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RL - Ralph Lauren Corporation Investor Day

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PRESENTATION

Evren Kopelman *- Ralph Lauren Corporation - Corporate VP of IR*

Good morning, everyone. Welcome to our Investor Day. Thanks for joining us. Let me cover a few logistics before we get started.

So the presentations and the Q&A will take about three hours. We are going to take a break after about an hour and then a quick break again right before Q&A and we will have food and coffee the entire time in the room next door. After the Q&A we will have a light lunch also in that room.

So we have some of the key members of our executive management team here in the front rows so please take the opportunity to introduce yourselves during the breaks and lunch to learn more about their specific areas.

Moving onto the content, I hope everyone saw that we issued a press release this morning that includes our financial outlook. Also the slides we will be showing, they will be available for download on our website after the presentation is over.

Then one last thing, your favorite, is please note the forward-looking statements. So with that, I would like to welcome our President and CEO, Stefan Larsson, onto the stage.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Thank you. Thank you very much for joining us. It is actually -- we are soon to celebrate 50 years and it is our first Investor Day ever so you are part of making history.

Let me start by saying that today is going to be about our Way Forward.

So I have spent a little over six months in the role and what became really clear over the dinner with Ralph, the first meeting I had with Ralph is that the strength of the brand that he has created and the team has created is incredible and the Way Forward is our plan to build on that strength, further strengthen it and then match the business to perform closer to the strength of the brand.

So today we are going to speak about the brand and why we know it is really, really strong and how we are going to build the business to match the strength of the brand. In order to do that, we are going to go through a number of steps.

The first step is to ground us in where we are today, focus on the brand to start with. Then from the brand going into the challenge because a big part of my time over the first six months has been to really understand in detail what are the challenges that have kept us away from reaching our full potential in terms of the business side. Sharing that, moving into the Way Forward Plan and the Way Forward Plan is building on the strength of the brand, building on the knowledge, the detailed knowledge of the challenges that we are up against and ultimately ending in driving strong shareholder value.

We will go through the business plan in detail and then we will go connect and segue into the financial plan. The business plan is directly tied to the financial plan. Then we'll go through some key takeaways and we will open up for Q&A.

So let me start with where we are today. I knew way, way before I had any idea that I was going to be here today with you in this role that the brand is really strong. So I grew up in a small town in Sweden, Scandinavia, Northern Europe and I had an aspiration to buy a Polo jacket and eventually I got to the place where I was able in business school -- I ran my own company to fund my studies -- and I was able to not only fund my studies but to fund my first Polo purchase.

What has built the strength of the brand is Ralph's idea of a life in style and Ralph's idea about creating a life in style around his own life in style and his own family. When I started to learn about the brand in depth, these are some of the images that meant the most to me in terms of explaining what made the brand iconic.

This is an image from the early years and who in here can say that you can pull out an image from almost 50 years ago and you wear a sleeveless down vest with cowboy boots and still look good? So what I see in this image is I see style, I see timeless style, I see quality, I see family, I see an aspirational life that I relate to. And I believe that that is some of the core that have built the brand to what it is today.

When you look at this and when I started speaking on that first dinner with Ralph about the brand vision and the underlying idea behind the brand, it is about the life and style and I asked Ralph is it about your life in style? And he said no, it is about getting everyone out there to connect with their own sense of style and it is about creating -- everybody has dreams and it is about creating and editing a life in style that enables you to live your dream life.

Even if these images are some of them are 40 years old, it is still I have a family, I have three kids, I am married. When I look at these images, this is how I look at my dream life, I want to spend time with my wife, I want to spend time with my kids, I want to do it in a nice environment.

When you look at the clothes that Ralph and David and Andrew and Dylan and Ricky are wearing on these images, they are timeless and they are style icons and Ralph has always had a way to put a twist to classic iconic style to make it interesting and exciting.

Is this image from 40 years ago or is it from last year or is it from this last Memorial Day weekend? Hard to say because it is timeless. It is iconic. The only way I can say it is not from this Memorial Day weekend is that I know that one of the boys there is David and David is over there, looks different.

Again, it also follows all aspects of the lives so it follows walking on the beach during the weekend and it follows going out, special occasions, the weekend day with the kids. So something that started like that is now one of the strongest brands in the industry.

Over the last 12 months we have had 150 covers in some of the biggest and best fashion magazines in the world, 150 covers. We have had 3000 editorials in the same magazines in just the last 12 months. We have had 28 billion impressions and finally, we have had close to $500 million in estimated media value just by editorials. That is a sign of strength when it comes to the brand.

But when I came in, I wanted to know how strong is the brand from the eye of the consumer. So what we did in January is that we partnered up with Millward Brown, which is one of the most respected brand research companies out there and we asked the consumer how strong is our brand versus the competitive set for the different brands? So I'm going to walk you through what we found.

Starting with men's luxury and the way Millward Brown is doing these studies, they are looking at power, perceived power and perceived premium. Perceived power is the consumer's expected market share, how they look at the brand in terms of expected market share. When it comes to premium, they look at to the degree which your brand's perceived equity supports its perceived pricing. So men's luxury, we are perceived as number one in power by the consumer and number three in premium.

Women's luxury, we are perceived as number one in power and number seven in premium. And premium number seven means right after Louis Vuitton.

When you go to aspirational luxury, you go to Polo. Polo was really strong but this again what surprised me coming in, I knew the brand was strong but I didn't know how strong so asking the consumers about Polo and the competitive set, Polo is perceived as the number one in power and number one in premium.

When it comes to women's Lauren, our consumers look at Lauren as number one in power and number one in premium.

So that is why the narrative today is the strength of the brand is incredible, the business performance hasn't matched up to that strength and we see a really clear path to tap into the business potential, massively improve it and drive brand strength growth and profitable sales growth. It will take time though so I will share the pacing.

Another aspect when it comes to the brand is the elasticity. So I want to mention that because there are a few brands who are as elastic as we with the consumer. We are beyond apparel. So when Ralph had the idea to open a restaurant in New York City, everybody advised him to not do it. Everyone said don't open another restaurant, don't open a restaurant in New York, nobody needs another, there is nobody who needs another restaurant in New York.

Well, Ralph's idea was if I open the right restaurant that I would like to go to the type of restaurant that you have incredible service but it lacks all pretension, so it is the kind of restaurant when you have gone out fine dining and you are driving the car home and you see your favorite burger place and you stop and then you eat the food that you really want, that is the kind of restaurant. But his idea was to combine those two and then he did it against everybody's advice and it has been an incredible success.

We have 600 to 700 individual calls every day for reservations and that is another sign to me when I'm at the restaurant any Tuesday and when I see the crowd in the restaurant, I see the direct reflection of the strength of the brand and I see the potential of getting that crowd to shop us when it comes to apparel, accessories, fragrance, watches, eyewear, home, footwear and apparel.

We have another elasticity which is the elasticity to go from entry to aspirational luxury to luxury and few brands can do that well and Ralph Lauren has done that from day one. So we can grow with the consumer. You can start as an entry consumer to our brand and you can grow all the way to luxury.

Sometimes I get the question about a life in style to say well, how relevant is a life in style today? And sometimes when I ask Ralph, tell me about the vision, tell me about what was the dream? Tell me about it because I want to learn so we can model out the way forward. And sometimes he just says well, it was just a dream of being the star in my own movie. I say okay, so 48 years ago Ralph had a dream to be his star in his own movie and today is that relevant?

Well, I don't know about your friends; all my friends are on Instagram, all my kid's friends are on Instagram, the kids that we allow to be on Instagram, our kids are on Instagram and what do they do? They are the stars in their own movie. So they project their life. And again, I don't know about your friends but when I look at my friend's Instagram, they always project the better life. So having three kids and working a lot sometimes it is not a better life but it is very seldom that hits Instagram.

So there is this dream about projecting a life of style and looking all over Instagram, it has never been more relevant, a life in style. It is just that we have to evolve and make sure that we are as editors of a life in style, we have to cater to the life in style that people dream about today. These are some examples of that.

So another thing that struck me when I had that first dinner with Ralph was that because he is an icon, so and I wasn't a typical dinner partner for him I assume. So I wondered how is he going to be? Is he going to be pretentious? Is he going to spend the whole dinner telling me about how everything is and how it works and he just didn't. So complete lack of pretension and we spoke the whole dinner about how do we take this vision and how do we build the Company out for the future. So he was very much asking the type of questions that how can we move it forward?

The next meeting I had with Ralph I also met David and David's first question to me was in the process of getting the role, David's first question was are you an entrepreneur? Which is a highly unlikely question if you don't know the background, if you don't know what drove Ralph Lauren to be the iconic brand and the strong business it is today.

So instead of me speaking more about the brand, I would like to invite Ralph on the stage and I would like him to get the chance to share with you his vision, what it was starting out and how he has been able to stay as consistent as he has and what his thoughts are when it comes to the next phase.

So, Ralph, do you want to join me on stage?

Ralph Lauren - *Ralph Lauren Corporation - Chairman and Chief Creative Officer*

This is how it started when I got into the business, close to 49 years ago, they are wearing narrow lapels, narrow ties. This narrow tie caused me to go into the business to make wide ties. So it is interesting because I didn't plan what I was going to say to you but I just thought about saying look at this, everything that I didn't like when I was 23, I like now when I am older.

I've repeated to many, many of the people in my Company over the years how I started and by now if anyone wants to leave that knows the story and heard it 1000 times, I am sure -- but basically I grew up in the Bronx, I was a kid. My father was an artist, he painted walls when he couldn't get the right job and we had four children in the family so it was a nice family and I didn't know exactly what I was going to do. My father was an artist and I didn't have his talents. And so basically I went looking for a job and I got a job with a tie company and I was selling ties going out to Long Island and different areas and it was okay. And as I was in my offices and as I was watching the company work on designs, I started to look and see the designs that were coming out and I had ideas. I was a young guy, I was looking for newness and my friends were wearing different things.

And I said to my bosses, I would like to really do something with the ties. I have some ideas, let's make these wide ties because I think they are really cool. And they said Ralph, the world is not ready for you and here I was a salesman, what my credentials were, they were not bad. So I convinced another company to let me start a tie division and they gave me a drawer in the Empire State building. It wasn't really an office, it was literally a drawer at the bottom and that is where I kept all my folders and all of my swatches and when someone came in, I'd say come on, do want to take a look at my ties? I will show them to you.

When I was there I decided to start this division, called it Polo. Polo represented sports. I love sports but I couldn't call it baseball, I couldn't call it basketball and Polo was sort of sporty and international and that was my vision at the time. So basically I started this division and I shipped and packed the ties myself and walked around New York City with a bag in jeans and boots and tried to sell it to stores. And funny enough everyone started to like it and Polo became a thing in the city and around the area.

And when I went back I all of a sudden decided that I could do more things and so I made these ties, delivered them, carried them, packed them and went to one of the great stores in New York City, Bloomingdale's. Bloomingdale's was the store in New York, Third Avenue was changing, it was modernizing just like Soho to all the other areas that we are seeing, they were changing. And it was their moment and the excitement was in New York, the excitement was on Third Avenue, the little boutiques were on third Avenue and so I went -- and the king of Third Avenue at that point was Bloomingdale's.

I went to Bloomingdale's with my bag, I knew the buyer from my days of selling ties and don't forget I was only around 23 at this moment and I took my tied to Bloomingdale's and showed it to them and the buyer was a nice guy and he said I love your ties, Ralph, but they are a little too wide. My ties were 3.5 inches and the ties were this size, 2.5 inches. It is amazing that this 2.5 inch tie is what put me into the business. This one little thing and how men reacted to neckties at that point.

Today they don't wear neckties hardly but the world was very different. And so Bloomingdale's said I would like it if you would just put the Bloomingdale's label and narrow the ties, we will buy your ties.

I was really dying to sell Bloomingdale's and I said to the buyer I said I would really love to sell you but I am leaving because I'm not going to change it. I walked out of the store, I thought my legs would crumble because I can't believe that I walked in and said no to Bloomingdale's.

That was six months later, they came back and said we can't find your ties anywhere. My ties were novelty, they were unusual, they were wide, they were sophisticated, they were handmade, they couldn't find the combination for whatever it is, it is hard for me to explain it to you now but I passed, I did not sell them. I said I'm sorry I can't sell you the ties.

Six months later they came back. What that did for me as a young start-up person was give me the confidence to say wait a minute, they came back to me. I believed in myself, I believe that I made the tie and I wasn't going to change it. Had I changed that tie, I would not be here today. Had I changed it and put a Sutton East label, I would have been called Sutton East -- Ralph Sutton East. Guys are not smiling, I thought it was funny. I am trying to get a laugh.

So basically the ties were very much my beginning. I then realized that I could do more things and basically when we saw the slides of how life was, I didn't go to fashion school, I did not know what a designer was. So I was a kid coming out loving things, shopping, walking into stores just like a lot of young guys I knew and girls and I had a vision and I believed that I knew what people wanted and the stores were not doing it.

So I then went on and started to make menswear, I made shirts and they were unusual. Bloomingdale's put in the shirt counter and then I decided to do ties and all of a sudden I had a shop, I had a major shop in Bloomingdale's called Polo. And how it started, where it started, what the designs were, they weren't, they were nice, they were handsome but they were in tune with the times, they were special.

The question I have on my business is if fashion is relative to who thinks it is what is right. If you look at Cary Grant on television today or look at some of his old movies, people would say I want to look just like that.

I was one of those guys. I look more like Cary Grant now than I ever thought I could. But basically if you look at Cary Grant, he is not wearing in fashion, he is not fashion. Do you want to know why we lasted? It is because we weren't in fashion, we were leading fashion. We were creating what we loved and what we dreamed of and you can see young people today on the Internet, they are making their fashion. They want their style, they are saving their pictures on social media, they're spending their whole things about look how I look, look where I was, look what my kids look like, look at the picture, look at my taste.

So the world is changing. I believe the success of the Company, the knowledge and belief that we know what we are doing. Do you miss a year, do you miss two years? It is hard to say because it depends on the store. What Bloomingdale's carries is not necessarily what Macy's carries. Everyone wants what they think is in fashion. We are fashion, we are not in fashion, we are not out of fashion.

When they ask where are we, who are we? Ralph is going to get back into fashion. That is not necessarily all the issues that come about. Yes, did we drop the ball, did we make some things wrong? Absolutely. Am I happy about it? No. But I believe in this Company, I believe in the taste level, I believe that we have a handle on what style is and how to grow. 50 years in this business. Tell me how many companies you have seen that are 50 years old that started with nothing 50 years in the fashion business covering men's, women's, children's, home.

Home, would you ever think we would do home when I started with a necktie? Did you ever think that would happen?

So it is hard to predict all the things would happen. The world moves and we move with it. The reason for home is that people that I knew were starting to pay attention to their home. They had the shirts, they had the ties, they had some of the clothes but now they had a baby and two babies, now they want to invite friends over to their house. It is no longer we are going to go to the little club around the corner, it is where are we going?

I was the same age group. I was in the same group. I said okay, I want to get that couch for my house. Yes, I want to do that. I went to Bloomingdale's or Macy's with my wife one day and she was shopping for home furnishings and she shows me these sheets and I picked up the sheets and I said I'm not going to sleep on flowers. I don't want that bed for myself. I want tweeds and I want something special. So I created a plaid shirt; out of my plaid shirts that I done for men, I made sheets, I made prints out of the ties I made. The ideas were flowing, the concept that we don't have to sleep -- that home is only for the woman is not the answer.

The home is for everybody, it is for the whole family and kids can have great rooms and they can have little high beds that they climb up and they can enjoy themselves. So where are we going as a Company?

We are going into life, we are part of life, we are part of the children, we are part of the men, the women, the home, the restaurant and it probably will be next time we speak and I hope it is soon, we will be in more things. Because this is about creativity, about life. It is not did we make the new shirt? Look at us, we had a shirt with three buttons, it is about living. It is about dreams and everyone has a dream. It doesn't matter if you were in China or Russia. I have been to China and Russia and I have seen all the dreams and I watch Russian people come into my store and it is amazing.

I feel that we represent America. When I was in Russia and I saw all the European designers and we had a beautiful shop right out front, I said wow, I felt like the ambassador to America.

So this meeting here is about what we are going to do but we have always in 50 years -- that is a pretty great record. I would like you to name any company that have been in the fashion business for 50 years and are we sleeping? Will we sleep? Do we need tweaking, do we need to upgrade? Do we need to work on more things? There are so many things above, I don't even know all of the things that are going to happen but they are going to happen.

And just as I opened the restaurant, and I opened a restaurant in Paris, that was the first restaurant. So if you want to talk about committing suicide, open in Paris.

What do you have in Paris? Ralph, you are going to open a store in Paris? Who needs a restaurant in Paris? Well, I walked out one day and I was with some of the people in my company and we said let's get a hamburger. I'm in the mood for a hamburger and I said where can we go? We went to ask the concierge and he said there is a great one around the corner. Anyway we went to the concierge and I looked at what he said. He said go to this place and that place and we went to these restaurants and they weren't they right hamburger. They weren't authentic, they weren't cool, they weren't anything. They weren't what I thought an American hamburger should be, good or bad, that was my vision.

Good or bad, the vision is when you get the hamburger, it goes with the style around the house. It is not just burgers, it is what is the decor when you walk into this restaurant? What makes you different than anybody else? We have a home furnishings company, we have all the accoutrements, we work on movies in our company, we work on stage sets and we work on real clothes that people will keep and want to wear for years to come. That is why we have been around 50 years.

50 years doesn't feel old and believe me I don't feel old and I will tell you when you get there in 30 years, you won't feel old either. I feel young, I feel excited. I'm excited about this Company or else I would not be here. I own most of this Company and it doesn't mean that I don't work. I work very hard. Stefan, working with me is fantastic. I am thrilled about it and that is not just to sell Stefan, because you know about Stefan's reputation. It is terrible.

Stefan is a unique guy and I don't want to sell him. I think you know the message about him but basically this Company is about people and if you fall asleep and don't have the right people you are not going to go anywhere. And I created a lot of things but believe me, I didn't do it alone. I have a team of people that are fantastic. They care, they love what they are doing, they are there late at night, they are passionate and passion is part of this business. If you don't have the passion, if you are thinking of money all of the time and numbers, you are never going to go anywhere. And if I was thinking about numbers all my life, I would never be here.

I did the passion, I was passionate about what I was doing both with design, both in enjoying it and also making a living for my family. Because you've got to do business and if we don't do business, we are nowhere. So the business, the excitement, the passion, the people, that is what Polo is made about, that is what Ralph Lauren is about and I hope over the last 50 years that I have said that and people have gotten the message because I am still here.

Stefan?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

We had an employee event and Ralph, I hope you excuse me for saying this, but Ralph is not much for rehearsing and so we didn't rehearse that much but we said I was going to queue up questions and then Ralph said just before the meeting, Ralph said make sure you queue up enough questions and I queue up the first and then you spoke for a long time.

So I feel like it is fascinating even though I have heard the tie story so many times, I feel like it is fascinating. Ralph is the reason why I joined. I feel like it is one of the main strengths we have that we haven't owner and a Chairman who understands the creative part of the business.

Do you want to say a few words before we move on to detailing out the Way Forward? But you and I had that dinner, you made me the CEO.

Ralph Lauren - *Ralph Lauren Corporation - Chairman and Chief Creative Officer*

That was unique you know? The first CEO I ever had. I made you the CEO because I really believed that in looking forward your sensibility about life. One of the things you said to me I thought was fantastic, you said, I want greatness and greatness can mean a lot of different things to people. But I could see the passion. I feel when I was working and starting out with nothing, I felt as I was building my business and building my world, I loved greatness. Greatness was challenging and doing something that hasn't been done before, reaching higher than you ever thought, going from a tie to all the products we make today 50 years later is amazing.

I want to know how that is going to go 50 years and you are the first person that I ever offered that to and I've had great people in my Company. I over the years have wonderful people but whether someone is going to carry the CEO flag was a different thing because I am intrusting my baby with him and with them.

That baby has to grow up and that baby is in the front row; David on one hand and Stefan on the other. But in terms of where Stefan was, I felt he had the background and the excitement and the energy and the knowledge that I don't have. I brought this company to a certain level and I understood everything that was going on. I don't understand all the things that every day there is another thing that goes on social media this thing, this thing, and I can't keep up with it. And knowing that you can't keep up with it is pretty fair but knowing that you have someone right behind you, right next to you who one understands a lot of the things, he is living through a different life than I lived through.

Yes, he has three children but I could see the stability, I could see the refinement, I could see the care, I could see the love of his children. I saw the kindness and that is what I wanted for someone who can lead the Company as long as he wants to lead it. And that is what we are looking for, we are looking forward to the future. We are not looking backward. I have done a great job, I have designed my clothes, I'm not there not designing, I am not there working, I am leaving late at night whether it is women's wear, children's wear. But I know Stefan is there right next to me and I have a guy with great energy and has visions that I don't have.

When he started to do the research for this meeting, you would not believe the kind of hours he put into and the kind of dedication and the kind of clarity that he demands. That is a unique man.

So I'm very proud of you, Stefan, and I am very happy to be here with you and I am very happy to call you my whatever, partner and I enjoy that and I hope that we all enjoy our time together.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Thank you, Ralph. That is a hard act to follow. Take a quick stage set break and then we move forward.

Just thinking about what Ralph just said is something I haven't had -- I haven't been fortunate to be in a Company that has been so creative. So in the companies I grew up in and grew, there were no Ralph Laurens so we didn't have that level of design. So we had to work extra hard on the underlying engine so making sure that more in a discipline, more strategic way than anybody else found a way to create better and better products, better and better marketing and better and better profitable sales growth.

So the combination of having the strength of the brand and my experience of how to do it without that strength is part of what excites me.

So let's start to move into the Way Forward. And you can't really start speaking about the Way Forward without speaking a little bit about the consumer. So I got a lot of questions this morning with those of you who I met up with about where is the consumer going? And my perspective, we all have perspectives, my perspective is that the consumer is in charge. So the transformation of apparel, retail and the business at large has just begun.

So what I mean with that the consumer is in charge is that there is an abundance of choice and from products to marketing to shopping experience, the consumer is now in charge. So looking at my nine-year-old daughter who is on YouTube, that is her way to look at TV commercials and she doesn't even think twice that if it is not entertaining and exciting to her, she just swipes it away.

So when you are nine years old today, you take for granted, what do you mean I'm in charge, of course I'm in charge I am the consumer, I have an abundance of choice. The distribution is I can get it whenever I want, I can get whatever I want and that is true even if you live in a small town today. Versus when I grew up, I didn't have that choice.

So there is a huge shift that I believe we as an industry have to take really serious and we have to do a better job. We have to do a better job to give the consumer something really exciting and part of that is to move away from exciting today, it is not just a generic product and more and more discounting. Exciting is to create real value. Real value is about a product that makes a real difference, that solves a need that you have, a want that you have.

So my take is very simple. The consumer is in charge and we need to gear how we drive the business accordingly.

Starting with the Way Forward, we have to recognize what Ralph recognized as well is that even though the brand is up here, the business has struggled over the last three years. And when I say struggled, we are still a very profitable and very strong financially strong business. So we do business from a very strong base but performance wise, the performance trend has been down over the last three years.

So when I came in six months ago, what we did was that we assessed every value creating aspect of the business. The first one being brand, second one being product, third one being how we build assortment, fourth one being the supply chain, the marketing, the channels, the geographies, the consumer. Going into all of that is our team, our leadership, our culture, the way we do business and then we have the underlying cost structure.

So we took and put a team together and went through and assessed every single part because what we needed to find out was why with a brand this strong, why has the performance been challenged? So what we found, tried to boil it down to two things.

One, we haven't been focused enough on what Ralph described as the core strength of what made the brand iconic. Secondly, we have been operating the business with a lack of quality of sales focus that have led to that -- we have had in excess inventory creation. Let me explain a little bit more in detail what we have found.

So when it comes to the core brand strength and the lack of focus on what made us really strong. First, we have diluted the focus on too many brands. So three core brands accounts for the majority of both the brand strength and the performance and we haven't put enough focus and resources on strengthening those.

Secondly, we haven't focused on enough or we haven't evolved and we haven't evolved the core of what made us really strong and what the consumers loves with us in terms of product, marketing and shopping experience.

When it comes to product, we found something quite exciting when it comes to opportunity and getting at value creation. So this is an illustrative way of sharing what we found. So our classic iconic style, our core products are driving the vast majority of our business. So when we plotted out and did the assessment and plotted out the performance of our product, we saw an interesting pattern. We saw that iconic style was 5X in performance to the non-core styles. And what we also found when we dug deeper was that we hadn't paid enough attention to that core style, the core style that Ralph was just talking about that we have strayed away and created a far too long tail. Where we have -- by doing that we have diluted the focus on the core, gone off core and haven't spent enough time refining and evolving that core. The exciting part here is that the core is really strong.

When it comes to marketing, marketing has been affected by the same challenge as the brand strategy at large. So we have split the marketing in too many different initiatives. So we have had a difficult time getting through campaigns that have really moved the needle.

We also need to evolve the brand voice. So speaking about the dream of a better life today, we have to make sure that we show up, that our brand voice caters to the consumer stream of a better life today. And that ties straight into what Ralph said, it is being out and one thing that Ralph told me is early on Ralph was three weeks every six months in Europe, was traveling all the time, was out working in New York City. As a team, we have to make sure that we are out as much as Ralph was out.

When it comes to the shopping experience, the online experience is disappointing today. We don't show up strong enough in terms of being a flagship destination and we don't have the functionality that makes it easy and convenient enough to shop.

Thirdly, when it comes to the shopping experiences, we need to evolve the retail shopping experience.

When it comes to the operating model that is driving too much excess inventory, it starts with too long lead times. So today we have 15 months lead time and that creates a number of challenges for us one being that we today have to plan and buy the assortments before we sell it the previous year's same season. So we plan on a plan instead of planning on what we actually performed.

What that means is that we get a mismatch between demand and supply and we have to buy today before we sell it into wholesale customers and that is one of the mismatches of supply and demand.

If you see what has happened with our turns, they have gone down as an effect so sales over the last three years is up 7%, inventories up 26%.

It has led to that e-commerce wholesale retail, our full price channels have had an excess of inventory already starting out the season and what that means is that that excess inventory drives down the sellthroughs and drives up the promotional pressure and worse than that, it pushes inventory over to the value channels.

Finally when it comes to diagnosing our challenges, we have had an undisciplined and far too siloed approach to how we drive our channels and that has led to that the quality of sales in wholesale, e-commerce, retail stores have gone down. It has led to this excess inventory growing the value channels out of balance and it has combined with that is that we have grown a retail channel in an undisciplined way and in a siloed way without looking at it from the consumer's perspective.

So they consumer today looks at it as here is Ralph Lauren the brand that I have a relationship with. I want to be able to shop wholesale, e-commerce and retail and we have to do a better job building up our distribution with that in mind.

So what this has led to is that we have an unsustainable sales and profit growth and that is why you see the sales and profit growth declining over the last few years. We have had a weakening in the full price selling and continuing with this vicious cycle, it is going to hurt the brand.

So going back to the strength of the brand, going back to knowing what we are up against, we built out the Way Forward Plan. The Way Forward Plan first of all is built on our strengths. So the brand strength number one. Very strong market share in the US, international business, Europe and Asia strengthening. We have very strong financials, very strong cash generations. We attract the best talent in the industry. There is not a single call I've made since I joined Ralph that hasn't been returned. That ties back to the brand strength again.

There is a strong internal support for transformation. We did one of our first employee surveys early in the year or right across the holiday and the company we did it with said don't do it over the holiday because your team -- usually teams don't reply. We got the highest reply rate they have seen almost anywhere even though we did it across the holiday and the teams are saying what the consumer is saying, they are saying we love the brand, we love Ralph's vision and we need a clearer path forward because they recognize that we have been challenged from a business perspective. We love this brand, we want to win again, we need a clearer path forward.

So from an internal support standpoint, I feel the support every day.

Then another strength is that we have the detailed Way Forward Plan. So let's go through that. Two main elements.

The first one is refocus on the core of what made us strong and iconic and evolve that core. First is to refocus, second is to evolve it. I see it the way I have seen it because I've really turned every stone over the last six months is that we have all the cards but we need to play the cards in a different way.

That leads to evolving the operating model. We need to make sure that we operate this business in a way that drives sustainable profitable sales growth and that strengthens the brand doing it. So these two elements have to play together. Within these elements, let's just start going through how we are going to refocus and evolve the core, evolving the brand strategy, evolve the product marketing and shopping experience.

So when it comes to the brand strategy, it is quite simple. Ralph Lauren, Polo and Lauren accounts for the vast majority of the brand strength in the business and we are going to put much more focus and resources on evolving those. The consumer is already loving them and that has put our position in the market very, very strong. So we are going to put much more resources on that and as an effect, we are going to take the smaller brands and we are going to work with them to make sure that one, that what we do in the smaller brands can feed into strengthening the overall Ralph Lauren Company and overall Ralph Lauren, Polo and Lauren brands.

Second, we also are going to increase the focus on ROI when it comes to our smaller initiatives. Again, I've never worked in a Company with more good ideas than the Ralph Lauren Corporation. We need to on the business side make sure that we take care of those ideas and that we make sure that they grow the core of what is going to make us successful in the future and that we do it with an increased discipline on return on investment.

I wanted to show you this slide because it follows where the consumer is going because this is how we set up the operating model before which is we have the RL iconic style in the middle, we build out the different brands and we go to market with that. What we need to do is to go back to having the consumer in the middle. We need to increase the focus on getting close to the consumer and then build our offering around the consumer's life which is in apparel, it is you have a casual side of your wardrobe, a work side, an evening side, a sports side. Then you have the home side, etc. Then you build out the offering based on that. But it is going to be a very important message when it comes to driving the Way Forward Plan home.

When it comes to building out our core products, we come back to the same graph that shows the strength of our iconic core products. What we are going to do is we are going to put much more focus and we have already started doing that so in a short while, you will hear a case study from Valerie Hermann who has started working with us with women's collection. And what we do then is we evolve and expand based on who we are. Ralph often says we either lead or we go home and leading for us is iconic style. It is iconic classic iconic style with a twist that makes it current.

We are going to double down on that and we are going to cut the unproductive long tail.

When it comes to marketing, we are going to evolve our brand voice, we are going to develop and focus our campaigns to develop more cut-through campaigns. By doing that, we are going to increase the ROI on our spend. So we are going to make our marketing dollars work harder for us and we are also going to improve our analytics because marketing today becomes increasingly analytical work in terms of not the creative part that comes out of your DNA and who you are, the analytics comes into how you play the different channels in a way that you actually make a difference with the consumer's behavior.

Part of the brand voice is to refresh social media, invigorate PR, expand partnerships. Again, the strength of the brand, we are constantly being approached by different people brands from the outside that want to collaborate with us because what we have built is so iconic. So we are going to build on that.

Shopping experience, first of all, we are going to strengthen the shopping experience in wholesale. Wholesale is going to continue to be super important for us. We are going to get back to winning in wholesale and it is the number one priority.

So I might preempt some of the Q&A here which is on wholesale, I believe that wholesale will stand strong if you look five, 10 years ahead. What wholesale has to do as a channel is to become more exciting and we will do our work to increase that excitement but we are looking forward to partner up with our best partners and to create a way forward together and we have already done some of that work. And what surprised me really positively is all our big customers on the wholesale side are just waiting to be a part of co-creating the Way Forward.

We are going to build strength in e-commerce and we are going to evolve the retail shopping experience. So we're going to build strength in three channels.

So before we go into how we are going to evolve then the underlying business and the operating model, I want to take the opportunity to welcome Valerie Hermann on stage and she is going to show how what I just went through, how we are doing this in practice. Right?

Valerie Hermann - *Ralph Lauren Corporation - Global Brand President, Luxury, Women's Collections and World of Accessories*

No pressure. Good morning, everyone. Very happy to be here today to share with you a very concrete illustration of what Stefan was describing as the strategy for assortment.

As you know, one year ago we decided to merge Collection and Black Label. Why? Because we wanted to have a more focused message to the consumer and as well to build on our strengths. So let's talk about our strengths. What is our competitive advantages? Why is the customer voting for us? Why do they wait for Ralph Lauren? When you are close to the consumer, the answer always the same, effortless elegance, quality, timeless, style.

Style. We are the brand with style but let me come back to the fashion world because I do believe that style has never been so strong and never been so relevant. You will see just in the second big pictures of people in the street some are editor-in-chief of fashion magazines, some are actresses, some are just the girl next-door. They all have something in common, they are wearing in style, iconic style. Jean jackets, navy blazer, tuxedo, white shirts. They are all recent pictures.

And they have always been in fashion but more than ever, they are in fashion. So we choose to leave the mistake on this page. We are missing someone and when we are looking at the navy blazer, we are missing Ralph Lauren. Navy blazer, I am taking that example on purpose because you will see in the assortment, it is very interesting to see how we did work on it and what the results of the past season because we have a very concrete result. So I'm talking about elastic (inaudible) and the work which has been initiated six months, one year ago.

So navy blazer, what we did on the navy blazer, we wanted to be an assortment not only on the seasonal style but as well on the iconic style of the brand. So working on a core assortment with of course behind an intention of better margin, better inventory, better focused message to the customer.

So coming from the DNA, so I am showing only probably five navy jackets on the 5000 navy jackets that Ralph has produced in men's, in women's, in boys. So strong DNA, strong attitude, always likes to have a navy blazer in your wardrobe. We look at the competition. Why are you looking at the competition? Because we want to beat them. We want to be the best in class for selling, quality, best (inaudible), being the best, beating all of them on the different categories, not to copy them.

Sometimes have copied a little bit lifestyle of Ralph but we wanted to beat all of them. So we have a jacket which is here which is a denim jacket. The reason I put that example and you will see just after, it is the number two best sellers of the last six months. Working with Ralph, working with the team, working and watching what is happening outside, being as well working on a product that we are not just buying for two week, two months but buying inventory for one year and thinking that the customers can keep these items for years and be even happier to have the products like lasting and being beautiful year after year. That was the intention.

So now let's come back to the season results. So you recognize the graph that Stefan was showing to you earlier. Just the season of the last six years, first, the collection did great both revenue and margin. But more importantly and to illustrate what Stefan was saying, 35% of our style are making 70% of our business. 35% of style, 70% of the business. In the 70% of the business, 60% are icon which means that at the end of the season, 42% are made by icon. 42% is making for 35% SKU style, we have 42% that represents the revenue. Fantastic icon product. Why? No markdowns, high-margin, buying inventory from a longer lead time, very strong to the DNA and on the seven top sellers, five icon as best sellers.

So on the first seven top sellers, we have five icons. Why? Because each one of our strengths, we are well known for these iconic styles.

Now you would say 28% on the seasonal product. Why? Don't forget we are working with movies. Ralph has always talked about movies, the movies of the season, the newness because it would be simplification to say oh just do the icon and that is it. No, we have a seasonal movie. They good news about the seasonal movie which is bringing us brand equity, press, newness, we have potential icons. We have some products that are in addition for new icons.

You see that shirt dress which is as well part of many products that Ralph has always created for women, it is a best seller of the season. [Sensing] high-margin because high sell-through, the only beauty of that is you can have a potential future icon. It is just at the end of the season it is in general in markdown, small markdown when the accessories is high, that the sales seasonal vision. So we have the two strengths, the iconic style but as well the vision of the movie of the season.

So what about the nonproductive style because it would be simplification to say okay, let's just get completed the nonproductive style, which again 65% of the assortment. So just to give you what we did on the first work six months ago, we have already dropped the 33% on a number of sites. And we are growing in revenue and in margins. We have already done that work of cutting the tail of the style.

So should we cut everything? No. Because you need as well some time some style which are building brand equity which are financially less productive but making you dream that you come to -- or you have seen a very embroidered coat, very expensive that you have come in the store because of that. You want to be part of the season, part of the movie and as the annual buying a double-breasted jacket or an accessory or a pair of shoes, that is part of the beauty of the fashion.

In between the 65%, we have nonproductive and what could be achieved with a better management of the inventory and as well a better message to the customer, the higher-margin there is a lot of things that we can achieve.

So what are we doing for the season coming?

Of course we are cutting a part of the nonproductive so the target is again the strong double-digit decrease of style, not because the target is only to decrease the number of styles because it is how to work to have a clear message, the right margin, and the right management of the inventory. We are still testing because as well what could be in addition for the next best in class for the icon style? We have to test and we have as well to reinvent and we have to surprise and we have all lot already of potential icons that we still want to supply and that has always been vision of Ralph, surprise and surprise.

So send me to the [luxury] and I will finish to talk about that on what we could do for the brand because of course I'm talking about Luxury Collection. As you know I have been working now for one month on Polo Women and Lauren, same story. We find the same story when you look at the numbers, 30% of the styles are making 70% of the revenue. So it can make you imagine what the potential we have in terms of being more focused, being more core, managing the inventory, having higher margin. It is a fantastic opportunity. The best surprise for me as well was not only 30% making 70%, but in the 30%, most of the products are iconic, they are so strong linked with the DNA, with the iconic style that Ralph has developed almost for 50 years now, 50 years.

So example of Spring 2017 icons, so we just worked recently and finished a new step in icon. So as you can see, it is very wide. What we can achieve, how we can top the icon style, it is big because you could as well say to me -- how long can you carry on doing icon, the double-breasted jacket, the trench -- but it is huge. 50 years of leading in style, 50 years of presenting style icons to people. It is huge, in all the categories in all the brands, kid's women's, men, huge.

So same work, working back to other icons, Army jacket, biker jacket, chinos, denim jacket, pea coat and definitely adding so much opportunity. So yes, opportunity to be stronger in the brand. Opportunity to manage better the margin and to manage better the inventory.

Now with that said, we will go further because product is one part. I mean to go to the customer and to the consumer with a clear message you need as well to have the right marketing and the right shopping experience so we are now working on the campaign in icon which has begun already six months ago that's pushing that forward and as well working on shopping experience what the people can find in store, what are our non-iconic styles.

I am extremely excited because I think we can push that for the other category and other brand in the Company and I wish that we can be with you soon to show how efficient and how strong it is for the customer but as well for our financial results. Thank you.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

I hope you got a sense from Valerie that we are on this. So the Way Forward Plan, one of the key principles is to simplify things and to go back to the core and we are on it and we are just going to continue to build out and reinvent the style icons. And then as Valerie said, connect the products with the marketing, with the shopping experience. And then doing that from being much more focused when it comes to the three brands that matter the most to our brand strength and our business performance.

So before I am really excited to get the chance to soon deep dive into the operating model, the underlying engines. But before that, we want to give you a quick break. Evren, how many minutes? Okay, 10 to 15 minutes. Thank you.

(break)

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Hope you enjoyed some of Ralph's coffee. It is really good coffee.

So just before the break, Valerie went through and gave you examples on how we drive home the refocus and evolving the core when it comes to the brand, the products, the marketing, the shopping experience. What I am excited about now is that now we are going to go to the underlying engines and I spent a lot of time there in my 18-year career. Again, because I didn't have a Ralph Lauren as a partner so we had to be very, very good at that.

It is about three things. It is about developing these engines I will go through. We are developing four underlying engines that will supercharge the consumer offering. We are also rightsizing the cost structure and we are developing a disciplined economic model. Then I am going to speak about perhaps the most important of all which is the team and the leadership.

So let's start. So if you see the roof of this house, it is the consumer facing offering, it is the products, the marketing, the shopping experience, everything that the consumer sees. The underlying engines are what the consumer is not seeing but that makes a big difference in driving sustainable profitable sales growth and driving shareholder returns.

Four engines that we are going to focus on in the Way Forward, the first one being the systematic repeatable way of building a stronger assortment. I spent many years on my 18 years refining that in different team settings. Demand driven supply chain, the second engine. The third one is best-in-class sourcing. The fourth one is the multichannel distribution and expansion strategy and all these four will interplay with each other and create value together.

Then the foundation will be a disciplined economic model and a strong leadership team and an empowered team and an entrepreneurial culture to get it done.

Let's start with engines. So what do we mean with the systematic repeatable way of building a stronger assortment? Well, in its most simple form, it is making sure that every single product in the assortment has an intent. And what I mean with that is that every product has to either be a test, it has to grow or it has to be optimized or it has to be reinvented or if it doesn't qualify to that, it is the long tail and it needs to leave the assortment.

So being very disciplined in having a language where you build assortment season by season and you continuously strengthen it, you are very strategic on what are you testing, what are you growing, what icons are you optimizing and what of those icons do you have to reinvent? And you reinvent through the testing.

I have seen firsthand in many different settings how this drives sustainable profitable sales growth, comp sales growth based on making the assortment stronger and stronger and this is then connected to the demand driven supply chain and it is connected to the best-in-class sourcing. So let's move to the demand driven supply chain.

We are going to in the first step cut leadtimes from 15 to 9 months. We are going to introduce an eight-week test pipeline and we are going to make sure that we start to plan inventory based on demand.

So the whole idea is to sell more with less. I received a lot of questions around so how is that possible? It is possible through working differently. The biggest driver here is to work differently. The biggest driver is to go from a hand over model where design to sign, hands to merchandising, hands to sourcing, hands to marketing, hands to sales to creating cross functional teamwork where all the value creating parts of the team is there from idea all of the way in. That is the number one driver.

Number two is to stop thinking about it as if it is one lead time. It is not one lead time. The 15 to 9 is a very important change because the 15 to 9 brings us to a place where we can start to plan on what we actually sold so we plan in spring on what we sold that spring.

But how we look at it is there are some things you need to commit nine months out and there are other things you need to commit six months out, three months out and then we have a continuous test pipeline of eight weeks where we continuously test products and see which of those work and then we grow those.

What this means is that the excess inventory will be cut to as low of a level as we possibly can. So that means that we will have less excess inventory and less discounting in our full price channels. It means that the transfers of inventory from full price to value channels are going to go down and it means that we are going to be able to become much more disciplined with how we distribute our products in the different channels.

Sourcing is the third engine. So we have the systematic repeatable way of building a stronger assortment. We connect the demand driven supply chain with much shorter lead times.

Thirdly, we develop a best-in-class sourcing. So I am happy to have Halide Alagoz here, she is over here. It is her second day with the team. I'm happy to have her here so she will in not too far from now be able to explain much more in detail than I do what the best-in-class sourcing model means but she has spent 18 years being one of the key engineers in her previous company to develop a best-in-class sourcing.

A couple of highlights. One is to strengthen the collaboration with the supplier base. The suppliers are really advanced and have a lot of knowledge. We have to get even closer to them and leverage that knowledge. They have to know the Way Forward Plan. They have to know how we are going to get back to the core and then take it way forward.

Secondly, we are going to develop fabric platforming and multistep buying so it ties to not seeing the lead time as an absolute number but seeing the lead time broken down in a number of different steps. Fabric platforming is one, that you platform fabric which you know that you have for the icons and then you can deploy that fabric at the later stage and you increase flexibility.

Multistep buying means that you buy a portion of a product and then you buy it again and again so instead of making a big buy and take a big bet, we might split that into four different buys and therefore improving our accuracy when it comes to matching demand and supply. There is an overall focus in sourcing that needs to be to continuously drive down cost and drive up quality at the same time. And the collaboration with our partners, our suppliers will be key and it is just something that we will start and every three months, every six months we will find opportunities to drive quality up and costs down.

Focus on innovation; coming back to what Ralph said, you either lead or you go home. Innovation is extremely important. For us so innovation, how does innovation in icon mean? Well, that could mean that there is iconic style in a fabric that is a technical fabric, comes back, how do you develop the technical fabric? You get really close to the best suppliers of technical fabric in the world.

One thing that I want to be very clear on is that best-in-class sourcing is not all about speed. It is about optimizing quality, it is optimized price, it is about speed but it is about flexibility. So our best-in-class sourcing strategy that Halide will lead the work will drive towards optimizing those four.

The fourth engine is to have a distribution and expansion strategy that matches how the consumer wants to shop us. So historically when we look at our challenges, we have been too siloed and the consumer shops across channels so we have a Ralph Lauren consumer in a geography and our expansion and distribution strategy will be multichannel towards that consumer.

So if we take a region in the world, our strategy will work out where do we have our consumer, how does our consumer want to shop and from that develop the right strength in wholesale, online and retail. So that is going to be a big improvement and that is also where we are going to bring in best-in-class knowledge.

We are rightsizing our store portfolio so one thing is what we have set out to do, it is very clear. Where we are, part of the challenge was I mentioned that we have had an undisciplined retail expansion. What that means is that we have stores in the portfolio today that we have decided to close because of two reasons, they don't strengthen the brand and they don't drive profitable sales growth.

How are we going to grow a profitable retail format going forward is going to be part of the distribution and expansion plan and through the assessment we are turning every stone, we see a really clear path to a profitable store format that can be scaled. But again, scaling and that is why Fredrik Hjalmers is coming in as Head of Expansion is because the scaling has to be done very, very disciplined when it comes to mapping out each geography in terms of location, discipline on size, different discipline on configuration, discipline on the financials. And once you have that discipline, you can scale a retail format with sustainable profitable growth.

The foundation to these four underlying drivers are a cost structure that will be competitive. We haven't been competitive on the cost side. We are taking some immediate action here, some significant immediate action to become competitive on the cost structure starting with we are rightsizing the organization. We are not rightsizing the organization because of cost reasons. We are rightsizing the organization to empower our doers to be able to execute the way forward.

So what we are doing is we are taking the amount of layers down from an average nine to six. So there is no reason why we would need more than six layers between me and the actual doer doing the work to get the Way Forward Plan done.

So we are rightsizing the organization to empower the doers to become closer to the consumer and get the speed in the decision-making that follows through that. We are rightsizing the real estate portfolio as I mentioned. That means that we are closing around 50 stores that don't qualify to strengthening the brand or driving profitable sales growth. We are continuously trimming all other SG&A costs.

So going forward year by year, SG&A as a percent of sales will go down. That is the commitment from us as a management team. It will go down because our focus will be to continuously learn and refine and find efficiencies. We will increase our focus on ROI and we will invest with discipline. So everything we invest in we will qualify it through does it strengthen the brand and does it drive profitable sales growth? It has to drive both.

So the team and the leadership team. So it starts with the leadership team. I am excited that we are getting to a really strong leadership team that I have full confidence have the power to execute the Way Forward. Valerie was up here on stage. She has an extensive experience from driving high-performance in design and luxury. She was the head of CEO of Yves Saint Laurent and the head of women's ready to wear at Christian Dior.

I mentioned Halide, who is our Head of Global Sourcing. Fredrik Hjalmers comes in with seven years experience of driving high-performance growth from H&M. We have Marcelle Parrish here as well. She has a strengthening from eBay, she spent four years driving high profit growth for eBay fashion and before that with Anthropologie. And we are continuing to strengthen the team. We will have the team in place very soon that have the ability to execute the Way Forward.

What I can say is that we have three strategic hires coming in very soon that I can't give you the details on. I can just say that when you see it and you have heard this presentation, it should make total sense that those three strategic hires are completely aligned to our ability to execute the Way Forward.

The team; so we have a great team. We have a lot of great talent, some who have been with us from the beginning and some who just joined recently. It is our responsibility to empower them to do the best work they can do. The way we do that is we cut the layers, unnecessary layers, and we go back to an entrepreneurial culture because spending time coming into this Company, I asked Ralph a lot of questions because I wanted to really know what were the drivers for getting the Company to this strong of a position.

One was working very entrepreneurial, working as a small company and that is -- I have my whole career and family controlled companies and I have seen that as a great advantage that when you work entrepreneurial you get closer to the consumer, you get faster, you learn, you continuously learn.

One thing, one initiative that I had in mice former role that I will introduce here that I have gradually started to introduce here is that we had a weekly learning session. So the top 60 leaders we gathered every Tuesday and we went through last week, we set out to do this. The consumer responded in the following way -- sometimes better, sometimes worse than expected. Why? What were the drivers? We drove it home to what are the pieces of the plan? What did we learn from the consumers' behavior and then we continuously tweaked and improved.

We are doing the same here. So we started with the top 25 leaders every Thursday and we are doing the same thing. I'm a big believer in staying close to the business, having a clear plan and continuously learn and be focused and tweak and improve and improve and improve.

Just as Ralph described, being focused on standing for -- focused on what you stand for, not deviate, it is the same when I look at how to run the underlying business engines, being focused, focused, focused and continuously tweak.

So the Way Forward Plan built on refocus and evolve the core, evolve the operating model, we are going to do that through focusing in on the brands that really drives the majority of the brand strength and the performance. We are going to go back to the core in product marketing and shopping experience and take it way forward, evolve it.

We are going to develop these four underlying engines, we are going to right size the cost structure and we are going to adopt the disciplined economic model. Truth is we have already started and we are going to continue to strengthen the team and empower the team to get this work done because I believe in just as they consumer is moving on, the employee of today thinks differently. There was a time where you could be a big company and you could be a few really smart people in the top doing the thinking and then having 20,000 people executing. I don't believe that is going to be competitive.

I believe in working like a small company, learning and having the team co-create. So that will be a big initiative to unlock the potential we have in the team. We have a great team and our job as a management team is to enable them to know where we are going, know what the focus is, stay clear on that and then continuously drive the learning.

What this all drives to is it moves from a vicious cycle to a virtuous cycle. So the focus on the core brands, the focus on the product, the focus on the marketing and shopping experience, optimizing the inventory to demand, strengthen the quality of sales, having a disciplined distribution and expansion strategy creates a virtuous cycle where we strengthen the brand and we drive profitable sales growth that is sustainable.

So by that, I would like to segue into how this business plan connects with the financial plan. So I will ask Bob Madore, CFO, to join me on stage.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Thank you, Stefan. Good morning, everybody.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So let's segue into the financial plan. This should already be clear for you that everything we do, all of the initiatives we are driving are simple, straightforward ways of strengthening the brand, drive profitable sales growth -- what we mean with profitable sales growth is to drive sustainable sales, expand the margin and then to ultimately drive to a strong shareholder return. It is also to be focused when it comes to returning excess cash to shareholders.

The Way Forward Plan that we went through in detail is all the initiatives are tied to the combination of brand strength, sales growth, operating margin expansion and this is how we are going to start to execute this is that we are going to measure the sub drivers and we are going to make sure that when we refocus the brand and the product that it drives brand strength and we are going to measure that and that it drives sales growth and we are going to measure and follow-up and learn from that.

When we evolve the marketing, it is going to drive brand strength and it is going to drive traffic. When we evolve the shopping experience starting with wholesale and e-commerce, it is going to drive both brand strength and sales and have some margin impact. The systematic assortment creation is going to have a major impact on both sales growth and margin expansion. And again having done this a number of times, I have seen both sales and margin expand based on the systematic repeatable way of building the assortment.

When it comes to the underlying engines of cutting leadtimes, selling more with less, develop best-in-class sourcing, it is going to predominantly have an operating margin expansion effect but it is also going to drive sales growth because what we see is that due to the long lead times when we have to buy before we know what the wholesale customers are going to sell, we systematically buy too much of what the wholesale customers want to buy and too little of what they really want to buy.

So just by getting from 15 to 9 and closer in and selling and buying in the right sequence, there is going to be a major opportunity to drive operating expansion and sales growth. When it comes to the global distribution strategy, it is going to drive brand strength because we are going to be maniacal on that every single channel it is going to strengthen Ralph's original vision and it is going to drive profitable sales growth.

Finally, the disciplined cost management is going to be all about expanding the operating margin and being able to reinvest in initiatives that drive the Way Forward and is back cash to shareholders.

Phases; so this is a multiyear journey. David, Ralph, the Board is very clear. I am completely aligned. We are going to do what it takes to drive this Company back not for the next quarter but for multiple years of brand strengthen profitable sales growth. That means that we are going to have an evolution phase when we get this in place, look at that as 2017 and 2018 and then we are going to segue into sustainable profitable sales growth. At the end of this four-year period, we aim at driving market share growth and having operating margins in the midteens.

2017 and 2018 is a reset and stabilize when it comes to the top line. Operating margin given that the cost initiatives, it is more in our control and we have shorter leadtimes on those, we see that we can expand the margins and the EPS growth already in 2018. Sales wise we pivot to growth from a much more profitable base in 2019 and then we start to take market share in 2020.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Thank you, Stefan. So we have initiated and undertaken a number of cost actions in line with our plan to win strategy across the areas of organization, real estate and other expenses within the organization. Within the organization all of these activities are actions either right sized the cost or simplifies the organization and Stefan went into that in detail.

The two main actions that were part of some restructurings that we had done over the course of the last two years were within fiscal 2016 which was our global brand reorganization plan or restructuring, we reduced full-time headcount by 5% which resulted in approximately $90 million of annualized savings. Within our FY17 restructuring charge that we developed, we will execute to an 8% full-time headcount reduction and also drive $150 million of annualized expense reduction driving really a total of $240 million of run rate savings.

In the area of real estate, Stefan pointed out our existing full price expansion has under delivered and as a result, we undertook a very detailed portfolio review really identifying stores that didn't drive brand strength or profitable growth going forward. And as a result as part of our FY16 restructuring, we closed 43 stores and we have targeted within FY17 to close over 50 stores. These collective store closures will drive approximately $70 million of annualized savings.

Lastly, on other expenses so as part of our fiscal year 2017 budget process, we targeted certain selling, certain marketing and certain specific SG&A expense categories for reduction. Those targeted reductions across those expenses resulted in a 14% or $135 million cost reduction annually. So all of these taken collectively are driving $445 million worth of annualized run rate savings.

So I would like to provide not only a recap of our fiscal year 2016 but an overview of our fiscal year 2017 restructuring actions and activities. The actions related to our fiscal 2016 restructuring charge are substantially complete at this point. Just to refresh your memory, the actions were really the beginning of our rightsizing of the real estate portfolio and our cost structure in addition to the implementation of our global brand organization structure. And that restructuring drove $150 million of charges and approximately $125 million of annualized savings.

Looking to our fiscal 2017 charge, it is really the continuation of the rightsizing of the organization, our overall cost structure and our real estate strategy at a much deeper and I would say more aggressive and substantive way. We anticipate incurring up to $400 million of charges associated with that and driving between $180 million and $220 million of annualized savings.

Now those final amounts are dependent upon the ultimate execution whether it be timing or negotiation, successful negotiation of exits from stores.

Lastly, we anticipate incurring up to $150 million worth of inventory charges associated with our reduction of inventory out of current channels. Stefan has talked a lot about the levels of excess that we've created, they levels of transfers that we've moved into our value chain. We are significantly addressing this. We are not taking a Band-Aid approach to this whatsoever. We realize it is not strengthening the brand and we are acting upon it in a very significant and material way.

The FY17 restructuring charges, some may flow into FY18 particularly around store closures depending on our ability to kind of execute and timing.

Now turning to our financial outlook and guidance, so for the first quarter of fiscal 2017, we anticipate revenue being mid single-digit decline versus last year. And from an operating margin perspective, their operating margin will be down between 110 basis points and 160 basis points versus last year and our tax rate, 29%.

For the full fiscal year, we are estimating a low double-digit decline, our operating margin being approximately 10%, capital expenditures of approximately $375 million, a tax rate, annual tax rate of 29%, having buybacks of $20 million and again, the inventory write-down of $150 million that I pointed out earlier.

Looking forward for fiscal 2018 as Stefan mentioned, fiscal 2018 is very much a year in which we stabilize the top line, it is still partially a transitional year and when you look at operating margin, we are anticipating and expecting operating margin to improve. Looking forward to fiscal 2019, that is the year where we pivot growth off a more profitable base, we see both gross margin and operating margin improvement. And then looking to fiscal 2020, we see what capturing market share growth again and driving an operating profit that is in the mid teens level.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Thank you, Bob. My perspective on this when it comes to this year and the multiyear approach to the Way Forward is that we are of course not happy with this year. This is the best guidance we can give at this time. As a management team, our ambition is to deliver better than this, it will always be. We will always guide in the most responsible way and based on the facts that we have. And it became increasingly clear to us that in working through the assessment of the current state and crafting the Way Forward Plan together with the Board, we had to reset the inventory situation in order to get to a place where we have a sustainable model for driving our business but also strengthen our brand. And it will as you see here, it is very aligned with the facing, it is a multiyear approach where we will drive to do better than this at all times.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Just one thing to add on the fiscal year 2017 guidance, particularly on the top line as I pointed out, we are taking very aggressive steps to reduce the level of inventory that is in the value channel. On top of that we've got multiple initiatives around significant improvement on our quality sale metrics, being less promotional, lower discount rates, driving higher AUR, all of those things are contributing to I will call it a reset and a decrease in our topline but all of which will position us for strength going forward. Again, we are taking aggressive, aggressive steps to improve these things.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So moving from guidance to an important page, which is what we will not do. So in driving the Way Forward and driving brand strength and profitable sales growth, we will not pursue short-term results at the expense of long-term results. We will not pursue growth or profits that are unsustainable or dilute the brand, the strong brand equity that we have. We will not cannibalize sales with an undisciplined or silo channel strategy.

We will not invest without a clear return on investment hurdle and sharply defined payback and we will not expand on profitably. So this page is really important because it guides us as a management team what not to do and it strengthened the focus on what we have set out and committed to do.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Turning now to capital allocation, the Company has developed a capital allocation strategy and a more disciplined approach to managing both our internally generated capital but also our external capital. What that strategy provides for us is strategic flexibility, liquidity and access to significant levels of debt capacity should and if and when we need it.

Within this strategy, our first priority is really the support of our key business initiatives and the Way Forward. This more disciplined approach to investing capital is really driving our investments and requiring them to produce returns that are meaningfully in excess of our cost of capital.

Our second priority is our commitment to returning excess cash to shareholders through both dividends and share repurchases. Over the last three years, we have returned to shareholders over 100% of our free cash flow. Looking forward to fiscal 2017, we anticipate managing those distribution and returns within the free cash flows that we generate that year. Really so that it affords us the flexibility that I'm talking about to be able to execute and fund our strategic initiatives in the Way Forward which is the reason why has we gave guidance for this fiscal year, our share repurchase levels are at the $200 million level versus we have been averaging at about a $500 million level for the last three years.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Speaking about capital, I should just come back again and say that we will sharply increase the focus on return on investment and part of the strength with the Way Forward Plan is that a lot of the big value creation initiatives don't require a lot of capital spend and we will also be able to leverage the capital spend that we are finalizing right now which is SAP and online e-commerce platform.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Those I would add coupled with pretty sizable significant cash outlays associated with the $400 million restructuring charge that I mentioned also.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Okay. Thanks, Bob. That is the end of the financial section. Should we come back to that in the Q&A. Key takeaways just before the Q&A to share with you what we want you to walk away with from today's session. One, we have an incredible, incredibly strong brand. What Ralph and the team have done has put us in a place where we have one of the strongest and most elastic brands in the industry.

We have over the last six months diagnosed all the operating issues in the business. So we know exactly what has driven the underperformance over the last three years. So based on the strength of the brand and the detailed knowledge of what has driven the challenges, we are executing our Way Forward Plan and that is geared to us driving three outcomes, brand strength growth, profitable sales growth and strong shareholder return.

We are rightsizing the cost structure today so we are taking aggressive measurements to go after any cost that doesn't strengthen the brand or drive profitable sales growth needs to leave the cost structure. And we are -- as you have seen an example on -- we have already started that work. We are combining that near-term value creation with instilling a higher level of discipline in how we invest and how we spend the costs.

Re-strengthening the team; we will have the power to execute this plan. It will take time. We are going to be as transparent as we can be with sharing the progress that we are making. We are going to start to see examples of how these initiatives start to drive value creation and even if there is a delay between when we see it and when you see it in bottom line, we will share that with you. So we will bring you on the journey and we commit to be as transparent as we can be.

And again with the team, so what we are doing is that we are combining the strength of having a team with some of the best creatives in the industry with team members that we have brought in that have best-in-class knowledge in terms of getting these underlying engines going.

Ultimately we are doing this because coming back to the dinner I had with Ralph in when the shared about his future and where he wanted the Company to go, he didn't speak about the next quarter, he didn't speak about the next year, he spoke about the next decade and that is the commitment I made to Ralph to say if I'm going to be your partner, I'm going to build a plan that will strengthen what you have built in terms of the brand and build from the core and take it way forward to together with the team and then build a really strong underlying engine and by that build both the brand and the performance to a stronger place than ever before.

So those are the key takeaways and just before we move to the Q&A, we thought that it would be appropriate to give you a two minute break, five. So Evren just gave you three more minutes. So a five minute, let's try to make a quick leg stretch. Be back in five minutes and then we will have an hour for Q&A. Thank you.

QUESTIONS AND ANSWERS

Evren Kopelman - *Ralph Lauren Corporation - Corporate VP of IR*

Let's get started with Q&A. So you guys know the drill. Please raise your hands. I will call on you and please wait until we get you a mic so that the webcast participants can hear you.

Okay. Kate McShane right here. If you could actually introduce yourself and your firm also that would be great.

Kate McShane - *Citigroup - Analyst*

Kate McShane from Citi. Thanks for your time today. It has been very helpful. I guess one a little bit more granular question with regard to fiscal year 2017. I think originally the guidance was for sales to be down but operating margins to be up which has changed a little bit. So could you just give us a little bit more color on what changed from the original to now? How much were you anticipating sales to be down originally and did that affect the operating margin guide?

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

So as we pointed out, we have taken very aggressive steps to really get rid of the excess inventory that we have been feeding into the value channel so that is one of the biggest changes that occurred. On top of that, we've got 50+ stores that we are closing this year. As I mentioned, we have gotten very aggressive with improvement of our quality of sale metrics, lower discount rates, lower level of promotions, really cutting back for instance if there was a promotion that used the last a ten-day period of time cutting it down to maybe five, not going as deep in the markdowns, not really driving as many units as a result of that.

In addition to proactively reducing our inventory receipts and in turn some of the distribution in some of the other channels. Those things taken collectively were really the biggest driver of the guidance for the full-year versus before.

We have as Stefan said, spent the last six months since he has been here performing the deep dive within the current assessment and have really just completed the Way Forward Plan and on the heels of that, that is what really drove the change.

Now from an operating margin perspective, that level of decrease in sales drives pretty significant deleveraging of fixed expenses. On top of that although our spend on our infrastructure projects has moderated SAP and our e-commerce platform, in fiscal 2017 the amount of expense versus capital is higher than the prior year because as you get to the tail end of completion of those projects, the run rate on those expenses tends to drive within expense versus capital so that is another shift.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Just to add to what Bob said was, we also see a declining macro environment so the macro environment has gotten tougher so to reset and through this work that Bob described, we have come to realize that we need to take these measurements now to get the business right and drive profitable growth and shareholder return over time and the combination of that led to us being more aggressive in rightsizing the business.

Matt Boss - *Credit Suisse - Analyst*

Matt Boss, JPMorgan. So does 2018 revenue stabilization and then 2019 market share growth, is it best to think about that equating to flat and positive revenue growth in those two years versus the down double digits this year? Then just as we think about the midteens operating margin, what percentage of the mix should we think about retail versus wholesale by 2020?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Let's start with the first question which is 2018. So it is the year of stabilization. That is how we can guide today, that is based on what we know today and we will know more and we will get back to you and share what we learn on the journey. But as of now, 2018 is stabilization, 2019 I think you said 2019 was market share growth but the way we guided was pivot to growth. And then 2020 is market share growth. That is based on the knowledge we have right now but as I said previously, as a management team, we are going to be maniacally focused on executing our plan and driving better performance, always better performance.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

We are not being noncommittal or nonspecific but as Stefan pointed out, one of the big next steps and not to put any pressure on Fredrik, but is development of this holistic distribution strategy across the Company. Until we have at work done I think it would be unrealistic to give anything more specific than that because fiscal 2018 is still not as much as 2017 but it still represents a transformational period for the Company.

Some of these initiatives that Stefan went through have long leadtimes particularly when you talk about the product development cycles and things like that. That is why we have really guided the way we have.

Erinn Murphy - *Piper Jaffray & Co. - Analyst*

Erinn Murphy, Piper Jaffray. I was hoping you could talk a little bit more about your wholesale what is embedded in the guidance for the next year? The last couple of years particularly in the Americas you have had a considerable amount of growth in doors. So are you going to be pulling out of doors, are you just reducing shipments into doors? And then what is contemplated in terms of the down double-digit revenue, how much is actually coming from the wholesale specifically? Thanks.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

So shipments are getting reduced into doors. Part of that is a function of prior season performance dictating current period or current season reorders or orders from the customer in light of the macro environment, etc. When you look at the guidance for 2017, you should be thinking about the wholesale channel being down low double digits for 2017 roughly.

Erinn Murphy - *Piper Jaffray & Co. - Analyst*

Do you see that continuing into 2018 or are you going to be actually having to pull back on doors? I think you are like at 7700 doors at least in the Americas so will that number continue to shrink as you think about this as a multi-year transformation?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

What we are going to do -- thanks, Erinn, for that question too. What we are going to do is we are going to partner up with our biggest customers and they have already -- I saw them my first week in the role. They are long term relationships for us that we have built over years. They are eager to start getting back to high-performance together with us. So I saw them week one. They flagged, we want to partner up with you. I was really clear in saying we want to partner up with you, we want to get back to jointly high-performance. And so the work that is happening now and over the next few months is the beginning of that deep dive that together looking at the way forward and saying how do we get as much value out of this in the wholesale channel together as partners?

Because I got a question between breaks as well about the wholesale channel and I am bullish on the channel that there will be a wholesale channel thriving ever the next five to 10 years. It is just about making sure that the model, the way we do business strengthens the brand, gives the consumer a great experience, a great product and that we sharpen up how we work with underlying engines because a lot of the engine work that we are going to do is going to be connected to their engines.

But what has excited me a lot is that all our big customers have said we are ready just let us know. They all want to be part of cutting leadtimes, buying in a different way, getting inventory down, increasing profitability.

So we are going to step-by-step go into a deep dive period together with our customers and when we learn more about what that leads and how fast we will get traction, we share back what we know.

Michael Binetti - *UBS - Analyst*

Michael Binetti, UBS. Thanks for taking the question. So I think a big thing that people in the room are probably trying to get comfortable with is the stabilization and your comfort with the stabilization in 2018. When you look at how the revenue components are going to move into fiscal 2018, do you feel like the wholesale channel to shrink anymore? I guess international a little bit but do you feel like wholesale there is a chance that could have to shrink a little bit more and are you confident that you have enough of the retail business returning to growth that year to drive stabilization that year regardless of may be some volatility in the wholesale? It is a little bit hard for people in this room based on what we have seen the last few months to get comfortable that a lot of the big end markets that you are in in the wholesale channel will be stable into 2018 as well.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So what makes us confident with what we know today to guide 2018 to stabilization is that we know enough, we have turned enough stones that we are in control to say that when we execute that better for 2018 in terms of strengthening the products the way Valerie went through, improving the shopping experience, improving the leadtimes, improving the sourcing, we should be able to deliver stabilization for 2018. But again, we are learning, we are continuously learning and they more we learn the more we are going to share with you but we feel confident today, yes.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Can I just add to that? Improving the overall supply demand match, one of our bigger issues that we are tackling is really elimination of that excess that we have historically created. So that is another key element.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So one is the excess, another part is we miss out today due to buying before the wholesale customers have bought from us, we miss out on the upside on a lot of products. So with a shorter lead time we should be much more accurate in getting the benefit of what they really want a lot from.

Jay Sole - *Morgan Stanley - Analyst*

Thanks for a great presentation. Jay Sole, Morgan Stanley. My question is talking about Europe and Asia, you had talked about opportunities to grow stores, can you talk about the opportunity you see in those regions and also the store growth opportunity in those regions? And then that is the first question. Thank you.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Thanks, Jay. Yes, so as I mentioned, we see the international business strengthening, being stronger currently then the domestic business. We see great opportunity to grow in both Europe and Asia. Fredrik Hjalmers who sits over there who is coming as Head of Expansion, part of his work is to finalize the distribution strategy in the US as step one but in parallel, he is also working with the Head of Europe who is sitting here and the Head of Asia who is sitting here to build a multichannel multiyear expansion strategy.

So I can't be more specific today than saying that we see big growth potential in Europe and we see big growth potential in Asia and we are going to grow. And why I am especially bullish on that is I know that through Fredrik's work with our Head of Asia, Howard Smith and our Head of Europe, Geoff van Raemdonck, we are going to get the best of the regional knowledge with the best practice knowledge and how to drive growth in a very disciplined and responsible way.

So those two in combination makes me feel very confident that we are going to grow in a way that strengthens the brand and drives profitable sales growth and continue to grow because we are already growing in Europe and Asia.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

I would just add to that to speak to the strength of the brand internationally, we had recently increased prices and those prices, price increases were well received across both Europe and Asia. And secondly, maybe as a test case, the Asian business had been out in front of really reviewing and looking to improve their quality of sale metrics and we have seen a significant decrease in discount rate, almost 100%, a significant improvement in gross profit rate with slightly decreasing units but an overall increase in average unit retail

So we got an example of the strategy that works and the types of initiatives that we need to execute in the other regions in channels too.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Lindsay Drucker Mann, Goldman Sachs. You talked about improving the product, reducing excess inventory and a focused marketing strategy. As you think about your objective to strengthen the shopping experience in wholesale, are those the main pillars or is there more that you have to do in order to -- we know some of the challenges that the wholesale channel have been facing -- is there anything else that you plan to do specifically in-store to improve that experience? Can you address the plan for outlet stores in North America as it seems you are sort of reinforcing your commitment to that here?

And then Bob, on the revenue guidance, you talked about down low double digits for wholesale. Could you just tell us what the outlook is for retail and how we should be thinking about comps?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So let's see if we got all of the questions. There were like three or four questions in one. (multiple speakers) Let's go backwards.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

So you can look at retail guidance in the mid to high single-digit decrease level for fiscal 2017.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

What was your two, three questions before?

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Strengthening the shopping experience at wholesale seems like a challenge in light of some of the traffic pressures and other issues that we are seeing happening in wholesale. You have outlined your plan for product, for reducing inventories and also sort of focusing the marketing message. I was curious if there were any other initiatives you had specifically on improving the shopping experience in wholesale?

My second question was on outlet stores in North America.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Let's start with the wholesale question because it is an important one. You are absolutely right, the main drivers will be strengthen the products, assortment, strengthen the marketing, getting the inventory right sized, take away the pressure from the excess inventory. And fourthly is going to be the work I described that we are going to do together with our partners to say when we are clearer up front saying and aligned on this is the core that we are reinventing and building out and this is what is driving the most, we are cutting the tail together with them. It is about presentation, it is about doors, it is about where we show up in each of the locations. So it is a detailed work when it comes to finding drivers that are connected to them and us finding them together. But you are absolutely right it is about the main drivers are also going to improve the department stores.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

On your outlet question, the outlet channel has been plagued by a lot of the same product challenges that we have had across the Company that Stefan had talked about. We have had significant amount of excess inventory needing to be liquidated through there. We have to evolve that product too. And the question we get a lot, Lindsay, I'm not sure if you were insinuating this in your question at all, is are you over penetrated? We have 168 outlets in North America in 140 centers. That is out of 225 centers that are available so we are very selective where we choose to go. And when you look at our concentration of outlet or outlet presence relative to a lot of our competitors, you've got Tommy that has 204 outlet locations, you've got Nike at 185, you've got Under Armour at about 150. Calvin is up there too, that we actually feel that we are penetrated appropriately within the outlet channel.

When you look to our international markets, we have about 58 locations in Europe and about 48 in Asia and there is still a lot of white space there not only for full price retail expansion but as you do that, continuing to expand in the white space for outlet too.

Janet Kloppenburg - *JKK Research - Analyst*

Janet Kloppenburg, JJK Research. A couple of questions for Stefan. I wondered where you were in the calendar process from shrinking the leadtimes from 15 to 9 because that process is pretty dynamic and if you were at 15, you would be planning next fall right now. So when will we see that become effective?

And also wondered about the profiling of the brand and how much you talk to the millennial customer, what the brand means to that specific target market, how important that is to you?

And, Bob, I was just wondering a lot your luxury counterparts have gone to a pretty weathering experience of price harmonization globally given that price is pretty visible now across many markets. And I am wondering if that is something that you are working on or if you don't think is necessary? Thank you.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So let's try to address them in order, your question, Janet. So the first one if I heard it correctly was about how fast can we implement the shorter leadtimes? So we have already started, the teams are already working. It will be intensified now when Halide is in place since two days back. So we will have to give her a few months to work together with the teams who are already working through to shorten it. So it will be a gradual approach, it will have a gradual affect. The approach is not gradual, the approach is to go after it as fast as we can responsibly. And then the effect of it will come gradually.

So you have to give us another -- or please give us another two months and we will be able to come back with Halide's support to say how much of an impact we will get when. But we are already starting working on it and we can still influence, because we are trying to influence, trying to do some quick wins to get the leadtimes down so we can still influence some of Spring 2017 and then we will get more affect in summer and even more affect for fall. But that is how detailed as I can guide that work now.

The second question was the millennials. So when you look at the consumer, another thing that is happening is that the millennials are soon outpacing the baby boomers. So we are taking that really serious and getting back to the core of what we stand for and then evolving our brand voice. So that brand voice will be evolved in the marketing, in the external marketing and the external marketing will be seen more because we will focus resources on cut-through initiatives.

But then also when it comes to all aspects, all consumer touch points including social media, PR, in all those aspects, we will make sure that we evolve the brand voice through going back to the core and then saying how do we make sure that is relevant for the millennial.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Your question on pricing harmonization, that was one of the many areas that we looked at as part of the current assessment in the business and as part of our FY17 budget and one of the reasons for the guidance being where it is out of the many that we mentioned is we have harmonized pricing in North America. We were actually -- we found we were competing against ourselves in channels within the same region. So factoring that in has actually driven down sales in a few of our channels where we may have been undercutting pricing in the other channels and by bringing it up we are going to be moving less or fewer units.

Pricing harmonization is a little harder internationally because when you are importing goods, customs, duties, importation rates add to the overall landed cost. We definitely look at it across key items in particular. I am not sure, I think there is going to need to be more work on that, I don't not sure that you will ever get to global harmonization. I think when you hear about other retailers doing it they may do it on one style, two styles, they are not doing it across their entire product assortment.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

One addition to what Bob just went through which is the silos. So he mentioned that we have been working too siloed on the business side. So what we are doing one action that we have already taken is that the bonus structure for the top leaders used to be siloed and now we are bonusing everybody on the corporate goals that then tie to the corporate guidance. So we are in one boat, one set of common goals.

I am such a big believer in one vision, one plan, one set of goals and then working really disciplined in learning and continuously improving and always trying to deliver better than what you set out. But the incentive structure will definitely help us, it is just one common goal, strengthen the brand to drive profitable sales growth. If we have been misaligned in channels, now the channels will come together because they have the same goal.

Laurent Vasilescu - *Macquarie Research - Analyst*

Thank you for taking my question. Laurent Vasilescu from Macquarie. I wanted to follow up on the sourcing presentation. In the past the Company has spoken about sourcing from 700 factories globally. With the SKU rationalization effort underway, where can the factory count go? Can it increase your sourcing power and then ultimately where do gross margins go over the next few years due to these initiatives?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So all really good questions that we are working through. And as I said, Halide's number two day -- second day at work so with would you be important here is that over the next few months, Halide together with our really competent team is Halide brings in the best-in-class knowledge together with a really strong team assessing the full sourcing strategy to saying from where we are today to a best-in-class strategy, what does that mean? And then again, I am a believer in modeling out simple steps to drive the outcomes that we have set out.

So one part of that will be the supplier base. But we need to give her a few months to do that work to be able to share with you exactly how her approach is. But I know Halide's approach already from the beginning on an overall level which is to collaborate really closely with the suppliers and I also have experience from that from my two previous jobs. The more your supplier knows what you have set out to do and they understand your outcomes and they align to that, they can create a lot of value that will fall back to improve gross margin. So with gross margin?

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

Gross margin, so in our guidance we guided to gross margin improvement in fiscal 2019 so that is when we expect to see that come through.

David Glick - *Buckingham Research Group - Analyst*

David Glick from Buckingham Research Group. You guys laid out a very detailed picture today in terms of the brand, product, marketing, cost savings initiatives. What is less clear when you get to FY19 is what the growth drivers are going to be. In the past it has been very clear what those growth drivers were right or wrong. But from a channel, geography category perspective have the growth drivers changed, will they be the same, are you still developing that vision?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

We are still developing the vision so part of it is to develop the multichannel global distribution and expansion plan. Part is that work, part is also the brand's work in looking at the categories where we are strong, how do we strengthen our presence there. That is another thing that didn't make it to the presentation. But I am happy to share here which is exciting to me in terms of potential growth opportunities.

If you look as we are ranked number one and one for Polo and Lauren as an example from a consumer's perspective brand strength. And when you look at the assortment, we are dominating in a few categories and we have a lot of growth opportunities. Let's say that we dominate in two to three categories per brand. But if you look at how the consumer builds their wardrobe, there are an additional three to four categories where we have a big opportunity to grow.

So what makes me excited is that we have the strength with the consumers on several core categories and then we can build out from that core into other categories because Valerie showed we have the iconic style in those categories as well, we just for some reason the business has been very skewed towards a few categories. The upside for us and to drive profitable sales growth is that we have categories that we haven't yet tapped into fully.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

The one thing I would add to that as you look out in future years that our overall growth will be retail led and that we've got a significant market share in North America, still opportunity to grow that but having said that when you look at our international markets, there isn't much of a wholesale presence and our growth in international will be led by retail.

Unidentified Audience Member

I had a quick follow-up on the promotional and pricing strategy. Clearly you are going to reduce the promotional strategy whether it is wholesale, retail. How do you think about the initial retails of the product you have at market? Obviously you are discounting off of those retails. Is part of your strategy to rethink where your prices are set in the marketplace? I'm thinking more in Polo and the wholesale business? Thanks.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

As of now we feel good with the prices we have. What we see when we are digging in under the covers we see that the excess inventory has driven a lot of the unhealthy promotions. So we are going to work with our partners to in step one, get the inventory levels down, increase the healthy sales and then gradually responsibly step out of excess promotions.

Bob Drbul - *Nomura Securities - Analyst*

Thanks. Bob Drbul, Nomura Securities. With regard to the expense discipline throughout the organization, there is a renewed focus on it, commitment to it. Can you talk a little bit about how that has been received within the organization and willingness to be a little bit more rigid with some of those initiatives?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Another surprise, sometimes I get the question in a different way say what has surprised me the most coming in. What surprised me the most is the receptiveness with the team to think differently, to get back to high-performance. Everybody is here because they love what Ralph's vision is and they want to bring that into the future and they are very open to looking at different ways of doing that.

So as a management team, it is really important again coming back to the co-creation that we share where we are going, we share how we are getting there and we are really clear on why cost discipline is important. So I feel like that is something that doing that much, much more frequent on an ongoing basis is going to make our teams co-create and say, hey, we are spending costs here and it is not strengthening the brand and it is not driving profitable sales growth. Ah, it needs to get out in order for us to drive profitable sales growth, invest in what drives that and drive strong shareholder returns. Because when the stock price goes up everybody walks a little bit taller.

So the willingness to win and that is something that we spoke about, Ralph and I on the first dinner as well is I was impressed by Ralph's focus on I want to win. I don't want to keep doing things if it doesn't lead to winning. So there is a also through the employee survey that came out which is we are ready to roll up our sleeves just give us the direction, give us the plan, take away excessive layers and empower us to do the right things. So I am excited by how the team is responding to this.

Rick Patel - *Stephens Inc. - Analyst*

Rick Patel, Stephens. So you talked about developing a higher performing store model and then being able to scale that. Have you identified what that model looks like today or is that still a work in progress and is there any way to frame what the opportunity might look like either by brand or by geography?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Thank you. It is a good question. Well, we are right in the beginning of -- we have some insights. We don't have insights enough to share exactly, concretely what it looks like but we have enough insights to make me confident that through Fredrik's work that we know what the components need to be in order for the store model to not only strengthen the brand but drive profitable sales growth. So we know directionally what we need to do. We have a few months of work before we can be explicit in terms of how we share it.

Rick Patel - *Stephens Inc. - Analyst*

Talk about e-commerce, the desire to be much stronger in that channel, can you update everyone on where you stand with re-platforming and whether you are going to be accelerating those efforts on a global level?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So we have a re-platform going and I'm very happy to have Marcelle as the Head of e-Commerce. We have three platforms behind you, so Marcelle has driven three re-platforming, successfully landed them and that technology will enable us to create the better shopping experience and improve the functionality because my experience from driving high-performance in e-commerce is that you have to always find that balance between being exciting and sharing inspiration with being very convenient.

So the consumer wants to be more excited than ever before but don't waste my time make it convenient for me. So that balance again, we know which components we need to build and the platform will enable that.

John Kernan - *Cowen and Company - Analyst*

Thanks, John Kernan from Cowen. Just to follow-up on the e-commerce question. One of your biggest competitors in North America is now directly selling inventory to Amazon. Have you studied that channel? Is it brand-appropriate?

And then my second question is within the retail segment it's been the biggest driver of the decline in profitability for the total Company, so how do you fix that? What type of lift in productivity do you need and what are you assuming in terms of the retail profitability that drives all that improvement? Thanks.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Starting with -- the first question was about Amazon. Okay, so the way I approach it is we go back to the work we are doing, the multichannel distribution and expansion strategy. We are in the works with that. So I can't give you more details now than that it's in the works and within the next few months we will land it.

We land it in a way that I want to get close to the consumer. So one of the inputs that I have for Fredrik's job is to make sure that we stay close to the consumer; make sure that we can tell our story; make sure that we do more than selling a shirt, back to what Ralph said. That we can inspire the consumer to a life in style and, A, do that.

B, that we get -- we have the knowledge of how the consumer shops and what they want. And we can develop different services based on that and we can develop the distribution based on that. So that's my take on it today.

The second question was the retail stores. It's the same work stream in terms of the multichannel distribution and expansion plan. And again, we see the main drivers for expanding a retail format that drives brand strength and profitable sales growth.

We just need time to work through how to best do that in a multichannel approach. Because some of the challenges within the retail expansion has been that it was made too much in isolation from the other channels.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

The thing I would add to that, though, is really the benefits or the -- the benefits associated with the restructuring activities. We're closing almost 100 stores over a two-year period of time, so we have selected the stores that aren't driving profitable sales growth, aren't strengthening the brand, eliminating that from the overall portfolio and population goes a very significant way to improve the retail profitability too.

Dana Telsey - *Telsey Advisory Group - Analyst*

Dana Telsey, TAG. As you think about the different channels of distribution, how do you see the value channel, the off-price channel playing into the new paradigm?

And then on your retail business where the growth is going to come from, is there a number of stores that you look to both domestically in North America and overseas? Thank you.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Dana, first question was off-price and value. So the way I look at it -- I want to bring it back. I don't know if you recall the slide with the brand elasticity. That I see it as a strength that we go from entry to aspirational, luxury to luxury.

So as an example, when I went to school I had to work hard to get into the brand. And then today I'm in a purple label suit and Ralph Lauren has followed me through my life. So I believe that rightly played that's a great strength of ours.

What we have to do, coming back to the value channels, is that we have to keep them in balance. So we have to make sure that we are disciplined in the inventory buys so we don't flow full priced products into value channels because then the vicious cycle starts.

So that's why we're resetting this year -- that's a big reason why we are resetting this year. But we believe it's a strength to be entry, aspirational, luxury and ultimate luxury which is the best of the best.

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

On the retail question, Stefan I think answered it generally before. Fredrik and the team really need to really kind of do the holistic distribution strategy. We've generally put a pause for now on expansion of full price retail stores until we do that work, we refine the model, we test it, it's proven, and then you can go and implement that on an accelerated basis.

Any full priced stores that are included in our budget store comp this year are really stores that were committed before we came up with the Way Forward plan and it's a very small number.

A lot of the store count or growth is -- half of it is outlet. And of that half, outlet growth, it's a function of swapping out stores. We are closing almost as many outlet stores as we are opening and reshuffling the portfolio as far as locations.

Corinna Freedman - *BB&T Capital Markets - Analyst*

Corinna Friedman from BB&T. You have indicated that you're going to focus on the three core Ralph brands. What are the state of the remaining non-core brands, be it further consolidation or potentially monetization?

THOMSON REUTERS

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

I think I shared with one of you during the breaks that coming into Ralph Lauren another thing I learned is that when most companies have 90% operations and 10% good ideas the lack of good ideas -- almost all big companies, in my experience, lack good ideas. I come into this big company and there is an abundance of good ideas.

What we need to do is to be really disciplined in how to handle those good ideas. So our responsibility is to look at the small brands and help them to be relevant in strengthening the overall brand vision that is Ralph's original brand vision. And sharpen up the focus on return on investment to make sure that every initiative we do, that it strengthens the brand and contributes to drive profitable sales growth.

Christopher Svezia - *Susquehanna Financial Group - Analyst*

Christopher Svezia from Susquehanna. Just one question. Just when we think about the margin profile going from 10% operating margin to mid-teens, which I assume is 13% or better, can you maybe just talk about the parameters between gross margin and SG&A?

You've thrown out a couple things, made some comment that you want to be able to leverage SG&A as you move forward I guess out of 2017. But just -- maybe to get to that 300 basis point-ish level, just maybe what's the gross margin equation to that? What's the SG&A component to that to make up that delta?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

What we can guide on today is we have guided on, but to give you a little bit more of a context on the initiatives in the Way Forward, especially the strength, the systematic repeatable way of building the assortment.

I have first-hand experience from several different times implementing that way or working and that has driven gross margin expansion. I know that the demand-driven supply chain getting closer to the demand will drive gross margin expansion.

What we can't do is we can't guide more specifically right now given that we have -- it's so much work in progress and we started six months ago, so we can't guide further out. I can just say that our ambition as a management team is to ASAP start to get these initiatives to deliver a higher gross margin.

Another gross margin driver is strengthening the core. So a lot of the long tail didn't only perform, had a low demand, it also had a low margin. So by cutting the tail we should be able to improve the margin. So there are a number of initiatives we are driving that will drive -- that over time more and more will drive gross margin.

Unidentified Audience Member

Clarification. On the $150 million in inventory that's being written down, where is that inventory right now? Is that in the value channel? Is it in your own stores?

Bob Madore - *Ralph Lauren Corporation - Corporate SVP and CFO*

It's in our own channel -- and that's a global number.

Unidentified Audience Member

(Inaudible), Evercore. When you look at your supply chain, you are getting your lead down, you're talking about the product assortment and looking at the fluidity, are you able to work with your wholesale partners to get a frequency of product in the stores as opposed to the traditional fall/spring? How is that working and how do you expect that to evolve going forward? Thank you.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Thank you. That's an important question and that's laid out in the work ahead of us together with our partners. What is exciting me, again to just reiterate, that they are on it. Every big customer, I went around when I joined six months ago and I saw every big customer.

And every leader for every big customer is just ready to say we want to partner up with you to cut the lead times. We want to test how to buy differently. So the work still has to be done but their attitude is stellar. And our commitment to do this is 110%. So we will do it and we will test it out and then gradually improve it.

Dave Weiner - *Deutsche Bank - Analyst*

Dave Weiner from Deutsche Bank. One follow-up question on product categories. I think accessories has hovered in the 8% of revenue range for I think a couple years now. Can you talk about your commitment to that category?

And then also a comparable question on the Polo Sport side. I think you just really re-ramped that last year. Kind of what the future roadmap for that? Thanks.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

So starting with accessories, it's one of the categories that we spoke about earlier. It's one of the growth categories for sure. When we play in accessories we do it well. We just need to intensify our focus to grow that category.

And part of that work is led or a majority of that work is led from Valerie's team and we see that we are making progress and we have just started. But that's one of the categories where we have significant growth opportunity.

Second question was, sorry, Polo Sports. So if you look at moving away from thinking brand and then customer, if you look at the consumer's life and if you look at how the consumer builds up and how we build up our wardrobes and a bigger and bigger part is sports.

And sports is a category -- it's another category where we are under penetrated. It's a high growth rate. I think Ralph was 20 years ahead of sports, launched Polo Sports 20, 25 years ago. And then we took our eyes off the ball and now we're getting back in, so sports is going to be important and sports/athleisure is going to be even more important.

Michael Exstein - *Credit Suisse - Analyst*

Michael Exstein, Credit Suisse. Thank you for a great strategic presentation. Could you give us an idea of what the demographics look like for your core customer domestically and internationally? How has it changed over the last 5, 10, 15 years, if it has changed?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Yes, so another strength of ours is that we cater to the whole family. So we have a very broad consumer base and my goal is to focus in on the core of what made us great and strong and iconic from a brand perspective and the core of what's driving the business, these three brands.

But doing that we will cater to the whole family. And evolving the brand voice we'll make sure that we stay and increase our relevance with the millennials and the next generations coming up. I would say it's stable.

What we need to do is that the consumer is changing. So what's changing is that the consumer is in charge. Again, I'm just looking at my nine-year-old daughter who consumes media in a completely different way. So that's why we need to evolve the way we do marketing and the way our brand voice works to fit into how she wants to project her life in style.

Brian McGough *- Hedgeye Risk Management - Analyst*

Brian McGough with Hedgeye Risk Management. I'm going to stand up because if you can't see me, I can't see you. So I have two questions actually, one about revenue and one about costs.

On the revenue side it's a little bigger picture. A lot of the analysts in this room get calls over and over again, especially when the stock is down big on one day and they say hey, what's going on with Ralph? Is the brand dead? And usually the brand is not dead. Maybe the stock is dead or just like maimed. But the brand still looks really good.

However, when you look at the type of product being bought by the twenty-something and the thirty-somethings, of which I wish I was one, things like rag & bone, johnnie-O, Vineyard Vines, the whole 9 yards there, it's some stiff competition.

And then there's some online stats like comScore and all this other stuff that basically says that the average age of a Ralph Lauren shopper over the past three to four years has gone from 39 up to 45.

Now I know there's always plus or minuses in those data points so I don't know if I really trust them, but they are what they are. It basically says that the brand is getting older while there's more competition that's coming in down at the bottom end.

So how important is it for you to drive the age of the brand down again? And I know as both of you know, there's not a lot of brands that have done that. I would think if there's anyone who can it would be you, but what do you think about it?

Stefan Larsson *- Ralph Lauren Corporation - President and CEO*

So our approach, and I think Ralph's approach, has always been to -- it's ageless. What we do we have to do really well and when we do it really well it appeals to a younger crowd and it's appealed to an older crowd.

So what we need to do is that the way that we go back to the core of what made the brand iconic and what still makes it really, really strong, all age groups is the brand survey, all age groups really is strong.

We have to make sure that we continuously evolve the product, the marketing and the shopping experience to reflect what a younger consumer expects in terms of inspiration for their life in style. But what excites me in doing this is the brands you mentioned, they come and go. Every season there are some new brands.

We have been in this business, Ralph has been in this business for 50 years. The brand is iconic. That makes it possible for us to go back to the core and Valerie showed that what's in fashion today -- so if you look at the big fashion macro trends, iconic style has never been more in fashion.

You see all the it people have iconic style, but what's important to us is that we take the tail off and focus in on what makes us uniquely strong and then we evolve that and then we make it relevant for today and for the next 5 years, 10 years.

So the work that you're pointing at is extremely important, but what makes me bullish about it is that we have the longevity and the strength of the brand. We have the talent and we know exactly -- we have done a detailed assessment. We know exactly what drivers we need to drive differently to get not only the younger consumers -- more of the younger consumers, but more of all consumers.

So it comes back to the assessment of why we have struggled with the performance over the last few years. We know exactly why and we know exactly what we need to do, which is to go back to the strength of the brand and then take it way forward.

So I feel really excited about the work ahead because the brand is so strong. And we know what we need to do and we know what's important to the consumer. And in our plan we're going to get closer to what made us strong and iconic and closer to the consumer. That's why I want to right size the organization.

I want the layers to come down. I want the teams to be out. I want -- often the youngest are the doers. I want those who are out the most, those who are the 20s, I want them to have an ability to co-create the future, so we are creating that. So all of that makes me really excited.

Brian McGough - *Hedgeye Risk Management - Analyst*

And I'm sorry, lastly, if I can, just on costs. You had over the past year this new operating structure where you had a singular matrix, you had like product and you had geography and then you basically put that into -- I mean, bob, this is something you lived through for a while -- and into more of like a six headed hydra.

It was like every little brand unit had its own little matrix in order to grow on a global scale. And it seemed to me that some kind of operation like that needs a lot more employees instead of a lot less.

So I guess I'm wondering do you plan to pare down that operational infrastructure. Or do you plan maybe just to back off of that whole initiative that was put in place last year?

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Let me start with saying that the role of the brands in delivering the Way Forward is going to be increasingly important. And the brand presidents will do the work that Valerie gave her case study around. So their work is to -- continuously strengthening the offering.

And I'm a big believer in matrixes, because I believe in the strongest brand presidents driving the strengthening of the offering. I believe in having strong regional leaders who are experts on their regions.

And I believe in strong functional leaders. And I believe in having that matrix work as one team and create positive friction through that so we get the best of the brands, the best of the regions, and the best of the functions.

Evren Kopelman - *Ralph Lauren Corporation - Corporate VP of IR*

I think that's all the time we have (inaudible) for the questions.

Stefan Larsson - *Ralph Lauren Corporation - President and CEO*

Yes, so before you leave, we just want to thank you on behalf of Ralph, myself, the whole management team we want to thank you for taking the time. We are committed to take this great brand and move the business to match the greatness of the brand and to keep you along on the journey. Thank you very much.