black Friday and holiday start was on plan. And in APAC, we exceeded expectations again this quarter with strong D2C performance and a notable improvement in China. We continue to build our data and demand-driven supply chain, reflected in healthy inventory levels, which are up 3% versus last year, including the impact of tariffs. We are also investing in key growth initiatives, especially in marketing, and we have freed up over 200 basis points in SG&A; efficiencies over the past 18 months. As we lean into the holiday season, I just came back from visiting 7 of our biggest markets across Europe, U.S. and Mexico. I visited over 100 Calvin and Tommy shop-in-shops, met with key partners and walked our owned and operated stores. What's clear from these visits are the underlying strength of the consumer love for our brands and the power and potential of our teams and partners. A common thread you will hear me talking a lot about today is that when we lean into the iconic strength of our brands and combine that with innovation and newness in product, marketing and the shopping experience, we win. I look forward to sharing how we did this in Q3 and how we will expand our impact quarter-by-quarter. Let me start with Calvin Klein, where we continue to build relevance and desirability by connecting Calvin's core DNA to the consumer and cultural conversation. This quarter, we again drove momentum with high-impact full funnel execution in underwear and denim, 2 of Calvin's biggest categories. Building on the strong launch of our new men's Icon Cotton Stretch product franchise, which we amplified through global mega talent, Bad Bunny. This quarter, we brought the same level of product innovation and newness to our largest and most successful women's underwear program. Together with global music superstar, Rosalia, we introduced our new Icon Cotton Modal franchise, driving double-digit growth in these styles globally. Repeating this model, we launched new campaigns with NBA star, Jalen Green, and Real Madrid footballer Trent Alexander-Arnold, driving 20% growth in Icon Cotton Stretch underwear, making our third consecutive quarter of strong growth, and growing total men's underwear mid-single digits. In denim, we continue to infuse innovation in fashion denim and make it easier for consumers to shop their favorite looks, and we delivered strong growth this quarter, continuing the momentum from Q2. Last month, global brand ambassador and K-pop mega talent, Jung Kook, launched our newest campaign featuring Calvin's iconic denim lifestyle. The campaign went viral globally, driving deeper consumer engagement in one of our most important pillars of the brand. In September, we continued to build the brand's aspirational halo through Calvin Klein runway with our Spring 2026 fashion show in Calvin's hometown of New York City. The show drove record social media engagement, earning the #1 spot among all participating brands, and Calvin alone had a 75% share of voice for the entire New York Fashion Week. As we look ahead to holiday, we're engaging the consumer with seasonal Calvin fashion essentials from social and e-commerce to our stores. In the marketplace, when we last spoke, we were just opening our Tokyo flagship in Harajuku, representing the ultimate Calvin brand expression and further strengthening our premium positioning. The opening went very well, and we have seen high-quality traffic and conversion. Next week, we'll further advance Calvin's global retail expansion with the opening of the Calvin Klein flagship store here in SoHo, New York, another iconic brand-building location and a true homecoming for the brand. We also continue to make progress as planned on the transitory operational challenges we previously discussed as we stood up the Calvin Klein global product capability in New York. The challenges created an expected headwind this quarter, but we continue to see the planned improvements in delivery timing and go-in margin we set out for spring 2026. Turning to Tommy. We continue to take Tommy's iconic DNA of classic American cool and connect it to today's consumer and culture. Every season, through our brand campaign, we invite the consumer into Tommy's aspirational world. We then lean into key growth categories and hero our best product franchises, which are both iconic and infused with newness. In the third quarter, we launched our Hilfiger Racing Club fall brand campaign with talent like Claudia Schiffer and Nicholas Hoult, which followed the success of Tommy's partnership with the global blockbuster film, F1 the Movie. Connected to the campaign, we executed high-impact full funnel activations, including global events across key cities. For the campaign, global brand ambassador, Jisoo, from Blackpink was featured by Vogue, igniting broad organic reach and engagement. This is a great example of how we convert influence into brand relevance and consumer excitement, both globally and regionally. This fall, Tommy opened its newest shop-in-shop concept at

Galleries Lafayette in Paris, reflecting our multiyear elevation plan to evolve and invest in our shop-in-shops and stores. These investments bring a step change improvement in the consumer experience. And in our test store, we already see the positive impact of the elevated experience with a higher AUR sell-through. Tommy will close the year with this Hilfiger holiday campaign, reimagining iconic Tommy style for the holidays, and we are excited for Jisoo to lead the campaign. Lastly, I'm excited for the next step in our marketing execution. For spring 2026, we are taking Tommy's aspirational world to the next level, with Tommy himself inviting a strong group of global talent into his world, all wearing Tommy's powerful style icons in seasonally relevant growth categories across both men's and women's. I can't wait for you all to see it. Now let me turn to our regional performance, starting with Europe. Reported revenue increased 4%, but was down low single digits in constant currency. Wholesale was down less than 1% as positive fall order book growth was offset by lower in-season replenishment and D2C was down mid-single digits. A few factors drove this. First, after an unplanned start to the quarter and 2 consecutive quarters of D2C growth in Europe, in September, we observed a tougher backdrop with more muted activity from our European consumers. Secondly, the expected delays from the transitory Calvin global product challenges put extra strain on our European distribution center, impacting shipments for both Calvin and Tommy, which made us lose a few critical weeks of full price selling. Thirdly, we had an especially tough season for cold weather outerwear, a big fall category for both Tommy and Calvin. Importantly, we are directly addressing these factors with what's within our control. Independent of the consumer backdrop, where we have driven the most product innovation and newness for this fall in categories such as sweaters and pants for Tommy or underwear and fashion denim for Calvin, we drive positive growth. And season by season, you will see us expand iconic innovation and newness across bigger and bigger parts of the assortment. As I shared previously, we remain on plan to resolve the transitory challenges from the setup of the Calvin Klein global product capability. And for spring, we are on time from our suppliers, and we have captured the go-in margin improvements we targeted. And in cold weather outerwear, even without the delays, the full price selling window is becoming shorter as consumers every season lean more into lighter transitional outerwear that can be worn for a longer period of time. And even though our transitional outerwear across both brands performed well, and we have increased its share of total outerwear, going forward, we need to accelerate this shift even further. In regions where we have already done that, like in APAC this season, it has performed very well. As I mentioned earlier, in Europe, the holiday season and important Black Friday week is on plan. And in parallel to keeping this momentum up, we are preparing for our biggest Partner Day yet in January, where we will bring over 500 of our global partners to Amsterdam to show how we, for spring and fall 2026, are amplifying the increased innovation in product with marketing to cut through even more with the consumer. This includes the next level Tommy Lifestyle campaign, further strengthening of Europe-focused talent and increased shop-in-shop rebuilds. Next, turning to the Americas. We grew overall revenue by 2%, in line with our plan of low single-digit growth, driven by wholesale growth. In a continued choppy macro backdrop, D2C declined low single digits. Within D2C, we drove higher AURs and digital continued to outperform, delivering double-digit growth. This was supported by another quarter of double-digit traffic growth and driven by product strength and elevated mid-funnel marketing. Our team continued to lean into the next level execution of the PVH+ Plan as we work to unlock the full growth potential of both brands in the region. A great example is the denim category, where we grew across both brands and included newness in product, stronger presentation, improved fit guide and enhanced associate training. Looking ahead, we continue to build brand desirability in the region through increasing our refits of our North America retail fleet. Moving to Asia Pacific. For the second consecutive quarter, we delivered better-than-expected performance. Revenue was flat in constant currency, a sequential improvement from Q2, driven by an improvement in both D2C and wholesale with gross margin up versus last year. Importantly, D2C turned to positive growth with notable improvements in China, Japan and Australia. Highly relevant global activations across both brands, amplified by regional talent, drove continued e-commerce growth up high single digits. Driven by our hero products, Tommy delivered double-digit growth in key categories with transitional outerwear and sweaters both up approximately 20% across men's and women's. Calvin saw sequentially stronger growth in fall product, driven by the newly launched underwear programs in both men's and women's. We generated strong results during key

consumer moments such as Golden Week and Chinese Valentine's Day, and we just finished Double-11, the largest consumer moment of fiscal 2025, where we drove gross merchandise revenue 15% higher than last year, and Calvin and Tommy again ranked among the top international brands on Tmall. Through strong execution, we continue to deliver sequential improvements in performance. We have increased investments in marketing to activate the full funnel and continue to expand new stores across APAC, all reflecting the importance of the region as one of our key growth drivers. In addition, both Calvin and Tommy were proud to participate as first-time exhibitors at the China International Import Expo, building on our long-standing presence and commitment to the market. Turning to our licensing business. Revenues in licensing were lower versus last year, reflecting the transition of previously announced women's North America wholesale categories. As we have shared before, our large and diversified global licensing business is a key competitive advantage. When we ourselves lean into our core categories to turn the brand-building consumer flywheel, our long-term partners bring their expertise across multiple complementary categories. Consistent with the outerwear category classification business for the U.S. wholesale channel, we recently entered into a new licensing agreement for the women's dress classification with an expected launch in spring 2027. Both categories live outside of our brand-specific lifestyle pads. Additionally, in Q3, we held a Global Licensing Summit here in New York with all our partners, where each of our brands shared their key growth strategies and where our key partners showcased how they, from those brand strategies, drive consumer engagement and growth in the categories they are the experts in. Next, a quick moment on leadership. We are excited to welcome Patricia Gabriel, who joined us last month as Chief Supply Chain Officer and Global Head of Operations. She is succeeding David Savman, who earlier this year took over the Global Brand President role for Calvin Klein. Patricia is a consumer-centric leader with a strong proven track record, and she will help further accelerate our PVH+ Plan progress. And a few weeks ago, we announced that Zac Coughlin, our Chief Financial Officer, will be departing for a new opportunity outside of our industry. I want to thank Zac for his partnership and contributions to the business and to me personally. Over the past several years, Zac has played an integral role in advancing our PVH+ Plan progress and driving important efficiencies across the company. Thank you, Zac, and we wish you all the best in your next chapter. Zac will stay with us through the end of December, and we have already begun a global search for our next CFO. In the interim, Melissa Stone will serve as our CFO. Melissa has over 2 decades of PVH financial leadership experience across accounting, controlling and FP&A, giving her a deep understanding of our global business. And I would like to thank her and our full finance leadership team for stepping up during this time. In closing, we are fully geared up to deliver the rest of the holiday season and the full year as we continue to step-by-step and season-by-season build Calvin Klein and Tommy Hilfiger into their full potential. There are only a small handful of globally iconic brands like Tommy Hilfiger and Calvin Klein, and we have 2 of them. In any consumer backdrop, we remain relentlessly focused on the levers within our control to keep leaning into our iconic brands, and through our PVH+ Plan, continue to strengthen our product, marketing and marketplace experience in a systematic and repeatable way. Everywhere we do this, combining our iconic brand strength with innovation and newness, we're already driving increasingly profitable growth with the consumer today. And with that, I'll turn the call over to Zac.

Zachary Coughlin: Thanks, Stefan, and good morning. First, on a personal note, as this marks my last earnings call at PVH, I want to thank the PVH team as well as our customers and shareholders. I am truly grateful for the time that I have spent at PVH, working closely with Stefan and all our colleagues around the globe to help drive our two iconic brands forward through the execution of the PVH+ Plan. My comments are based on non-GAAP results and are reconciled in our press release. As Stefan discussed, this quarter, we continue to make progress on our multiyear journey to build Calvin Klein and Tommy Hilfiger into the most desirable lifestyle brands in the world, delivering or exceeding expectations across nearly all key financial metrics for third quarter, maintaining our strong cost discipline to offset a slightly higher-than-anticipated tariff headwind in the quarter. We delivered our overall revenue plan and a sequential improvement in operating margin despite some choppiness in the quarter and an uneven global consumer backdrop. As a result, our EPS was better than expected. Looking forward, following our third quarter results and on-plan start to holiday, we are reaffirming our full year constant currency revenue and operating margin guidance and narrowing our reported

revenue and EPS guidance to the high end of the previous ranges. Importantly, we also ended the quarter with inventory up 3% compared to third quarter last year, including a 2% increase due to tariffs. This reflects a significant improvement as compared to the increase in the second quarter of 2025, as we continue to tightly manage inventories. Our inventory is fresh and current and well positioned headed into holiday, and we remain on track to land the year with inventory aligned to our sales plan, excluding tariffs. I will now discuss our third quarter results in more detail and then move on to our outlook. Revenue for the third quarter was up 2% on a reported basis and down less than 1% on a constant currency basis, in line with our guidance. Starting from a regional perspective, our EMEA business was up 4% on a reported basis and down 2% in constant currency for the quarter. As Stefan discussed, sales were on track through August, but coming into September, we saw a tougher start to the fall season. The lower trend continued through the balance of the quarter with the overall result for the quarter being sales in the direct-to-consumer business down mid-single digits in constant currency. Our wholesale business was down less than 1% in constant currency as positive fall order book growth was offset by lower-than-planned in-season replenishment. As Stefan discussed, EMEA results reflected a combination of factors, including muted consumer activity driven by a tougher backdrop in Europe, lower cold weather outerwear performance, and delays related to the transitory Calvin global product challenges. In our Americas business, revenue was up 2%, driven by mid-single-digit growth in wholesale due to the impact of Calvin Klein women's sportswear and jeans wholesale transition in-house. Excluding this impact, wholesale shipments were lower than last year as expected due to a more balanced timing of first half, second half shipments versus last year when shipments were more heavily weighted to the back half. On a normalized basis, wholesale sales, excluding the impact of licensing transitions, are planned up low single digits for the second half. Direct-to-consumer revenue in the Americas business was down low single digits. While we exited Q2 with modest sales growth in stores, the consumer backdrop in the third quarter remained choppy with store revenue down low single digits for the quarter. This was partially offset by robust performance in both our Tommy Hilfiger and Calvin Klein digital commerce businesses, which in total delivered another quarter of double-digit growth. This marked our fifth consecutive quarter of year-over-year growth, fueled by the investments we've made to elevate the online consumer experience. In our Asia Pacific business, we delivered revenue better than planned and flat on a constant currency basis, showing the strength of our Asia Pacific business and marking another quarter of sequential improvement in the region. Notably, direct-to-consumer revenue grew low single digits in constant currency in both brands with a return to growth in our retail store business and continued growth in our digital commerce business. Direct to consumer revenue also grew mid-single digits in China, driven by strength in digital commerce. Higher DTC revenue for the region was offset by lower wholesale revenue. Revenue for our Asia Pacific business was down 1% on a reported basis. In our licensing business, revenue was down 11% versus last year, primarily due to the previously mentioned transition of Calvin Klein women's sportswear and jeans in-house. Turning to our global brands. Tommy Hilfiger revenues were up 1% as reported and down 2% in constant currency. Calvin Klein revenues were up 2% as reported and flat in constant currency. The decrease in revenue on a constant currency basis in EMEA weighed more heavily on our Tommy Hilfiger business, as Stefan discussed. From an overall PVH channel perspective, our direct-to-consumer revenue was flat as reported and down 1% in constant currency. Sales in our retail stores were flat as reported and down 2% in constant currency, as modest growth in APAC was more than offset by low single-digit declines in Americas and EMEA. Sales in our owned and operated e-commerce business were up 1% as reported and flat in constant currency as strong growth in APAC and Americas was offset by a decline in EMEA. Total wholesale revenue was up 4% as reported and up 1% in constant currency, which reflects the previously mentioned transition of Calvin Klein women's sportswear and jeans in-house, partially offset by the decreases in EMEA and APAC. In the third quarter, our gross margin was 56.3%, a decrease of 210 basis points compared to last year. Progress on working through the Calvin Klein operational challenges continued, but our third quarter gross margin was lower than planned due to the unfavorable impact of timing and mix of the new higher tariffs. In third quarter, gross margin reflected approximately 110 basis points due to the unmitigated impact of tariffs. And as we have previously discussed, approximately 50 basis points of the decrease in gross margin was the impact of our North American license transitions. The remaining 50 basis point

decrease was primarily due to higher promotions and the impact of Calvin Klein product shipment delays, which included a shorter full price fall selling season in Europe, as Stefan discussed. SG&A; spending was down in constant currency and SG&A; as a percent of revenue was lower than planned, improving 40 basis points versus last year to 47.5%, reflecting both our Growth Driver 5 Actions and a favorable impact from the timing of expenses. As we discussed last quarter, we will invest more into marketing in the second half of this year to capitalize on key consumer moments and to support our brand building cut-through campaigns amplified by mega talent. Marketing was up in third quarter versus last year, but lower than we initially planned as we decided to shift some of the spending into fourth quarter to maximize our holiday impact and build positive momentum into 2026. EBIT for the quarter was \$202 million and operating margin was 8.8%. Earnings per share was \$2.83, reflecting a negative impact of \$0.37 related to tariffs and a positive impact of \$0.14 related to exchange. Interest expense was \$21 million, and our tax rate for the quarter was 25.5%. Additionally, during the quarter, we were pleased to complete our previously announced accelerated share repurchase program, reducing our share count by 2.3 million additional shares and bringing the total amount of shares purchased under the agreement to 6.9 million and bringing our year-to-date total, including open market purchases, to 7.7 million shares. And now moving on to our outlook. Starting with the fourth quarter, we are projecting revenue to be up slightly to up low single digits on a reported basis and down slightly on a constant currency basis compared to the prior year, in line with Q3 trends. Overall, for the Americas, we are planning fourth quarter revenue up mid-single digits with growth in wholesale, partially offset by low single-digit decline in DTC sales. In EMEA, we expect third quarter trends in constant currency to continue into fourth quarter. And in Asia Pacific, we expect revenue to be down slightly in constant currency. While underlying DTC trends are expected to remain positive, growth is muted by an unfavorable impact due to the timing of Lunar New Year compared to last year. We are expecting fourth quarter gross margin to decline approximately 200 basis points versus the prior year, including an unmitigated tariff impact of approximately 150 basis points, partially offset by the impact of planned mitigation actions. As we discussed last quarter, the impact of tariffs will be felt much more heavily in the fourth quarter than the third quarter as more inventory sells through at the new higher rate. We expect SG&A; as a percentage of revenue to be down 50 basis points compared to last year, reflecting the increased marketing investments I spoke of earlier more than offset by our Growth Driver 5 Actions, which will continue to deliver efficiencies. Overall, we are projecting our fourth quarter operating margin to be approximately 9%, down approximately 100 basis points compared to last year. Earnings per share is expected to be in the range of \$3.20 to \$3.35. Our tax rate for the third quarter is estimated at approximately 22%, in line with our tax projection for the full year, and interest expense is projected to be approximately \$20 million. And now moving on to the full year. We continue to operate in an uneven global consumer backdrop. As such, we are reaffirming our constant currency revenue and operating margin guidance and narrowing the range of our reported revenue and EPS guidance to the high end of the previous ranges. On the top line, we are narrowing our reported revenue outlook to up low single digits compared to increase slightly to low single digits previously. We continue to project revenue to be flat to increased slightly in constant currency. We are reaffirming our operating margin outlook of approximately 8.5% and narrowing our EPS outlook to a range of \$10.85 to \$11 compared to \$10.75 to \$11 previously. We continue to expect the tariffs currently in place to have an overall net negative impact on our earnings in 2025, including an approximately \$65 million unmitigated impact to EBIT or approximately \$1.05 per share compared to previous guidance of \$70 million and \$1.15 per share. We have begun to mitigate some of these costs through strategic actions this year and expect to fully mitigate the impact over time. But for this year, some we will need to absorb. The net impact of the tariffs and these mitigation actions are embedded within our guidance. Regionally, our revenue outlook remains unchanged for Americas and APAC. In the Americas, we are planning revenue up mid-single digits, including the positive impact of the Calvin Klein women's sportswear and jeans wholesale transition in-house. And in Asia Pacific, revenue is planned down mid-single digits in constant currency. In EMEA, we expect the lower third quarter trends to continue in the fourth quarter and, as a result, we are now planning full year revenue and constant currency to be down slightly compared to last year. We continue to expect gross margin to decrease approximately 250 basis points versus last year. On SG&A;, we continue to expect expense to be lower in constant currency in 2025 compared to 2024 and

our SG&A; expenses as a percentage of revenue to decrease approximately 100 basis points, reflecting significant cost savings connected to our Growth Driver 5 Actions. Our interest expense projection is unchanged at approximately \$80 million, and our tax rate for 2025 continues to be estimated at approximately 22%. Before we open up for questions, I just want to conclude by saying that while we are navigating a dynamic and uneven global consumer backdrop, within that, we continue to focus on taking proactive actions within our control and making progress across all dimensions of the business through execution of the PVH+ Plan, building momentum into 2026 to deliver sustainable and increasingly profitable growth for the long term. And with that, operator, we would like to open it up for questions.

Operator: [Operator Instructions] Our first question comes from Bob Drbul with BTIG.

Robert Drbul: Zac, best of luck, congratulations, and thanks for everything in the last few years.

Zachary Coughlin: Thanks, Bob.

Robert Drbul: I guess -- I was wondering, I think, Stefan, just when you look at the geographic performance of the business this quarter, can you just spend a few more minutes and just unpack a bit more sort of the dynamics that you're seeing across the Americas, across Europe and APAC and, I guess, just how you think about it a little bit more into '26?

Stefan Larsson: Absolutely, Bob, and thank you for your question. You're right. Each region this quarter had its own dynamics. So starting with Europe, as I mentioned in my remarks, we started off the quarter on plan. September, we saw a more muted consumer backdrop. And then internally, we worked through our Calvin transitory challenges that was related to setting up the Calvin Klein product capability. And we worked through those as planned, but they had an effect in the quarter. So we had strain on the DC, all expected, but that cut some full price selling a few weeks. Those were the main drivers and then critically coming into the fourth quarter and the start of the holiday season. And looking at Europe now, Black Friday, Thanksgiving week is as important as it is in the U.S. as an indicator for holiday. So we had an on-plan start there. So the consumer came back for the start of the holiday. Switching to the Americas, revenue grew 2%. E-com was the big driver there. So we drew e-commerce double digits. Strong conversion, strong consumer recruitment. Americas also had an on-plan Black Friday and Thanksgiving week. Then switching into APAC. That's a really great story because we saw this quarter again that we exceeded our plan performance-wise. Notable improvements in China, Japan and Australia. And what we saw during the quarter was D2C returned to positive growth, driven by digital. Both Calvin and Tommy had very strong Double-11 activations, up 15% versus last year. And we keep seeing Calvin and Tommy at the top of the ranking in Tmall during the big weekend. So very strong execution by our APAC and China team.

Zachary Coughlin: Yes. And Bob, just to add some financials to Stefan's comments, when you bring all of that together from a total PVH perspective, our third quarter operating margin ex tariffs was almost 10%. And in our guidance as well for 4Q, our operating margin is 10% ex tariffs as well. And so if you compare that to approximately 8% in the first half, the financials are also following those sequential improvements that Stefan has talked about.

Operator: We'll take our next question from Jay Sole with UBS.

Jay Sole: Great. Two-part question for me. First, Stefan, can you talk about marketing a little bit more and the impact you're seeing from the stepped-up spending that you've done in marketing? And then maybe, Zac, one for you. With the nice control on inventory that you're showing now, how do you think about operating cash flow for the full year? And what kind of impact on working capital do you see kind of going forward? Do you think you have to step up working capital? Or do you think the operating cash flow trend will continue into 2026?

Stefan Larsson: Thanks, Jay. Starting with your marketing question, so we are very disciplined in how we approach marketing and where we put additional investments, because every season we invite the consumer into the aspirational world of Calvin and Tommy at the top of the funnel. And we do that connected to our key growth categories and increasingly connected when we expand our innovation into our key product franchises, we build the marketing around that. So in Calvin, we have done this now for a number of quarters where we lean into underwear and denim. And if you look at underwear, you will hear me talk a lot about underwear and denim in Calvin. But if you look at the world of underwear and world of denim together, it's more than 2/3 of Calvin Klein. So when we do these

marketing campaigns cut-through at the top of the funnel, this season with Rosalia introducing our newest innovation in our biggest product franchise in women's, then we see a double-digit growth. And then the good news as well is looking at men's. So we had Bad Bunny introduce our innovation in our biggest product franchise in men's underwear previous quarter, in the second quarter. In the third quarter, we continued to bring that product franchise to line with NBA Star, Jalen Green, with European footballer Trent Alexander-Arnold, and we saw the 20% growth in that product franchise. And overall underwear is now up mid-single digit. And similar in denim, so worked with Jung Kook, one of the biggest, if not the biggest K-pop star in the world. And he anchored our denim lifestyle campaign. And we saw it going viral with billions of impact in social within 24 hours. And then we see it driven down to sales increase in our fashion denim. So you will see, both from a Calvin and a Tommy perspective, every season the continued innovation, because part of it is the discipline of driving the brand awareness and consideration into culture and into the front of the eye of the consumer, and then in the middle of the funnel, recruit that consumer with very strong product storytelling and then lower funnel conversion and then building the consumer base, building our target consumer base. And we are starting to build that flywheel and having some real proof points across both Calvin and Tommy.

Zachary Coughlin: And Jay, on your second question, we feel great about where inventory is. We ended Q3 up 3% compared to last year, and that includes 2% impact of tariffs, so effectively flat to last year. We've also spent a lot of time on our inventory purchases over the next couple of seasons. And so we're confident that, that metric will stay a great place well into 2026. And as that translates to cash flow, we expect to have another strong free cash flow year this year. And we'll enter 2026 with a lot of cash, which we think that gives us optionality as we plan to build on the strength Stefan talked about into 2026 as well.

Operator: We'll move to our next question from Michael Binetti with Evercore.

Michael Binetti: Let me add my congrats to Zac on the new opportunity. I wish you the best of luck at Sirius. As you guys work through the Calvin Klein product design consolidation process, maybe talk to us a little bit about the proof points you've seen around the right path here, and any early feedback you have from wholesale partners that gives you confidence in the work you're doing? And then can you just help us think about the margin recapture opportunity from that work in the spring from the transitional issues that, Stefan, you mentioned a few times now that are on track for spring? And then just last quick one for me. Can I just ask if the weather improving in Europe now in fourth quarter to date, it sounds like, does that create an opportunity to get caught up on some of the outerwear sales that were a bit of a drag in 3Q?

Stefan Larsson: Thanks, Michael. We're trying to keep track of the 3 parts of that question. Let me start on the product. The first season product capability build-out effects, the challenges that we have had to go through when we set up the global product capabilities in New York. So as you mentioned, yes, we are on track, both from on-time delivery coming into spring '26 and the margin recapture that we set out to take back. So on both fronts, we are on track, which is really good. And why we need it? Because when we ran into these initial transitory challenges for the team to learn, to get it going, I mentioned that it's painful now, but we had to do it, because in order to build premium products, differentiated product franchises with innovation, we need the global capability to do that. And now we have it for both Calvin and Tommy, so do our -- all of our best competitors in the premium space also have it. But we had to build that. And now you start to see it. Where do we start to see it, back to your question? We see it in underwear. And I was -- just yesterday and the day before, I was with the Calvin product team, David and the Calvin product team, and they took me through how they, in a very strategic way, build out new expanded product franchises around the product franchises that we already have. And then -- so think about it as the 2 big product franchises that we put innovation into, and think about it season by season, how we will expand that into new and neighboring product franchises that are hyper relevant to the customer. And then we bring that to market with the cut-through marketing and the product storytelling, and then in the marketplace. So what David and our regional leaders are doing now is -- and Lea as well on the Tommy side, working very strategic with here is how we are driving product strength, and then all the way into the shop-in-shops and our stores. And one highlight this quarter for me being out in all these key markets we have is, beyond engaging with our great team and our partners, is to seeing the new shop-in-shops coming into play. So it's a 360. And in order to drive that 360 consistently, and

that will drive revenue growth that we see in both underwear and denim. And we see it in style icons and key categories in Tommy like sweaters, cable-knit franchise, very successful. But in order to build that 360, we need that strong global product capability. So yes, very promising what I see from the teams on how they are leveraging the strength now of having 2 global product capabilities.

Zachary Coughlin: Yes. And I think, Michael, if we think about gross margin, I think it's actually worth looking at 3Q. We know we've got improvements ready for coming in spring '26. But if we take a look at third quarter, margin was down 210 basis points versus last year. 110 basis points of that is tariffs, 50 basis points is the women's sportswear license take-back, and then 50 basis points of headwind of those other performance drivers. As you look ahead at 4Q, the guidance here 200 basis points down. That's 150 basis points of tariffs and 50 of the women's take-back. And so really 0 other performance drivers. And I want to sort of put that in context. If we look at the first half, gross margin was down 260 basis points. 60 basis points was tariff and women's take-back, 200 basis points was those other elements of performance. And so we've gone from down 200 basis points of performance in first half to 50 in third quarter to now flat to last year in the fourth quarter. So we've talked earlier this year about that steady sequential improvement. So yes, we'll see it in spring '26. We're absolutely seeing it already this year.

Stefan Larsson: Sorry. Go ahead, Michael.

Michael Binetti: Just the last question. I was just wondering if the weather in Europe improving is helping at all in the fourth quarter?

Stefan Larsson: Yes. So yes, clearly, and I saw it when I was traveling in Europe a few weeks ago that the weather has changed. And that's sounding like we use the farmer's almanac here, but it's, of course, helping, when it gets cold, to sell cold weather categories. But I believe the most important learning for us and what we see with the consumer is that the consumer is shopping more and more transitional products, outerwear, very prominently in outerwear as well. And we switched more into transitional outerwear and had good performance, but we see the consumer shifting even more.

Operator: We'll move next to Dana Telsey with TAG Advisors.

Dana Telsey: Stefan, and also Zac, you've talked a lot about -- a little bit Black Friday holiday. I'd love some more thoughts what you saw from the consumer, how does it differ, whether stores, online or wholesale? And how does what happened Black Friday globally in each of the different regions inform you for planning for '26, whether it's first quarter, first half, what you saw, product, pricing, promotionality and channel?

Stefan Larsson: Thanks, Dana. Yes. So if I look at Black Friday, and I started Black Friday this year being out at 6:00 a.m., not a lot of traffic going out of New York at 6:00 a.m. on Black Friday, but shopping center almost full parking lots before 7:00 a.m. And walking around in the centers, walking around seeing the consumer, it's really exciting to see that both our brands have a consumer base of wide range in incomes, wide range in generation, but really seeing the Gen-Z consumer being out there 7:00 a.m. in the brands that they love. So always great, best day of the year to see the consumer and see what they are interested in and shopping. And then as we said, in both Europe and North America, we saw that we were on plan. And as I mentioned earlier, that week in itself has become really important, both in North America and equally important in Europe.

Operator: And we'll take our next question from Matthew Boss with JPMorgan.

Matthew Boss: So Stefan, maybe on the Calvin brand, beyond the operational issues and the time line that you've laid out, could you speak to the pace of underlying improvement for the brand, new customer acquisition metrics, and just performance KPIs or target opportunities you see from enhanced marketing over time at Calvin? And then, Zac, with cost savings ramping in the fourth quarter, could you walk us through any high-level puts or takes to consider for '26 operating margins relative to performance this year?

Stefan Larsson: Yes. Thanks, Matt, and thanks for your question. So yes, so starting on Calvin and the brand desirability that we are building quarter-by-quarter. From a consumer recruiting perspective, you see -- in e-commerce it's the easiest to see and the first to see that we build the consumer base in e-commerce. And you see that growth in both North America and APAC. And then on the slower moving metrics, you see us moving on the strength of awareness, consideration, and then you build that consumer base. And where we see the strength is coming back to the key categories. And again, I

speaking a lot about underwear and denim, but those 2 worlds are, again, over 2/3 of Calvin Klein. And we see the progress both in terms of consumer acquisition, how we get that consumer to want to engage in the mid-funnel product storytelling, and we also improve that product storytelling, and then we see it in the conversion and the sales. And so you'll see us consistently build that target consumer base and then engage that base through the funnel. And then you will see us build out strength. Right now, you see it in the world of underwear and the world of denim. And in Tommy, you'll see it in key growth categories for Tommy, key categories for Tommy and key style icons. And you see that across sweaters, you see it in shirts, you see it in pants, and you see it in especially transitional outerwear out of the outerwear category. But that's how we build the relevance full funnel and then engage the consumer. And in Calvin, last quarter, one thing we did as well was that we refreshed our loyalty program so that we are getting better at taking care of that consumer that we already have.

Zachary Coughlin: Yes. And Matt, thanks for the question on cost. I think middle of last year, we announced the PVH+ Value Driver 5 initiative, which was meant to drive 200 to 300 basis points of improvement in SG&A.; And I think we're happy to say we've already confirmed greater than 200 basis points of that by the end of 2025. And so that will flow through into 2026, and there'll be more to come next year on that. So a lot of progress on the teams around the world around those initiatives. And for the rest of 2026, we'll have more to talk about, obviously, at the fourth quarter earnings call.

Operator: Thank you. This concludes the Q&A; portion of today's call. I'll now turn the call back over to Stefan Larsson for any additional or closing remarks.

Stefan Larsson: Again, I just want to thank Zac for the partnership over the past 4 years. It's been a great journey. Wishing you all the best. And then I want to thank you all for joining us on this journey where we build Calvin and Tommy into their full potential. And you see us, everything we do is going to go into the strengthening of the consumer offering and driving relevance into these iconic beloved brands. So looking forward to giving you all an update in the beginning of the year. But before that, wishing everybody a great holiday.

Operator: Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.