

# RALPH LAUREN

ANALYST AND INVESTOR DAY, JUNE 7TH, 2016



RALPH LAUREN

# WAY FORWARD

EVREN KOPELMAN

HEAD OF INVESTOR RELATIONS



## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This presentation and oral statements made from time to time by representatives of the Company contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include the statements under "Fiscal 2017 Outlook" and statements regarding, among other things, our current expectations about the Company's future results and financial condition, revenues, store openings and closings, employee reductions, margins, expenses, timing of actions, anticipated savings, and earnings and are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "we believe" and similar words or phrases. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from the future results, performance or achievements expressed in or implied by such forward-looking statements. Forward-looking statements are based largely on the Company's expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. The factors that could cause actual results to materially differ include, among others: the loss of key personnel or other changes in our executive and senior management team or to our operating structure and our ability to effectively transfer knowledge during periods of transition; our ability to achieve anticipated operating enhancements and/or cost reductions from our restructuring plans, which could include the potential sale, discontinuance, or consolidation of certain of our brands; our ability to successfully implement our anticipated growth strategies and to capitalize on our repositioning initiatives in certain brands, regions and merchandise categories; our ability to secure the technology facilities and systems used by the Company and those of third party service providers from, among other things, cybersecurity breaches, acts of vandalism, computer viruses or similar events; our exposure to currency exchange rate fluctuations from both a transactional and translational perspective, and risks associated with increases in the costs of raw materials, transportation, and labor; our ability to continue to maintain our brand image and reputation and protect our trademarks; the impact of the volatile state of the global economy, stock markets, and other economic conditions on us, our customers, our suppliers, and our vendors, and our ability and their ability to access sources of liquidity; the impact of changes in consumers' ability or preferences to purchase premium lifestyle products that we sell and our ability to forecast consumer demand; changes in the competitive marketplace, including the introduction of new products or pricing changes by our competitors, and consolidations, liquidations, restructurings, and other ownership changes in the retail industry; risks associated with our international operations, including risks related to the importation and exportation of products, and risks associated with compliance with the Foreign Corrupt Practices Act or violations of other anti-bribery and corruption laws prohibiting improper payments and the burdens of complying with a variety of foreign laws and regulations, including tax laws; the impact to our business of events of unrest and instability that are currently taking place in certain parts of the world; our ability to continue to expand our business internationally; changes in our effective tax rates or credit profile and ratings within the financial community; changes in the business of, and our relationships with, major department store customers and licensing partners; our efforts to improve the efficiency of our distribution system and enhance our information technology systems and global e-commerce platform; our intention to introduce new products or enter into or renew alliances and exclusive relationships; our ability to access sources of liquidity to provide for our cash needs, including our debt obligations, payment of dividends, capital expenditures, and potential repurchases of our Class A common stock; our ability to open new retail stores, concession shops, and e-commerce sites in an effort to expand our direct-to-consumer presence; our ability to make certain strategic acquisitions and successfully integrate the acquired businesses into our existing operations; the impact to our business resulting from potential costs and obligations related to the early termination of our long term, non-cancellable leases; the potential impact to the trading prices of our securities if our Class A Common Stock share repurchase activity and/or cash dividend rate differs from investors' expectations; our ability to maintain our credit profile and ratings within the financial community, the potential impact on our operations and on our customers resulting from natural or man-made disasters; and other risk factors identified in the Company's Annual Report on Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



RALPH LAUREN

# WAY FORWARD

STEFAN LARSSON

PRESIDENT & CHIEF EXECUTIVE OFFICER





## TODAY'S AGENDA

- RALPH LAUREN TODAY
- OUR CHALLENGE
- WAY FORWARD PLAN
- WAY FORWARD ECONOMIC MODEL & FINANCIAL PLAN
- KEY TAKEAWAYS
- Q&A



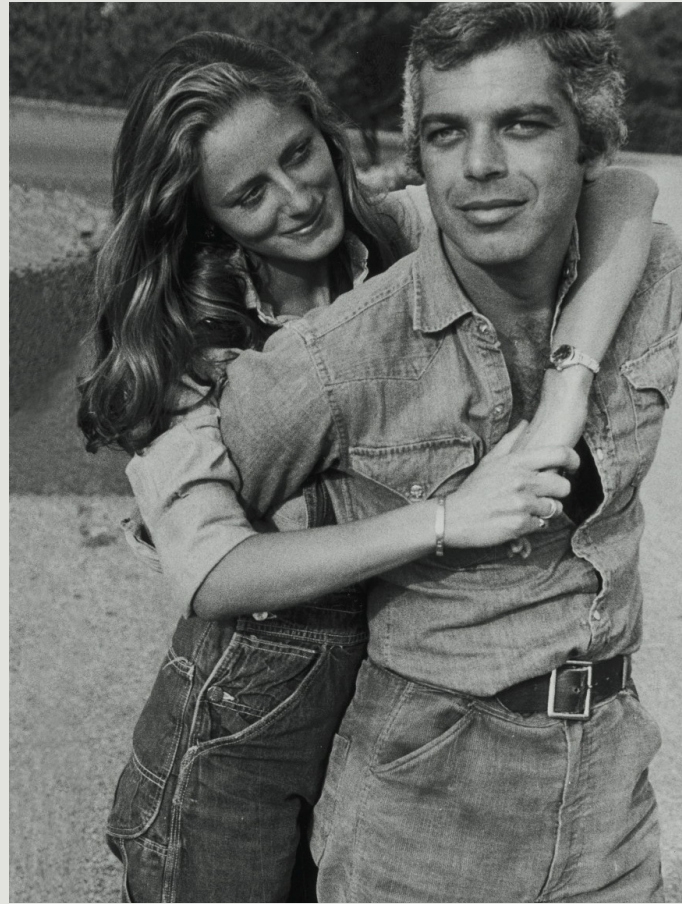
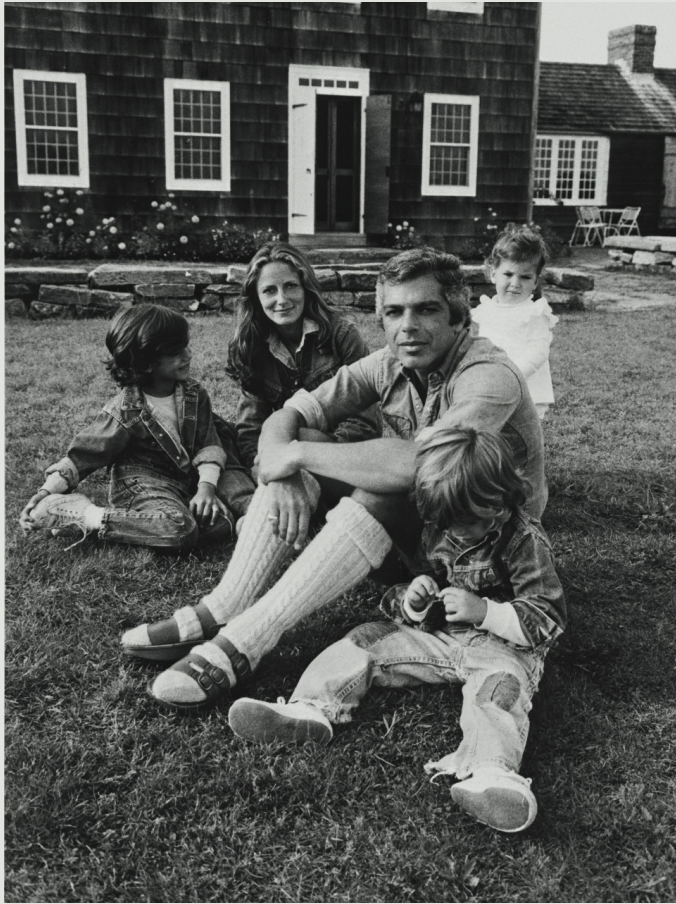
# RALPH LAUREN TODAY



RALPH LAUREN IS ONE OF VERY FEW TRULY  
AUTHENTIC AND ICONIC BRANDS IN THE INDUSTRY













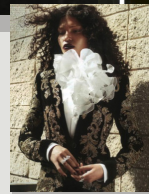
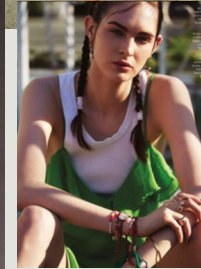
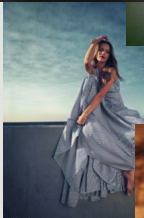
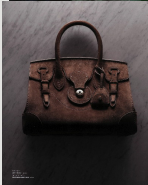
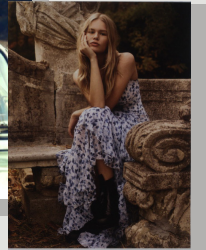
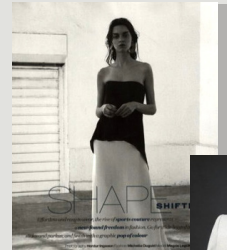
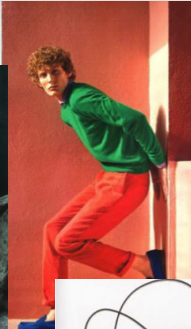




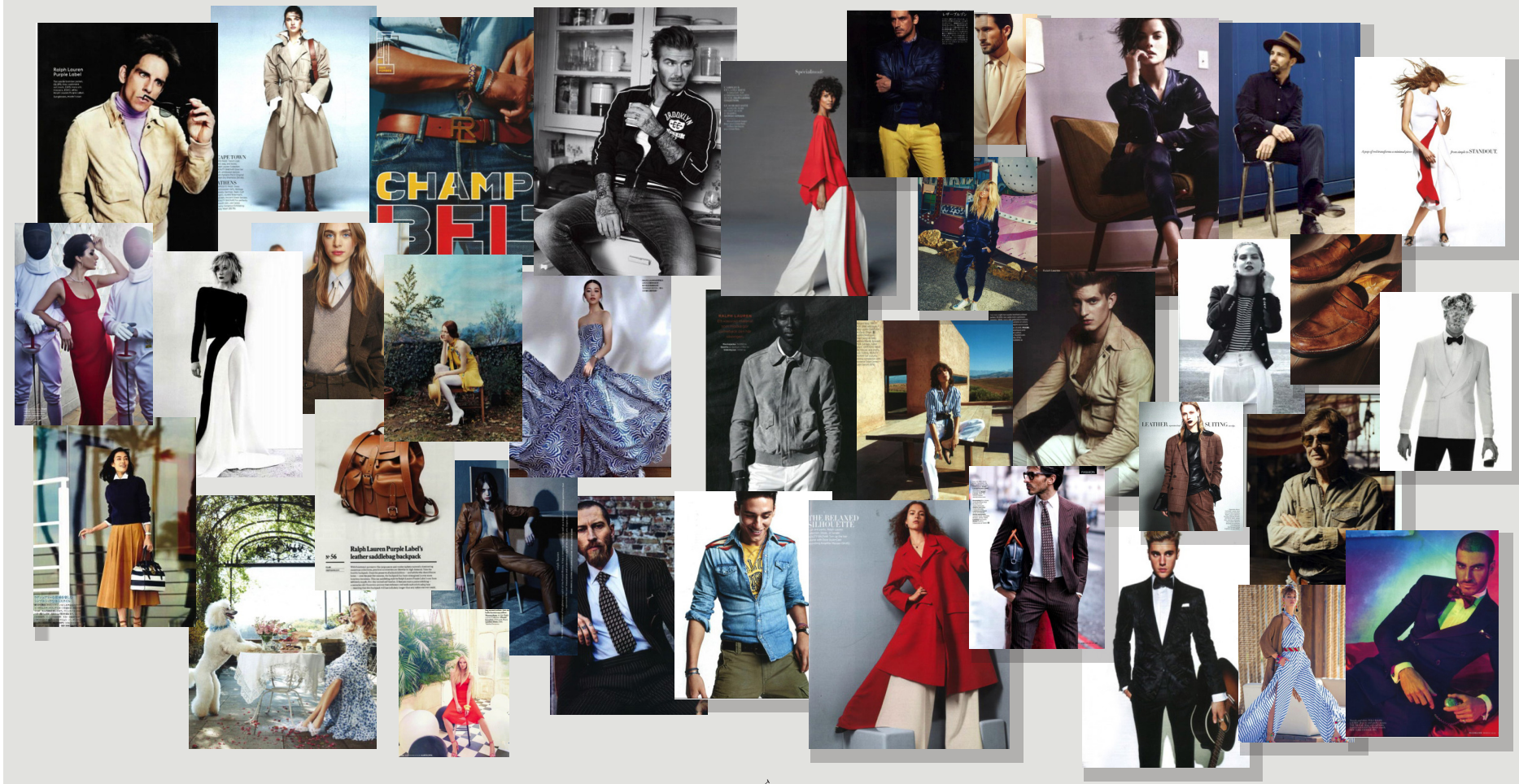












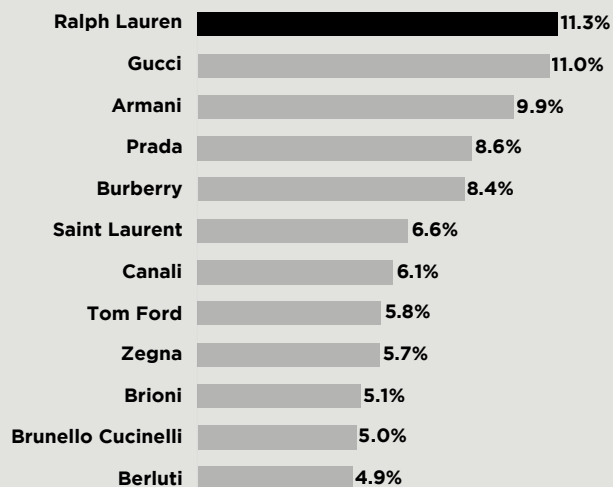
RALPH LAUREN'S BRAND STRENGTH  
FROM THE CONSUMER'S PERSPECTIVE



# RALPH LAUREN BRAND STRENGTH: MEN'S LUXURY

## POWER

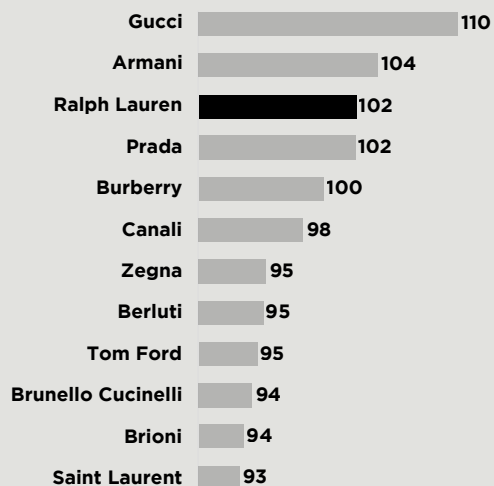
A BRAND'S EXPECTED MARKET SHARE  
RELATIVE TO THE COMPETITIVE SET  
BASED ON BRAND PERCEPTIONS ALONE



% OF TOTAL AGAINST COMPETITIVE SET

## PREMIUM

THE DEGREE TO WHICH A BRAND'S  
PERCEIVED EQUITY SUPPORTS ITS  
PERCEIVED PRICING



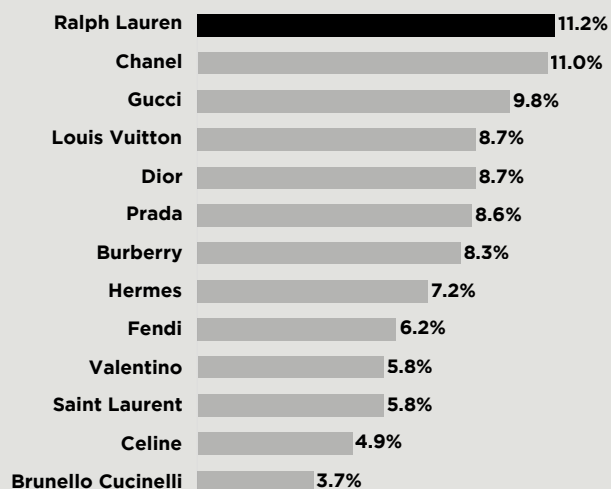
INDEXED TO COMPETITIVE SET



# RALPH LAUREN BRAND STRENGTH: WOMEN'S LUXURY

## POWER

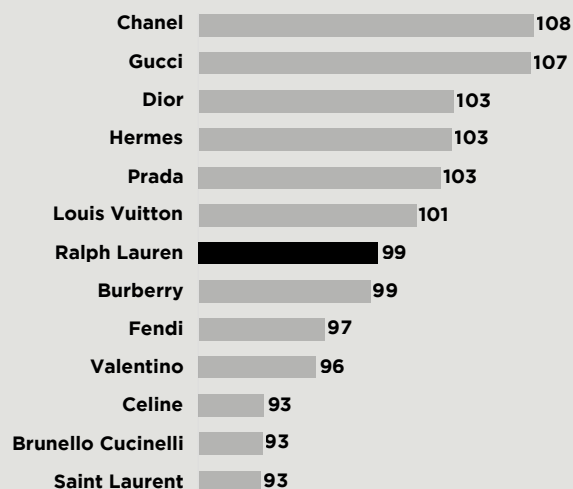
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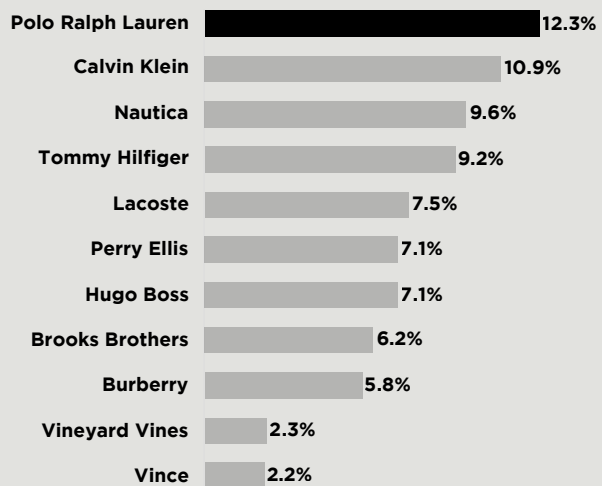
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# RALPH LAUREN BRAND STRENGTH: MEN'S POLO

## POWER

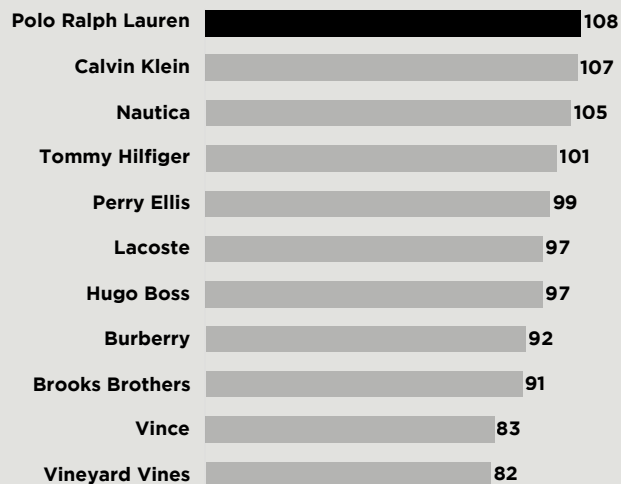
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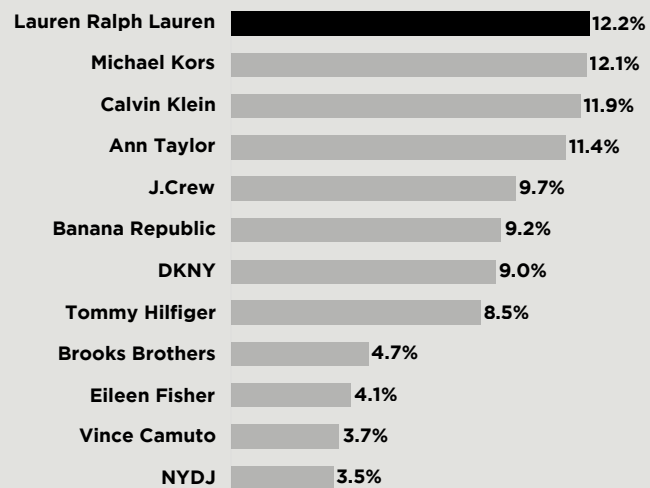
INDEXED TO COMPETITIVE SET



# RALPH LAUREN BRAND STRENGTH: WOMEN'S LAUREN

## POWER

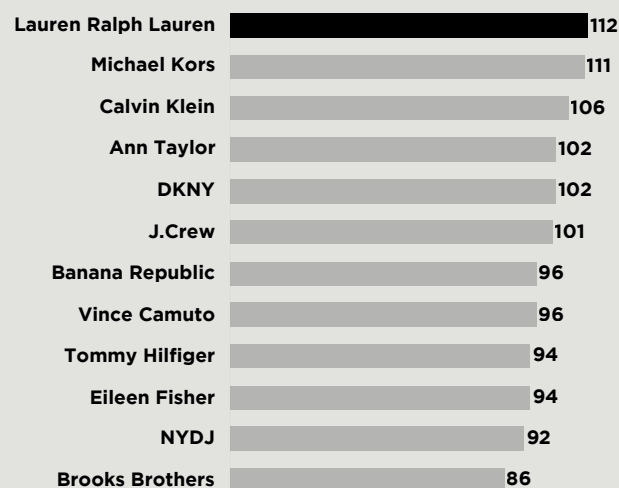
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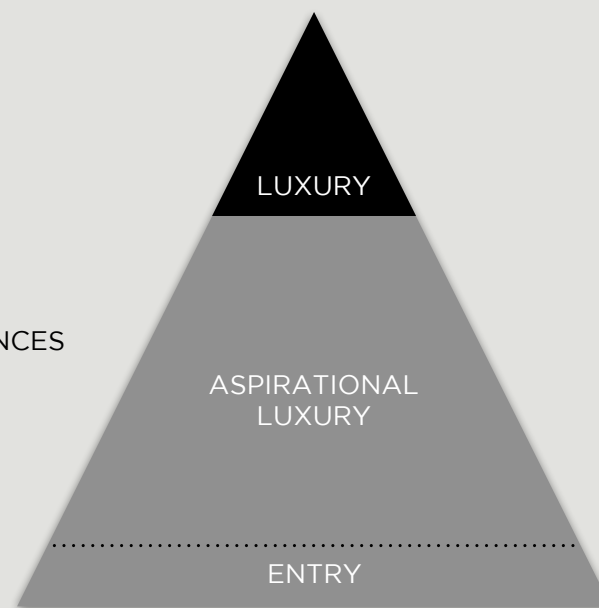
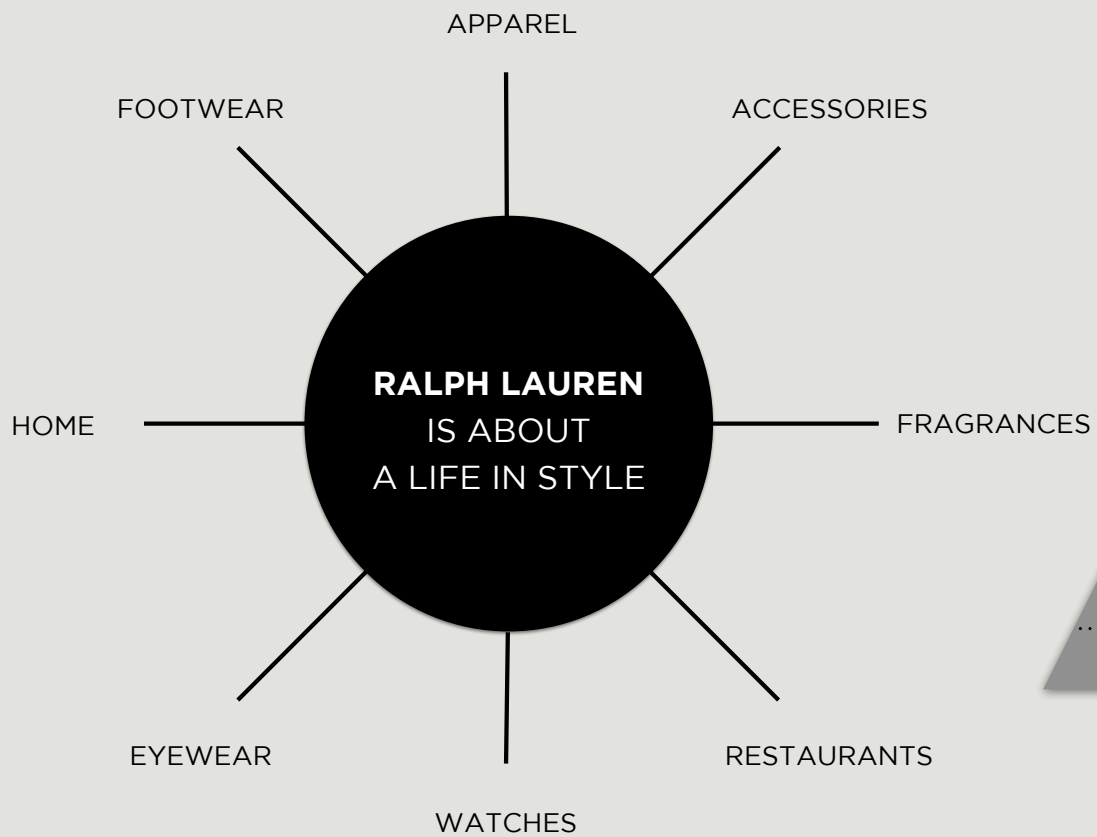


INDEXED TO COMPETITIVE SET





# RALPH LAUREN HAS A UNIQUE BRAND ELASTICITY



“EVERY DAY IS AN OCCASION TO REINVENT YOURSELF”

- RALPH LAUREN

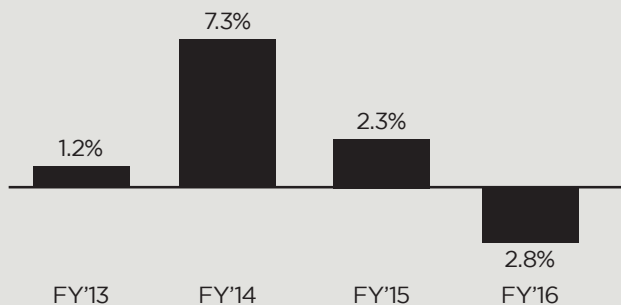


THE CONSUMER'S EXPECTATIONS ARE CHANGING  
AND THE INDUSTRY IS GOING THROUGH MASSIVE  
TRANSFORMATION AND DISRUPTION

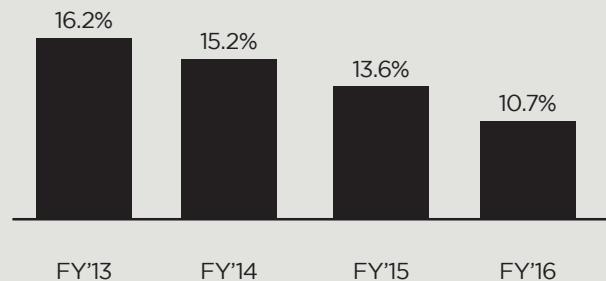


# RECENT PERFORMANCE HAS BEEN CHALLENGED

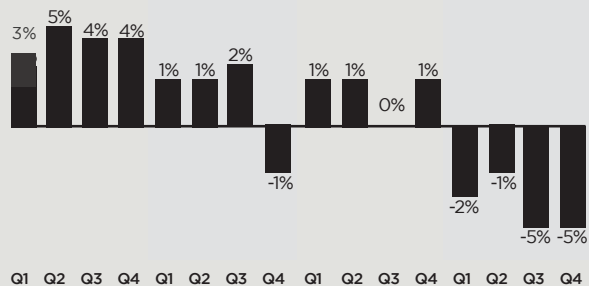
## REVENUE GROWTH <sup>1</sup>



## OPERATING MARGIN <sup>2</sup>



## QUARTERLY COMPS <sup>3</sup>



## SHARE PRICE PERFORMANCE



1. REFLECTS REPORTED REVENUE GROWTH FIGURES

2. OPERATING MARGIN OF 10.7% IN FY16 IS A NON-GAAP MEASURE AND EXCLUDES RESTRUCTURING AND OTHER CHARGES THAT ARE PRIMARILY RELATED TO ACTIVITIES ASSOCIATED WITH THE COMPANY'S GLOBAL BRAND REORGANIZATION, A PENDING CUSTOMS AUDIT AND THE SETTLEMENT OF CERTAIN LITIGATION CLAIMS. THE GAAP OPERATING MARGIN WAS 7.9%

3. QUARTERLY COMPS REPRESENT GLOBAL CONSOLIDATED SAME-STORE SALES GROWTH ON A CONSTANT CURRENCY BASIS AND INCLUDE E-COMMERCE



# VALUE CREATION ASSESSMENT

DURING THE LAST 6 MONTHS, WE HAVE ASSESSED EVERY VALUE-CREATING COMPONENT OF THE COMPANY



## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
FOCUS ON  
CORE BRAND  
STRENGTH

OPERATING  
MODEL DRIVING  
EXCESS  
INVENTORY



## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
FOCUS ON  
CORE BRAND  
STRENGTH

OPERATING  
MODEL DRIVING  
EXCESS  
INVENTORY



## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
FOCUS ON  
CORE BRAND  
STRENGTH

DILUTED FOCUS ON  
TOO MANY BRANDS

- 3 CORE BRANDS ACCOUNT FOR VAST MAJORITY OF BRAND STRENGTH AND PERFORMANCE
- NOT ENOUGH FOCUS ON STRENGTHENING THESE CORE BRANDS





## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
FOCUS ON  
CORE BRAND  
STRENGTH

DILUTED FOCUS ON  
TOO MANY BRANDS

HAVE NOT FOCUSED AND EVOLVED  
THE PRODUCT, MARKETING AND  
SHOPPING EXPERIENCE ENOUGH

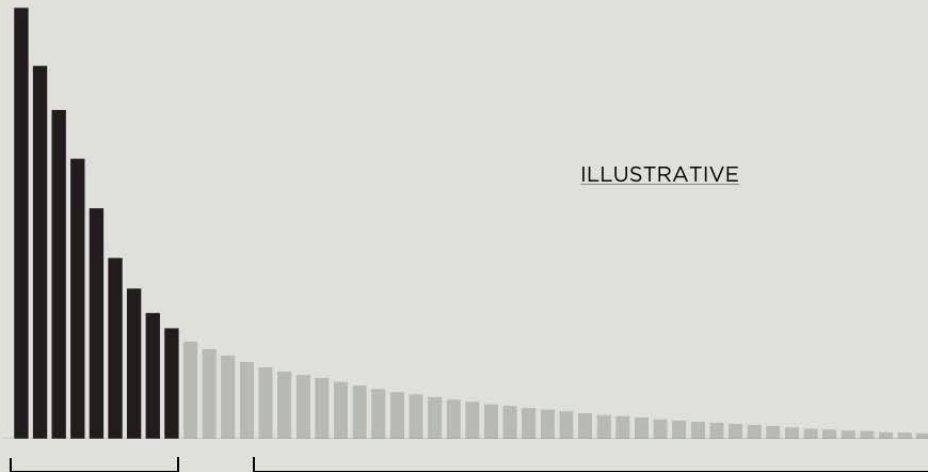


## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
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STRENGTH

DILUTED FOCUS ON  
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THE PRODUCT, MARKETING AND  
SHOPPING EXPERIENCE ENOUGH



### “CLASSIC ICONIC STYLE”

CORE STYLES DRIVING  
THE MAJORITY OF BUSINESS

LONG TAIL OF NON-CORE STYLES DRIVING A VERY  
SMALL SHARE OF BUSINESS



## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
FOCUS ON  
CORE BRAND  
STRENGTH

DILUTED FOCUS ON  
TOO MANY BRANDS

HAVE NOT FOCUSED AND EVOLVED  
THE PRODUCT, MARKETING AND  
SHOPPING EXPERIENCE ENOUGH

- DILUTED MARKETING RESOURCES ON TOO MANY BRANDS AND INITIATIVES
- LACKED IMPACTFUL AND TRAFFIC-DRIVING CAMPAIGNS
- NEED TO EVOLVE OUR BRAND VOICE
- INSUFFICIENT ONLINE FLAGSHIP EXPERIENCE AND FUNCTIONALITY
- NEED TO EVOLVE THE RETAIL SHOPPING EXPERIENCE



## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
FOCUS ON  
CORE BRAND  
STRENGTH

DILUTED FOCUS ON  
TOO MANY BRANDS

HAVE NOT FOCUSED AND EVOLVED  
THE PRODUCT, MARKETING AND  
SHOPPING EXPERIENCE ENOUGH

OPERATING  
MODEL DRIVING  
EXCESS  
INVENTORY



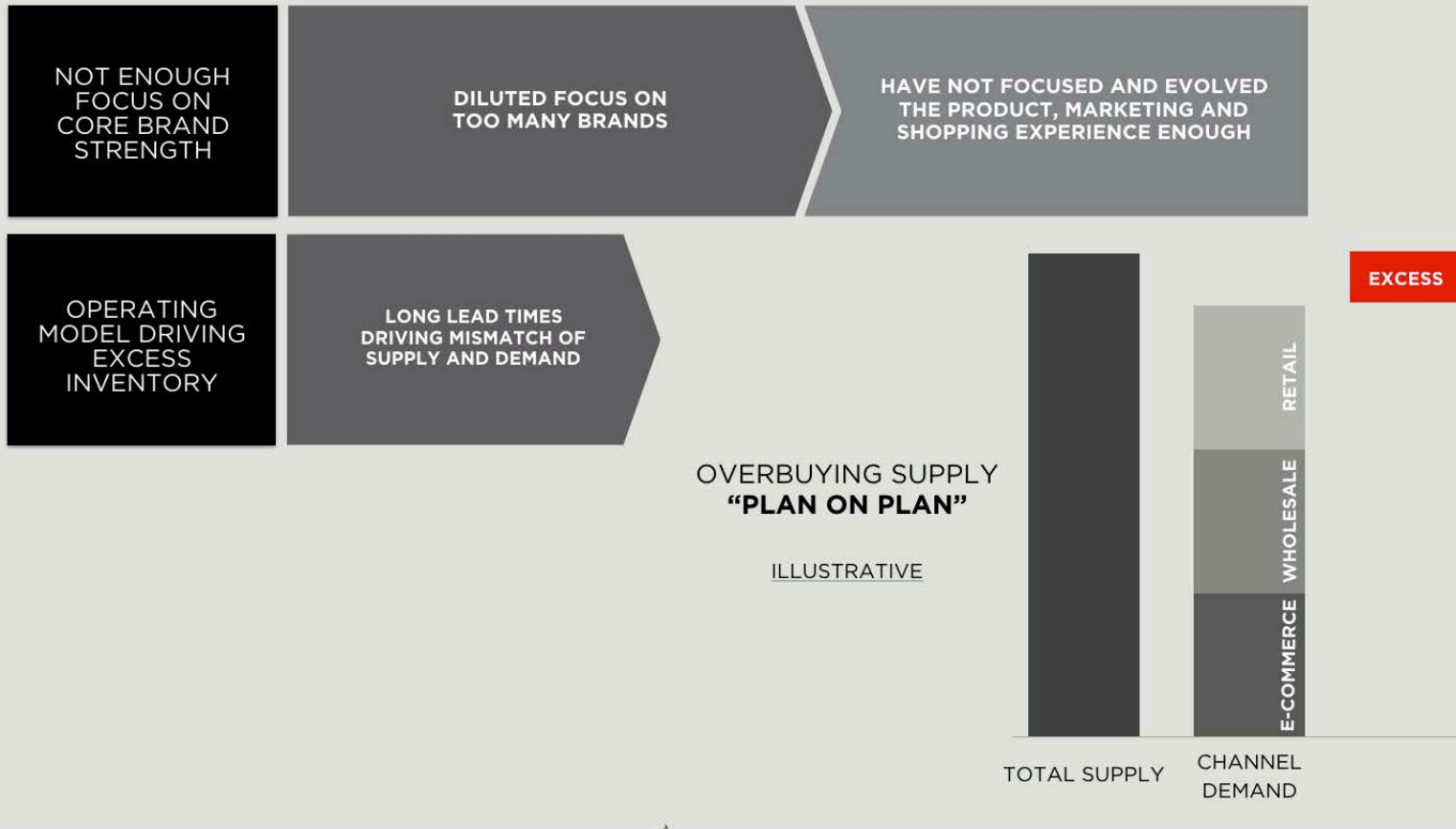
## TODAY: THE CURRENT CHALLENGES



- AVERAGE 15 MONTH LEAD TIMES
- HIGH SHARE OF BUYS MADE BEFORE PRODUCT IS SOLD TO WHOLESALE PARTNERS
- LACK OF CENTRALIZED INVENTORY CONTROL AND OPTIMIZATION → SLOWING TURNS
  - LAST 3 YEARS
    - SALES +7%
    - INVENTORY +26%



# TODAY: THE CURRENT CHALLENGES



## TODAY: THE CURRENT CHALLENGES

NOT ENOUGH  
FOCUS ON  
CORE BRAND  
STRENGTH

DILUTED FOCUS ON  
TOO MANY BRANDS

HAVE NOT FOCUSED AND EVOLVED  
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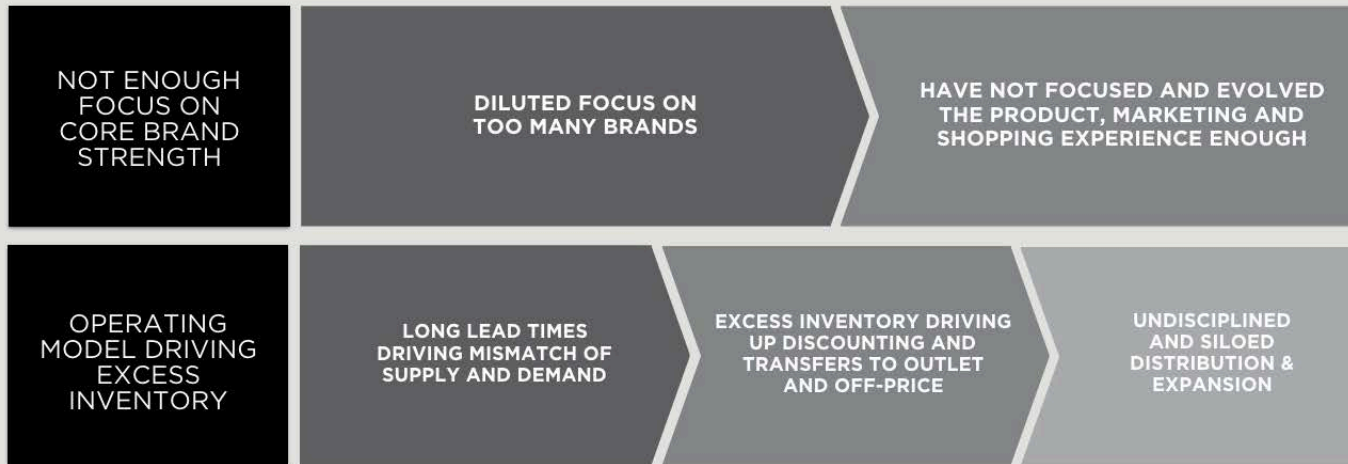
OPERATING  
MODEL DRIVING  
EXCESS  
INVENTORY

LONG LEAD TIMES  
DRIVING MISMATCH OF  
SUPPLY AND DEMAND

EXCESS INVENTORY DRIVING  
UP DISCOUNTING AND  
TRANSFERS TO OUTLET  
AND OFF-PRICE



## TODAY: THE CURRENT CHALLENGES

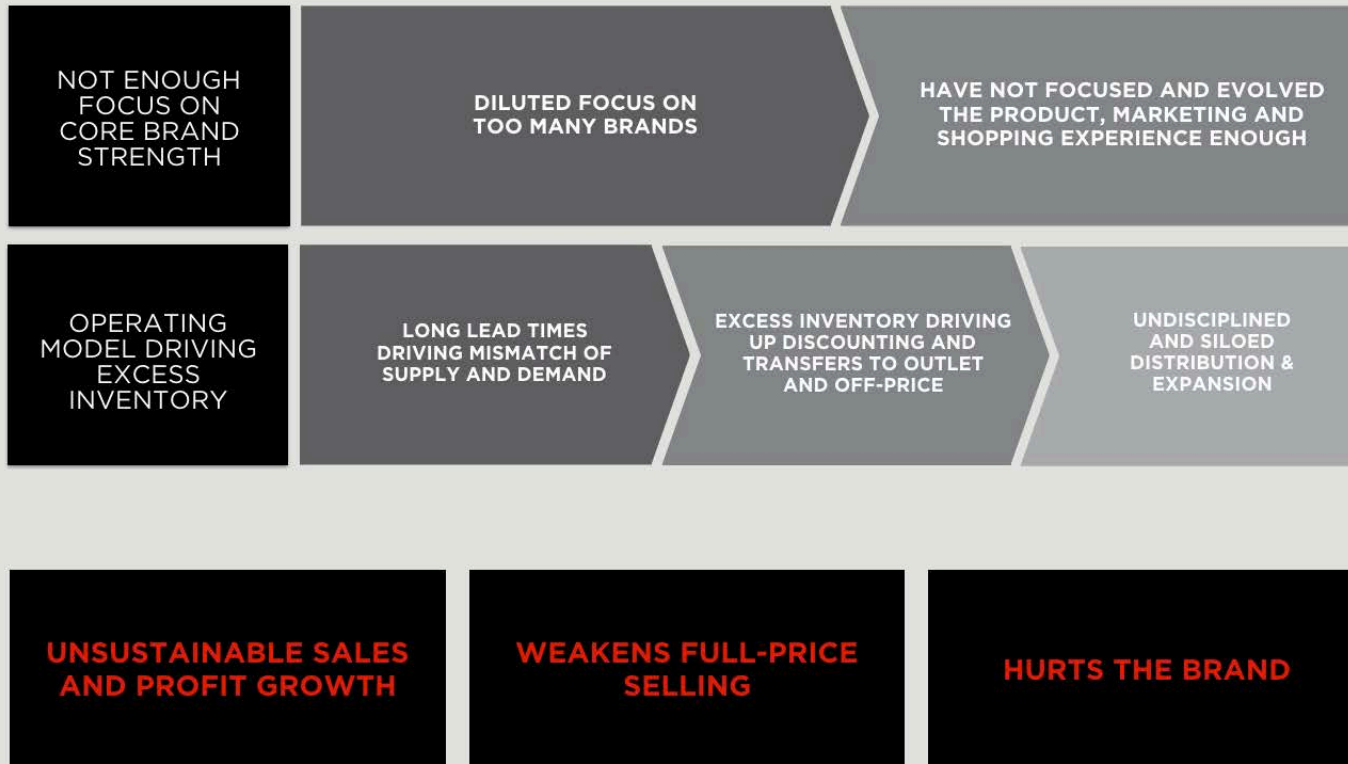


- DECREASING QUALITY OF SALES IN WHOLESALE AND E-COMMERCE
- EXCESS INVENTORY GROWING OUTLET AND OFF-PRICE CHANNELS OUT OF BALANCE
- UNDISCIPLINED RETAIL CHANNEL EXPANSION





## TODAY: THE CURRENT CHALLENGES



# WAY FORWARD PLAN



## THE WAY FORWARD PLAN BUILDS ON OUR STRENGTHS

- VERY STRONG GLOBAL BRAND
- STRONG MARKET SHARE IN THE US
- THE INTERNATIONAL BUSINESS IS STRENGTHENING
- STRONG FINANCIALS AND CASH GENERATION
- WE ATTRACT THE BEST TALENT IN THE INDUSTRY
- THERE IS STRONG INTERNAL SUPPORT FOR TRANSFORMATION
- WE HAVE A DETAILED “WAY FORWARD” VALUE-CREATING PLAN



## THE FOUNDATION OF THE WAY FORWARD PLAN

REFOCUS ON  
AND EVOLVE  
THE CORE

EVOLVE THE  
OPERATING  
MODEL



## RALPH LAUREN WAY FORWARD VALUE CREATING PLAN

REFOCUS ON  
AND EVOLVE  
THE CORE

- EVOLVE THE BRAND STRATEGY
- REFOCUS AND EVOLVE THE PRODUCT, MARKETING AND SHOPPING EXPERIENCE

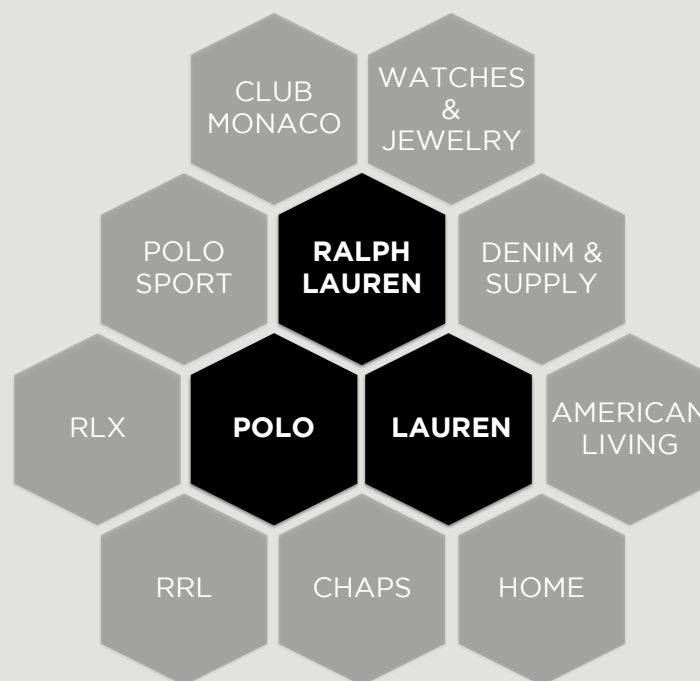
EVOLVE THE  
OPERATING  
MODEL

- DEVELOP STRONG UNDERLYING BUSINESS ENGINES
- RIGHTSIZE THE COST STRUCTURE AND DEVELOP A DISCIPLINED ECONOMIC MODEL
- STRENGTHEN THE LEADERSHIP/TEAM/CULTURE

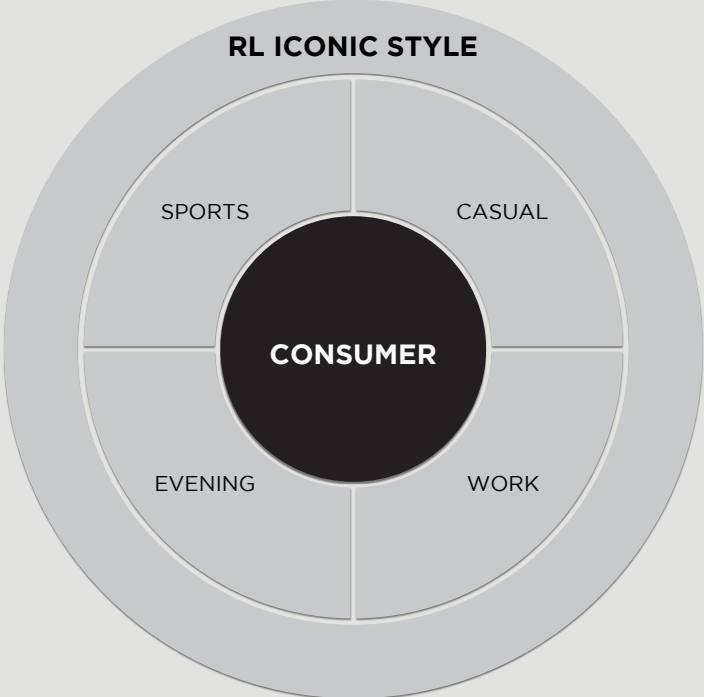
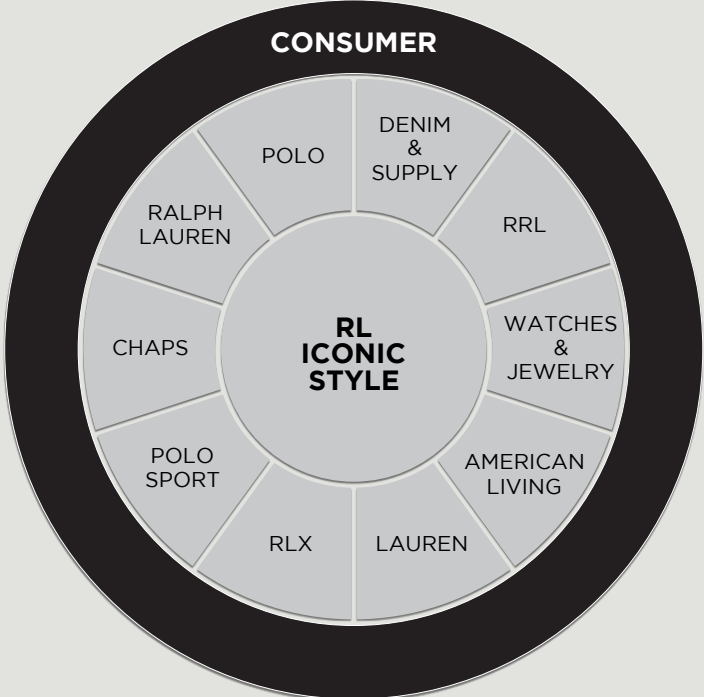


## EVOLVE THE BRAND STRATEGY

- FOCUSING ON OUR CORE BRANDS WILL LEVERAGE BOTH OUR BRAND & BUSINESS STRENGTH
- OPERATE OUR SMALLER BRANDS AND INITIATIVES WITH AN INCREASED FOCUS ON ROI AND STRENGTHENING THE CORE

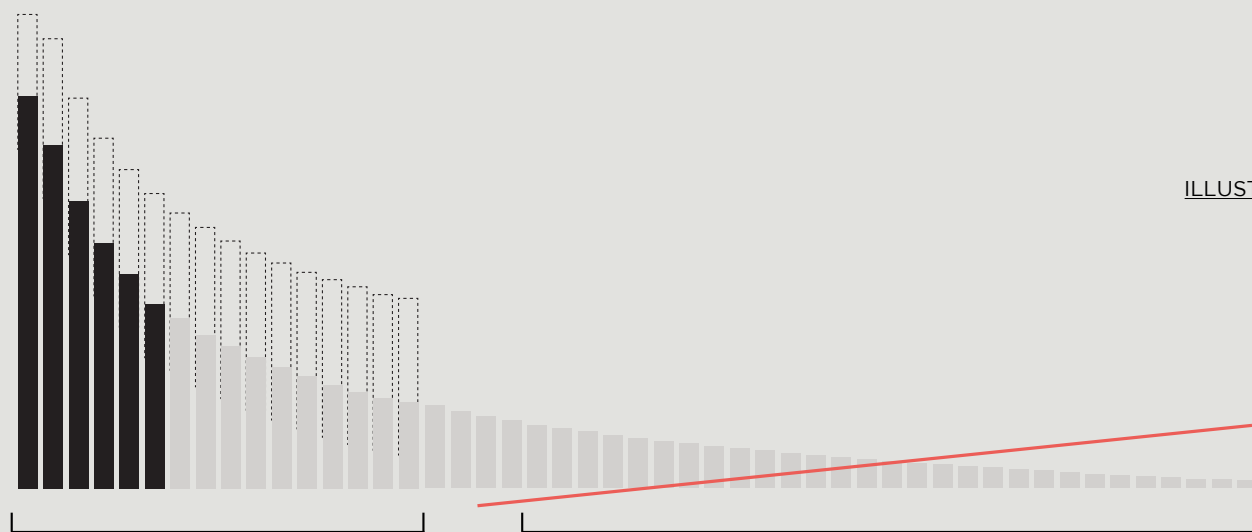


# EVOLVE THE BRAND STRATEGY WITH THE CONSUMER IN THE CENTER





# BUILD-OUT OUR CORE PRODUCTS



ILLUSTRATIVE

EVOLVE AND EXPAND  
OUR CORE PRODUCTS  
(REINVENT ICONS)

CUT UNPRODUCTIVE  
LONG TAIL



## HOW WE WILL EVOLVE THE MARKETING AND SHOPPING EXPERIENCE

### MARKETING

- EVOLVE OUR BRAND VOICE
- DEVELOP CUT-THROUGH CAMPAIGNS
- IMPROVED FOCUS ON ANALYTICS AND ROI
- REFRESH SOCIAL MEDIA, INVIGORATE PR AND EXPAND PARTNERSHIPS

### SHOPPING EXPERIENCE

- STRENGTHEN THE SHOPPING EXPERIENCE IN WHOLESALE
- BUILD STRENGTH IN E-COMMERCE
- EVOLVE THE RETAIL SHOPPING EXPERIENCE



## RALPH LAUREN WAY FORWARD VALUE CREATING PLAN

REFOCUS ON  
AND EVOLVE  
THE CORE

- EVOLVE THE BRAND STRATEGY
- REFOCUS AND EVOLVE THE PRODUCT, MARKETING AND SHOPPING EXPERIENCE

EVOLVE THE  
OPERATING  
MODEL

- DEVELOP STRONG UNDERLYING BUSINESS ENGINES
- RIGHTSIZE THE COST STRUCTURE AND DEVELOP A DISCIPLINED ECONOMIC MODEL
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RALPH LAUREN  
**WAY FORWARD**

VALERIE HERMANN  
BRAND PRESIDENT

CASE STUDY: WOMEN'S COLLECTION



ICONIC STYLE HAS NEVER BEEN  
MORE RELEVANT



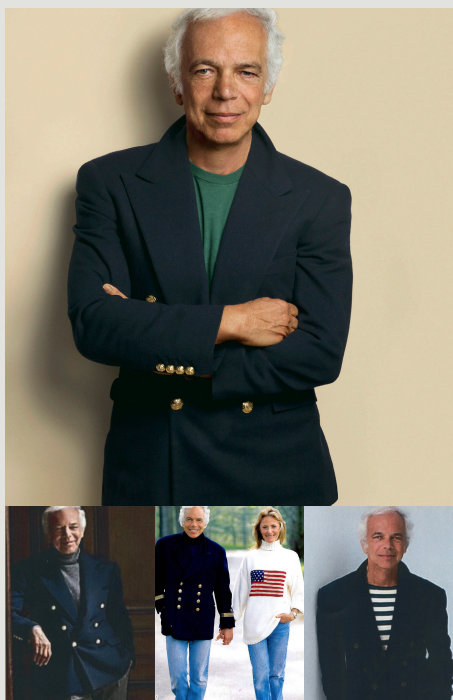
## REINVENT AND BUILD OUT CORE PRODUCTS CASE STUDY: WOMEN'S COLLECTION ASSORTMENT

1. FOCUS ON EVOLVING OUR CLASSIC ICONIC STYLES  
IN CURRENT AND RELEVANT WAY
2. CREATE CORE ASSORTMENT WITH HIGHER MARGIN  
AND BETTER INVENTORY MANAGEMENT
3. FACE THE CUSTOMER WITH A CLEAR AND FOCUSED MESSAGE



# BUILD OUR CORE PRODUCTS: WOMEN'S COLLECTION ICONS

## INSPIRATION FROM DNA



## COMPETITOR RESEARCH



GUCCI STRETCH WOOL, TWEED



CHANEL

SAINT LAURENT  
WOOL GABARDINE

## RL ICON



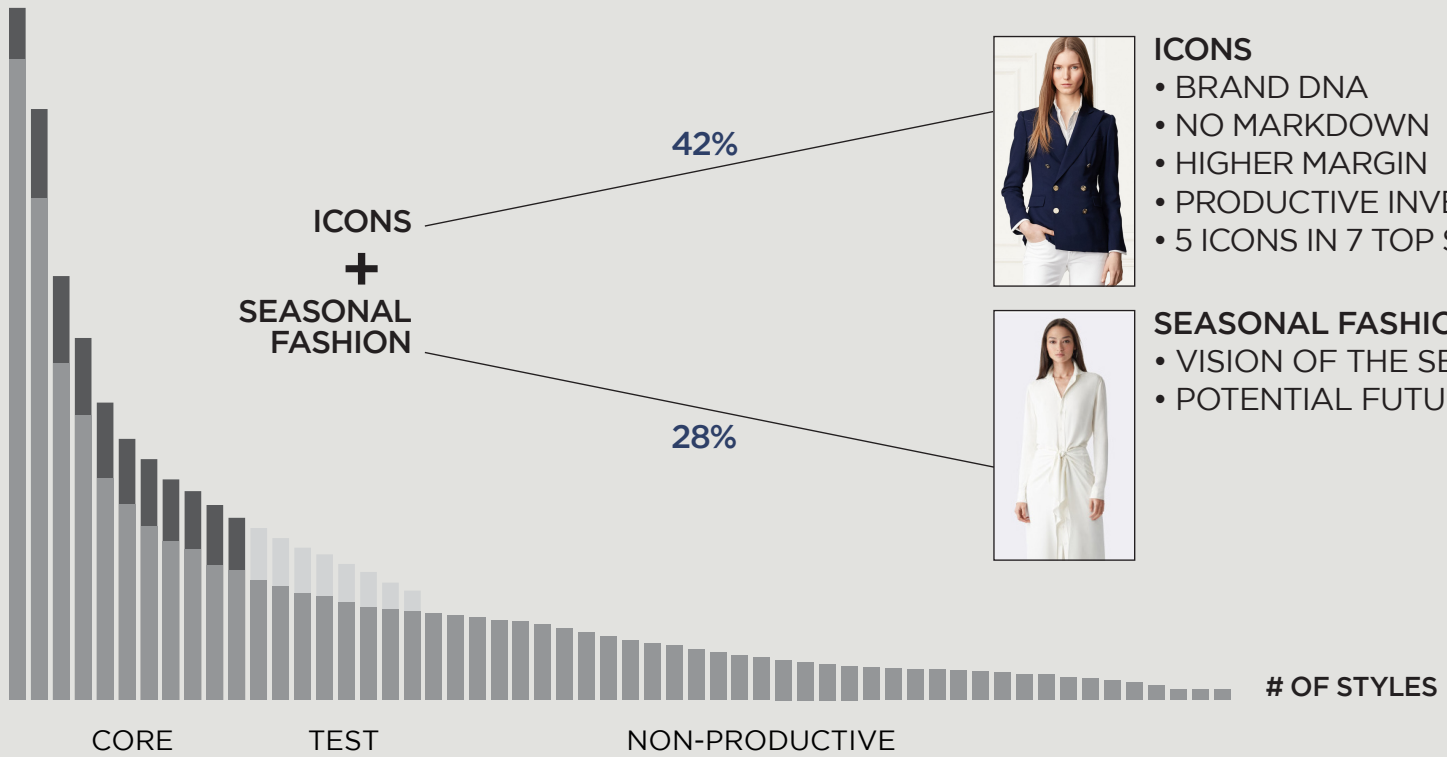
CAMDEN JACKET  
(WOOL CREPE, CASHMERE)





# BUILD OUR CORE PRODUCTS: STYLE PRODUCTIVITY REVIEW SPRING 2016

RESULT OF SPRING '16  
REVENUE



ICONS  
+  
SEASONAL  
FASHION



## ICONS

- BRAND DNA
- NO MARKDOWN
- HIGHER MARGIN
- PRODUCTIVE INVENTORY
- 5 ICONS IN 7 TOP SELLERS



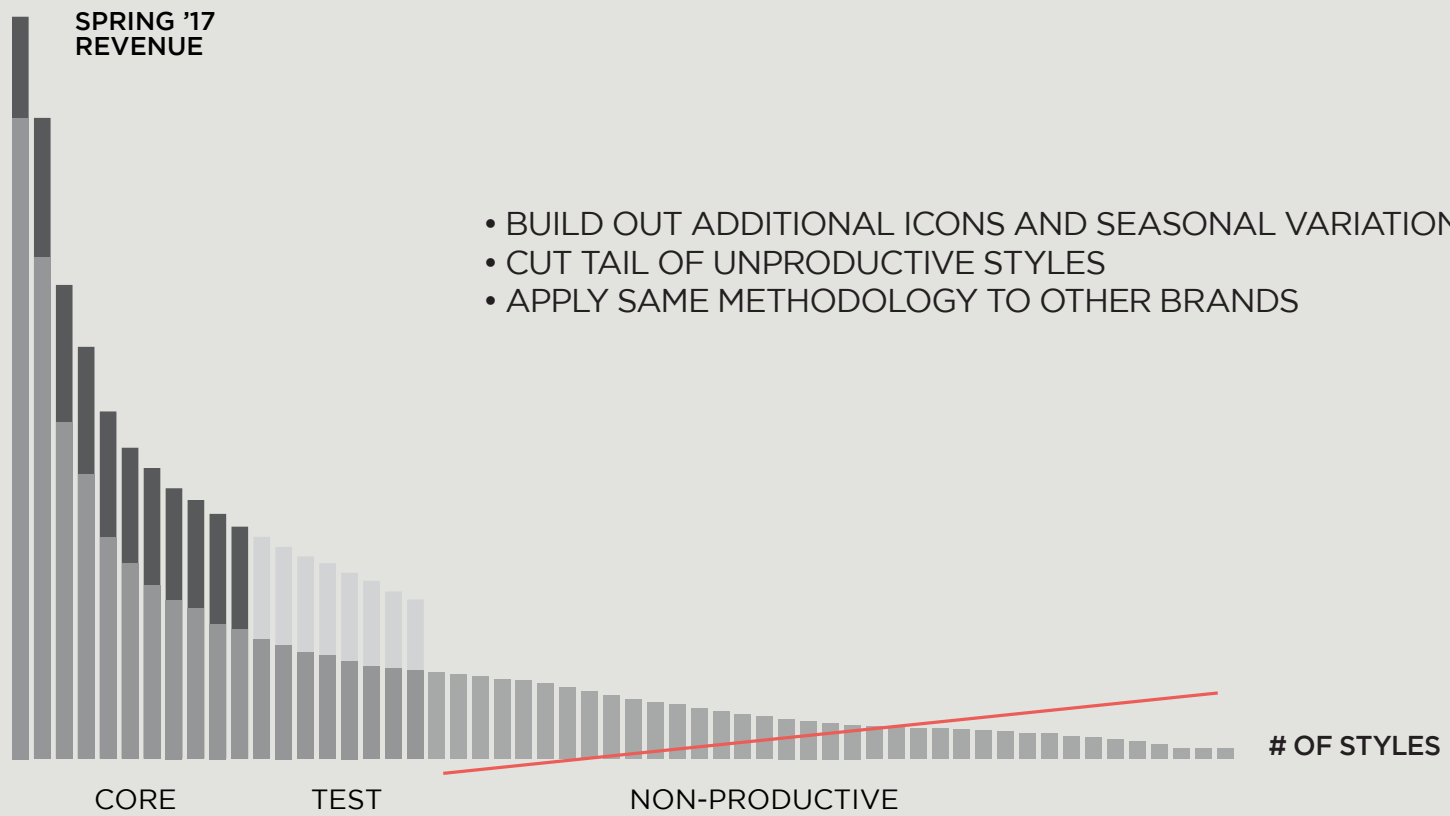
## SEASONAL FASHION

- VISION OF THE SEASON
- POTENTIAL FUTURE ICONS

# OF STYLES

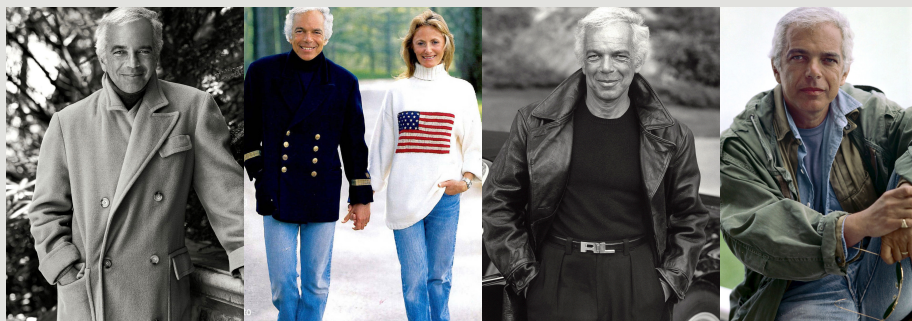


# BUILD OUR CORE PRODUCTS: SPRING 2017 ASSORTMENTS / ICONS



## NEW ICON DEVELOPMENT: SPRING 2017

INSPIRATION:



EXAMPLES OF SPRING '17 ICONS

ARMY JACKET  
TWEED JACKET  
DB TUXEDO  
SAFARI JACKET  
SUEDE FRINGE

PEACOAT  
OFFICER'S COAT  
DUFFLE COAT  
TOGGLE COAT

OXFORD SHIRT  
STRIPED SHIRT  
SAFARI SHIRT  
MILITARY SHIRT  
PLAID SHIRT

CARGO PANT  
SAILOR PANT  
JUMPSUIT

NAUTICAL SWEATER  
ARAN CABLE SWEATER



## RALPH LAUREN WAY FORWARD VALUE CREATING PLAN

REFOCUS ON  
AND EVOLVE  
THE CORE

- EVOLVE THE BRAND STRATEGY
- REFOCUS AND EVOLVE THE PRODUCT, MARKETING AND SHOPPING EXPERIENCE

EVOLVE THE  
OPERATING  
MODEL

- DEVELOP STRONG UNDERLYING BUSINESS ENGINES
- RIGHTSIZE THE COST STRUCTURE AND DEVELOP A DISCIPLINED ECONOMIC MODEL
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## RALPH LAUREN WAY FORWARD VALUE CREATING PLAN

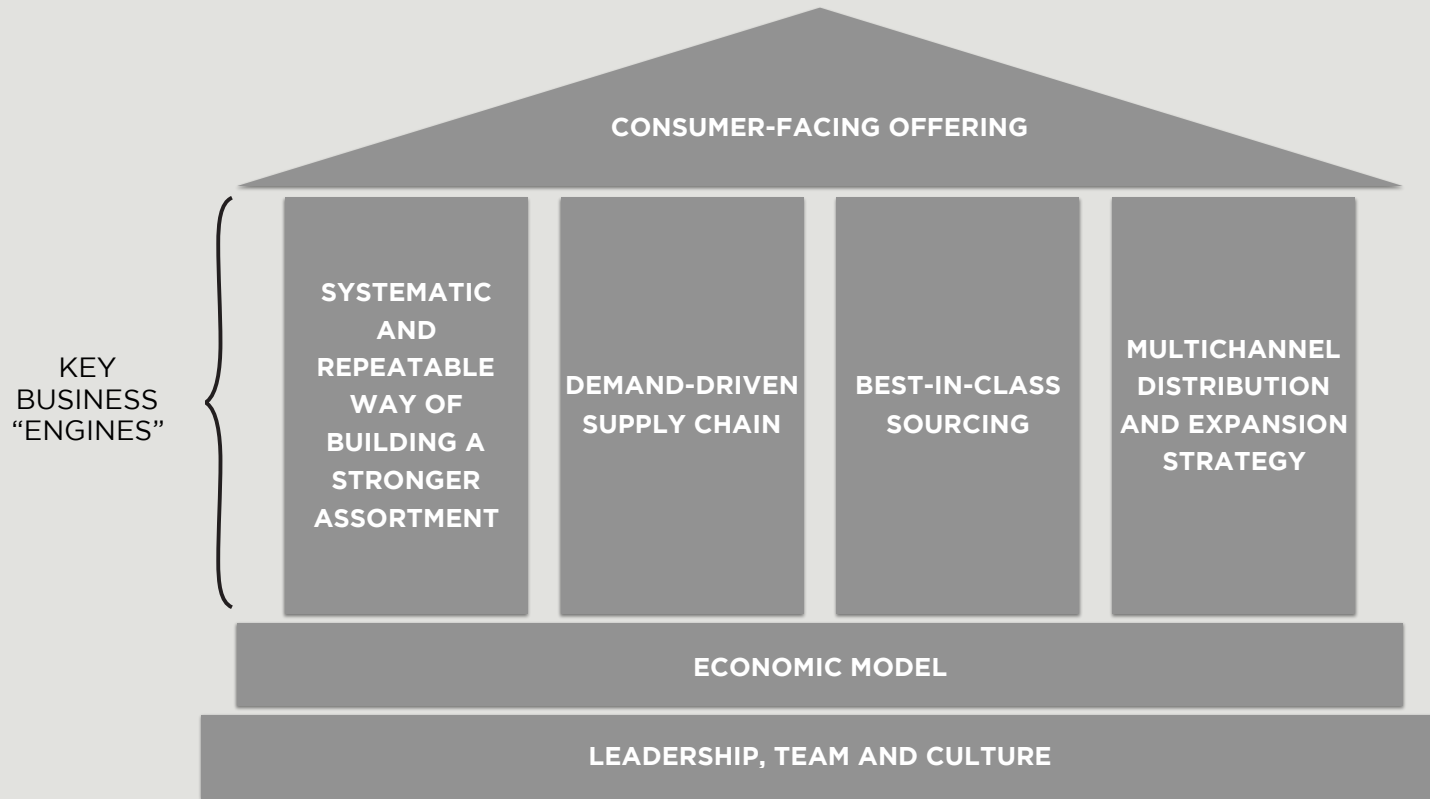
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# EVOLVE THE OPERATING MODEL TO SUPPORT THE BRAND MISSION



## DEVELOP A SYSTEMATIC AND REPEATABLE WAY OF BUILDING A STRONGER AND STRONGER ASSORTMENT



- WE ARE IMPLEMENTING A SYSTEMATIC AND REPEATABLE METHODOLOGY FOR BUILDING A STRONGER AND STRONGER ASSORTMENT
  - EVERY PRODUCT WILL HAVE AN INTENT:



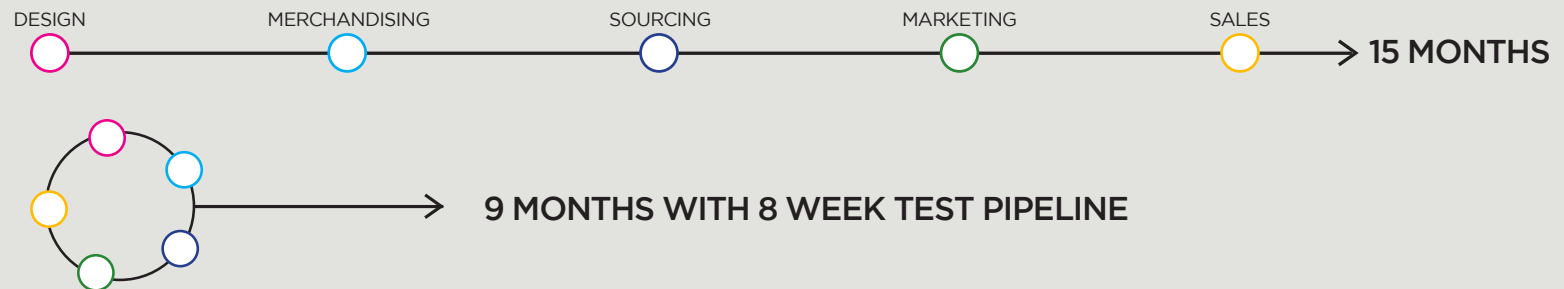
- WILL BE CONNECTED TO INVESTMENTS, DEMAND-DRIVEN SUPPLY CHAIN AND BEST IN CLASS SOURCING



## DEVELOP A DEMAND-DRIVEN SUPPLY CHAIN



- CUT LEAD TIMES FROM 15 MONTHS → 9 MONTHS
- INTRODUCE 8 WEEK TEST PIPELINE
- PLAN INVENTORY ON DEMAND → SELLING MORE WITH LESS

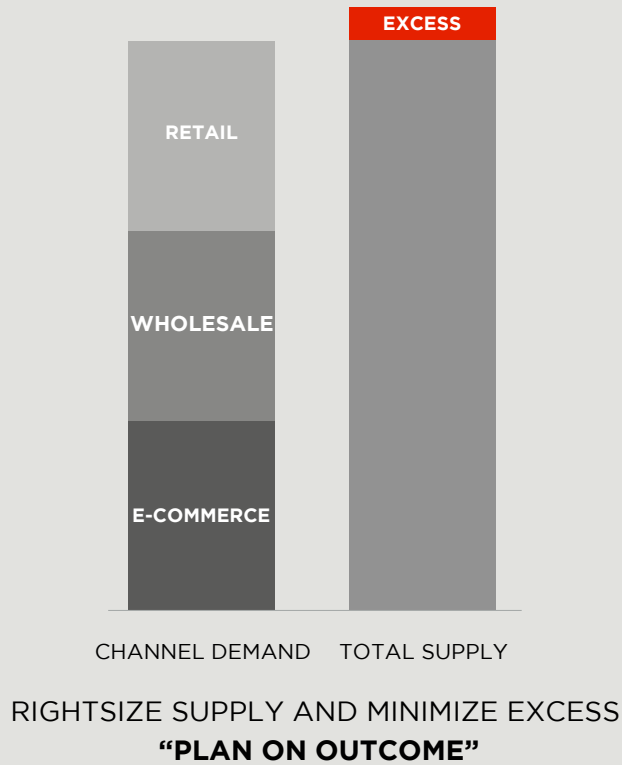




# MATCH INVENTORY PLAN AND BUYS WITH DEMAND



ILLUSTRATIVE



DECREASE INVENTORY  
AND DISCOUNTING IN  
FULL PRICE CHANNELS

REDUCE TRANSFER OF  
FULL-PRICE INVENTORY  
INTO VALUE CHANNELS

DISCIPLINED MULTI-  
CHANNEL DISTRIBUTION  
AND EXPANSION



## DEVELOP BEST-IN-CLASS SOURCING TO OPTIMIZE QUALITY, COST, SPEED AND FLEXIBILITY



- STRENGTHEN COLLABORATION WITH SUPPLIER BASE
- DEVELOP FABRIC PLATFORMING AND MULTI-STEP BUYING
- DRIVE COSTS DOWN AND QUALITY UP
- FOCUS ON INNOVATION



## DEVELOP A DISTRIBUTION AND EXPANSION STRATEGY THAT STRENGTHENS THE BRAND AND DRIVES HIGH QUALITY GROWTH



- RIGHTSIZED EXISTING STORE PORTFOLIO
  - EXISTING FULL PRICE STORE EXPANSION HAS UNDER DELIVERED
  - DEVELOP A PROFITABLE STORE FORMAT
  
- DEVELOP A GLOBAL MULTICHANNEL DISTRIBUTION AND EXPANSION PLAN STARTING WITH N.A.:
  - STRONG WHOLESALE MODEL
  - OPTIMIZED E-COMMERCE MODEL
  - HIGH-PERFORMING STORE FORMAT



## RIGHTSIZE THE COST STRUCTURE AND DEVELOP A DISCIPLINED ECONOMIC MODEL



- OUR COST STRUCTURE WILL BECOME COMPETITIVE
  - RIGHTSIZED THE ORGANIZATION → EMPOWER THE DOERS (AVERAGE 6 LAYERS, DOWN FROM TODAY'S 9)
  - RIGHTSIZED THE REAL ESTATE PORTFOLIO → CLOSING 50+ STORES THAT DON'T STRENGTHEN THE BRAND OR DRIVE PROFITABLE SALES GROWTH
  - CONTINUOUSLY TRIM ALL OTHER SG&A COSTS THAT ARE NOT STRENGTHENING THE BRAND OR DRIVING PROFITABLE SALES GROWTH
- GOING FORWARD, SG&A WILL BE TARGETED DOWN YEAR BY YEAR AS A % OF SALES
- HIGHLY FOCUSED ON ROI AND INVEST WITH DISCIPLINE



## STRENGTHENING THE LEADERSHIP, TEAM AND CULTURE



### EXPANDED ROLE OF BRAND PRESIDENT - **VALERIE HERMANN**

- Background as the CEO of YSL and head of women's ready-to-wear division at Christian Dior

### STRATEGIC HIRES CONNECTED TO WAY FORWARD STRATEGY

#### HEAD OF GLOBAL SOURCING - **HALIDE ALAGOZ**

- 18 years experience in leading global supply chain and sourcing initiatives for H&M in many different countries, including China, Hong Kong and Turkey

#### HEAD OF GLOBAL EXPANSION - **FREDRIK HJALMERS**

- 7 years experience in leading H&M's global new market expansion, delivering the fastest and highest-quality growth entering new markets in H&M's history

#### HEAD OF E-COMMERCE NORTH AMERICA - **MARCELLE PARRISH**

- 4 years as General Manager of eBay Fashion driving rapid growth and high performance

### CONTINUE TO STRENGTHEN THE TEAM



## STRENGTHENING THE LEADERSHIP, TEAM AND CULTURE



### EMPOWER THE TEAM TO RECLAIM THE ENTREPRENEURIAL CULTURE

- REDUCE LAYERS, SIMPLIFY DECISION MAKING, AND INCREASE SPEED
- GET CLOSER TO THE CONSUMER, LEARN, AND CONTINUOUSLY IMPROVE



## RALPH LAUREN WAY FORWARD VALUE CREATING PLAN

REFOCUS ON  
AND EVOLVE  
THE CORE

- EVOLVE THE BRAND STRATEGY
- REFOCUS AND EVOLVE THE PRODUCT, MARKETING AND SHOPPING EXPERIENCE

EVOLVE THE  
OPERATING  
MODEL

- DEVELOP STRONG UNDERLYING BUSINESS ENGINES
- RIGHTSIZE THE COST STRUCTURE AND DEVELOP A DISCIPLINED ECONOMIC MODEL
- STRENGTHEN THE LEADERSHIP/TEAM/CULTURE



# CREATE VIRTUOUS CYCLE OF BRAND STRENGTHENING AND SUSTAINABLE PROFITABLE GROWTH





WAY FORWARD  
ECONOMIC MODEL  
& FINANCIAL PLAN



RALPH LAUREN

# WAY FORWARD

STEFAN LARSSON

PRESIDENT & CHIEF EXECUTIVE OFFICER

BOB MADORE

CHIEF FINANCIAL OFFICER



## THE WAY FORWARD ECONOMIC MODEL AND FINANCIAL PLAN

### KEY INITIATIVES

- EVOLVE THE PRODUCT, MARKETING AND SHOPPING EXPERIENCE
- DEVELOP STRONG UNDERLYING BUSINESS ENGINES
- RIGHTSIZE THE COST STRUCTURE AND DEVELOP A DISCIPLINED FINANCIAL MODEL
- STRENGTHEN THE LEADERSHIP/ TEAM/CULTURE

DRIVE SUSTAINABLE  
SALES GROWTH

EXPAND OPERATING  
MARGINS

RETURN EXCESS CASH

**GENERATE  
LONG-TERM  
SHAREHOLDER  
VALUE**









# THE WAY FORWARD PLAN OBJECTIVES

PLAN OBJECTIVES	INITIATIVES	IMPACT ON		
		BRAND STRENGTH	SALES GROWTH	OP. MARGIN EXPANSION
<b>REFOCUS THE BRAND / PRODUCT</b>	<ul style="list-style-type: none"> <li>• FOCUS RESOURCES ON FEWER BRANDS</li> <li>• EVOLVE PRODUCT DESIGN (REINVENT THE CORE)</li> </ul>	●	●	◐
<b>EVOLVE THE MARKETING</b>	<ul style="list-style-type: none"> <li>• FOCUS MARKETING SPEND ON BIGGER CUT-THROUGH INITIATIVES</li> <li>• EVOLVE THE BRAND VOICE - CONNECT TO A LIFE IN STYLE TODAY</li> </ul>	●	●	
<b>EVOLVE THE SHOPPING EXPERIENCE</b>	<ul style="list-style-type: none"> <li>• STRENGTHEN THE SHOPPING EXPERIENCE IN WHOLESALE</li> <li>• RE-PLATFORM E-COMMERCE TO BUILD OUR FLAGSHIP EXPRESSION</li> <li>• EVOLVE THE RETAIL EXPERIENCE</li> </ul>	●	●	◐
<b>SYSTEMATIC ASSORTMENT CREATION</b>	<ul style="list-style-type: none"> <li>• DEVELOP A SYSTEMATIC, REPEATABLE WAY OF BUILDING A STRONGER AND STRONGER ASSORTMENT</li> <li>• IMPLEMENT PLC APPROACH TO ASSORTMENT BUILDING</li> </ul>	◐	●	●

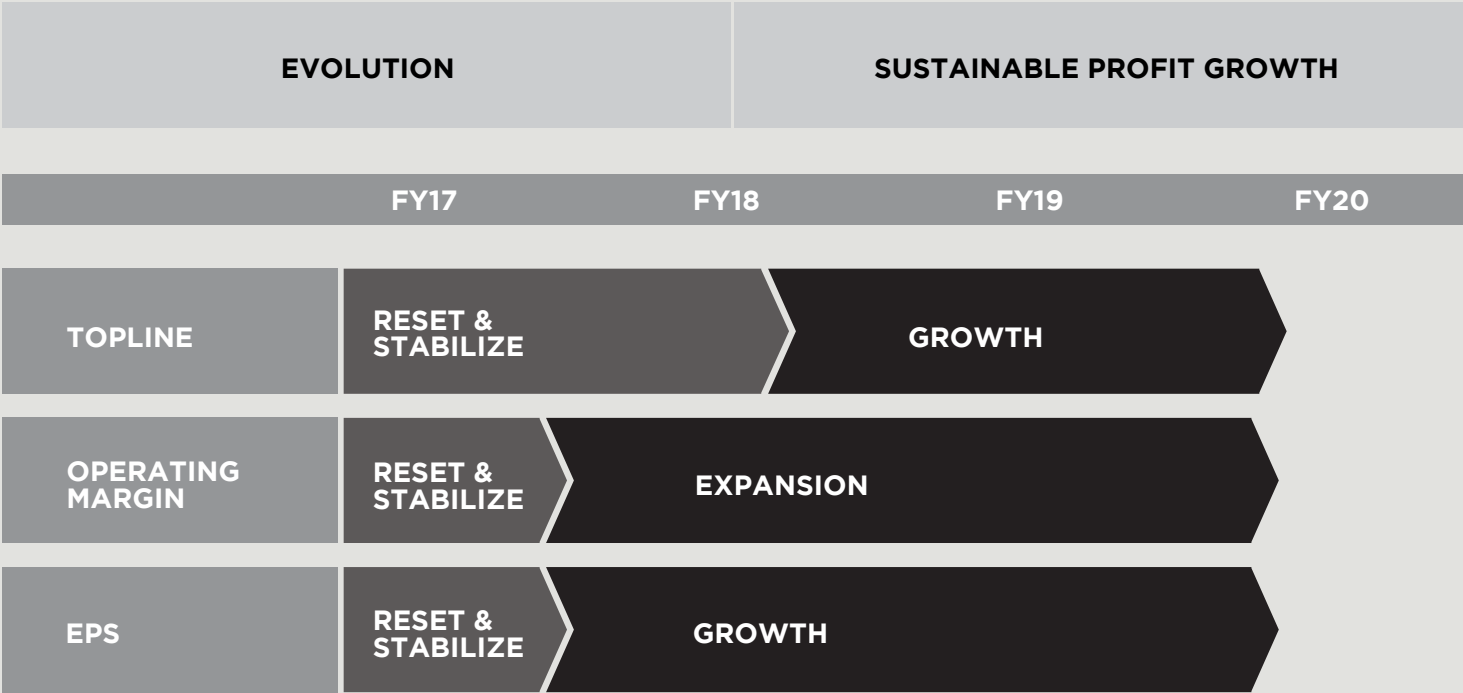


# THE WAY FORWARD PLAN OBJECTIVES

PLAN OBJECTIVES	INITIATIVES	IMPACT ON		
		BRAND STRENGTH	SALES GROWTH	OP. MARGIN EXPANSION
<b>SUPPLY CHAIN, INVENTORY MANAGEMENT &amp; SOURCING</b>	<ul style="list-style-type: none"> <li>• CUT LEAD TIMES FROM 15 MONTHS TO 9 MONTHS WITH AN 8 WEEK TEST PIPELINE</li> <li>• SELL MORE WITH LESS INVENTORY (INCREASE TURNS)</li> <li>• DEVELOP BEST-IN-CLASS SOURCING STRATEGY (FABRIC PLATFORMING; CAPACITY BOOKING; MULTI-STEP BUYING PROCESS; SUPPLIER COLLABORATION)</li> </ul>			
<b>GLOBAL DISTRIBUTION STRATEGY</b>	<ul style="list-style-type: none"> <li>• DEVELOP A MULTICHANNEL DISTRIBUTION AND EXPANSION PLAN</li> <li>• PURSUE HIGH QUALITY GROWTH</li> </ul>			
<b>DISCIPLINED COST MANAGEMENT</b>	<ul style="list-style-type: none"> <li>• RIGHTSIZE THE ORGANIZATION AND REAL ESTATE PORTFOLIO</li> <li>• RIGHTSIZE THE COST STRUCTURE - BECOME COMPETITIVE ON ALL OTHER SG&amp;A SPEND</li> </ul>			



# PHASES OF WAY FORWARD PLAN



## DETAILED VIEW OF COST ACTIONS UNDERWAY

		RUN-RATE SAVINGS
<b>ORGANIZATION</b>	<ul style="list-style-type: none"> <li>• <b>RIGHTSIZE ORGANIZATION TO CREATE LEANER, FLATTER ORGANIZATION</b></li> <li>• ~\$90MM OF HEADCOUNT-RELATED SAVINGS FROM RESTRUCTURING ACTIVITIES IN FY16 (~5% OF FULL TIME HEADCOUNT)</li> <li>• ~\$150MM OF HEADCOUNT-RELATED SAVINGS FROM RESTRUCTURING ACTIVITIES IN FY17 (~8% OF FULL TIME HEADCOUNT)</li> <li>• AVERAGE 6 LAYERS IN THE ORGANIZATION</li> </ul>	<b>\$240MM</b>
<b>REAL ESTATE</b>	<ul style="list-style-type: none"> <li>• <b>CLOSE UNDERPERFORMING STORES THAT DO NOT CONTRIBUTE TO BRAND STRENGTH</b></li> <li>• CLOSED 43 STORES IN FY16</li> <li>• TARGETING 50+ STORE CLOSURES IN FY17, PLAN BEING FINALIZED</li> </ul>	<b>\$70MM</b>
<b>OTHER EXPENSES</b>	<ul style="list-style-type: none"> <li>• <b>DRIVE OPERATING COSTS OUT OF THE BUSINESS</b></li> <li>• TARGETED SG&amp;A CATEGORIES REDUCED BY 14% Y-O-Y</li> <li>• LARGER LONG-TERM OPPORTUNITY</li> </ul>	<b>\$135MM</b>

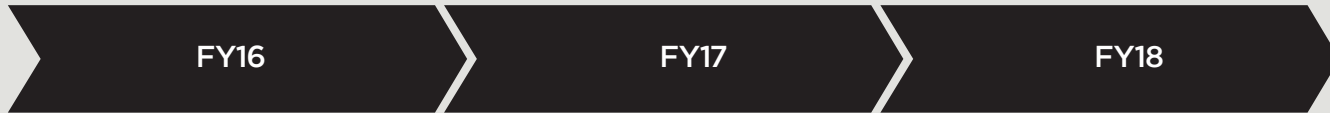
TOTAL RUN-RATE GROSS SAVINGS FROM CURRENT INITIATIVES:

**TOTAL SAVINGS: ~\$445MM**



# RESTRUCTURING AND WAY FORWARD PLAN COSTS

- ACTIONS TAKEN AS PART OF FY16 RESTRUCTURING ARE LARGELY COMPLETED
- FY17 ACTIONS ARE IN PROGRESS; SOME INITIATIVES MAY CARRY INTO FY18



- BEGIN TO RIGHTSIZE REAL ESTATE
- BRAND MODEL ORGANIZATION STRUCTURE
- RIGHTSIZE COST STRUCTURE

- RIGHTSIZE ORGANIZATION AND COST STRUCTURE
- RIGHTSIZE REAL ESTATE

- COMPLETE REAL ESTATE RIGHTSIZING

**RESTRUCTURING CHARGES**

**\$150MM**

**UP TO \$400MM**  
UP TO ~\$150MM INVENTORY CHARGE

**ANNUAL SAVINGS**

**\$125MM**

**\$180 - \$220MM**





## FINANCIAL OUTLOOK

	Q1 FY17	FULL YEAR FY17	FY18	FY19	FY20
REVENUE	<ul style="list-style-type: none"> <li>MID-SINGLE DIGIT DECLINE</li> </ul>	<ul style="list-style-type: none"> <li>LOW-DOUBLE DIGIT DECLINE</li> </ul>	<ul style="list-style-type: none"> <li>STABILIZE</li> </ul>	<ul style="list-style-type: none"> <li>PIVOT TO GROWTH OFF OF MORE PROFITABLE BASE</li> </ul>	<ul style="list-style-type: none"> <li>MARKET SHARE GROWTH</li> </ul>
MARGIN & OTHER	<ul style="list-style-type: none"> <li>110-160 BPS DECLINE VERSUS LAST YEAR</li> <li>TAX RATE: ~29%</li> </ul>	<ul style="list-style-type: none"> <li>OPERATING MARGIN APPROXIMATELY 10%</li> <li>CAPEX: ~\$375MM</li> <li>TAX RATE: ~29%</li> <li>BUYBACKS OF ~\$200 MILLION</li> <li>INVENTORY WRITE-DOWN OF UP TO \$150MM</li> </ul>	<ul style="list-style-type: none"> <li>OPERATING MARGIN IMPROVEMENT</li> </ul>	<ul style="list-style-type: none"> <li>GROSS MARGIN IMPROVEMENT</li> <li>OPERATING MARGIN IMPROVEMENT</li> </ul>	<ul style="list-style-type: none"> <li>MID-TEENS OPERATING MARGIN TARGET</li> </ul>

NOTE: Q1 FY17 AND FULL YEAR FY17 GUIDANCE EXCLUDES RESTRUCTURING AND INVENTORY CHARGES.



## WHAT WE WILL NOT DO

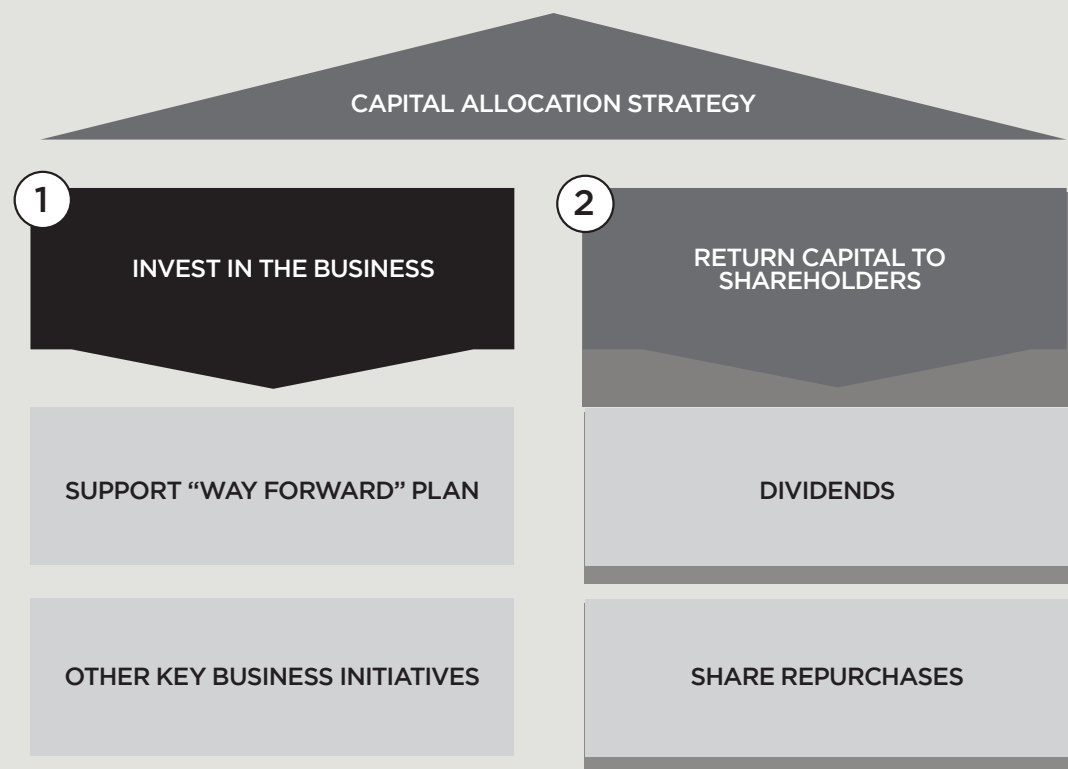
GOAL: DRIVE SUSTAINABLE, PROFITABLE GROWTH  
THAT STRENGTHENS THE BRAND

**WE WILL NOT...**

- PURSUE SHORT-TERM RESULTS AT THE EXPENSE OF LONG-TERM SUCCESS
- PURSUE GROWTH OR PROFITS THAT ARE UNSUSTAINABLE OR THAT DILUTE BRAND EQUITY
- CANNIBALIZE SALES WITH AN UNDISCIPLINED OR SILOED CHANNEL STRATEGY
- INVEST WITHOUT CLEAR ROIC “HURDLE” AND SHARPLY DEFINED PAYBACK
- EXPAND UNPROFITABLY



# CAPITAL ALLOCATION PRIORITIES



## KEY TAKEAWAYS

- ONE OF THE STRONGEST AND MOST AUTHENTIC BRANDS IN THE INDUSTRY
- DIAGNOSED THE OPERATING ISSUES THAT HAVE HINDERED FINANCIAL PERFORMANCE
- EXECUTING OUR WAY FORWARD PLAN TO STRENGTHEN THE BRAND, DELIVER PROFITABLE SALES GROWTH AND DRIVE LONG-TERM SHAREHOLDER VALUE
- RIGHTSIZING THE COST STRUCTURE TODAY AND INSTILLING COST DISCIPLINE GOING FORWARD
- STRENGTHENING THE TEAM AND THE CULTURE TO EXECUTE THE PLAN
- BUILDING THIS COMPANY INTO A STRONGER PLACE THAN EVER BEFORE



# Q&A



# RALPH LAUREN

ANALYST AND INVESTOR DAY, JUNE 7TH, 2016

