PVH cuts profit, revenue forecast despite better-than-expected quarterly sales

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PVH Corp cut its full-year profit forecast for the second time this year on Wednesday, as the Calvin Klein owner sees pressure from the protracted U.S-China trade tensions and the ongoing protests in Hong Kong.

U.S. retailers have been worried about the cost of the bitter trade war with President Donald Trump’s latest plans to further hike tariffs on Chinese goods imported to the U.S.

The Trump administration on Wednesday made official its extra 5% tariff on $300 billion in Chinese imports and set collection dates of Sept. 1 and Dec. 15.

PVH, which imported about $400 million (325.8 million pounds) of inventory from the Asian country last year, said the tariff is expected to hit its earnings by about 20 cents per share in 2019.

Adding to the company’s worries are the increasing promotions by retailers and department store operators in the domestic U.S. market as they grapple with sluggish sales due to a fall in tourist spending as well as the months of political turmoil in Hong Kong.

PVH now expects full-year adjusted profit between $9.30 per share and $9.40 per share compared to prior estimate of $10.20 per share to $10.30 per share.
The company also cut its full-year revenue forecast to about 1% growth, down from its prior outlook of about 3% rise.

Chief Executive Officer Emanuel Chirico said the volatility in the macro environment, the global retail landscape and the continuing escalation of trade tensions between the U.S. and China will cause its business to remain under pressure, as will the ongoing impact of protests in Hong Kong.

Despite the dull outlook, PVH reported better-than-expected quarterly sales boosted by higher demand for its Tommy Hilfiger apparels. Sales in the brand, its biggest revenue generator, rose 8% to $1.11 billion.

Overall, revenue rose 1.3% to $2.36 billion, beating the average analyst estimates of $2.33 billion, according to IBES data from Refinitiv.

Net income attributable to the company rose to $193.5 million, or $2.58 per share, in the second quarter ended Aug. 4, from $165.2 million, or $2.12 per share, a year earlier.

Excluding items, the company earned $2.10 per share. Analysts, on average, had estimated a profit of $1.88 per share.

Shares of the New-York based company fell marginally in after market trading.

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