PVH CEO says group is looking to make another acquisition

By Olivier Guyot - 1 November 2019

US group PVH is a fashion giant, the owner among others of Calvin Klein and Tommy Hilfiger. In 2018, PVH generated a revenue of over $9.7 billion, equivalent to an 8% increase. And above all, according to its chairman and CEO Emanuel Chirico, PVH is ready to buy new brands.

“I’ve been CEO for 14 years and we’ve done three major acquisitions: Calvin Klein, Tommy Hilfiger and the Warnaco Group, which owns the Calvin Klein Jeans and Underwear licenses. Currently, we’ve paid all the debts associated with these acquisitions,” said Chirico talking to Bloomberg TV on Wednesday, adding that “we are looking to make another acquisition. We’re looking at a brand, or portfolio of brands, that we can layer on to our operating platform. We are looking for a company that has a strong brand portfolio and a great workforce that can come together with ours.”
The kind of acquisition that could be worth billions of dollars, as Warnaco’s was, but which doesn’t seem to faze Chirico. “Given valuations in the apparel and retail sectors, which have been under pressure in the last few months, I think that, for a strategic buyer, this is a great time to be looking at acquisitions and potentially making an acquisition.”

On another topic, PVH’s latest quarterly figures reflected the group’s concern about the trade war between the USA and China. The group revised its guidance downwards and also underlined it had imported approximately $400 million (€361 million) worth of Chinese products last year, and that the new customs duties could slice approximately 20 cents per share off its profitability for the 2019 financial year.

Chirico stated that the group has cut the share of its production that comes from China to the US market: “If you look back to three to four years ago, probably 35% of our production for the US was coming out of China. For next year, we’re looking at something that’s closer to 10%.” Chirico didn’t however rule out the possibility of raising the price of certain products to compensate for inflationary pressures. But another aspect of the commercial tensions between China and the USA seems to be worrying Chirico.

Risk of damaging relationship with Chinese consumers

“Everyone is focused on tariffs and trade issues, and those are important issues. But I think that we are potentially exposed to the risk of significant damages with Chinese consumers. Consumers in that part of the world love Western brands, and they love American brands. But with this idea of ‘America First’, instead of negotiating behind closed doors we’ve done it on the public square, and I think we’ve created some level of bad will with those consumers, that will put some pressure on American brands in particular. I don’t think it’s a long-term issue, but we do have to be concerned about it going forward.”

PVH’s business is strongly anchored in the USA, where in 2018 it generated 46% of its sales, but the group is reorganising itself on the US market. And Asia is a land of opportunities. Tommy Hilfiger, which staged a catwalk show with F1 world champion Lewis Hamilton, has notably been working to boost its appeal in China, engineering double-digit growth in the country in 2018. In PVH’s latest financial year, Asia accounted for 12% of the group’s sales.

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