

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 30, 2019**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-13057

RALPH LAUREN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

650 Madison Avenue, New York, New York

(Address of principal executive offices)

13-2622036

(I.R.S. Employer Identification No.)

10022

(Zip Code)

(212) 318-7000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on which Registered</u>
Class A Common Stock, \$.01 par value	RL	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was \$7,471,382,441 as of September 28, 2018, the last business day of the registrant's most recently completed second fiscal quarter based on the closing price of the common stock on the New York Stock Exchange.

At May 10, 2019, 52,192,381 shares of the registrant's Class A common stock, \$.01 par value and 25,881,276 shares of the registrant's Class B common stock, \$.01 par value were outstanding.

Part III incorporates by reference information from certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the fiscal year ended March 30, 2019.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements in this Form 10-K or incorporated by reference into this Form 10-K, in future filings by us with the Securities and Exchange Commission (the "SEC"), in our press releases, and in oral statements made from time to time by us or on our behalf constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "we believe," "is or remains optimistic," "currently envisions," and similar words or phrases and involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed in or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others:

- the loss of key personnel, including Mr. Ralph Lauren, or other changes in our executive and senior management team or to our operating structure, and our ability to effectively transfer knowledge during periods of transition;
- our ability to successfully implement our long-term growth strategy;
- our ability to continue to expand and grow our business internationally and the impact of related changes in our customer, channel, and geographic sales mix as a result, as well as our ability to accelerate growth in certain product categories;
- our ability to open new retail stores and concession shops, as well as enhance and expand our digital footprint and capabilities, all in an effort to expand our direct-to-consumer presence;
- our ability to respond to constantly changing fashion and retail trends and consumer demands in a timely manner, develop products that resonate with our existing customers and attract new customers, and execute marketing and advertising programs that appeal to consumers;
- our ability to effectively manage inventory levels and the increasing pressure on our margins in a highly promotional retail environment;
- our ability to continue to maintain our brand image and reputation and protect our trademarks;
- our ability to competitively price our products and create an acceptable value proposition for consumers;
- the impact to our business resulting from changes in consumers' ability, willingness, or preferences to purchase discretionary items and luxury retail products, which tends to decline during recessionary periods, and our ability to accurately forecast consumer demand, the failure of which could result in either a build-up or shortage of inventory;
- our ability to achieve anticipated operating enhancements and cost reductions from our restructuring plans, as well as the impact to our business resulting from restructuring-related charges, which may be dilutive to our earnings in the short term;
- the impact to our business resulting from potential costs and obligations related to the early closure of our stores or termination of our long-term, non-cancellable leases;
- a variety of legal, regulatory, tax, political, and economic risks, including risks related to the importation and exportation of products which our operations are currently subject to, or may become subject to as a result of potential changes in legislation, and other risks associated with our international operations, such as compliance with the Foreign Corrupt Practices Act or violations of other anti-bribery and corruption laws prohibiting improper payments, and the burdens of complying with a variety of foreign laws and regulations, including tax laws, trade and labor restrictions, and related laws that may reduce the flexibility of our business;
- the potential impact to our business resulting from the imposition of additional duties, tariffs, taxes, and other charges or barriers to trade, including those resulting from current trade developments with China and the related impact to global stock markets, as well as our ability to implement mitigating sourcing strategies;
- the impact to our business resulting from the United Kingdom's decision to exit the European Union and the uncertainty surrounding the terms and conditions of such a withdrawal, as well as the related impact to global stock markets and currency exchange rates;
- the impact to our business resulting from increases in the costs of raw materials, transportation, and labor, including wages, healthcare, and other benefit-related costs;

- our ability to secure our facilities and systems and those of our third-party service providers from, among other things, cybersecurity breaches, acts of vandalism, computer viruses, or similar Internet or email events;
- our efforts to successfully enhance, upgrade, and/or transition our global information technology systems and digital commerce platforms;
- changes in our tax obligations and effective tax rate due to a variety of other factors, including potential additional changes in U.S. or foreign tax laws and regulations, accounting rules, or the mix and level of earnings by jurisdiction in future periods that are not currently known or anticipated;
- our exposure to currency exchange rate fluctuations from both a transactional and translational perspective;
- the potential impact to our business resulting from the financial difficulties of certain of our large wholesale customers, which may result in consolidations, liquidations, restructurings, and other ownership changes in the retail industry, as well as other changes in the competitive marketplace, including the introduction of new products or pricing changes by our competitors;
- the impact of economic, political, and other conditions on us, our customers, suppliers, vendors, and lenders;
- the potential impact to our business if any of our distribution centers were to become inoperable or inaccessible;
- the potential impact on our operations and on our suppliers and customers resulting from natural or man-made disasters;
- the impact to our business of events of unrest and instability that are currently taking place in certain parts of the world, as well as from any terrorist action, retaliation, and the threat of further action or retaliation;
- our ability to access sources of liquidity to provide for our cash needs, including our debt obligations, tax obligations, payment of dividends, capital expenditures, and potential repurchases of our Class A common stock, as well as the ability of our customers, suppliers, vendors, and lenders to access sources of liquidity to provide for their own cash needs;
- the potential impact to the trading prices of our securities if our Class A common stock share repurchase activity and/or cash dividend payments differ from investors' expectations;
- our ability to maintain our credit profile and ratings within the financial community;
- our intention to introduce new products or brands, or enter into or renew alliances;
- changes in the business of, and our relationships with, major department store customers and licensing partners; and
- our ability to make certain strategic acquisitions and successfully integrate the acquired businesses into our existing operations.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is described in Part I of this Form 10-K under the heading of "Risk Factors." We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

WEBSITE ACCESS TO COMPANY REPORTS AND OTHER INFORMATION

Our investor website is <http://investor.ralphlauren.com>. We were incorporated in June 1997 under the laws of the State of Delaware. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, are available free of charge at our investor website under the caption "SEC Filings" promptly after we electronically file such materials with or furnish such materials to the SEC. All such filings are also available on the SEC's website at <https://www.sec.gov>. Information relating to corporate governance at Ralph Lauren Corporation, including our Corporate Governance Policies, our Code of Business Conduct and Ethics for all directors, officers, and employees, our Code of Ethics for Principal Executive Officers and Senior Financial Officers, and information concerning our directors, Committees of the Board of Directors, including Committee charters, and transactions involving Ralph Lauren Corporation securities by directors and executive officers, are available at our website under the captions "Corporate Governance" and "SEC Filings." Paper copies of these filings and

corporate governance documents are available to stockholders without charge by written request to Investor Relations, Ralph Lauren Corporation, 625 Madison Avenue, New York, New York 10022.

In this Form 10-K, references to "Ralph Lauren," "ourselves," "we," "our," "us," and the "Company" refer to Ralph Lauren Corporation and its subsidiaries, unless the context indicates otherwise. Due to the collaborative and ongoing nature of our relationships with our licensees, such licensees are sometimes referred to in this Form 10-K as "licensing alliances." Our fiscal year ends on the Saturday closest to March 31. All references to "Fiscal 2020" represent the 52-week fiscal year ending March 28, 2020. All references to "Fiscal 2019" represent the 52-week fiscal year ended March 30, 2019. All references to "Fiscal 2018" represent the 52-week fiscal year ended March 31, 2018. All references to "Fiscal 2017" represent the 52-week fiscal year ended April 1, 2017.

PART I

Item 1. *Business.*

General

Founded in 1967 by Mr. Ralph Lauren, we are a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, footwear, accessories, home furnishings, and other licensed product categories. Our long-standing reputation and distinctive image have been developed across an expanding number of products, brands, sales channels, and international markets. We believe that our global reach, breadth of product offerings, and multi-channel distribution are unique among luxury and apparel companies.

We diversify our business by geography (North America, Europe, and Asia, among other regions) and channel of distribution (wholesale, retail, and licensing). This allows us to maintain a dynamic balance as our operating results do not depend solely on the performance of any single geographic area or channel of distribution. Our wholesale sales are made principally to major department stores and specialty stores around the world, as well as to certain third party-owned stores to which we have licensed the right to operate in defined geographic territories using our trademarks. We also sell directly to consumers through our integrated retail channel, which includes our retail stores, concession-based shop-within-shops, and digital commerce operations around the world. In addition, we license to third parties for specified periods the right to access our various trademarks in connection with the licensees' manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

We organize our business into the following three reportable segments: North America, Europe, and Asia. In addition to these reportable segments, we also have other non-reportable segments. See "*Our Segments*" for further discussion of our segment reporting structure.

Our global reach is extensive, with merchandise available through our wholesale distribution channels at over 12,000 doors worldwide, the majority in specialty stores, as well as through the digital commerce sites of many of our wholesale customers. We also sell directly to customers throughout the world via our 501 retail stores and 653 concession-based shop-within-shops, as well as through our own digital commerce sites and those of various third-party digital partners. In addition to our directly-operated stores and shops, our international licensing partners operate 108 Ralph Lauren stores, 39 Ralph Lauren concession shops, and 138 Club Monaco stores and shops.

We continue to invest in our business to stimulate growth. Over the past five fiscal years, we have invested approximately \$1.452 billion for capital improvements, primarily funded through strong operating cash flow. We also continue to return value to our shareholders through our common stock share repurchases and payment of quarterly cash dividends. Over the past five fiscal years, the cost of shares of Class A common stock repurchased pursuant to our common stock repurchase program was approximately \$1.650 billion and dividends paid amounted to approximately \$846 million.

We have been controlled by the Lauren family since the founding of our Company. As of March 30, 2019, Mr. R. Lauren, or entities controlled by the Lauren family, held approximately 83% of the voting power of the Company's outstanding common stock.

Objectives and Opportunities

We believe that our size and the global scope of our operations provide us with design, sourcing, and distribution synergies across our different businesses. Our core strengths include a portfolio of global premium lifestyle brands, a well-diversified global multi-channel distribution network, an investment philosophy supported by a strong balance sheet, and an experienced management team. Despite the various risks and uncertainties associated with the current global economic environment, as discussed further in Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations — Global Economic Conditions and Industry Trends," we believe our core strengths will allow us to execute our long-term growth strategy.

An overview of our long-term growth strategy is presented below:

OBJECTIVE

Drive sustainable, long-term growth and value creation

GUIDING PRINCIPLES

Consumer
at the center

Elevate and
energize the brand

Balance productivity
and growth

STRATEGIC PRIORITIES

Win over
a new
generation

Energize core
products
and accelerate
underdeveloped
categories

Drive targeted
expansion

Lead with
digital

Operate with
discipline to
fuel growth

OUR TEAM

Our talented, experienced and engaged global organization

CULTURAL FOCUS AREAS



Recent Developments

Fiscal 2019 Restructuring Plan

On June 4, 2018, our Board of Directors approved a restructuring plan associated with our strategic objective of operating with discipline to drive sustainable growth (the "Fiscal 2019 Restructuring Plan"). The Fiscal 2019 Restructuring Plan includes the following restructuring-related activities: (i) rightsizing and consolidation of our global distribution network and corporate offices; (ii) targeted severance-related actions; and (iii) closure of certain of our stores and shop-within-shops. Actions associated with the Fiscal 2019 Restructuring Plan were largely completed during Fiscal 2019, with certain activities shifting into Fiscal 2020. Total actions associated with the Fiscal 2019 Restructuring Plan are expected to result in gross annualized expense savings of approximately \$60 million to \$80 million.

In connection with the Fiscal 2019 Restructuring Plan, we expect to incur total estimated charges of approximately \$125 million to \$150 million, comprised of cash-related charges of approximately \$90 million to \$110 million and non-cash charges of approximately \$35 million to \$40 million. Cumulative charges incurred since inception were \$97.3 million.

See Note 9 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Fiscal 2019 Restructuring Plan.

U.S. Tax Reform

On December 22, 2017, President Trump signed into law new tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which became effective January 1, 2018. The TCJA significantly revised U.S. tax law by, among other provisions, lowering the U.S. federal statutory income tax rate from 35% to 21%, creating a territorial tax system that includes a one-time mandatory transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

During Fiscal 2018, we recorded net charges of \$221.4 million within our income tax provision in connection with the TCJA, which increased our effective tax rate by 4,520 basis points. Subsequently, during Fiscal 2019, we recorded net measurement period adjustments of \$27.6 million as permitted by SEC Staff Accounting Bulletin No. 118 ("SAB 118"). These measurement period adjustments increased our effective tax rate by 470 basis points during Fiscal 2019.

Additionally, during the fourth quarter of Fiscal 2018 we reevaluated our permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. In connection with this decision, we repatriated \$252 million of cash to the U.S. from certain of our foreign subsidiaries during the fourth quarter of Fiscal 2018, and we repatriated an additional \$875 million during Fiscal 2019.

See Note 10 to the accompanying consolidated financial statements for additional discussion regarding the TCJA.

Way Forward Plan

On June 2, 2016, our Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). We are refocusing on our core brands and evolving our product, marketing, and shopping experience to increase desirability and relevance. We are also evolving our operating model to enable sustainable, profitable sales growth by significantly improving quality of sales, reducing supply chain lead times, improving our sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, we are rightsizing our cost structure and implementing a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening our leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan also includes the discontinuance of our Denim & Supply brand and the integration of our denim product offerings into our Polo Ralph Lauren brand. Collectively, these actions, which were substantially completed during Fiscal 2017, resulted in a reduction in workforce and the closure of certain stores and shop-within-shops, as well as gross annualized expense savings of approximately \$200 million.

On March 30, 2017, our Board of Directors approved the following additional restructuring-related activities associated with the Way Forward Plan: (i) the restructuring of our in-house global digital commerce platform which was in development and shifting to a more cost-effective, flexible platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of our Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Way Forward Plan. These actions are an important

part of our efforts to achieve our stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities were largely completed during Fiscal 2018 and resulted in a further reduction in workforce and the closure of certain corporate office and store locations, as well as gross annualized expense savings of approximately \$140 million.

In connection with the Way Forward Plan, we have incurred total cumulative charges of \$838.6 million, including \$155.2 million recorded during Fiscal 2017 associated with the destruction of inventory. Additionally, as we did not legally assign a certain lease agreement for which the Company has been deemed the owner of the leased asset for accounting purposes prior to the end of Fiscal 2019, an impairment of approximately \$170 million to \$190 million is expected to be recorded as an adjustment to reduce our opening retained earnings balance as of the beginning of Fiscal 2020 in connection with our adoption of ASU 2016-02 (see Note 4 to our accompanying consolidated financial statements). Accordingly, actions associated with the Way Forward Plan are now complete and no additional charges are expected to be incurred in connection with this plan.

See Note 9 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Way Forward Plan.

Our Brands and Products

Our products, which include apparel, footwear, accessories, and fragrance collections for men and women, as well as childrenswear and home furnishings, together with our hospitality portfolio, comprise one of the most widely recognized families of consumer brands. Reflecting a distinctive American perspective, we have been an innovator in aspirational lifestyle branding and believe that, under the direction of internationally renowned designer Mr. Ralph Lauren, we have had a considerable influence on the way people dress and the way that fashion is advertised throughout the world.

We combine consumer insight with our design, marketing, and imaging skills to offer, along with our licensing alliances, broad lifestyle product collections with a unified vision:

- *Apparel* — Our apparel products include extensive collections of men's, women's, and children's clothing, which are sold under various brand names, including Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Golf Ralph Lauren, Ralph Lauren Golf, RLX Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others;
- *Footwear and Accessories* — Our range of footwear and accessories encompasses men's, women's, and children's, including casual shoes, dress shoes, boots, sneakers, sandals, eyewear, watches, fashion and fine jewelry, scarves, hats, gloves, umbrellas, and leather goods, including handbags, luggage, small leather goods, and belts, which are sold under the Ralph Lauren Collection, Ralph Lauren Purple Label, Double RL, Polo Ralph Lauren, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco;
- *Home* — Our coordinated home products include bedding and bath products, furniture, fabric and wallpaper, lighting, tabletop, floorcoverings, and giftware;
- *Fragrance* — Our fragrance offerings capture the essence of Ralph Lauren's men's and women's brands with numerous labels, designed to appeal to a variety of audiences. Women's fragrance products are sold under our Ralph Lauren Collection, Woman by Ralph Lauren, Romance Collection, Ralph Collection, and Big Pony Women's brands. Men's fragrance products are sold under our Polo Blue, Safari, Purple Label, Polo Red, Polo Green, Polo Black, Polo Supreme, Polo Sport, and Big Pony Men's brands; and
- *Hospitality* — Continuing to engage our consumers with experiential and unique expressions of the brand, our hospitality portfolio is a natural extension of the World of Ralph Lauren as expressed through the culinary arts. Ralph Lauren global hospitality collection is comprised of four restaurants, including *The Polo Bar* in New York City, *RL Restaurant* located in Chicago, *Ralph's* located in Paris, and our *Ralph's Coffee* concept in various cities around the world.

Our lifestyle brand image is reinforced by our distribution through our stores and concession-based shop-within-shops, our wholesale channels of distribution, our global digital commerce sites, and our Ralph Lauren restaurants. We sell our products under the following key brand platforms:

1. **Ralph Lauren Luxury** — Our Luxury group includes:

Ralph Lauren Collection and Ralph Lauren Purple Label. Ralph Lauren Collection embodies the highest expression of chic, feminine glamour. Each piece is inspired by a vision of timeless luxury and modern elegance, and is crafted with unparalleled passion and artistry. For men, Ralph Lauren Purple Label is the ultimate expression of luxury for the modern gentleman. Refined suitings are hand-tailored, including custom made-to-measure suits crafted in the time-honored traditions of Savile Row. Purple Label's sophisticated sportswear is designed with a meticulous attention to detail, capturing the elegance and ease of Ralph Lauren's signature, timeless style. Ralph Lauren Collection and Ralph Lauren Purple Label are available in Ralph Lauren stores around the world, an exclusive selection of the finest specialty stores, and online at our Ralph Lauren digital commerce sites, including RalphLauren.com.

Double RL. Founded in 1993 and named after Ralph Lauren's working cattle ranch in Colorado, Double RL is a tribute to America's pioneering spirit and tradition of rugged independence. The foundation of Double RL lies in timeless wardrobe staples, including authentic American made selvedge denim, military-grade chinos, tube-knit t-shirts, thermals, and flannels. Beyond these iconic styles are added seasonal vintage-inspired collections, along with a full collection of footwear and accessories, including quality belts, bags, and leather goods. Double RL is available at Double RL stores, at select Ralph Lauren stores, and an exclusive selection of the finest specialty stores around the world, as well as online at our Ralph Lauren digital commerce sites, including RalphLauren.com.

Ralph Lauren Home. Ralph Lauren Home represents a full expression of modern luxury — style is a life well-lived. Based on an immersive design ethos, the collection includes furniture, lighting, bed and bath linens, tabletop, decorative accessories and gifts, as well as fabric, wallcoverings, and floorcoverings. Each piece is crafted with the greatest attention to detail. Ralph Lauren Home offers exclusive luxury goods at select Ralph Lauren stores, home specialty stores, trade showrooms, and online at our Ralph Lauren digital commerce sites, including RalphLauren.com. The complete world of Ralph Lauren Home can be explored online at RalphLaurenHome.com.

Ralph Lauren Watches and Fine Jewelry. We offer a premier collection of timepieces, which embody Ralph Lauren's passion for impeccable quality and exquisite design. We also offer premium collections of fine jewelry, which capture the glamour and craftsmanship of Ralph Lauren's most luxurious designs. Ralph Lauren watches and fine jewelry are available at select Ralph Lauren stores and flagship locations around the world. A selection of watches is also available online at RalphLauren.com and the finest watch retailers.

2. **Polo Ralph Lauren** — The Polo Ralph Lauren group includes:

Polo Ralph Lauren. Men's Polo combines Ivy League classics and time-honored English haberdashery with downtown styles and all-American sporting looks in sportswear and tailored clothing. Women's Polo represents the epitome of classic and iconic American style with a modern and cool twist. Polo's signature aesthetic includes our renowned polo player logo. Men's and Women's Polo apparel, footwear, and accessories are available in Polo and Ralph Lauren stores around the world, better department and specialty stores, and online at our Ralph Lauren digital commerce sites, including RalphLauren.com.

Polo Ralph Lauren Children. Polo Ralph Lauren Children is designed to reflect the timeless heritage and modern spirit of Ralph Lauren's collections for men and women. Signature classics include iconic polo knit shirts and luxurious cashmere cable-knit sweaters. Polo Ralph Lauren Children is available in a full range of sizes, from baby to girls 2-16 and boys 2-20. Polo Ralph Lauren Children can be found in select Polo and Ralph Lauren stores around the world, better department stores, and online at our Ralph Lauren digital commerce sites, including RalphLauren.com, as well as certain of our retailer partner digital commerce sites.

Polo Golf Ralph Lauren, Ralph Lauren Golf, and RLX Ralph Lauren. Tested and worn by top-ranked professional golfers, Polo Golf Ralph Lauren, Ralph Lauren Golf, and RLX Ralph Lauren for men and women define excellence in the world of golf. With a sharpened focus on the needs of the modern player but rooted in the rich design tradition of Ralph Lauren, the Golf collections combine state-of-the-art performance wear with luxurious finishing touches. Our Golf collections are available in select Polo stores, exclusive private clubs and resorts, and online at RalphLauren.com.

Pink Pony. Established in 2000, the Pink Pony campaign is our worldwide initiative in the fight against cancer. In the U.S., a percentage of sales from Pink Pony products benefit the Pink Pony Fund of The Polo Ralph Lauren Foundation, which supports programs for early diagnosis, education, treatment, and research, and is dedicated to bringing patient navigation and quality cancer care to medically underserved communities. Internationally, a network of local cancer charities around the world benefit from the sale of Pink Pony products. Pink Pony consists of dual gender sportswear and accessories. Pink Pony items feature our iconic pink polo player – a symbol of our commitment to the fight against cancer. Pink Pony is available at select Polo and Ralph Lauren stores and online at our Ralph Lauren digital commerce sites, including RalphLauren.com. Pink Pony is also available at select Macy's stores and online at Macys.com.

3. **Lauren Ralph Lauren** — Our Lauren group includes:

Lauren Ralph Lauren. Lauren for women combines timeless style with modern femininity in a lifestyle collection of sportswear, denim, and dresses, as well as footwear and accessories at a more accessible price point. Lauren for women is available in select department stores around the world and online at select digital commerce sites, including RalphLauren.com. Lauren for men offers a complete collection of men's tailored clothing, including suits, sport coats, dress shirts, dress pants, tuxedos, topcoats, and ties at a more accessible price point. Lauren for men is available at select department stores in North America and Europe.

Lauren Home. Launched in 2017, the Lauren Home collection includes accessibly-priced, timeless bath and bedding designs, updated with a fresh, modern spirit. The collection is built upon an assortment of essentials that is designed to be periodically augmented with trend-relevant colors and patterns.

4. **Chaps** — Launched in 1978, Chaps celebrates real American style, delivering classic collections updated for modern lifestyles for men, women, children and home. The modern lifestyle collection offers versatile sportswear, workday essentials, tailored clothing, and occasion dresses that are wearable from season to season. Chaps is available in select department stores and retail partner digital commerce sites across the U.S., Canada, Mexico, and China.

5. **Club Monaco** — Founded in 1985, Club Monaco is a modern, urban-minded brand with an element of ease and a spark of entrepreneurship. The brand prides itself on creating elevated essentials recognized for their style, design, fit, and functionality with a relaxed, of-the-moment sensibility. Club Monaco apparel, footwear, and accessories are available at Club Monaco stores and select department stores in North America and around the world, as well as online at ClubMonaco.com and ClubMonaco.ca.

Our Segments

We organize our business into the following three reportable segments:

- *North America* — Our North America segment, representing approximately 51% of our Fiscal 2019 net revenues, primarily consists of sales of our Ralph Lauren branded apparel, footwear, accessories, home furnishings, and related products made through our wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, our wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. Our retail business in North America is comprised of our Ralph Lauren stores, our factory stores, and our digital commerce site, www.RalphLauren.com.
- *Europe* — Our Europe segment, representing approximately 26% of our Fiscal 2019 net revenues, primarily consists of sales of our Ralph Lauren branded apparel, footwear, accessories, home furnishings, and related products made through our wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, our wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. Our retail business in Europe is comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our various digital commerce sites.
- *Asia* — Our Asia segment, representing approximately 17% of our Fiscal 2019 net revenues, primarily consists of sales of our Ralph Lauren branded apparel, footwear, accessories, home furnishings, and related products made through our wholesale and retail businesses in Asia, Australia, and New Zealand. Our retail business in Asia is comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our digital commerce site, www.RalphLauren.cn, which launched in September 2018. In addition, we sell our products online through various third-party digital partner commerce sites. In Asia, our wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

No operating segments were aggregated to form our reportable segments. In addition to these reportable segments, we also have other non-reportable segments, representing approximately 6% of our Fiscal 2019 net revenues, which primarily consist of (i) sales of Club Monaco branded products made through our retail businesses in the U.S., Canada, and Europe, and our licensing alliances in Europe and Asia, (ii) sales of Ralph Lauren branded products made through our wholesale business in Latin America, and (iii) royalty revenues earned through our global licensing alliances, excluding Club Monaco.

This segment structure is consistent with how we establish our overall business strategy, allocate resources, and assess performance of our Company.

Approximately 46% of our Fiscal 2019 net revenues were earned outside of the U.S. See Note 19 to the accompanying consolidated financial statements for a summary of net revenues and operating income by segment, as well as net revenues and long-lived assets by geographic location.

Our Wholesale Business

Our wholesale business sells our products globally to leading upscale and certain mid-tier department stores, specialty stores, and golf and pro shops. We have continued to focus on elevating our brand by improving in-store product assortment and presentation, as well as full-price sell-throughs to consumers. As of the end of Fiscal 2019, our wholesale products were sold through over 12,000 doors worldwide, with the majority in specialty stores. Our products are also increasingly being sold through the digital commerce sites of many of our wholesale customers.

The primary product offerings sold through our wholesale channels of distribution include apparel, footwear, accessories, and home furnishings. Our luxury brands, including Ralph Lauren Collection and Ralph Lauren Purple Label, are distributed worldwide through a limited number of premier fashion retailers. In North America, our wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. In Europe, our wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. In Asia, our wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops. We also distribute our wholesale products to certain licensed stores operated by our partners in Latin America, Asia, Europe, and the Middle East.

We sell the majority of our excess and out-of-season products through secondary distribution channels worldwide, including our retail factory stores.

Worldwide Wholesale Distribution Channels

The following table presents by segment the number of wholesale doors in our primary channels of distribution as of March 30, 2019:

	Doors
North America	6,532
Europe	5,136
Asia	454
Other non-reportable segments	108
Total	12,230

We have three key wholesale customers that generate significant sales volume. During Fiscal 2019, sales to our largest wholesale customer, Macy's, Inc. ("Macy's"), accounted for approximately 8% of our total net revenues. Further, during Fiscal 2019, sales to our three largest wholesale customers, including Macy's, accounted for approximately 19% of our total net revenues. Substantially all sales to our three largest wholesale customers related to our North America segment.

Our products are sold primarily by our own sales forces. Our wholesale business maintains its primary showrooms in New York City. In addition, we maintain regional showrooms in Bologna, London, Madrid, Munich, Paris, and Stockholm.

Shop-within-Shops. As a critical element of our distribution to department stores, we and our licensing partners utilize shop-within-shops to enhance brand recognition, to permit more complete merchandising of our lines by the department stores, and to differentiate the presentation of our products.

The following table presents by segment the number of shop-within-shops in our primary channels of distribution as of March 30, 2019:

	Shop-within-Shops
North America	13,680
Europe	5,646
Asia	631
Other non-reportable segments	128
Total	20,085

The size of our shop-within-shops ranges from approximately 50 to 9,200 square feet. Shop-within-shop fixed assets primarily include items such as customized freestanding fixtures, wall cases and components, decorative items, and flooring. We normally share in the cost of building out these shop-within-shops with our wholesale customers.

Replenishment Program. Core products such as knit shirts, chino pants, oxford cloth shirts, select accessories, and home products can be ordered by our wholesale customers at any time through our replenishment program. We generally ship these products within two to five days of order receipt.

Our Retail Business

Our retail business sells directly to customers throughout the world via our 501 retail stores and 653 concession-based shop-within-shops, totaling approximately 4.0 million and 0.6 million square feet, respectively, as well as through our own digital commerce sites and those of various third-party digital partners. We operate our business using a global omni-channel retailing strategy that seeks to deliver an integrated shopping experience with a consistent message of our brands and products to our customers, regardless of whether they are shopping for our products in physical stores or online.

Ralph Lauren Stores

Our Ralph Lauren stores feature a broad range of apparel, footwear, accessories, watch and jewelry, fragrance, and home product assortments in an atmosphere reflecting the distinctive attitude and image of the Ralph Lauren, Polo, and Double RL brands, including exclusive merchandise that is not sold in department stores. During Fiscal 2019, we opened 18 new Ralph Lauren

stores and closed eight stores. Our Ralph Lauren stores are primarily situated in major upscale street locations and upscale regional malls, generally in large urban markets.

The following table presents the number of Ralph Lauren stores by segment as of March 30, 2019:

	Ralph Lauren Stores
North America	41
Europe	23
Asia	57
Total	121

Our nine flagship Ralph Lauren regional store locations showcase our iconic styles and products and demonstrate our most refined merchandising techniques. In addition to generating sales of our products, our worldwide Ralph Lauren stores establish, reinforce, and capitalize on the image of our brands. Our Ralph Lauren stores range in size from approximately 600 to 37,900 square feet.

Factory Stores

We extend our reach to additional consumer groups through our 305 factory stores worldwide, which are principally located in major outlet centers. Our worldwide factory stores offer selections of our apparel, footwear, accessories, and fragrances. In addition to these product offerings, certain of our factory stores in North America and Europe offer home furnishings. During Fiscal 2019, we opened 28 new factory stores and closed 13 factory stores.

The following table presents the number of factory stores by segment as of March 30, 2019:

	Factory Stores
North America	183
Europe	64
Asia	58
Total	305

Our factory stores range in size from approximately 1,100 to 28,300 square feet. Factory stores obtain products from our suppliers, our product licensing partners, and our other retail stores and digital commerce operations, and also serve as a secondary distribution channel for our excess and out-of-season products.

Concession-based Shop-within-Shops

The terms of trade for shop-within-shops are largely conducted on a concession basis, whereby inventory continues to be owned by us (not the department store) until ultimate sale to the end consumer. The salespeople involved in the sales transactions are generally our employees and not those of the department store.

The following table presents the number of concession-based shop-within-shops by segment as of March 30, 2019:

	Concession-based Shop-within-Shops
North America	2
Europe	24
Asia	622
Other non-reportable segments	5
Total ^(a)	653

^(a) Our concession-based shop-within-shops were located at approximately 300 retail locations.

The size of our concession-based shop-within-shops ranges from approximately 100 to 3,300 square feet. We may share in the cost of building out certain of these shop-within-shops with our department store partners.

Club Monaco Stores

Our Club Monaco stores feature fashion apparel, footwear, and accessories for both men and women with clean and contemporary signature styles. During Fiscal 2019, we opened five new Club Monaco stores and closed one store. Our Club Monaco stores range in size from approximately 1,200 to 17,400 square feet.

The following table presents the number of Club Monaco stores by geographic location as of March 30, 2019:

	Club Monaco Stores
North America	71
Europe	4
Total ^(a)	75

^(a) Our Club Monaco business has been aggregated with other non-reportable segments.

Directly-Operated Digital Commerce Websites

In addition to our stores, our retail business sells products online in North America and Europe through our various directly-operated digital commerce sites, which include www.RalphLauren.com and www.ClubMonaco.com, among others. In Asia, we sell products online through our directly-operated digital commerce site, www.RalphLauren.cn, which launched in September 2018, as well as through various third-party digital partner commerce sites.

Our Ralph Lauren digital commerce sites offer our customers access to a broad array of Ralph Lauren, Polo, and Double RL apparel, footwear, accessories, watch and jewelry, fragrance, and home product assortments, and reinforce the luxury image of our brands. While investing in digital commerce operations remains a primary focus, it is an extension of our investment in the integrated omni-channel strategy used to operate our overall retail business, in which our digital commerce operations are interdependent with our physical stores.

Our Club Monaco digital commerce sites offer our domestic and Canadian customers access to our global assortment of Club Monaco apparel, footwear, and accessories product lines, as well as select online exclusives.

Our Licensing Business

Through licensing alliances, we combine our consumer insight, design, and marketing skills with the specific product or geographic competencies of our licensing partners to create and build new businesses. We generally seek out licensing partners who are leaders in their respective markets, contribute the majority of the product development costs, provide the operational infrastructure required to support the business, and own the inventory. Our licensing business has been aggregated with other non-reportable segments.

Product Licensing

We grant our product licensees the right to access our various trademarks in connection with the licensees' manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings. Each product licensing partner pays us royalties based upon its sales of our products, generally subject to a minimum royalty requirement for the right to use our trademarks and design services. In addition, our licensing partners may be required to allocate a portion of their revenues to advertising our products and sharing in the creative costs associated with these products. Larger allocations typically are required in connection with launches of new products or in new territories. Our license agreements generally have two to five-year terms and may grant the licensees conditional renewal options.

We work closely with all of our licensing partners to ensure that their products are developed, marketed, and distributed to reach the intended consumer and are presented consistently across product categories to convey the distinctive identity and lifestyle associated with our brands. Virtually all aspects of the design, production quality, packaging, merchandising, distribution, advertising, and promotion of Ralph Lauren products are subject to our prior approval and continuing oversight. We perform a broader range of services for most of our Ralph Lauren Home licensing partners than we do for our other licensing partners, including design, operating showrooms, marketing, and advertising.

The following table lists our largest licensing agreements as of March 30, 2019 for the product categories presented. Except as noted in the table, these product licenses cover North America only.

Category	Licensed Products	Licensing Partners
Men's Apparel	Underwear and Sleepwear	Hanesbrands, Inc. (includes Japan)
	Chaps, Lauren, and Ralph Tailored Clothing	Peerless Clothing International, Inc.
Women's Apparel	Outerwear	S. Rothschild & Co., Inc.
	Swimwear	Manhattan Beachwear, Inc. (includes Europe)
Beauty Products	Fragrances, Cosmetics, Color, and Skin Care	L'Oreal S.A. (global)
Accessories	Eyewear	Luxottica Group S.p.A. (global)
Home	Bedding and Bath	Ichida Co., Ltd. (Japan only)
	Utility and Blankets	Ichida Co., Ltd. (Japan only) and Hollander Sleep Products LLC
	Fabric and Wallpaper	P. Kaufmann, Inc. (includes Australia, New Zealand, South Africa, and portions of South America and Asia)

International Licensing

Our international licensing partners acquire the right to sell, promote, market, and/or distribute various categories of our products in a given geographic area and source products from us, our product licensing partners, and independent sources. International licensees' rights may include the right to own and operate retail stores. As of March 30, 2019, our international licensing partners operated 108 Ralph Lauren stores, 39 Ralph Lauren concession shops, and 138 Club Monaco stores and shops.

Digital Ecosystem

Investing in our digital ecosystem remains a primary focus and is a key component of our integrated global omni-channel strategy that spans across owned and partnered channels, both physical and digital. Our digital ecosystem is comprised of directly-operated platforms, wholesale partner websites, third-party digital pure players, and social commerce.

Our directly-operated digital commerce sites represent our digital flagships, displaying the most elevated expression of our brands. The strategy for our digital flagships is to deliver distinct and immersive brand experiences, continuously enhance consumer experience, and develop digital content that drives deeper consumer engagement and conversion. With the launch of our localized sites in Spain and China this year, we continue to expand the reach of our digital flagship experience. In connection with our long-term growth strategy, we are also working to broaden our omni-channel service offerings, such as pickup and return in store.

Our products are also sold through the digital commerce sites of many of our wholesale customers across the globe. With all partners in our ecosystem, we seek to showcase the brand consistently with our values. We collaborate with our key wholesale partners to deliver the right content to the right audience, and leverage consumer insights to develop a holistic, channel-agnostic view of our consumer.

We also sell our products online through various third-party digital pure-play sites to reach younger consumers and amplify our brand messages. On many of these sites, we have created digital shop-in-shop environments with a consistent brand experience, tailored product stories, and an assortment that is carefully curated by our merchants. We also partner closely with our pure-play customers on marketing content and events, as well as optimizing search and other data analyses to drive higher traffic and conversion for our brands. With the launch of our WeChat mini-program in China, we have also begun to tap into the social commerce opportunity.

In connection with our digital commerce operations, we engage consumers through various digital and social media platforms, which are supported through our collaboration with influencers who have an authentic connection to our brand.

Seasonality of Business

Our business is typically affected by seasonal trends, with higher levels of wholesale sales in our second and fourth fiscal quarters and higher retail sales in our second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting our retail business. As a result of changes in our business, consumer spending patterns, and the macroeconomic environment, historical quarterly operating trends and working capital requirements may not be indicative of our future performance. In addition, fluctuations in sales, operating income, and cash flows in any fiscal quarter may be affected by other events affecting retail sales, such as changes in weather patterns.

Working capital requirements vary throughout the year. Working capital requirements typically increase during the first half of the fiscal year as inventory builds to support peak shipping/selling periods and, accordingly, typically decrease during the second half of the fiscal year as inventory is shipped/sold. Cash provided by operating activities is typically higher in the second half of the fiscal year due to reduced working capital requirements during that period.

Product Design

Our products reflect a timeless and innovative interpretation of American style with a strong international appeal. Our consistent emphasis on new and distinctive design has been an important contributor to the prominence, strength, and reputation of the Ralph Lauren brands.

Our Ralph Lauren products are designed by, and under the direction of, Mr. Ralph Lauren and our design staff. We form design teams around our brands and product categories to develop concepts, themes, and products for each brand and category. Through close collaboration with merchandising, sales, and production staff, these teams support all of our businesses in order to gain market information and other valuable input.

Marketing and Advertising

Our marketing and advertising programs communicate the themes and images of our brands and are integral to the success of our product offerings. The majority of our advertising program is created and executed by our in-house creative and advertising agency to ensure consistency of presentation, which is complemented by our marketing experts in each region who help to execute our international strategies.

We create distinctive image advertising for our brands, conveying the particular message of each one within the context of the overall Ralph Lauren aesthetic. Advertisements generally portray a lifestyle rather than a specific item and include a variety of products offered by ourselves and, in some cases, our licensing partners. Our communication campaigns are increasingly being executed through digital and social media platforms to drive further engagement with the younger consumer, with a focus on influencers. In regards to influencers, we believe in fostering long-term relationships with those who have an authentic connection to our brand and influence the areas of culture that matter most to our audiences. We also continue to advertise through print and outdoor media, and, to a lesser extent, through television and cinema.

Our digital advertising programs focus on high impact and innovative digital media outlets, which allow us to convey our key brand messages and lifestyle positioning. We also develop digital editorial initiatives that allow for deeper education and engagement around the Ralph Lauren lifestyle, including the RL Magazine, RL Style Guide, and a wide array of video and social media content. We deploy these marketing and advertising initiatives through online, mobile, video, email, and social media. Our digital commerce sites present the Ralph Lauren lifestyle online, while offering a broad array of our apparel, footwear, accessories, and home product lines.

Additionally, we advertise in consumer and trade publications, and participate in cooperative advertising on a shared cost basis with some of our retail and licensing partners. We have outdoor advertising placements in key cities as well, focusing on impact and reach. We also provide point-of-sale fixtures and signage to our wholesale customers to enhance the presentation of our products at their retail locations. In addition, when our licensing partners are required to spend an amount equal to a percentage of their licensed product sales on advertising, in certain cases we coordinate the advertising placement on their behalf. We believe our investments in shop-within-shop environments and retail stores, including our global flagship locations, contribute to and enhance the themes of our brands to consumers.

We also conduct a variety of public relations activities. Each spring and fall, our Ralph Lauren Women's Collection is presented during New York Fashion Week. We also introduce each of the spring and fall menswear and womenswear collections at press presentations in major cities such as New York City and Milan. These fashion events, in addition to celebrity red carpet dressing moments and events hosted in our stores and restaurants, including The *Polo Bar* in New York City, generate extensive domestic and international media and social coverage.

We continue to be the official outfitter for all on-court officials at both the Wimbledon and the U.S. Open tennis tournaments. Both tournaments provide worldwide exposure for our brand in a relevant lifestyle environment. We also continue to be the exclusive Official Parade Outfitter for the U.S. Olympic and Paralympic Teams, with the right to manufacture, distribute, advertise, promote, and sell products in the U.S. which replicate the Parade Outfits and associated leisure wear. Most recently, we dressed Team U.S.A. for the 2018 Olympic Winter Games in PyeongChang, South Korea, and will be dressing the team for the 2020 Summer Olympic Games in Tokyo, Japan. As part of our involvement with Team U.S.A., we have established a partnership with athletes serving as brand ambassadors and as the faces of our advertising, marketing, and public relations campaigns. We are also the official apparel outfitter for the Professional Golfers' Association ("PGA") of America, the PGA Championship, and the U.S. Ryder Cup Team, as well as a partner of the American Junior Golf Association. We sponsor a roster of professional golfers, including Jonathan Byrd, Billy Horschel, Smylie Kaufman, Davis Love III, Justin Thomas, and Tom Watson.

We believe our partnerships with such prestigious global athletic events reinforce our brand's sporting heritage in a truly authentic way and serve to connect our Company and brands to our consumers through their individual areas of passion.

Sourcing, Production and Quality

We contract for the manufacture of our products and do not own or operate any production facilities. Over 500 different manufacturers worldwide produce our apparel, footwear, accessories, and home products, with no one manufacturer providing more than 4% of our total production during Fiscal 2019. We source both finished products and raw materials. Raw materials include fabric, buttons, and other trim. Finished products consist of manufactured and fully assembled products ready for shipment to our customers. In Fiscal 2019, over 97% of our products (by dollar value) were produced outside of the U.S., primarily in Asia, Europe, and Latin America, with approximately one-third of our products sourced from China. See *"Import Restrictions and Other Government Regulations"* and Item 1A — *"Risk Factors — Our business is subject to risks associated with importing products and the ability of our manufacturers to produce our goods on time and to our specifications."*

Most of our businesses must commit to the manufacturing of our garments before we sell finished goods, whether to wholly-owned retail stores or to wholesale customers. We also must commit to the purchase of fabric from mills well in advance of our sales. If we overestimate our primary customers' demand for a particular product or the need for a particular fabric or yarn, we primarily sell the excess products or garments made from such fabric or yarn in our factory stores or through other secondary distribution channels.

Suppliers operate under the close supervision of our global manufacturing division and buying agents headquartered in Asia, the Americas, the Middle East, and Europe. All products are produced according to our specifications and standards. Production and quality control staff in Asia, the Americas, the Middle East, and Europe monitor manufacturing at supplier facilities in order to correct problems prior to shipment of the final product. Procedures have been implemented under our vendor certification and compliance programs so that quality assurance is reviewed early in the production process, allowing merchandise to be received at the distribution facilities and shipped to customers with minimal interruption.

Competition

Competition is very strong in the segments of the fashion and consumer product industries in which we operate. We compete with numerous designers and manufacturers of apparel, footwear, accessories, fragrances, and home furnishing products, both domestic and international. We also face increasing competition from companies selling our product categories through the Internet. Some of our competitors may be significantly larger and have substantially greater resources than us. We compete primarily on the basis of fashion, quality, value, and service, which depend on our ability to:

- anticipate and respond to changing consumer demands and shopping preferences, including the increasing shift to digital brand engagement, social media communications, and online shopping;
- create and maintain favorable brand recognition, loyalty, and reputation for quality;

- develop and produce innovative, high-quality products that appeal to consumers of varying age groups;
- competitively price our products and create an acceptable value proposition for consumers;
- provide strong and effective marketing support;
- obtain additional points of distribution and sufficient retail floor space, and effectively present our products to consumers;
- attract consumer traffic to stores, shop-within-shops, and websites;
- source raw materials at cost-effective prices;
- anticipate and maintain proper inventory levels;
- ensure product availability and optimize supply chain and distribution efficiencies;
- maintain and grow market share;
- recruit and retain key employees; and
- protect our intellectual property.

See Item 1A — "Risk Factors — We face intense competition worldwide in the markets in which we operate."

Distribution

To facilitate global distribution, our products are shipped from manufacturers to a network of distribution centers around the world for inspection, sorting, packing, and delivery to our retail locations and digital commerce and wholesale customers. This network includes the following primary distribution facilities:

Facility Location	Geographic Region Served	Facility Ownership
N. Pendleton Street, High Point, North Carolina	U.S.	Owned
NC Highway 66, High Point, North Carolina	U.S.	Leased
Greensboro, North Carolina	U.S.	Leased
Chino Hills, California	U.S.	Third-party
Miami, Florida	U.S.	Third-party
Toronto, Ontario	Canada	Third-party
Parma, Italy	Europe and Latin America	Third-party
Yokohama, Japan	Japan	Third-party
Bugok, South Korea	South Korea	Leased
Tuen Mun, Hong Kong	Greater China and Southeast Asia ^(a)	Third-party

^(a) Includes Australia, China, Hong Kong, India, Macau, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.

All facilities are designed to allow for high-density cube storage and value-added services, and utilize unit and carton tracking technology to facilitate process control and inventory management. The distribution network is managed through globally integrated information technology systems.

Information Systems

Our information systems facilitate business processes, consumer experiences, and decision-making support across the Company and our extended ecosystem of manufacturers, vendors, business partners, and customers. Our system applications are connected to support the flow of information across functions, including:

- product design, sourcing, and production;
- comprehensive order processing, fulfillment, and distribution;
- retail store and digital commerce operations;
- marketing and advertising;
- financial accounting and management reporting; and
- human resources.

Our retail operation systems, including point-of-sale registers and merchandising, planning, and inventory management systems, support operational processes within our store network and link with our digital commerce processes to support omni-channel capabilities.

We are continually improving and upgrading our computer systems and software. During Fiscal 2019, we shifted our European digital commerce operations to the third-party cloud-based platform used by our North America operations, and we launched our digital flagship in China. We are also continually enhancing the consumer experience by adding new functionality on our digital commerce sites. As part of a multi-year plan to integrate and upgrade our global systems and processes, we also began upgrading the operating and financial reporting information technology system used by our Asia operations during the first quarter of Fiscal 2020.

See Item 1A — "Risk Factors — A data security or privacy breach could damage our reputation and our relationships with our customers or employees, expose us to litigation risk, and adversely affect our business" and "Risk Factors — Our business could suffer if our computer systems and websites are disrupted or cease to operate effectively."

Wholesale Credit Control

We manage our own credit function. We sell our merchandise principally to major department stores and extend credit based on an evaluation of the wholesale customer's financial capacity and condition, usually without requiring collateral. We monitor credit levels and the financial condition of our wholesale customers on a continuing basis to minimize credit risk. We do not factor or underwrite our accounts receivables, or maintain credit insurance to manage the risk of bad debts. In North America, collection and deduction transactional activities are provided through a third-party service provider. See Item 1A — "Risk Factors — A substantial portion of our revenue is derived from a limited number of large wholesale customers. Our business could be adversely affected as a result of consolidations, liquidations, restructurings, other ownership changes in the retail industry, and/or any financial instability of our large wholesale customers."

Wholesale Backlog

We generally receive wholesale orders approximately three to five months prior to the time the products are delivered to customers, with the exception of orders received through our replenishment program, which ship within two to five days of order receipt. Our wholesale orders are generally subject to broad cancellation rights.

The following table presents our wholesale backlog by segment as of March 30, 2019 and March 31, 2018:

	March 30, 2019		March 31, 2018
	(billions)		
North America	\$	0.6	\$ 0.6
Europe		0.4	0.4
Total	\$	1.0	\$ 1.0

We expect that substantially all of our backlog orders as of March 30, 2019 will be filled within the next fiscal year.

The size of our order backlog depends upon a number of factors, including the timing of the market weeks for our particular lines during which a significant percentage of our orders are received and the timing of shipments, which varies from year-to-year with consideration for holidays, consumer trends, concept plans, and the replenishment program's usage. As a consequence, a comparison of the size of our order backlog from period-to-period may not be meaningful, nor may it be indicative of eventual shipments.

Trademarks

We own the RALPH LAUREN, POLO, POLO BY RALPH LAUREN DESIGN, and the famous polo player astride a horse trademarks in the U.S. and approximately 120 countries worldwide. Other trademarks that we own include:

- PURPLE LABEL;
- DOUBLE RL;
- RRL;
- RLX;
- LAUREN RALPH LAUREN;
- PINK PONY;
- LAUREN;
- RALPH;
- CHAPS;
- CLUB MONACO; and
- Various other trademarks, including those pertaining to fragrances and cosmetics.

Mr. Ralph Lauren has the royalty-free right to use as trademarks RALPH LAUREN, DOUBLE RL, and RRL in perpetuity in connection with, among other things, beef and living animals. The trademarks DOUBLE RL and RRL are currently used by the Double RL Company, an entity wholly owned by Mr. R. Lauren. In addition, Mr. R. Lauren has the right to engage in personal projects involving film or theatrical productions (not including or relating to our business) through RRL Productions, Inc., a company wholly owned by Mr. R. Lauren. Any activity by these companies has no impact on us.

Our trademarks are the subject of registrations and pending applications throughout the world for use on a variety of items of apparel, apparel-related products, home furnishings, restaurant and café services, online services and online publications, and beauty products, as well as in connection with retail services, and we continue to expand our worldwide usage and registration of related trademarks. In general, trademarks remain valid and enforceable as long as the marks are used in connection with the related products and services and the required registration renewals are filed. We regard the license to use the trademarks and our other proprietary rights in and to the trademarks as extremely valuable assets in marketing our products and, on a worldwide basis, vigorously seek to protect them against infringement. As a result of the appeal of our trademarks, our products have been the object of counterfeiting. While we have a broad enforcement program which has been generally effective in protecting our intellectual property rights and limiting the sale of counterfeit products in the U.S. and in most major markets abroad, we face greater challenges with respect to enforcing our rights against trademark infringement in certain parts of Asia.

In markets outside of the U.S., our rights to some or all of our trademarks may not be clearly established. In the course of our international expansion, we have experienced conflicts with various third parties who have acquired ownership rights in certain trademarks, including POLO and/or a representation of a Polo Player Design, which impede our use and registration of our principal trademarks. While such conflicts are common and may arise again from time to time as we continue our international expansion, we have, in general, successfully resolved such conflicts in the past through both legal action and negotiated settlements with third-party owners of the conflicting marks (see Item 1A — "*Risk Factors — Our trademarks and other intellectual property rights may not be adequately protected outside the U.S.*" and Item 3 — "*Legal Proceedings*" for further discussion). Although we

have not suffered any material restraints or restrictions on doing business in desirable markets in the past, we cannot assure that significant impediments will not arise in the future as we expand product offerings and introduce trademarks to new markets.

Import Restrictions and Other Government Regulations

Virtually all of our merchandise imported into the Americas, Europe, Asia, Australia, and New Zealand is subject to duties. In addition, most of the countries to which we ship could impose safeguard quotas and duties to protect their local industries from import surges that threaten to create market disruption. The U.S. and other countries may also unilaterally impose additional duties in response to a particular product being imported (from China or other countries) at unfairly traded prices in such increased quantities that would cause (or threaten) injury to the relevant domestic industry (generally known as "anti-dumping" actions). If dumping is suspected in the U.S., the U.S. government may self-initiate a dumping case on behalf of the U.S. textile industry which could significantly affect our costs. Furthermore, additional duties, generally known as countervailing duties, can also be imposed by the U.S. government to offset subsidies provided by a foreign government to foreign manufacturers if the importation of such subsidized merchandise injures or threatens to injure a U.S. industry.

In addition, each of the countries in which our products are sold has laws and regulations covering imports. Because the U.S. and the other countries in which our products are manufactured and sold may, from time to time, impose new duties, tariffs, surcharges, or other import controls or restrictions, or adjust presently prevailing duty or tariff rates or levels, we maintain a program of intensive monitoring of import restrictions and opportunities. We seek to minimize our potential exposure to import-related risks through, among other measures, adjustments in product design and fabrication, shifts of production among countries and manufacturers, and through geographical diversification of our sources of supply.

As almost all of our products are manufactured by foreign suppliers, the enactment of new legislation or the administration of current international trade regulations or executive action affecting textile agreements, or changes in sourcing patterns could adversely affect our operations. See Item 1A — *"Risk Factors — Our ability to conduct business globally may be affected by a variety of legal, regulatory, political, and economic risks"* and *"Risk Factors — Our business is subject to risks associated with importing products and the ability of our manufacturers to produce our goods on time and to our specifications."*

We are also subject to other international trade agreements, such as the North American Free Trade Agreement, the Central American Free Trade Agreement, the U.S.-Peru Free Trade Agreement, the U.S.-Jordan Free Trade Agreement, the U.S.-Korea Free Trade Agreement and other special trade preference programs. A portion of our imported products are eligible for certain of these duty-advantaged programs.

Apparel and other products sold by us are under the jurisdiction of multiple governmental agencies, including, in the U.S., the Federal Trade Commission, the U.S. Fish and Wildlife Service, the Environmental Protection Agency, and the Consumer Products Safety Commission. Our products are also subject to regulation in the U.S. and other countries, including the U.S. Consumer Product Safety Improvement Act, which relate principally to product labeling, licensing requirements, and consumer product safety requirements and regulatory testing, particularly with respect to products used by children. Any failure to comply with such requirements could result in significant penalties and require us to recall products, which could have a material adverse effect on our business or operating results. We believe that we are in substantial compliance with these regulations, as well as applicable federal, state, local, and foreign rules and regulations governing the discharge of materials hazardous to the environment. We do not anticipate any significant capital expenditures for environmental control matters either in the next fiscal year or in the near future. Our licensed products, licensing partners, buying/sourcing agents, and the vendors and factories with which we contract for the manufacture and distribution of our products are also subject to regulation. Our agreements require our licensing partners, buying/sourcing agents, vendors, and factories to operate in compliance with all applicable laws and regulations, and we are not aware of any violations which could reasonably be expected to have a material adverse effect on our business or operating results.

We are also subject to disclosure and reporting requirements, established under existing or new federal or state laws, such as the requirements to identify the origin and existence of certain "conflict minerals" under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and disclosures of specific actions to eradicate abusive labor practices in our supply chain under the California Transparency in Supply Chains Act. While we require our suppliers to operate in compliance with all applicable laws and our operating guidelines which promote ethical and socially responsible business practices, any violation of labor, environmental, health, and safety or other laws, or any divergence by an independent supplier's labor practices from generally accepted industry standards, could damage our reputation, disrupt our sourcing capabilities, and increase the cost of doing business, adversely affecting our results of operations. See Item 1A — *"Risk Factors — Our business could suffer if we fail to comply with labor laws or if one of our manufacturers fails to use acceptable labor or environmental practices."*

Although we have not suffered any material restriction from doing business in desirable markets in the past, we cannot assure that significant impediments will not arise in the future as we expand product offerings and introduce additional trademarks to new markets.

Employees

As of March 30, 2019, we had approximately 24,300 employees, comprised of approximately 13,000 full-time and approximately 11,300 part-time employees. Approximately 13,500 of our employees are located in the U.S. and approximately 10,800 are located in foreign countries. Approximately 20 of our U.S. production employees in the womenswear business are members of Workers United (which was previously known as UNITE HERE) under an industry association collective bargaining agreement, which our womenswear subsidiary has adopted. We consider our relations with both our union and non-union employees to be good.

Information About Our Executive Officers

The following are our current executive officers and their principal recent business experience:

Ralph Lauren	Age 79	Mr. Ralph Lauren founded our business in 1967 and, for five decades, has cultivated the iconography of America into a global lifestyle brand. He has been our Executive Chairman and Chief Creative Officer since November 2015, and a director of the Company since prior to our initial public offering in 1997. He had previously been our Chairman and Chief Executive Officer since prior to our initial public offering in 1997 until November 2015. In addition, he was previously a member of our Advisory Board or the Board of Directors of our predecessors since their organization.
Patrice Louvet	Age 54	Mr. Louvet has served as our President and Chief Executive Officer, and a director of the Company since July 2017. Prior to joining the Company, he served as the Group President, Global Beauty, of Procter & Gamble Co. ("P&G") since February 2015. Prior to that role, Mr. Louvet held successively senior leadership positions at P&G, including the roles of Group President, Global Grooming (Gillette), and President of P&G's Global Prestige Business. Before he joined P&G, he served as a Naval Officer, Admiral Aide de Camp in the French Navy from 1987 to 1989. Mr. Louvet graduated from École Supérieure de Commerce de Paris and received his M.B.A. from the University of Illinois. He has served as a member of the board of directors of Bacardi Limited since July 2012.
Valérie Hermann	Age 56	Ms. Hermann has been our President, Global Brands since September 2016, with responsibility for all aspects of the development of our global brand groups, including Ralph Lauren Luxury, Polo Ralph Lauren, Lauren, Chaps, and Ralph Lauren Home. She served as our Global Brand President of Luxury, Women's Collections, and World of Accessories from May 2016 through September 2016, and was our President of Luxury Collections from April 2014 through April 2016. Ms. Hermann was President and Chief Executive Officer of Reed Krakoff Co. from April 2011 through March 2014. From 2005 to 2011, she served as Chief Executive Officer of Saint Laurent Paris. Prior to that, Ms. Hermann held various positions at LVMH Moët Hennessy Louis Vuitton, including Director of Women's Ready to Wear at Dior.
David Lauren	Age 47	Mr. David Lauren is our Chief Innovation Officer, Strategic Advisor to the CEO, and Vice Chairman of the Board. He has served as our Chief Innovation Officer and Vice Chairman of the Board since October 2016. From November 2010 to October 2016, he served as our Executive Vice President of Global Advertising, Marketing and Communications. Prior to that, he served in numerous leadership roles at the Company with responsibility for advertising, marketing, and communications. He has been a director of the Company since August 2013. Mr. D. Lauren oversees the Company's innovation processes and capabilities to drive its brand strength and financial performance across all channels. He has been instrumental in growing the Company's global digital commerce business and pioneering our technology initiatives. He serves on the board of trustees of the Ralph Lauren Center for Cancer Care and Prevention and the board of directors of The National Museum of American History. Mr. D. Lauren is also the Head of The Polo Ralph Lauren Foundation. Before joining the Company in 2000, he was Editor-In-Chief and President of Swing, a general interest publication for Generation X. Mr. D. Lauren is the son of Mr. R. Lauren.
Jane Hamilton Nielsen	Age 55	Ms. Nielsen has been our Chief Financial Officer since September 2016 and our Chief Operating Officer since April 2019. She served as Chief Financial Officer of Coach, Inc. from September 2011 to August 2016. From 2009 to 2011, she was Senior Vice President and Chief Financial Officer of PepsiCo Beverages Americas and the Global Nutrition Group, divisions of PepsiCo, Inc., with responsibility for all financial management including financial reporting, performance management, capital allocation, and strategic planning. Prior to that, Ms. Nielsen held various senior roles in finance at PepsiCo, Inc. and Pepsi Bottling Group starting in 1996. She also served on the board of directors of Pinnacle Foods Inc. Ms. Nielsen received her M.B.A. from the Harvard Business School and B.A. from Smith College.

Item 1A. Risk Factors

There are risks associated with an investment in our securities. The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Annual Report on Form 10-K. Any of the following risk factors could materially adversely affect our business, our prospects, our results of operations, our financial condition, our liquidity, the trading price of our securities, and/or the actual outcome of matters as to which forward-looking statements are made in this report. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also materially adversely affect our business, results of operations, and financial condition in future periods or if circumstances change.

The loss of the services of Mr. Ralph Lauren, members of our executive management team, or other key personnel could have a material adverse effect on our business.

Mr. Ralph Lauren's leadership in the design and marketing areas of our business has been a critical element of our success since the inception of our Company. Mr. R. Lauren is instrumental to, and closely identified with, our brand that bears his name. Our ability to maintain our brand image and leverage the goodwill associated with Mr. R. Lauren's name may be damaged if we were to lose his services. The death or disability of Mr. R. Lauren or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on our business, results of operations, and financial condition.

We also depend on the service and management experience of other key executive officers and other members of senior management who have substantial experience and expertise in our industry and our business and have made significant contributions to our growth and success. Competition in our industry to attract and retain these employees is intense and is influenced by our reputation, our ability to offer competitive compensation and benefits, and economic conditions, among other factors. The loss of the services of any of our key executive officers or other members of senior management, or one or more of our other key personnel, or the concurrent loss of several of these individuals or any negative public perception with respect to these individuals, could also have a material adverse effect on our business, results of operations, and financial condition.

We are not protected by a material amount of key-man or similar life insurance covering our executive officers, including Mr. R. Lauren, or other members of senior management. We have entered into employment agreements with certain of our executive officers, but competition for experienced executives in our industry is intense and the non-compete period with respect to certain of our executive officers could, in some circumstances in the event of their termination of employment with our Company, end prior to the employment term set forth in their employment agreements.

We cannot assure the successful implementation of our growth strategy.

We have developed a long-term growth strategy with the objective of delivering sustainable, profitable growth and long-term value creation for shareholders, as described in Item 1 — "*Business — Objectives and Opportunities*." Our ability to successfully execute our growth strategy is subject to various risks and uncertainties, as described within this "Risk Factors" section of our Form 10-K.

Although we believe that our growth strategy will lead to long-term growth in revenue and profitability, there can be no assurance regarding the timing of or extent to which we will realize the anticipated benefits, if at all. Our failure to realize the anticipated benefits, which may be due to our inability to execute the various elements of our growth strategy, changes in consumer preferences, competition, economic conditions, and other risks described herein, could have a material adverse effect on our business, results of operations, and financial condition. Such a failure could also result in the implementation of additional restructuring-related activities, which may be dilutive to our earnings in the short term.

Achievement of our growth strategy may require investment in new capabilities, distribution channels, and technologies. These investments may result in short-term costs without accompanying current revenues and, therefore, may be dilutive to our earnings in the short term. There can be no assurance regarding the timing of or extent to which we will realize the anticipated benefits of these investments and other costs, if at all.

We may not be successful in the expansion of our multi-channel distribution network or accelerating growth in certain product categories.

Implementation of our growth strategy involves the continuation and expansion of our multi-channel distribution network, including within international markets such as China, which is subject to many factors, including, but not limited to, our ability to:

- identify new or underpenetrated markets where our products and brand will be accepted by consumers;
- attract customers, particularly in new markets;
- identify desirable freestanding and department store locations, the availability of which may be out of our control;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- efficiently and cost effectively build-out stores and shop-within-shops;
- source sufficient inventory levels to meet the needs of the new stores and shop-within-shops;
- hire, train, and retain competent store personnel; and
- integrate new stores and shop-within-shops into our existing systems and operations.

Any of these challenges could delay or otherwise prevent us from successfully executing our distribution expansion strategy. There can be no assurance that our new stores and shop-within-shops will be successful and profitable or if the capital costs associated with the build-out of such new locations will be recovered. Further, entry into new markets may bring us into competition with new or existing competitors that have a more established market presence than us or other competitive advantages. Other risks related to our international expansion plans include general economic conditions in specific countries or markets, changes in diplomatic and trade relationships and any resulting anti-American sentiment, political instability, and foreign government regulation, among other risks described herein. If our expansion plans are unsuccessful or do not deliver an appropriate return on our investments, our business, results of operations, and financial condition could be adversely affected.

The success of our business also depends on our ability to continue to maintain, enhance, and expand our digital footprint and capabilities. Consumers are increasingly shopping online using computers, smartphones, tablets, and other devices. Any failure on our part, or on the part of our third party digital partners, to provide attractive, reliable, secure, and user-friendly digital commerce platforms could negatively impact our customers' shopping experience resulting in reduced website traffic, diminished loyalty to our brands, and lost sales. In addition, as we continue to expand and increase the global presence of our digital commerce business, sales from our brick and mortar stores and wholesale channels of distribution in areas where digital commerce sites are introduced may decline due to changes in consumer shopping habits and cannibalization.

Our growth strategy also includes accelerating growth in certain high-value, underdeveloped product categories, comprised of denim, wear to work, outerwear, footwear, and accessories. We compete with other retailers in these product categories, some of which may be significantly larger than us and more established in these product categories, and competition is intense, as described within other risk factors herein. There can be no assurance that our targeted expansion in these product categories will be successful.

The success of our business depends on our ability to respond to constantly changing fashion and retail trends and consumer demands in a timely manner, develop products that resonate with our existing customers and attract new customers, and provide a seamless shopping experience to our customers.

The industries in which we operate have historically been subject to rapidly changing fashion trends and consumer preferences. Our success depends in large part on our ability to originate and define fashion product and home product trends, as well as to anticipate, gauge, and react to changing consumer demands in a timely manner. Our products must appeal to a broad range of consumers worldwide whose preferences cannot be predicted with certainty and are subject to rapid change, influenced by fashion trends, current economic conditions, and weather conditions, among other factors. This issue is further compounded by the increasing use of digital and social media by consumers and the speed by which information and opinions are shared across the globe. We cannot assure that we will be able to continue to develop appealing styles or successfully meet constantly changing consumer demands in the future. In addition, we cannot assure that any new products or brands that we introduce will be successfully received by consumers. Any failure on our part to anticipate, identify, and respond effectively to changing consumer demands and fashion trends could adversely affect retail and consumer acceptance of our products and leave us with a substantial amount of unsold inventory or missed opportunities. Conversely, if we underestimate consumer demand for our products or if manufacturers

fail to supply quality products in a timely manner, we may experience inventory shortages. Any of these outcomes could have a material adverse effect on our business, results of operations, and financial condition. For a discussion of risks related to our inventory management, see *"Our profitability may decline if we are unable to effectively manage inventory or as a result of increasing pressure on margins."*

Our marketing and advertising programs are integral to the success of our product offerings and on our ability to attract new customers and retain existing customers. Our communication campaigns are increasingly being executed through digital and social media platforms to drive further engagement with the younger consumer, with a focus on influencers. However, we cannot assure that our marketing and advertising programs will be successful or appeal to consumers.

The success of our business also depends on our ability to continue to develop and maintain a reliable omni-channel experience for our customers. Our business has evolved from an in-store experience to a shopping experience through multiple technologies, including computers, smartphones, tablets, and other devices, as our customers have become increasingly technologically savvy. We are increasingly using digital and social media platforms to interact with customers and as a means to enhance their shopping experience. If we are unable to develop and continuously improve our customer-facing technologies, we may not be able to provide a convenient and consistent experience to our customers regardless of the sales channel. This could negatively affect our ability to compete with other retailers and result in diminished loyalty to our brands, which could adversely impact our business, results of operations, and financial condition.

We have also implemented, and expect to continue to implement, new store design concepts as part of our growth strategy. There can be no assurance that any of our new store designs will resonate with customers or otherwise achieve the desired sales and profitability measures necessary to recover our initial capital investments. If we are unable to successfully develop new store designs, or if customers are not receptive to the design layout or visual merchandising, our business, results of operations, and financial condition could be adversely affected. In addition, the failure of new store designs to achieve acceptable results could lead to our decision to close a store prior to the lease expiration date. For additional discussion of risks related to the early termination of our leases, see *"Our business is subject to risks associated with leasing real estate and other assets under long-term, non-cancellable leases."*

Our profitability may decline if we are unable to effectively manage inventory or as a result of increasing pressure on margins.

We have implemented key strategic initiatives designed to optimize our inventory levels and improve the efficiency and responsiveness of our supply chain. Although we have shortened lead times for the design, sourcing, and production of certain of our product lines, we expect to continue to place orders with our vendors for the majority of our products in advance of the related selling season. As a result, we are vulnerable to changes in consumer preferences and demand and pricing shifts. Our failure to continue to shorten lead times or to correctly anticipate consumer preferences and demand could result in the build-up of excess inventory. If that occurs, we may be forced to rely on less preferred distribution channels, markdowns, promotional sales, destruction, or donations to dispose of excess, slow-moving inventory, which may negatively impact our overall profitability and/or impair the image of our brands. Conversely, if we underestimate consumer demand for our products or if manufacturers fail to supply quality products in a timely manner, we may experience inventory shortages, which may negatively impact customer relationships, diminish brand loyalty, and result in lost sales. Any of these outcomes could have a material adverse effect on our business, results of operations, and financial condition.

Additionally, our industry is subject to significant pricing pressure caused by many factors, including intense competition and a highly promotional retail environment, consolidation in the retail industry, pressure from retailers to reduce the costs of products, and changes in consumer spending patterns. Although we have reduced our promotional activity in connection with our quality of sales initiatives, these factors may cause us to reduce our sales prices to retailers and consumers, which could cause our gross margin to decline if we are unable to appropriately manage inventory levels and/or otherwise offset price reductions with comparable reductions in our costs. If our sales prices decline and we fail to sufficiently reduce our product costs or operating expenses, our profitability will decline. This could have a material adverse effect on our business, results of operations, and financial condition. In addition, changes in our customer, channel, and geographic sales mix could have a negative impact on our profitability.

The success of our business depends on our ability to retain the value and reputation of our brands.

Our success depends on the value and reputation of our brands and our ability to consistently anticipate, identify, and respond to customers' demands, preferences, and fashion trends in the design, pricing, and production of our products, including the preference for certain products to be manufactured in the U.S. As the Ralph Lauren name is integral to our business, any negative publicity regarding Mr. R. Lauren or our Company, especially through social media which accelerates and increases the potential scope of negative publicity, could negatively impact the image of our brands with our customers and result in diminished loyalty to our brands, even if the subject of such publicity is unverified or inaccurate. Additionally, our failure to comply with ethical, social, product safety, labor, health, environmental or other standards and regulations could damage the reputation of our brands and lead to adverse consumer actions and/or investment decisions by investors, as well as expose us to government enforcement action and/or private litigation. Even if we react appropriately to negative publicity, our customers' perception of our brand image and our reputation could be negatively impacted. Any failure on our part to retain the value and reputation of brands could adversely impact our business, results of operations, and financial condition.

We face intense competition worldwide in the markets in which we operate.

We face increasing competition from companies selling apparel, footwear, accessories, home, and other of our product categories through the Internet. Although we sell our products through the Internet, increased competition and promotional activity in the worldwide apparel, footwear, accessory, and home product industries from Internet-based competitors could reduce our sales, prices, and margins and adversely affect our business, results of operations, and financial condition. We also face intense competition from other domestic and foreign fashion-oriented apparel, footwear, accessory, and casual apparel producers that sell products through brick and mortar stores and wholesale and licensing channels. We compete with these companies primarily on the basis of:

- anticipating and responding in a timely fashion to changing consumer demands and shopping preferences, including the increasing shift to digital brand engagement, social media communications, and online shopping;
- creating and maintaining favorable brand recognition, loyalty, and a reputation for quality;
- developing and producing innovative, high-quality products in sizes, colors, and styles that appeal to consumers of varying age groups;
- competitively pricing our products and creating an acceptable value proposition for consumers;
- providing strong and effective marketing support;
- obtaining sufficient retail floor space and effective presentation of our products at stores and shop-within-shops;
- attracting consumer traffic to stores, shop-within-shops, and websites;
- sourcing raw materials at cost-effective prices;
- anticipating and maintaining proper inventory levels;
- ensuring product availability and optimizing supply chain and distribution efficiencies with third-party manufacturers and retailers;
- maintaining and growing market share;
- recruiting and retaining key employees; and
- protecting our intellectual property.

Some of our competitors may be significantly larger and more diversified and may have greater financial, marketing, and distribution resources, more desirable store locations, and/or greater digital commerce presence than us, among other competitive advantages. Such competitive advantages may enable them to better withstand unfavorable economic conditions, compete more effectively on the basis of price and production, and/or more quickly respond to rapidly changing fashion trends and consumer demands than us. In addition, technological advances and the retail industry's low barriers to entry allow for the introduction of new competitors and products at a rapid pace.

Any increased competition, or our failure to adequately address any of these competitive factors, could result in reduced market share or sales, which could adversely affect our business, results of operations, and financial condition.

Economic, political, and other conditions may adversely affect the level of consumer purchases of discretionary items and luxury retail products, including our products.

The industries in which we operate are cyclical. Many economic and other factors outside of our control affect the level of consumer spending in the apparel, footwear, accessory, and home product industries, including, among others:

- actual and perceived economic conditions;
- employment levels and wage rates;
- stock market performance;
- inflation;
- interest rates;
- foreign currency exchange rates;
- the housing market;
- consumer debt levels;
- the availability of consumer credit;
- commodity prices, including fuel and energy costs;
- taxation;
- consumer confidence in future economic conditions;
- general domestic and international political conditions;
- the threat, outbreak, or escalation of terrorism, military conflicts, or other hostilities; and
- weather conditions.

Consumer purchases of discretionary items and luxury retail products, including our products, tend to decline during recessionary periods and at other times when disposable income is lower. Unfavorable economic conditions and other factors may also reduce consumers' willingness and ability to travel to major cities and vacation destinations in which our stores and shop-within-shops are located. Further, consumers may prefer to spend more of their discretionary income on "experiences," such as dining and entertainment, over consumer goods. A downturn or an uncertain outlook in the economies in which we, or our wholesale and licensing partners, sell our products may materially adversely affect our business, results of operations, and financial condition. See Item 7 — *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Global Economic Conditions and Industry Trends"* for further discussion.

We may not fully realize the expected cost savings and/or operating efficiencies from our restructuring plans.

We have implemented restructuring plans to support key strategic initiatives, such as the Fiscal 2019 Restructuring Plan, as described in Item 1 — *"Business — Recent Developments."* Although designed to deliver long-term sustainable growth, restructuring plans present significant potential risks that may impair our ability to achieve anticipated operating enhancements and/or cost reductions, or otherwise harm our business, including:

- higher than anticipated costs in implementing planned workforce reductions, particularly in highly regulated locations outside the U.S.;
- higher than anticipated lease termination and store closure costs (see *"Our business is subject to risks associated with leasing real estate and other assets under long-term, non-cancellable leases"*);
- failure to meet operational targets or customer requirements due to the loss of employees or inadequate transfer of knowledge;
- failure to maintain adequate controls and procedures while executing, and subsequent to completing, our restructuring plans;

- diversion of management attention and resources from ongoing business activities and/or a decrease in employee morale;
- attrition beyond any planned reduction in workforce; and
- damage to our reputation and brand image due to our restructuring-related activities, including the closure of certain of our stores.

If we are not successful in implementing and managing our restructuring plans, we may not be able to achieve targeted operating enhancements, sales growth, and/or cost reductions, which could adversely impact our business, results of operations, and financial condition. Our failure to achieve targeted results could also lead to the implementation of additional restructuring-related activities, which may be dilutive to our earnings in the short term.

Our business is subject to risks associated with leasing real estate and other assets under long-term, non-cancellable leases.

We generally operate most of our stores and corporate facilities under long-term, non-cancellable leasing arrangements. Our retail store leases typically require us to make minimum rental payments, and often contingent rental payments based upon sales. In addition, our leases generally require us to pay our proportionate share of the cost of insurance, taxes, maintenance, and utilities. We generally cannot cancel our leases at our option. If we decide to close a store, or if we decide to downsize, consolidate, or relocate any of our corporate facilities, we may be required to record an impairment charge and/or exit costs associated with the disposal of the store or corporate facility. In addition, we may remain obligated under the applicable lease for, among other things, payment of the base rent for the remaining lease term, even after the space is exited. Such costs and obligations related to the early closure of our stores or termination of our leases could have a material adverse effect on our business, results of operations, and financial condition. In addition, as each of our leases naturally expires, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could lead to store closures resulting in lost sales.

Recent changes in our executive and senior management team may be disruptive to, or cause uncertainty in, our business.

Certain members of our executive and senior management team have departed in recent years, and we may implement other management and organizational changes in connection with our growth strategy. Any changes in our executive and senior management team may be disruptive to, or cause uncertainty in, our business and future strategic direction. The departure of certain key individuals and the failure to ensure a smooth transition and effective transfer of knowledge involving senior employees could hinder or delay our strategic planning and execution, as well as adversely affect our ability to attract and retain other experienced and talented employees. Any such disruption or uncertainty could have a material adverse impact on our business, results of operations, and financial condition. Further, such disruption may hinder our ability to maintain an effective system of internal controls and compliance with the requirements under the Sarbanes-Oxley Act of 2002.

Our ability to conduct business globally may be affected by a variety of legal, regulatory, political, and economic risks.

Our ability to capitalize on growth in new international markets and to maintain our current level of operations in our existing markets is subject to certain risks associated with operating in various locations around the globe. These include, but are not limited to:

- complying with a variety of U.S. and foreign laws and regulations, including, but not limited to, trade, labor, product labeling, and product safety restrictions, as well as the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business, and similar foreign country laws, such as the U.K. Bribery Act, which prohibits U.K. and related companies from any form of bribery;
- adapting to local customs and culture;
- unexpected changes in laws, judicial processes, or regulatory requirements;
- the imposition of additional duties, tariffs, taxes, and other charges or other barriers to trade;
- changes in diplomatic and trade relationships;
- political instability and terrorist attacks; and
- general economic fluctuations in specific countries or markets.

Changes in regulatory, geopolitical, social, economic, or monetary policies and other factors may have a material adverse effect on our business in the future, or may require us to exit a particular market or significantly modify our current business practices. For example, there continues to be concerns regarding trade relations between the U.S. and China, as both countries recently imposed significant new tariffs on each other related to the importation of certain product categories, and additional tariffs have been proposed. As approximately one-third of our products are sourced from China, the U.S.'s imposition of new tariffs on apparel or other goods imported from China could have a material adverse effect on our cost of sales and profitability. Although we are actively reviewing options to mitigate our exposure in the event any resulting tariffs impact our product categories, there can be no assurance that we will be able to offset any increased costs. There have also been recent changes to U.S. participation in, and discussion regarding the potential renegotiation of, certain international trade agreements. We cannot predict if, and to what extent, there will be changes to international trade agreements or the resulting impact such changes would have on our consolidated financial statements. For a discussion of risks associated with the importation of products, see *"Our business is subject to risks associated with importing products and the ability of our manufacturers to produce our goods on time and to our specifications."*

Our business could also be impacted by changes to the tax laws and regulations in the countries where we operate. For example, the Organisation for Economic Co-operation and Development (the "OECD"), which represents a coalition of member countries, has proposed changes to numerous long-standing tax principles through its Base Erosion and Profit Shifting project, which is focused on a number of issues, including the shifting of profits among affiliated entities located in different tax jurisdictions. In response, certain member countries are beginning to implement legislation to align their international tax rules with the OECD's recommendations. Taxing authorities of certain state, local, and other foreign jurisdictions may also decide to modify existing tax laws. We cannot predict which, if any, of these items or others will be enacted into law or the resulting impact any such enactment will have on our consolidated financial statements. However, if new legislation were enacted, it could have a material adverse effect on our business, results of operations, and financial condition.

Additionally, in June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union, commonly referred to as "Brexit." Subsequently, in March 2017, the United Kingdom's government invoked Article 50 of the Treaty on European Union, which formally triggered the negotiation process to exit the European Union. Negotiations to determine the United Kingdom's future relationship with the European Union, including terms of trade, have been complex. In January 2019, British Parliament rejected Prime Minister Theresa May's proposed withdrawal agreement, and it is not clear at this time what, if any, agreements will be reached by the current October 31, 2019 deadline. A withdrawal could significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe. The uncertainty surrounding the terms of the United Kingdom's withdrawal and its consequences could adversely impact consumer and investor confidence, and the level of consumer purchases of discretionary items and luxury retail products, including our products. Any of these effects, among others, could materially adversely affect our business, results of operations, and financial condition. Brexit has also contributed to significant volatility and uncertainty in global stock markets and currency exchange rates, and such volatility could continue to occur as the negotiation process progresses. For a discussion of risks related to currency exchange fluctuations, see *"Our business is exposed to domestic and foreign currency fluctuations."*

Our business is subject to risks associated with importing products and the ability of our manufacturers to produce our goods on time and to our specifications.

We do not own or operate any manufacturing facilities and depend exclusively on independent third parties for the manufacture of our products. Our products are manufactured to our specifications through arrangements with over 500 foreign manufacturers in various countries. In Fiscal 2019, over 97% of our products (by dollar value) were produced outside of the U.S., primarily in Asia, Europe, and Latin America, with approximately one-third of our products sourced from China. Risks inherent in importing our products include:

- changes in social, political, and economic conditions or terrorist acts that could result in the disruption of trade from the countries in which our manufacturers or suppliers are located;
- the imposition of additional regulations, quotas, or safeguards relating to imports or exports, and costs of complying with such regulations and other laws relating to the identification and reporting of the sources of minerals used in our products;
- the imposition of additional duties, tariffs, taxes, and other charges on imports or exports;
- unfavorable changes in the availability, cost, or quality of raw materials and commodities;
- increases in the cost of labor, travel, and transportation;

- disruptions of shipping and international trade caused by natural and man-made disasters, labor strikes, or other unforeseen events;
- heightened terrorism-related cargo and supply chain security concerns, which could subject imported or exported goods to additional, more frequent, or more thorough inspections, leading to delays in the delivery of cargo;
- decreased scrutiny by customs officials for counterfeit goods, leading to lost sales, increased costs for our anti-counterfeiting measures, and damage to the reputation of our brands;
- pandemic and epidemic diseases, which could result in closed factories, reduced workforces, scarcity of raw materials, and scrutiny or embargoing of goods produced in infected areas; and
- the imposition of sanctions in the form of additional duties either by the U.S. or its trading partners to remedy perceived illegal actions by national governments.

Any one of these factors could have a material adverse effect on our business, results of operations, and financial condition. For a discussion of risks related to the potential imposition of additional regulations and laws, see *"Our ability to conduct business globally may be affected by a variety of legal, regulatory, political, and economic risks."*

In addition, the inability of a manufacturer to ship orders of our products in a timely manner or to meet our strict quality standards could cause us to miss the delivery date requirements of our customers for those items, which could result in cancellation of orders, refusal to accept deliveries, or a substantial reduction in purchase prices, any of which could have a material adverse effect on our business, results of operations, and financial condition. Prices of raw materials used to manufacture our products may also fluctuate, and increases in prices of such raw materials could have a material adverse effect on our cost of sales. Furthermore, the cost of labor at many of our third-party manufacturers has been increasing significantly and, as the middle class in developing countries such as China continues to grow, it is unlikely that such cost pressure will abate. The cost of transportation remains significant as well, and it is likely that such cost will fluctuate significantly if oil prices remain volatile. We may not be able to offset such increases in raw materials, freight, or labor costs through pricing actions or other means.

A data security or privacy breach could damage our reputation and our relationships with our customers or employees, expose us to litigation risk, and adversely affect our business.

We are dependent on information technology systems and networks, including the Internet, for a significant portion of our direct-to-consumer sales, including our digital commerce operations and retail business credit card transaction authorization and processing. We are also responsible for storing data relating to our customers and employees and rely on third parties for the operation of our digital commerce websites and for the various social media tools and websites we use as part of our marketing strategy. In our normal course of business, we often collect, transmit, and/or retain certain sensitive and confidential customer information, including credit card information. There is significant concern by consumers, employees, and lawmakers alike over the security of personal information transmitted over the Internet, consumer identity theft, and user privacy, as cyber-criminals are becoming increasingly more sophisticated in their attempts to gain unauthorized access to computer systems and confidential or sensitive data.

We have a longstanding information security risk program committed to regular risk management practices surrounding the protection of confidential data. This program includes various technical controls, including security monitoring, data leakage protection, network segmentation and access controls around the computer resources that house confidential or sensitive data. We have also implemented employee awareness training programs around phishing, malware, and other cyber risks. We continually evaluate the security environment surrounding the handling and control of our critical data, especially the private data we receive from our customers, employees and partners, and have instituted additional measures to help protect us from system intrusion or data breaches. Additionally, we have purchased network security and cyber liability insurance in order to provide a level of financial protection, should a data breach occur.

Despite the security measures we currently have in place, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, acts of vandalism, phishing attacks, computer viruses, misplaced or lost data, programming and/or human errors, or other Internet or email events. The increased use of smartphones, tablets, and other wireless devices may also heighten these and other operational risks. The retail industry in particular continues to be the target of many cyber-attacks, which are becoming increasingly more difficult to anticipate and prevent due to their rapidly evolving nature. The technology we use to protect our systems from being breached or compromised could become outdated as a result of advances in computer capabilities or other technological developments. Additionally, measures we implement to protect our computer systems against cyber-attacks may make them harder to use or reduce the speed at which they operate, which in turn could negatively impact our customers' shopping experience resulting in reduced website traffic, diminished loyalty to our brands, and lost sales.

Any perceived or actual electronic or physical security breach involving the misappropriation, loss, or other unauthorized disclosure of confidential or personally identifiable information, including penetration of our network security, whether by us or by a third party, could disrupt our business, severely damage our reputation and our relationships with our customers or employees, expose us to risks of litigation, significant fines and penalties, and liability, and result in deterioration in our customers' and employees' confidence in us, and adversely affect our business, results of operations, and financial condition. Since we do not control third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future, any perceived or actual unauthorized disclosure of personally identifiable information regarding our employees, customers or website visitors could harm our reputation and credibility, result in lost sales, impair our ability to attract website visitors, and/or reduce our ability to attract and retain employees and customers. As these threats develop and grow, we may find it necessary to make significant further investments to protect data and our infrastructure, including the implementation of new computer systems or upgrades to existing systems, deployment of additional personnel and protection-related technologies, engagement of third-party consultants, and training of employees.

In addition, the regulatory environment relating to information security and privacy is becoming increasingly more demanding with frequent new requirements surrounding the handling, protection, and use of personal and sensitive information, such as the California Consumer Privacy Act and the European Union's General Data Privacy Regulation. We may incur significant costs in complying with the various applicable state, federal, and foreign laws regarding protection of, and unauthorized disclosure of, personal information. Additionally, failing to comply with such laws and regulations could damage the reputation of our brands and lead to adverse consumer actions, as well as expose us to government enforcement action and/or private litigation, any of which could adversely affect our business, results of operations, and financial condition.

Our business could suffer if our computer systems and websites are disrupted or cease to operate effectively.

We are dependent on our computer systems to record and process transactions and manage and operate our business, including designing, marketing, manufacturing, importing, tracking, and distributing our products, processing payments, accounting for and reporting financial results, and managing our employees and employee benefit programs. In addition, we have digital commerce and other informational websites in North America, Europe, and Asia, including Australia and New Zealand, and have plans for additional digital commerce sites in the future. Given the complexity of our business and the significant number of transactions that we engage in on a daily basis, it is imperative that we maintain uninterrupted operation of our computer hardware and software systems.

Despite our preventative efforts, our systems are vulnerable to damage or interruption from, among other things, security breaches, computer viruses, technical malfunctions, inadequate system capacity, power outages, natural disasters, and usage errors by our employees or third-party consultants. If our information technology systems become damaged or otherwise cease to function properly, we may have to make significant investments to repair or replace them. Additionally, confidential or sensitive data related to our customers or employees could be lost or compromised. We are continually improving and upgrading our computer systems and software, which also involves risks and uncertainties. Any disruptions, delays, or deficiencies in the design, implementation, or transition of such systems could result in increased costs, disruptions in the sourcing, sale, and shipment of our product, delays in the collection of cash from our customers, and/or adversely affect our ability to accurately report our financial results in a timely manner. Any material disruptions in our information technology systems could have a material adverse effect on our business, results of operations, and financial condition.

Fluctuations in our tax obligations and effective tax rate may result in volatility of our operating results.

We are subject to income and non-income taxes in many U.S. and certain foreign jurisdictions, with the applicable tax rates varying by jurisdiction. We record tax expense based on our estimates of future payments, which include reserves for uncertain tax positions in multiple tax jurisdictions. At any one time, multiple tax years are subject to audit by various taxing authorities. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. As a result, we expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. Our effective tax rate in a given financial statement period may also be materially impacted by changes in the mix and level of earnings by jurisdiction or by changes to existing accounting rules. Additionally, our products are subject to import and excise duties, and/or sales, consumption, value-added taxes ("VAT"), and other non-income taxes in certain international jurisdictions. Failure to correctly calculate or submit the appropriate amount of income or non-income taxes could subject us to substantial fines and penalties and adversely affect our business, results of operations, and financial condition.

In addition, the tax laws and regulations in the countries where we operate may change or there may be changes in interpretation and enforcement of existing tax laws, which could materially affect our income tax expense in our consolidated financial statements. For a discussion of risks related to the potential imposition of additional regulations and laws, see *"Our ability to conduct business globally may be affected by a variety of legal, regulatory, political, and economic risks."*

Our business is exposed to domestic and foreign currency fluctuations.

Our business is exposed to foreign currency exchange risk. Specifically, changes in exchange rates between the U.S. dollar and other currencies impact our financial results from a transactional perspective, as our foreign operations generally purchase inventory in U.S. dollars, as is common for most apparel companies. Given that we source most of our products overseas, the cost of these products may be affected by changes in the value of the relevant currencies. Changes in currency exchange rates may also impact consumers' willingness or ability to travel abroad and/or purchase our products while traveling, as well as affect the U.S. Dollar value of the foreign currency denominated prices at which our international businesses sell products. Additionally, the operating results and financial position of our international subsidiaries are exposed to foreign exchange rate fluctuations as their financial results are translated from the respective local currency into U.S. Dollars during the financial statement consolidation process. The foreign currencies to which we are exposed to from a transactional and translational perspective primarily include the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, the Swiss Franc, the Swedish Krona, the Chinese Renminbi, the New Taiwan Dollar, and the Hong Kong Dollar. The expansion of our international business increases our exposure to foreign currency exchange risk.

Although we hedge certain exposures to changes in foreign currency exchange rates arising in the ordinary course of business, we cannot fully anticipate all of our currency exposures and therefore foreign currency fluctuations may have a material adverse impact on our business, results of operations, and financial condition. In addition, factors that could impact the effectiveness of our hedging activities include the volatility of currency markets, the accuracy of forecasted transactions, and the availability of hedging instruments. As such, our hedging activities may not completely mitigate the impact of foreign currency fluctuations on our results of operations. See Item 7 — "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk Management.*"

A substantial portion of our revenue is derived from a limited number of large wholesale customers. Our business could be adversely affected as a result of consolidations, liquidations, restructurings, other ownership changes in the retail industry, and/or any financial instability of our large wholesale customers.

Several of our department store customers, including some under common ownership, account for a significant portion of our wholesale net sales. A substantial portion of sales of our licensed products by our domestic licensing partners are also made to our largest department store customers. During Fiscal 2019, sales to our largest wholesale customer, Macy's, accounted for approximately 8% of total net revenues. Further, sales to our three largest wholesale customers, including Macy's, accounted for approximately 19% of total net revenues for Fiscal 2019, and constituted approximately 33% of our total gross trade accounts receivable outstanding as of March 30, 2019. Substantially all sales to our three largest wholesale customers related to our North America segment.

We typically do not enter into long-term agreements with our customers. Instead, we enter into a number of purchase order commitments with our customers for each of our product lines every season. A decision by the controlling owner of a group of stores or any other significant customer, whether motivated by competitive conditions, financial difficulties, or otherwise, to decrease or eliminate the amount of merchandise purchased from us or our licensing partners or to change their manner of doing business with us or our licensing partners or their new strategic and operational initiatives, including their continued focus on further development of their "private label" initiatives, could have a material adverse effect on our business, results of operations, and financial condition.

In addition, as a result of unfavorable economic conditions, certain of our large wholesale customers, particularly those located in the U.S., have been highly promotional in recent years and have aggressively marked down their merchandise, including our products. Such promotional activity could negatively impact our brand image and/or lead to requests from those customers for increased markdown allowances at the end of the season, which could have a material adverse effect on our business, results of operations, and financial condition. In response and in connection with our growth plan, we strategically reduce shipments to certain of our customers when deemed appropriate.

The department store sector has also experienced numerous consolidations, restructurings, reorganizations, and other ownership changes in recent years. Any such actions in the future could result in a reduction in the number of stores that carry our products, and the stores that remain open may purchase fewer of our products and/or reduce the retail floor space designated to our brands. There can be no assurance that consolidations, restructurings, reorganizations, or other ownership changes in the department store sector will not have a material adverse effect on our business, results of operations, and financial condition.

We sell our wholesale merchandise primarily to major department stores across North America, Europe, Asia, and Australia, and extend credit based on an evaluation of each wholesale customer's financial condition, usually without requiring collateral. However, the financial difficulties of a wholesale customer could cause us to limit or eliminate our business with that customer.

We may also assume more credit risk relating to that customer's receivables. Our inability to collect on our trade accounts receivable from any one of these customers could have a material adverse effect on our business, results of operations, and financial condition. See Item 1 — "*Business — Wholesale Credit Control.*"

Economic conditions could have a negative impact on our major customers, suppliers, vendors, and lenders, which in turn could materially adversely affect our business.

Although we believe that our cash provided by operations and available borrowing capacity under our credit facilities and commercial paper borrowing program will provide us with sufficient liquidity, the impact of economic conditions on our major customers, suppliers, vendors, and lenders and their ability to access global capital markets cannot be predicted. The inability of major manufacturers to ship our products could impair our ability to meet the delivery date requirements of our customers. Deterioration in global financial markets could affect our ability to access sources of liquidity to provide for our future cash needs, increase the cost of any future financing, or cause our lenders to be unable to meet their funding commitments under our credit facilities. A disruption in the ability of our significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our business, results of operations, and financial condition.

Our business could suffer if we need to replace manufacturers or distribution centers.

We do not own or operate any manufacturing facilities and depend exclusively on independent third parties for the manufacture of our products. We compete with other companies for the production capacity of our manufacturers. Some of these competitors may place larger orders than we do, and thus may have an advantage in securing production capacity. If we experience a significant increase in demand, or if an existing manufacturer of ours must be replaced, we may have to expand our third-party manufacturing capacity. We cannot guarantee that this additional capacity will be available when required on terms that are acceptable to us. See Item 1 — "*Business — Sourcing, Production and Quality.*" We enter into a number of purchase order commitments each season specifying a time for delivery, method of payment, design and quality specifications, and other standard industry provisions, but do not have long-term contracts with any manufacturer. None of the manufacturers we use produce our products exclusively.

In addition, we rely on a number of owned, leased, and independently-operated distribution facilities around the world to warehouse and ship products to our customers and perform other related logistic services. Our ability to meet the needs of our customers depends on the proper operation of these distribution centers. If any of our distribution centers were closed or were to become inoperable or inaccessible for any reason, including failure to successfully consolidate existing facilities or transition to new facilities, we could experience a substantial loss of inventory, disruption of deliveries to our customers and our stores, increased costs, and longer lead times associated with the distribution of products during the period that would be required to reopen or replace the facility. These disruptions could have a material adverse effect on our business, results of operations, and financial condition.

We also rely upon third-party transportation providers for substantially all of our product shipments, including shipments to and from our distribution centers, to our stores and shop-within-shops, and to our digital commerce and wholesale customers. Our utilization of these shipping services are subject to various risks, including, but not limited to, potential labor strikes and severe weather, which could delay the timing of shipments, and increases in wages and fuel prices, which could result in higher transportation costs. Any delays in the timing of our product shipments or increases in transportation costs could have a material adverse effect on our business, results of operations, and financial condition.

Our business could be adversely affected by natural disasters and other catastrophic events in the locations in which we or our customers or suppliers operate.

We have operations, including retail, distribution, and warehousing operations, in locations subject to natural disasters, such as severe weather, geological events, and epidemic diseases, and other catastrophic events, such as terrorist attacks and military conflict, any of which could disrupt our operations. In addition, our customers and suppliers also have operations in these locations and could experience similar disruptions. The occurrence of natural disasters or other catastrophic events may result in sudden disruptions in the business operations of the local economies affected, as well as of the regional and global economies. In addition, our business can be affected by unseasonable weather conditions, such as extended periods of unseasonably warm temperatures in the winter or unseasonably cold temperatures in the summer. Any of these events could result in decreased demand for our products and disruptions in our sales channels and manufacturing and distribution networks, which could have a material adverse effect on our business, results of operations, and financial condition.

Our trademarks and other intellectual property rights may not be adequately protected outside the U.S.

We believe that our trademarks, intellectual property, and other proprietary rights are extremely important to our success and our competitive position. We devote substantial resources to the establishment and protection of our trademarks and anti-counterfeiting activities worldwide. However, significant counterfeiting and imitation of our products continue to exist. In addition, the laws of certain foreign countries may not protect trademarks or other proprietary rights to the same extent as do the laws of the U.S. and, as a result, our intellectual property may be more vulnerable and difficult to protect in such countries. In the course of our international expansion we have experienced conflicts with various third parties that have acquired or claimed ownership rights to some of our key trademarks that include Polo and/or a representation of a polo player astride a horse, or otherwise have contested our rights to our trademarks. We have resolved certain of these conflicts through both legal action and negotiated settlements. We cannot guarantee that the actions we have taken to establish and protect our trademarks and other proprietary rights will be adequate to prevent counterfeiting, lost business, or brand dilution, any of which may have a material adverse effect on our business. We expect to continue to devote substantial resources to challenge brands arising from imitation of our products. Also, there can be no assurance that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction or at all. See Item 1 — "Business — Trademarks," and Item 3 — "Legal Proceedings."

Our business could suffer if we fail to comply with labor laws or if one of our manufacturers fails to use acceptable labor or environmental practices.

We are subject to labor laws governing relationships with employees, including minimum wage requirements, overtime, working conditions, and citizenship requirements. Compliance with these laws may lead to increased costs and operational complexity and may increase our exposure to governmental investigations or litigation.

In addition, we require our licensing partners and independent manufacturers to operate in compliance with applicable laws and regulations. While our internal and vendor operating guidelines promote ethical business practices and our employees periodically visit and monitor the operations of our independent manufacturers, we do not control these manufacturers or their labor practices. The violation of labor, environmental, or other laws by an independent manufacturer used by us or one of our licensing partners, or the divergence of an independent manufacturer's or licensing partner's labor or environmental practices from those generally accepted as ethical or appropriate in the U.S., could interrupt or otherwise disrupt the shipment of finished products to us or damage our reputation. Any of these events, in turn, could have a material adverse effect on our business, results of operations, and financial condition.

Certain legal proceedings, regulatory matters, and accounting changes could adversely affect our business.

We are involved in certain legal proceedings and regulatory matters and are subject from time to time to various claims involving alleged breach of contract claims, intellectual property and other related claims, escheatment and unclaimed property, credit card fraud, security breaches in certain of our retail store information systems, employment issues, consumer matters, and other litigation. Certain of these lawsuits and claims, if decided adversely to us or settled by us, could result in material liability to our Company or have a negative impact on our reputation or relations with our employees, customers, licensees, or other third parties. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings could result in substantial costs and may require our Company to devote substantial time and resources to defend itself. Further, changes in governmental regulations both in the U.S. and in other countries where we conduct business operations could have an adverse impact on our business, results of operations, and financial condition. See Item 3 — "Legal Proceedings" for further discussion of our Company's legal matters.

In addition, we are subject to changes in accounting rules and interpretations issued by the Financial Accounting Standards Board and other regulatory agencies. If and when effective, such changes to accounting standards could have a material impact on our consolidated financial statements. See Note 4 to the accompanying consolidated financial statements for a description of certain recently issued accounting standards.

The trading prices of our securities periodically may rise or fall based on the accuracy of predictions of our earnings or other financial performance, including our ability to return value to shareholders.

Our business planning process is designed to maximize our long-term strength, growth, and profitability, and not to achieve an earnings target in any particular fiscal quarter. We believe that this longer-term focus is in the best interests of our Company and our stockholders. At the same time, however, we recognize that, from time to time, it may be helpful to provide investors with guidance as to our quarterly and annual forecast of net sales and earnings. While we generally expect to provide updates to our guidance when we report our results each fiscal quarter, we do not have any responsibility to update any of our forward-looking

statements at such times or otherwise. In addition, any longer-term guidance that we provide is based on goals that we believe, at the time guidance is given, are reasonably attainable. However, such long-range targets are more difficult to predict than our current quarter and full fiscal year expectations. If, or when, we announce actual results that differ from those that have been predicted by us, outside analysts, or others, the market price of our securities could be adversely affected. Investors who rely on these predictions when making investment decisions with respect to our securities do so at their own risk. We take no responsibility for any losses suffered as a result of such changes in the prices of our securities.

In addition, we periodically return value to shareholders through our payment of quarterly cash dividends and common stock share repurchases. Investors may have an expectation that we will continue to pay quarterly cash dividends, further increase our cash dividend rate, and/or repurchase shares available under our Class A common stock repurchase program. Our ability to pay quarterly cash dividends and repurchase our Class A common stock will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive, and other factors that are beyond our control. Further, our Board of Directors may, at its discretion, elect to suspend or otherwise alter these programs at any time. The market price of our securities could be adversely affected if our cash dividend payments and/or Class A common stock share repurchase activity differ from investors' expectations.

The voting shares of our Company's stock are concentrated in one majority stockholder.

As of March 30, 2019, Mr. Ralph Lauren, or entities controlled by the Lauren family, held approximately 83% of the voting power of the outstanding common stock of our Company. In addition, Mr. R. Lauren serves as our Executive Chairman and Chief Creative Officer, Mr. R. Lauren's son, Mr. David Lauren, serves as our Chief Innovation Officer, Strategic Advisor to the CEO, and Vice Chairman of the Board of Directors, and we employ other members of the Lauren family. From time to time, we may have other business dealings with Mr. R. Lauren, members of the Lauren family, or entities affiliated with Mr. R. Lauren or the Lauren family. As a result of his stock ownership and position in our Company, Mr. R. Lauren has the ability to exercise significant control over our business, including, without limitation, (i) the election of our Class B common stock directors, voting separately as a class and (ii) any action requiring the approval of our stockholders, including the adoption of amendments to our certificate of incorporation and the approval of mergers or sales of all or substantially all of our assets.

We rely on our licensing partners to preserve the value of our licenses. Failure to maintain licensing partners could harm our business.

The risks associated with our own products also apply to our licensed products in addition to any number of possible risks specific to a licensing partner's business, including risks associated with a particular licensing partner's ability to:

- obtain capital;
- execute its business plans;
- manage its labor relations;
- maintain relationships with its suppliers and customers; and
- manage its credit and bankruptcy risks effectively.

Although a number of our license agreements prohibit our licensing partners from entering into licensing arrangements with our competitors, our licensing partners generally are not precluded from offering, under other non-competitor brands, the types of products covered by their license agreements with us. A substantial portion of sales of our products by our domestic licensing partners are also made to our largest customers. While we have significant control over our licensing partners' products and advertising, we rely on our licensing partners for, among other things, operational and financial control over their businesses. Changes in management, reduced sales of licensed products, poor execution, or financial difficulties with respect to any of our licensing partners could adversely affect our revenues, both directly from reduced licensing revenue received and indirectly from reduced sales of our other products.

Although we believe that we could replace our existing licensing partners in most circumstances, if necessary, our inability to do so for any period of time could adversely affect our revenues, both directly from reduced licensing revenue received and indirectly from reduced sales of our other products. See Item 1 — "Business — Our Licensing Business."

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We lease space for our retail stores, showrooms, warehouses, and offices in various domestic and international locations. We do not own any real property except for our retail digital commerce call center and distribution facility in High Point, North Carolina; and our retail stores in Southampton and Easthampton, New York, and Nantucket, Massachusetts.

We believe that our existing facilities are well maintained, in good operating condition, and are adequate for our present level of operations.

The following table sets forth information relating to our key properties as of March 30, 2019:

Location	Use	Approximate Square Feet
NC Highway 66, High Point, NC	Wholesale and retail distribution facility	847,000
N. Pendleton Street, High Point, NC	Retail digital commerce call center and distribution facility	805,000
Greensboro, NC	Wholesale and retail distribution facility	439,000
625 Madison Avenue, NYC ^(a)	Corporate offices and showrooms	385,300
601 West 26th Street, NYC	Corporate offices	275,300
650 Madison Avenue, NYC	Executive and corporate offices, design studio, and showrooms	270,000
Lyndhurst, NJ ^(a)	Corporate and retail administrative offices	178,000
Geneva, Switzerland	European corporate offices	107,000
7th Avenue, NYC	Corporate offices, design studio, and Women's showrooms	104,000
Manhattan Place, Hong Kong	Asia sourcing offices	46,000
Gateway Office, Hong Kong	Asia corporate offices	37,500
888 Madison Avenue, NYC	Retail flagship store	37,900
N. Michigan Avenue, Chicago	Retail flagship store	37,500
New Bond Street, London, UK	Retail flagship store	31,500
867 Madison Avenue, NYC	Retail flagship store	27,700
Paris, France	Retail flagship store	25,700
Tokyo, Japan	Retail flagship store	25,000
N. Rodeo Drive, Beverly Hills	Retail flagship store	19,400
Regent Street, London, UK	Retail flagship store	19,000
Prince's Building, Hong Kong	Retail flagship store	9,800

^(a) In connection with our initiative to consolidate our corporate office footprint, we anticipate exiting these leased facilities during Fiscal 2020, with the related corporate functions relocating to our corporate office located at 601 West 26th Street in New York City and a new 255,000 square foot facility located in Nutley, New Jersey.

As of March 30, 2019, we directly operated 501 retail stores, totaling approximately 4.0 million square feet. We anticipate that we will be able to extend our retail store leases, as well as those leases for our non-retail facilities, which expire in the near future on satisfactory terms or relocate to desirable alternate locations. We generally lease our freestanding retail stores for initial periods ranging from 5 to 15 years, with renewal options. See Item 1A — "Risk Factors — Our business is subject to risks associated with leasing real estate and other assets under long-term, non-cancellable leases."

Item 3. Legal Proceedings.

We are involved, from time to time, in litigation, other legal claims, and proceedings involving matters associated with or incidental to our business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, importation and exportation of products, taxation, unclaimed property, and employee relations. We believe at present that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our consolidated financial statements. However, our assessment of any litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

As of May 10, 2019, there were 681 holders of record of our Class A common stock and 6 holders of record of our Class B common stock. Our Class A common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "RL." All of our outstanding shares of Class B common stock are owned by Mr. Ralph Lauren, Executive Chairman and Chief Creative Officer, and entities controlled by the Lauren family. Shares of our Class B common stock may be converted immediately into Class A common stock on a one-for-one basis by the holder. There is no cash or other consideration paid by the holder converting the shares and, accordingly, there is no cash or other consideration received by the Company. The shares of Class A common stock issued by the Company in such conversions are exempt from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended. No shares of our Class B common stock were converted into Class A common stock during the fiscal quarter ended March 30, 2019.

The following table sets forth repurchases of shares of our Class A common stock during the fiscal quarter ended March 30, 2019:

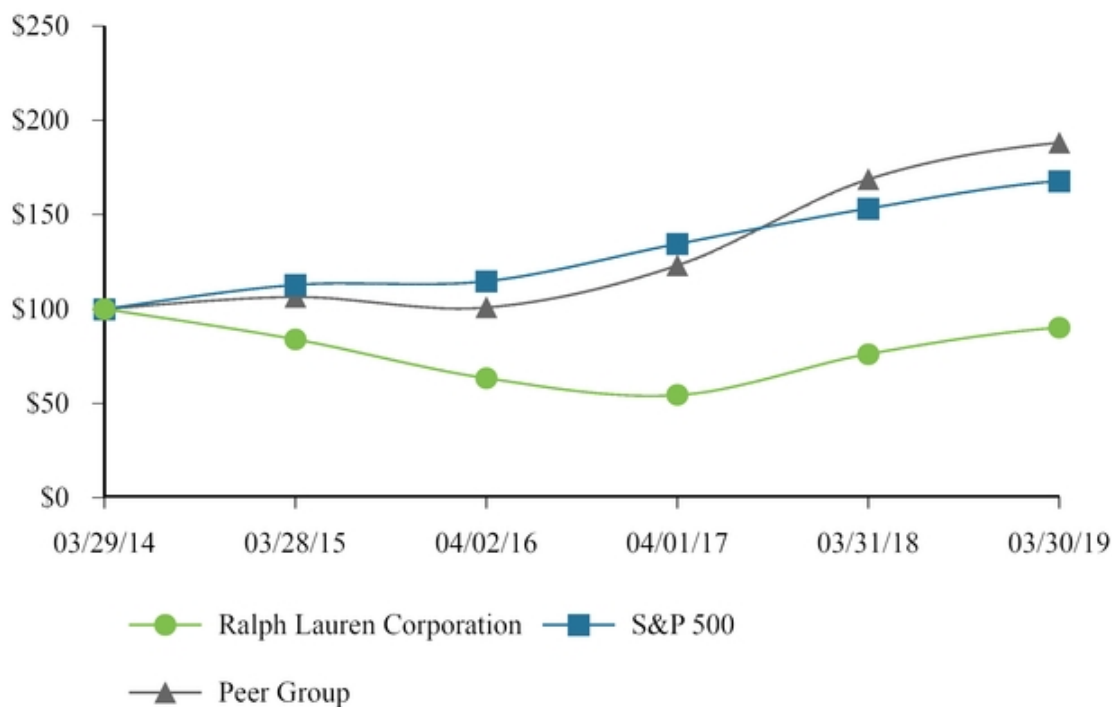
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ^(b)
				(millions)
December 30, 2018 to January 26, 2019	—	\$ —	—	\$ 700
January 27, 2019 to February 23, 2019	—	—	—	700
February 24, 2019 to March 30, 2019	579,575 ^(a)	121.93	573,984	630
	579,575		573,984	

^(a) Includes 5,591 shares surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards issued under its long-term stock incentive plans.

^(b) As of March 30, 2019, the remaining availability under our Class A common stock repurchase program was approximately \$630 million, reflecting the June 4, 2018 approval by our Board of Directors to expand the program by up to an additional \$1.000 billion of Class A common stock repurchases. On May 13, 2019, our Board of Directors approved a further expansion of the common stock repurchase program that allows us to repurchase up to an additional \$600 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

The following graph compares the cumulative total stockholder return (stock price appreciation plus dividends) on our Class A common stock to the cumulative total return of the Standard & Poor's 500 Index and a peer group index of companies that we believe are closest to ours (the "Peer Group") for the period from March 29, 2014, the last day of our 2014 fiscal year, through March 30, 2019, the last day of our 2019 fiscal year. Our Peer Group consists of Burberry Group PLC, Compagnie Financière Richemont SA, EssilorLuxottica SA, The Estée Lauder Companies Inc., Hermes International, Kering, LVMH, PVH Corp., Tapestry, Inc., Tiffany & Co., Tod's S.p.A., and V.F. Corporation. All calculations for foreign companies in our Peer Group are performed using the local foreign issue of such companies. The returns are calculated by assuming a \$100 investment made on March 29, 2014 in Class A common stock or March 31, 2014 in an index, with all dividends reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among Ralph Lauren Corporation, the S&P 500 Index, and a Peer Group



Item 6. Selected Financial Data

See the "Index to Consolidated Financial Statements and Supplementary Information," and specifically "Selected Financial Information" appearing at the end of this Annual Report on Form 10-K. This selected financial data should be read in conjunction with Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8 — "Financial Statements and Supplementary Data" included in this Annual Report on Form 10-K. Historical results may not be indicative of future results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with our audited consolidated financial statements and notes thereto, which are included in this Annual Report on Form 10-K. We utilize a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, Fiscal 2019 ended on March 30, 2019 and was a 52-week period; Fiscal 2018 ended on March 31, 2018 and was a 52-week period; Fiscal 2017 ended on April 1, 2017 and was a 52-week period; and Fiscal 2020 will end on March 28, 2020 and will be a 52-week period.

INTRODUCTION

MD&A is provided as a supplement to the accompanying consolidated financial statements and notes thereto to help provide an understanding of our results of operations, financial condition, and liquidity. MD&A is organized as follows:

- *Overview.* This section provides a general description of our business, global economic conditions and industry trends, and a summary of our financial performance for Fiscal 2019. In addition, this section includes a discussion of recent developments and transactions affecting comparability that we believe are important in understanding our results of operations and financial condition, and in anticipating future trends.
- *Results of operations.* This section provides an analysis of our results of operations for Fiscal 2019 and Fiscal 2018 as compared to the respective prior fiscal year.
- *Financial condition and liquidity.* This section provides a discussion of our financial condition and liquidity as of March 30, 2019, which includes (i) an analysis of our financial condition as compared to the prior fiscal year-end; (ii) an analysis of changes in our cash flows for Fiscal 2019 and Fiscal 2018 as compared to the respective prior fiscal year; (iii) an analysis of our liquidity, including the availability under our commercial paper borrowing program and credit facilities, common stock repurchases, payments of dividends, and our outstanding debt and covenant compliance; and (iv) a summary of our contractual and other obligations as of March 30, 2019.
- *Market risk management.* This section discusses how we manage our risk exposures related to foreign currency exchange rates, interest rates, and our investments as of March 30, 2019.
- *Critical accounting policies.* This section discusses accounting policies considered to be important to our results of operations and financial condition, which typically require significant judgment and estimation on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 3 to the accompanying consolidated financial statements.
- *Recently issued accounting standards.* This section discusses the potential impact on our reported results of operations and financial condition of certain accounting standards that have been recently issued.

OVERVIEW

Our Business

Our Company is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, footwear, accessories, home furnishings, and other licensed product categories. Our long-standing reputation and distinctive image have been developed across an expanding number of products, brands, sales channels, and international markets. Our brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others.

We diversify our business by geography (North America, Europe, and Asia, among other regions) and channel of distribution (wholesale, retail, and licensing). This allows us to maintain a dynamic balance as our operating results do not depend solely on the performance of any single geographic area or channel of distribution. Our wholesale sales are made principally to major department stores and specialty stores around the world, as well as to certain third party-owned stores to which we have licensed the right to operate in defined geographic territories using our trademarks. We also sell directly to consumers through our integrated retail channel, which includes our retail stores, concession-based shop-within-shops, and digital commerce operations around the world. In addition, we license to third parties for specified periods the right to access our various trademarks in connection with the licensees' manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

We organize our business into the following three reportable segments:

- *North America* — Our North America segment, representing approximately 51% of our Fiscal 2019 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, our wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. Our retail business in North America is comprised of our Ralph Lauren stores, our factory stores, and our digital commerce site, www.RalphLauren.com.

- *Europe* — Our Europe segment, representing approximately 26% of our Fiscal 2019 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, our wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. Our retail business in Europe is comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our various digital commerce sites.
- *Asia* — Our Asia segment, representing approximately 17% of our Fiscal 2019 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Asia, Australia, and New Zealand. Our retail business in Asia is comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our digital commerce site, www.RalphLauren.cn, which launched in September 2018. In addition, we sell our products online through various third-party digital partner commerce sites. In Asia, our wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

In addition to these reportable segments, we also have other non-reportable segments, representing approximately 6% of our Fiscal 2019 net revenues, which primarily consist of (i) sales of Club Monaco branded products made through our retail businesses in the U.S., Canada, and Europe, and our licensing alliances in Europe and Asia, (ii) sales of Ralph Lauren branded products made through our wholesale business in Latin America, and (iii) royalty revenues earned through our global licensing alliances, excluding Club Monaco.

Approximately 46% of our Fiscal 2019 net revenues were earned outside of the U.S. See Note 19 to the accompanying consolidated financial statements for further discussion of our segment reporting structure.

Our business is typically affected by seasonal trends, with higher levels of wholesale sales in our second and fourth fiscal quarters and higher retail sales in our second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting our retail business.

Global Economic Conditions and Industry Trends

The global economy and our industry are impacted by many different influences. The current domestic and international political environment has resulted in uncertainty surrounding the future state of the global economy, including international trade relations. Most recently, the U.S. and China have imposed significant new tariffs on each other related to the importation of certain product categories, and additional tariffs have been proposed. There are also growing concerns regarding the terms and conditions of the United Kingdom's withdrawal from the European Union, commonly referred to as "Brexit." Negotiations to determine the United Kingdom's future relationship with the European Union, including terms of trade and movement of people, have been complex. In January 2019, British Parliament rejected Prime Minister Theresa May's proposed withdrawal agreement, and it is not clear at this time what, if any, agreements will be reached by the current October 31, 2019 deadline. As our international business continues to grow and because the majority of our products are produced outside of the U.S., major changes in global trade and diplomatic relations as well as any resulting anti-American sentiment could have a material adverse effect on our business or operating results. Certain other worldwide events, including political unrest, acts of terrorism, taxation or monetary policy changes, fluctuations in commodity prices, and rising healthcare costs, also increase volatility in the global economy. In addition, our results have been, and are expected to continue to be, impacted by foreign exchange rate fluctuations.

The retail landscape in which we operate is also evolving, with consumers continuing to diversify the channels in which they transact and shifting their shopping preference from physical stores to online. This along with other factors has resulted in many retailers, including certain of our large wholesale customers, becoming highly promotional and aggressively marking down their merchandise in an attempt to offset declines in physical store traffic. The retail industry, particularly in the U.S., has also experienced numerous bankruptcies, restructurings, and ownership changes in recent years. Certain of our operations, including our North America wholesale business, have been negatively impacted by these dynamics. The continuation of these industry trends could further impact consumer spending and consumption behavior in our industry, which could have a material adverse effect on our business or operating results. Additionally, changes in economic conditions, including a recession or the fear of a recession, may further impact consumer discretionary income levels and spending.

We have implemented various operating strategies globally to help address many of these current challenges, and continue to build a foundation for long-term profitable growth centered around strengthening our consumer-facing areas of product, stores, and marketing across channels and driving a more efficient operating model. In connection with these strategies, we are taking deliberate actions to ensure promotional consistency across channels and enhance the overall brand and shopping experience, including better aligning shipments and inventory levels with underlying demand. Investing in our digital ecosystem remains a

primary focus and is a key component of our integrated global omni-channel strategy. In June 2018, we shifted our European digital commerce operations to the third-party cloud-based platform used by our North America operations, which is delivering a more brand-enhancing and consistent customer experience across our global digital ecosystem. In addition, in September 2018, we launched our digital flagship in China, featuring our signature online shopping experience. We also remain committed to optimizing our wholesale distribution channel and enhancing our department store consumer experience. Although the investments that we are making in our business and our quality of sales initiatives may create operating profit pressure in the near-term, we expect that these initiatives will create longer-term shareholder value. Further, in response to the recent trade developments between the U.S. and China, we are actively reviewing options to mitigate our exposure in the event any resulting tariffs impact our product categories, including diverting production to and sourcing from other countries, driving productivity within our existing supplier base, and taking pricing actions. We are also closely monitoring the latest developments regarding Brexit and are assessing risks and opportunities and developing strategies to mitigate our exposure in the event of a "hard" Brexit (e.g., if the United Kingdom exits the European Union without having a final withdrawal agreement in place).

We will continue to monitor these conditions and trends and evaluate and adjust our operating strategies and foreign currency and cost management opportunities to help mitigate the related impact on our results of operations, while remaining focused on the long-term growth of our business and protecting and elevating the value of our brand.

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part I, Item 1A — "Risk Factors" included in this Annual Report on Form 10-K.

Summary of Financial Performance

Operating Results

In Fiscal 2019, we reported net revenues of \$6.313 billion, net income of \$430.9 million, and net income per diluted share of \$5.27, as compared to net revenues of \$6.182 billion, net income of \$162.8 million, and net income per diluted share of \$1.97 in Fiscal 2018. The comparability of our operating results has been affected by TCJA enactment-related charges, as well as restructuring-related charges, impairment of assets, and certain other charges, as discussed further below.

Our operating performance for Fiscal 2019 reflected revenue growth of 2.1% on a reported basis and 2.8% on a constant currency basis, as defined within "*Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition*" below. The increase in reported net revenues during Fiscal 2019 was driven by our international businesses.

Our gross profit as a percentage of net revenues increased by 90 basis points to 61.6% during Fiscal 2019, primarily driven by improved pricing and lower levels of promotional activity in connection with our long-term growth strategy, and favorable product and geographic mix, partially offset by higher inventory reserves.

Selling, general, and administrative ("SG&A") expenses as a percentage of net revenues increased slightly by 10 basis points to 50.2% during Fiscal 2019, primarily due to our increased marketing investment, new store expansion, and the unfavorable impact attributable to geographic and channel mix, partially offset by our operational discipline.

Net income increased by \$268.1 million to \$430.9 million in Fiscal 2019 as compared to Fiscal 2018, primarily due to a \$174.8 million decrease in our income tax provision largely driven by lower TCJA enactment-related charges, a \$63.6 million increase in operating income, and a \$28.5 million increase in interest income. Net income per diluted share increased by \$3.30 to \$5.27 per share in Fiscal 2019 as compared to Fiscal 2018, due to higher net income and lower weighted-average diluted shares outstanding during Fiscal 2019.

Net income during Fiscal 2019 and Fiscal 2018 reflected TCJA enactment-related charges of \$27.6 million, or \$0.34 per diluted share, and \$221.4 million, or \$2.68 per diluted share, respectively. Our operating results during Fiscal 2019 and Fiscal 2018 were also negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$163.1 million and \$165.6 million, respectively, which had an after-tax effect of reducing net income by \$129.0 million, or \$1.58 per diluted share, and \$113.3 million, or \$1.38 per diluted share, respectively.

Financial Condition and Liquidity

We ended Fiscal 2019 in a net cash and investments position (cash and cash equivalents plus short-term and non-current investments, less total debt) of \$1.343 billion, compared to \$1.494 billion as of the end of Fiscal 2018. The decrease in our net cash and investments position was primarily due to our use of cash to support Class A common stock repurchases of \$502.6 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through \$197.7 million in capital expenditures, and to make dividend payments of \$190.7 million, as well as the unfavorable effect of exchange rate changes on our cash and cash equivalents of \$23.9 million, partially offset by our operating cash flows of \$783.8 million.

We generated \$783.8 million of cash from operations during Fiscal 2019, compared to \$975.1 million during Fiscal 2018. The decline in cash provided by operating activities was due to a net unfavorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year period, partially offset by an increase in net income before non-cash charges.

Our equity decreased to \$3.287 billion as of March 30, 2019, compared to \$3.457 billion as of March 31, 2018, primarily due to our share repurchase activity and dividends declared, partially offset by our comprehensive income and the impact of stock-based compensation arrangements during Fiscal 2019.

Recent Developments

Fiscal 2019 Restructuring Plan

On June 4, 2018, our Board of Directors approved a restructuring plan associated with our strategic objective of operating with discipline to drive sustainable growth (the "Fiscal 2019 Restructuring Plan"). The Fiscal 2019 Restructuring Plan includes the following restructuring-related activities: (i) rightsizing and consolidation of our global distribution network and corporate offices; (ii) targeted severance-related actions; and (iii) closure of certain of our stores and shop-within-shops. Actions associated with the Fiscal 2019 Restructuring Plan were largely completed during Fiscal 2019, with certain activities shifting into Fiscal 2020. Total actions associated with the Fiscal 2019 Restructuring Plan are expected to result in gross annualized expense savings of approximately \$60 million to \$80 million.

In connection with the Fiscal 2019 Restructuring Plan, we expect to incur total estimated charges of approximately \$125 million to \$150 million, comprised of cash-related charges of approximately \$90 million to \$110 million and non-cash charges of approximately \$35 million to \$40 million. Cumulative charges incurred since inception were \$97.3 million.

See Note 9 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Fiscal 2019 Restructuring Plan.

U.S. Tax Reform

On December 22, 2017, President Trump signed into law new tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which became effective January 1, 2018. The TCJA significantly revised U.S. tax law by, among other provisions, lowering the U.S. federal statutory income tax rate from 35% to 21%, creating a territorial tax system that includes a one-time mandatory transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

During Fiscal 2018, we recorded net charges of \$221.4 million within our income tax provision in connection with the TCJA, which increased our effective tax rate by 4,520 basis points. Subsequently, during Fiscal 2019, we recorded net measurement period adjustments of \$27.6 million as permitted by SEC Staff Accounting Bulletin No. 118 ("SAB 118"). These measurement period adjustments increased our effective tax rate by 470 basis points during Fiscal 2019.

Additionally, during the fourth quarter of Fiscal 2018 we reevaluated our permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. In connection with this decision, we repatriated \$252 million of cash to the U.S. from certain of our foreign subsidiaries during the fourth quarter of Fiscal 2018, and we repatriated an additional \$875 million during Fiscal 2019.

See Note 10 to the accompanying consolidated financial statements for additional discussion regarding the TCJA.

Way Forward Plan

On June 2, 2016, our Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). We are refocusing on our core brands and evolving our product, marketing, and shopping experience to increase desirability and relevance. We are also evolving our operating model to enable sustainable, profitable sales growth by significantly improving quality of sales, reducing supply chain lead times, improving our sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, we are rightsizing our cost structure and implementing a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening our leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan also includes the discontinuance of our Denim & Supply brand and the integration of our denim product offerings into our Polo Ralph Lauren brand. Collectively, these actions, which were substantially completed during Fiscal 2017, resulted in a reduction in workforce and the closure of certain stores and shop-within-shops, as well as gross annualized expense savings of approximately \$200 million.

On March 30, 2017, our Board of Directors approved the following additional restructuring-related activities associated with the Way Forward Plan: (i) the restructuring of our in-house global digital commerce platform which was in development and shifting to a more cost-effective, flexible platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of our Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Way Forward Plan. These actions are an important part of our efforts to achieve our stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities were largely completed during Fiscal 2018 and resulted in a further reduction in workforce and the closure of certain corporate office and store locations, as well as gross annualized expense savings of approximately \$140 million.

In connection with the Way Forward Plan, we have incurred total cumulative charges of \$838.6 million, including \$155.2 million recorded during Fiscal 2017 associated with the destruction of inventory. Additionally, as we did not legally assign a certain lease agreement for which the Company has been deemed the owner of the leased asset for accounting purposes prior to the end of Fiscal 2019, an impairment of approximately \$170 million to \$190 million is expected to be recorded as an adjustment to reduce our opening retained earnings balance as of the beginning of Fiscal 2020 in connection with our adoption of ASU 2016-02 (see Note 4 to our accompanying consolidated financial statements). Accordingly, actions associated with the Way Forward Plan are now complete and no additional charges are expected to be incurred in connection with this plan.

See Note 9 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Way Forward Plan.

Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition

The comparability of our operating results for the three fiscal years presented herein has been affected by certain events, including:

- pretax charges incurred in connection with our restructuring plans, as well as certain other asset impairments and other charges, as summarized below (references to "Notes" are to the notes to the accompanying consolidated financial statements):

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Impairment of assets (see Note 8)	\$ (25.8)	\$ (50.0)	\$ (253.8)
Restructuring and other charges (see Note 9)	(130.1)	(108.0)	(318.6)
Restructuring-related inventory charges (see Note 9) ^(a)	(7.2)	(7.6)	(197.9)
Total charges	<u>\$ (163.1)</u>	<u>\$ (165.6)</u>	<u>\$ (770.3)</u>

^(a) Non-cash restructuring-related inventory charges are recorded within cost of goods sold in the consolidated statements of operations.

- TCJA enactment-related charges of \$27.6 million and \$221.4 million recorded within the income tax provision in the consolidated statements of operations during Fiscal 2019 and Fiscal 2018, respectively, which increased our effective tax rate by 470 basis points and 4,520 basis points, respectively; and

- the reversal of an income tax reserve resulting from a change in tax law that impacted an interest assessment on a prior year withholding tax, which favorably impacted our income tax benefit by \$15.9 million during Fiscal 2017.

Since we are a global company, the comparability of our operating results reported in U.S. Dollars is also affected by foreign currency exchange rate fluctuations because the underlying currencies in which we transact change in value over time compared to the U.S. Dollar. These rate fluctuations can have a significant effect on our reported results. As such, in addition to financial measures prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"), our discussions often contain references to constant currency measures, which are calculated by translating the current-year and prior-year reported amounts into comparable amounts using a single foreign exchange rate for each currency. We present constant currency financial information, which is a non-U.S. GAAP financial measure, as a supplement to our reported operating results. We use constant currency information to provide a framework for assessing how our businesses performed excluding the effects of foreign currency exchange rate fluctuations. We believe this information is useful to investors for facilitating comparisons of operating results and better identifying trends in our businesses. The constant currency performance measures should be viewed in addition to, and not in lieu of or superior to, our operating performance measures calculated in accordance with U.S. GAAP. Reconciliations between this non-U.S. GAAP financial measure and the most directly comparable U.S. GAAP measure are included in the "Results of Operations" section where applicable.

Our discussion also includes reference to comparable store sales. Effective beginning the first quarter of our Fiscal 2019, we changed our definition of comparable store sales to provide a more relevant measure of performance and align with general retail industry practice. Under the new definition, comparable store sales refer to the change in sales of our stores that have been open for at least 13 full fiscal months. Sales from our digital commerce sites are also included within comparable sales for those geographies that have been serviced by the related site for at least 13 full fiscal months. Sales for stores or digital commerce sites that are closed or shut down during the year are excluded from the calculation of comparable store sales. Sales for stores that are either relocated, enlarged (as defined by gross square footage expansion of 25% or greater), or generally closed for 30 or more consecutive days for renovation are also excluded from the calculation of comparable store sales until such stores have been operating in their new location or in their newly renovated state for at least 13 full fiscal months. All comparable store sales metrics are calculated on a constant currency basis. Our previous definition of comparable store sales required a store or digital commerce site to be operational for one full fiscal year to be considered comparable and included in the calculation. All prior period comparable store sales metrics have been recast to conform with the Company's new definition.

Our "Results of Operations" discussion that follows includes the significant changes in operating results arising from these items affecting comparability. However, unusual items or transactions may occur in any period. Accordingly, investors and other financial statement users should consider the types of events and transactions that have affected operating trends.

RESULTS OF OPERATIONS

Fiscal 2019 Compared to Fiscal 2018

The following table summarizes our results of operations and expresses the percentage relationship to net revenues of certain financial statement captions. All percentages shown in the below table and the discussion that follows have been calculated using unrounded numbers.

	Fiscal Years Ended		\$ Change	% / bps Change
	March 30, 2019	March 31, 2018		
(millions, except per share data)				
Net revenues	\$ 6,313.0	\$ 6,182.3	\$ 130.7	2.1%
Cost of goods sold	(2,427.0)	(2,430.6)	3.6	(0.1%)
Gross profit	3,886.0	3,751.7	134.3	3.6%
<i>Gross profit as % of net revenues</i>	61.6%	60.7%		90 bps
Selling, general, and administrative expenses	(3,168.3)	(3,095.5)	(72.8)	2.4%
<i>SG&A expenses as % of net revenues</i>	50.2%	50.1%		10 bps
Impairment of assets	(25.8)	(50.0)	24.2	(48.5%)
Restructuring and other charges	(130.1)	(108.0)	(22.1)	20.6%
Operating income	561.8	498.2	63.6	12.8%
<i>Operating income as % of net revenues</i>	8.9%	8.1%		80 bps
Interest expense	(20.7)	(18.2)	(2.5)	13.6%
Interest income	40.8	12.3	28.5	231.3%
Other income (expense), net	0.6	(3.1)	3.7	NM
Income before income taxes	582.5	489.2	93.3	19.1%
Income tax provision	(151.6)	(326.4)	174.8	(53.5%)
<i>Effective tax rate^(a)</i>	26.0%	66.7%		(4,070 bps)
Net income	\$ 430.9	\$ 162.8	\$ 268.1	164.6%
Net income per common share:				
Basic	\$ 5.35	\$ 1.99	\$ 3.36	168.8%
Diluted	\$ 5.27	\$ 1.97	\$ 3.30	167.5%

^(a) Effective tax rate is calculated by dividing the income tax provision by income before income taxes.

NM Not meaningful.

Net Revenues. Net revenues increased by \$130.7 million, or 2.1%, to \$6.313 billion in Fiscal 2019 as compared to Fiscal 2018, including net unfavorable foreign currency effects of \$42.0 million. On a constant currency basis, net revenues increased by \$172.7 million, or 2.8%.

The following table summarizes the percentage change in our Fiscal 2019 consolidated comparable store sales as compared to the prior fiscal year:

	% Change
Digital commerce comparable store sales	9%
Comparable store sales excluding digital commerce	—%
Total comparable store sales	1%

Our global average store count increased by 34 stores and concession shops during Fiscal 2019 compared with the prior fiscal year, largely driven by new openings in Asia. The following table details our retail store presence by segment as of the periods presented:

	March 30, 2019	March 31, 2018
Freestanding Stores:		
North America	224	215
Europe	87	81
Asia	115	105
Other non-reportable segments	75	71
Total freestanding stores	501	472
Concession Shops:		
North America	2	2
Europe	24	25
Asia	622	603
Other non-reportable segments	5	2
Total concession shops	653	632
Total stores	1,154	1,104

In addition to our stores, we sell products online in North America and Europe through our various digital commerce sites, which include www.RalphLauren.com and www.ClubMonaco.com, among others. In Asia, we sell products online through our digital commerce site, www.RalphLauren.cn, which launched in September 2018, as well as through various third-party digital partner commerce sites.

Net revenues for our segments, as well as a discussion of the changes in each reportable segment's net revenues from the prior fiscal year, are provided below:

	Fiscal Years Ended		\$ Change	Foreign Exchange Impact	\$ Change	% Change		
	March 30, 2019	March 31, 2018	As Reported		Constant Currency	As Reported	Constant Currency	
(millions)								
Net Revenues:								
North America	\$ 3,202.9	\$ 3,231.0	\$ (28.1)	\$ (3.3)	\$ (24.8)	(0.9%)	(0.8%)	
Europe	1,659.9	1,585.0	74.9	(27.5)	102.4	4.7%	6.5%	
Asia	1,041.0	933.7	107.3	(10.9)	118.2	11.5%	12.7%	
Other non-reportable segments	409.2	432.6	(23.4)	(0.3)	(23.1)	(5.4%)	(5.4%)	
Total net revenues	\$ 6,313.0	\$ 6,182.3	\$ 130.7	\$ (42.0)	\$ 172.7	2.1%	2.8%	

North America net revenues — Net revenues decreased by \$28.1 million, or 0.9%, during Fiscal 2019 as compared to Fiscal 2018, including net unfavorable foreign currency effects of \$3.3 million. On a constant currency basis, net revenues decreased by \$24.8 million, or 0.8%.

The \$28.1 million net decline in North America net revenues was driven by a \$57.0 million net decrease related to our North America wholesale business, largely driven by a strategic reduction of shipments (including within the off-price channel) and points of distribution in connection with our long-term growth strategy.

This decline was partially offset by:

- a \$28.9 million net increase related to our North America retail business, inclusive of net unfavorable foreign currency effects of \$1.8 million. On a constant currency basis, net revenues increased by \$30.7 million driven by an increase of \$30.3 million in non-comparable store sales. The following table summarizes the percentage change in comparable store sales related to our North America retail business:

	% Change
Digital commerce comparable store sales	10%
Comparable store sales excluding digital commerce	(2%)
Total comparable store sales	—%

Europe net revenues — Net revenues increased by \$74.9 million, or 4.7%, during Fiscal 2019 as compared to Fiscal 2018, including net unfavorable foreign currency effects of \$27.5 million. On a constant currency basis, net revenues increased by \$102.4 million, or 6.5%.

The \$74.9 million net increase in Europe net revenues was driven by:

- a \$51.7 million net increase related to our Europe wholesale business largely driven by stronger demand, partially offset by net unfavorable foreign currency effects of \$18.0 million; and
- a \$23.2 million net increase related to our Europe retail business, inclusive of net unfavorable foreign currency effects of \$9.5 million. On a constant currency basis, net revenues increased by \$32.7 million driven by an increase of \$38.6 million in non-comparable store sales, partially offset by a decrease of \$5.9 million in comparable store sales. The following table summarizes the percentage change in comparable store sales related to our Europe retail business:

	% Change
Digital commerce comparable store sales	6%
Comparable store sales excluding digital commerce	(1%)
Total comparable store sales	(1%)

Asia net revenues — Net revenues increased by \$107.3 million, or 11.5%, during Fiscal 2019 as compared to Fiscal 2018, including net unfavorable foreign currency effects of \$10.9 million. On a constant currency basis, net revenues increased by \$118.2 million, or 12.7%.

The \$107.3 million net increase in Asia net revenues was driven by:

- a \$95.6 million net increase related to our Asia retail business, inclusive of net unfavorable foreign currency effects of \$9.1 million. On a constant currency basis, net revenues increased by \$104.7 million, reflecting increases of \$65.3 million in non-comparable store sales driven by new store openings and \$39.4 million in comparable store sales. The following table summarizes the percentage change in comparable store sales related to our Asia retail business:

	% Change
Digital commerce comparable store sales	51%
Comparable store sales excluding digital commerce	4%
Total comparable store sales	5%

- an \$11.7 million net increase related to our Asia wholesale business, primarily driven by our expansion in Japan, South Korea, and Southeast Asia.

Gross Profit. Gross profit increased by \$134.3 million, or 3.6%, to \$3.886 billion in Fiscal 2019. Gross profit during Fiscal 2019 and Fiscal 2018 reflected non-cash inventory-related charges of \$7.2 million and \$7.6 million, respectively, recorded in connection with our restructuring plans. The increase in gross profit also included a net unfavorable foreign currency effect of \$15.2 million. Gross profit as a percentage of net revenues increased to 61.6% in Fiscal 2019 from 60.7% in Fiscal 2018. The 90 basis point increase was primarily driven by improved pricing and lower levels of promotional activity in connection with our long-term growth strategy, and favorable product and geographic mix, partially offset by higher inventory reserves.

Gross profit as a percentage of net revenues is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net revenues to fluctuate from year to year.

Selling, General, and Administrative Expenses. SG&A expenses include compensation and benefits, advertising and marketing, rent and occupancy, distribution, information technology, legal, depreciation and amortization, bad debt, and other selling and administrative costs. SG&A expenses increased by \$72.8 million, or 2.4%, to \$3.168 billion in Fiscal 2019. This increase included a net favorable foreign currency effect of \$17.4 million. SG&A expenses as a percentage of net revenues increased slightly to 50.2% in Fiscal 2019 from 50.1% in Fiscal 2018. The 10 basis point increase was primarily due to our increased marketing investment, new store expansion, and the unfavorable impact attributable to geographic and channel mix, as a greater portion of our revenue was generated by our retail businesses (which typically carry higher operating expense margins). These increases were partially offset by our operational discipline.

The \$72.8 million net increase in SG&A expenses was driven by:

	Fiscal 2019 Compared to Fiscal 2018	
	(millions)	
SG&A expense category:		
Marketing and advertising expenses	\$	31.7
Compensation-related expenses		22.8
Selling-related expenses		20.0
Rent and occupancy expenses		15.0
Depreciation and amortization expense		(13.7)
Other		(3.0)
Total net increase in SG&A expenses	\$	72.8

In Fiscal 2020, we remain committed to spending on key strategic initiatives including marketing, digital, expanding and renovating our global retail stores and concession shops, and investing in productivity-enhancing infrastructure. We expect to make these investments while continuing to manage our cost base with discipline, including the consolidation of our corporate office footprint.

Impairment of Assets. During Fiscal 2019, we recorded non-cash impairment charges of \$21.2 million to write off certain fixed assets related to our domestic and international stores, shop-within-shops, and corporate offices. Additionally, as a result of our decision to sell a certain corporate fixed asset, we recorded a non-cash impairment charge of \$4.6 million to reduce the carrying value of the asset held-for-sale to its estimated fair value, less costs to sell. During Fiscal 2018, we recorded non-cash impairment charges of \$41.2 million to write off certain fixed assets related to our domestic and international stores, shop-within-shops, and corporate offices. Additionally, as a result of a change in the planned usage of a certain intangible asset, we recorded a non-cash impairment charge of \$8.8 million to reduce the carrying value of the intangible asset to its estimated fair value. See Note 8 to the accompanying consolidated financial statements.

Restructuring and Other Charges. During Fiscal 2019 and Fiscal 2018, we recorded restructuring charges of \$93.6 million and \$79.2 million, respectively, in connection with our restructuring plans, primarily consisting of severance and benefits costs, and lease termination and store closure costs. In addition, during Fiscal 2019, we recorded net other charges of \$36.5 million primarily related to our sabbatical leave program initiated during the fourth quarter of Fiscal 2019, depreciation expense associated with our former Polo store at 711 Fifth Avenue in New York City, and our customs audit. During Fiscal 2018, we recorded other net charges of \$28.8 million primarily related to depreciation expense associated with our former Polo store at 711 Fifth Avenue in New York City, our customs audit, the departure of Mr. Stefan Larsson, and the reversal of reserves associated with the settlement of certain non-income tax issues. See Note 9 to the accompanying consolidated financial statements.

Operating Income. Operating income increased by \$63.6 million, or 12.8%, to \$561.8 million in Fiscal 2019. Our operating results during Fiscal 2019 and Fiscal 2018 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$163.1 million and \$165.6 million, respectively, as previously discussed. Foreign currency effects did not have a meaningful impact on operating income during Fiscal 2019. Operating income as a percentage of net revenues increased to 8.9% in Fiscal 2019 from 8.1% in Fiscal 2018. The 80 basis point increase in operating income as a percentage of net revenues was primarily driven by the increase in our gross profit margin, partially offset by the slight increase in SG&A expenses as a percentage of net revenues, all as previously discussed.

Operating income and margin for our segments, as well as a discussion of the changes in each reportable segment's operating margin from the prior fiscal year, are provided below:

	Fiscal Years Ended					
	March 30, 2019		March 31, 2018		\$ Change	Margin Change
	Operating Income	Operating Margin	Operating Income	Operating Margin		
	(millions)		(millions)	(millions)		
Segment:						
North America	\$ 682.8	21.3%	\$ 677.6	21.0%	\$ 5.2	30 bps
Europe	389.9	23.5%	356.7	22.5%	33.2	100 bps
Asia	161.0	15.5%	137.2	14.7%	23.8	80 bps
Other non-reportable segments	121.6	29.7%	107.5	24.9%	14.1	480 bps
	1,355.3		1,279.0		76.3	
Unallocated corporate expenses	(663.4)		(672.8)		9.4	
Unallocated restructuring and other charges	(130.1)		(108.0)		(22.1)	
Total operating income	\$ 561.8	8.9%	\$ 498.2	8.1%	\$ 63.6	80 bps

North America operating margin improved by 30 basis points, primarily due to the favorable impact of 50 basis points related to our wholesale business, largely driven by a decline in SG&A expenses as a percentage of net revenues and an increase in our gross profit margin. Partially offsetting this increase was 20 basis points attributable to unfavorable channel mix.

Europe operating margin improved by 100 basis points, primarily due to the favorable impacts of 80 basis points related to foreign currency effects and 60 basis points related to our retail business, largely driven by an increase in our gross profit margin. Partially offsetting these increases in our operating margin was a 40 basis point decline related to our wholesale business, largely driven by a decrease in our gross profit margin, partially offset by a decline in SG&A expenses as a percentage of net revenues.

Asia operating margin improved by 80 basis points, primarily due to the favorable impacts of 50 basis points related to our wholesale business and 30 basis points related to our retail business, both largely driven by a decline in SG&A expenses as a percentage of net revenues, partially offset by a decrease in our gross profit margin.

Unallocated corporate expenses decreased by \$9.4 million to \$663.4 million in Fiscal 2019, primarily due to lower impairment of asset charges of \$14.8 million and lower compensation-related expenses of \$8.4 million, partially offset by higher consulting fees of \$6.1 million, higher marketing and advertising expenses of \$5.1 million, and higher other expenses of \$2.6 million.

Unallocated restructuring and other charges increased by \$22.1 million to \$130.1 million in Fiscal 2019, as previously discussed above and in Note 9 to the accompanying consolidated financial statements.

Non-operating Expense, Net. Non-operating expense, net is comprised of interest expense, interest income, and other income (expense), net, which includes foreign currency gains (losses), equity in losses from our equity-method investees, and other non-operating expenses. During Fiscal 2019, we reported non-operating income, net, of \$20.7 million, as compared to non-operating expense, net, of \$9.0 million in Fiscal 2018. The \$29.7 million improvement was primarily driven by higher interest income of \$28.5 million due to the increased balance of our investment portfolio, as well as a favorable shift to higher interest rate environments attributable to recent cash repatriations from our foreign subsidiaries.

Income Tax Provision. The income tax provision represents federal, foreign, state and local income taxes. The income tax provision and effective tax rate in Fiscal 2019 were \$151.6 million and 26.0%, respectively, as compared to \$326.4 million and 66.7%, respectively, in Fiscal 2018. The \$174.8 million decline in the income tax provision was primarily due to lower TCJA enactment-related charges recorded during Fiscal 2019 as compared to the prior fiscal year, partially offset by the increase in pretax income. During Fiscal 2019 and Fiscal 2018, we recorded TCJA enactment-related charges of \$27.6 million and \$221.4 million, respectively, which increased our effective tax rates by 470 basis points and 4,520 basis points, respectively. In addition to this 4,050 basis point improvement attributable to lower TCJA enactment-related charges recorded, the decline in our effective tax rate also reflected the net favorable impact of 20 basis points due to other factors, including a net favorable change related to compensation-related adjustments, partially offset by the tax impact of the change in geographic mix of our worldwide earnings. Our effective tax rate will change from period to period based on various factors including, but not limited to, the geographic mix

of earnings, the timing and amount of foreign dividends, enacted tax legislation, state and local taxes, tax audit findings and settlements, and the interaction of various global tax strategies.

Net Income. Net income increased to \$430.9 million in Fiscal 2019, from \$162.8 million in Fiscal 2018. The \$268.1 million increase in net income was primarily due to the decrease in our income tax provision and the increases in operating income and interest income, all as previously discussed. Net income in Fiscal 2019 and Fiscal 2018 reflected TCJA enactment-related charges of \$27.6 million and \$221.4 million, respectively, as previously discussed. Our operating results during Fiscal 2019 and Fiscal 2018 were also negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$163.1 million and \$165.6 million, respectively, which had an after-tax effect of reducing net income by \$129.0 million and \$113.3 million, respectively.

Net Income per Diluted Share. Net income per diluted share increased to \$5.27 in Fiscal 2019, from \$1.97 in Fiscal 2018. The \$3.30 per share increase was due to the higher level of net income, as previously discussed, and lower weighted-average diluted shares outstanding during Fiscal 2019 driven by our share repurchases during the last twelve months. Net income per diluted share in Fiscal 2019 and Fiscal 2018 were negatively impacted by \$0.34 per share and \$2.68 per share, respectively, as a result of TCJA enactment-related charges. Net income per diluted share in Fiscal 2019 and Fiscal 2018 were also negatively impacted by \$1.58 per share and \$1.38 per share, respectively, as a result of restructuring-related charges, impairment of assets, and certain other charges, as previously discussed.

Fiscal 2018 Compared to Fiscal 2017

The following table summarizes our results of operations and expresses the percentage relationship to net revenues of certain financial statement captions. All percentages shown in the below table and the discussion that follows have been calculated using unrounded numbers.

	Fiscal Years Ended		\$ Change	% / bps Change
	March 31, 2018	April 1, 2017		
	(millions, except per share data)			
Net revenues	\$ 6,182.3	\$ 6,652.8	\$ (470.5)	(7.1%)
Cost of goods sold	(2,430.6)	(3,001.7)	571.1	(19.0%)
Gross profit	3,751.7	3,651.1	100.6	2.8%
<i>Gross profit as % of net revenues</i>	60.7%	54.9%		580 bps
Selling, general, and administrative expenses	(3,095.5)	(3,171.0)	75.5	(2.4%)
<i>SG&A expenses as % of net revenues</i>	50.1%	47.7%		240 bps
Impairment of assets	(50.0)	(253.8)	203.8	(80.3%)
Restructuring and other charges	(108.0)	(318.6)	210.6	(66.1%)
Operating income (loss)	498.2	(92.3)	590.5	NM
<i>Operating income (loss) as % of net revenues</i>	8.1%	(1.4%)		950 bps
Interest expense	(18.2)	(12.4)	(5.8)	46.8%
Interest income	12.3	7.3	5.0	69.0%
Other expense, net	(3.1)	(7.5)	4.4	(57.9%)
Income (loss) before income taxes	489.2	(104.9)	594.1	NM
Income tax benefit (provision)	(326.4)	5.6	(332.0)	NM
<i>Effective tax rate^(a)</i>	66.7%	5.3 %		6,140 bps
Net income (loss)	\$ 162.8	\$ (99.3)	\$ 262.1	NM
Net income (loss) per common share:				
Basic	\$ 1.99	\$ (1.20)	\$ 3.19	NM
Diluted	\$ 1.97	\$ (1.20)	\$ 3.17	NM

^(a) Effective tax rate is calculated by dividing the income tax benefit (provision) by income (loss) before income taxes. NM Not meaningful.

Net Revenues. Net revenues decreased by \$470.5 million, or 7.1%, to \$6.182 billion in Fiscal 2018 as compared to Fiscal 2017, including net favorable foreign currency effects of \$86.5 million. On a constant currency basis, net revenues decreased by \$557.0 million, or 8.4%.

The following table summarizes the percentage change in our Fiscal 2018 consolidated comparable store sales as compared to the prior fiscal year:

	% Change
Digital commerce comparable store sales	(16%)
Comparable store sales excluding digital commerce	(3%)
Total comparable store sales	(5%)

Our global average store count increased by two stores and concession shops during Fiscal 2018 compared with the prior fiscal year, primarily due to new openings in Asia, largely offset by global closures primarily associated with the Way Forward Plan. The following table details our retail store presence by segment as of the periods presented:

	March 31, 2018	April 1, 2017
Freestanding Stores:		
North America	215	216
Europe	81	82
Asia	105	89
Other non-reportable segments	71	79
Total freestanding stores	472	466
Concession Shops:		
North America	2	1
Europe	25	31
Asia	603	586
Other non-reportable segments	2	2
Total concession shops	632	620
Total stores	1,104	1,086

In addition to our stores, we sold products online in North America and Europe through our various digital commerce sites, which include www.RalphLauren.com and www.ClubMonaco.com, among others. In Asia, we sold products online through various third-party digital partner commerce sites.

Net revenues for our segments, as well as a discussion of the changes in each reportable segment's net revenues from the prior fiscal year, are provided below:

	Fiscal Years Ended		\$ Change	Foreign Exchange Impact	\$ Change	% Change	
	March 31, 2018	April 1, 2017	As Reported		Constant Currency	As Reported	Constant Currency
(millions)							
Net Revenues:							
North America	\$ 3,231.0	\$ 3,783.0	\$ (552.0)	\$ 3.0	\$ (555.0)	(14.6%)	(14.7%)
Europe	1,585.0	1,543.4	41.6	81.2	(39.6)	2.7%	(2.6%)
Asia	933.7	882.5	51.2	1.9	49.3	5.8%	5.6%
Other non-reportable segments	432.6	443.9	(11.3)	0.4	(11.7)	(2.5%)	(2.6%)
Total net revenues	\$ 6,182.3	\$ 6,652.8	\$ (470.5)	\$ 86.5	\$ (557.0)	(7.1%)	(8.4%)

North America net revenues — Net revenues decreased by \$552.0 million, or 14.6%, during Fiscal 2018 as compared to Fiscal 2017, including net favorable foreign currency effects of \$3.0 million. On a constant currency basis, net revenues decreased by \$555.0 million, or 14.7%.

The \$552.0 million net decline in North America net revenues was driven by:

- a \$435.0 million net decrease related to our North America wholesale business, largely driven by a strategic reduction of shipments (including within the off-price channel) and points of distribution in connection with our long-term growth strategy, the impact of brand discontinuances, and the continued challenging department store traffic trends;
- a \$117.0 million net decrease related to our North America retail business, inclusive of net favorable foreign currency effects of \$1.2 million. On a constant currency basis, net revenues decreased by \$118.2 million driven by a decline of \$118.1 million in comparable store sales. The following table summarizes the percentage change in comparable store sales related to our North America retail business:

	<u>% Change</u>
Digital commerce comparable store sales	(22%)
Comparable store sales excluding digital commerce	(3%)
Total comparable store sales	(7%)

Europe net revenues — Net revenues increased by \$41.6 million, or 2.7%, during Fiscal 2018 as compared to Fiscal 2017, including net favorable foreign currency effects of \$81.2 million. On a constant currency basis, net revenues decreased by \$39.6 million, or 2.6%.

The \$41.6 million net increase in Europe net revenues was driven by:

- a \$26.4 million net increase related to our Europe retail business, inclusive of net favorable foreign currency effects of \$36.1 million. On a constant currency basis, net revenues decreased by \$9.7 million driven by a decline of \$51.5 million in comparable store sales, partially offset by an increase of \$41.8 million in non-comparable store sales, primarily driven by new store openings. The following table summarizes the percentage change in comparable store sales related to our Europe retail business:

	<u>% Change</u>
Digital commerce comparable store sales	(3%)
Comparable store sales excluding digital commerce	(8%)
Total comparable store sales	(7%)

- a \$15.2 million net increase related to our Europe wholesale business, largely driven by net favorable foreign currency effects of \$45.1 million, partially offset by the impact of brand discontinuances and a strategic reduction of shipments within the off-price channel in connection with our long-term growth strategy.

Asia net revenues — Net revenues increased by \$51.2 million, or 5.8%, during Fiscal 2018 as compared to Fiscal 2017, including net favorable foreign currency effects of \$1.9 million. On a constant currency basis, net revenues increased by \$49.3 million, or 5.6%.

The \$51.2 million net increase in Asia net revenues was driven by:

- a \$39.7 million net increase related to our Asia retail business, inclusive of net favorable foreign currency effects of \$1.3 million. On a constant currency basis, net revenues increased by \$38.4 million, reflecting increases of \$20.8 million in non-comparable store sales driven by new store openings and \$17.6 million in comparable store sales. The following table summarizes the percentage change in comparable store sales related to our Asia retail business:

	<u>% Change</u>
Total comparable store sales ^(a)	2%

^(a) Comparable store sales for our Asia segment were comprised primarily of sales made through our stores and concession shops.

- an \$11.5 million net increase related to our Asia wholesale business, largely driven by our expansion in Japan.

Gross Profit. Gross profit increased by \$100.6 million, or 2.8%, to \$3.752 billion in Fiscal 2018. Gross profit during Fiscal 2018 and Fiscal 2017 reflected non-cash inventory-related charges of \$7.6 million and \$197.9 million, respectively, recorded in connection with the Way Forward Plan. The increase in gross profit also included a net favorable foreign currency effect of \$64.2

million. Gross profit as a percentage of net revenues increased to 60.7% in Fiscal 2018 from 54.9% in Fiscal 2017. The 580 basis point increase was primarily driven by the lower non-cash inventory-related charges recorded in connection with the Way Forward Plan during Fiscal 2018 as compared to Fiscal 2017, lower levels of promotional activity in connection with our long-term growth strategy, favorable geographic and channel mix, and lower sourcing costs.

Selling, General, and Administrative Expenses. SG&A expenses decreased by \$75.5 million, or 2.4%, to \$3.096 billion in Fiscal 2018. This decrease included a net unfavorable foreign currency effect of \$31.8 million. SG&A expenses as a percentage of net revenues increased to 50.1% in Fiscal 2018 from 47.7% in Fiscal 2017. The 240 basis point increase was primarily due to operating deleverage on lower net revenues, as previously discussed, and the unfavorable impact attributable to geographic and channel mix, as a greater portion of our revenue was generated by our retail businesses (which typically carry higher operating expense margins). These increases were partially offset by our operational discipline and cost savings associated with our restructuring activities.

The \$75.5 million net decline in SG&A expenses was driven by:

	Fiscal 2018 Compared to Fiscal 2017
	(millions)
SG&A expense category:	
Depreciation and amortization expense	\$ (26.1)
Shipping and handling costs	(18.4)
Compensation-related expenses	(16.4)
Non-income tax related expenses	(9.4)
Selling-related expenses	(8.3)
Rent and occupancy expenses	(6.9)
Marketing and advertising expenses	21.3
Other	(11.3)
Total net decline in SG&A expenses	<u>\$ (75.5)</u>

Impairment of Assets. During Fiscal 2018, we recorded non-cash impairment charges of \$41.2 million to write off certain fixed assets related to our domestic and international stores, shop-within-shops, and corporate offices. Additionally, as a result of a change in the planned usage of a certain intangible asset, we recorded a non-cash impairment charge of \$8.8 million during Fiscal 2018 to reduce the value of the intangible asset to its estimated fair value. During Fiscal 2017, we recorded non-cash impairment charges of \$248.6 million to write off certain fixed assets related to our domestic and international stores, shop-within-shops, and corporate offices, as well as our in-house global digital commerce platform which was in development. Additionally, as a result of the realignment of our segment reporting structure, we recorded a non-cash goodwill impairment charge of \$5.2 million during Fiscal 2017. See Note 8 to the accompanying consolidated financial statements.

Restructuring and Other Charges. During Fiscal 2018 and Fiscal 2017, we recorded restructuring charges of \$79.2 million and \$294.0 million, respectively, in connection with our restructuring plans, primarily consisting of severance and benefits costs, and lease termination and store closure costs. In addition, during Fiscal 2018, we recorded net other charges of \$28.8 million primarily related to depreciation expense associated with our former Polo store at 711 Fifth Avenue in New York City, our customs audit, the departure of Mr. Stefan Larsson, and the reversal of reserves associated with the settlement of certain non-income tax issues. During Fiscal 2017, we recorded other charges of \$24.6 million related to the anticipated settlement of certain non-income tax issues and the departure of Mr. Stefan Larsson. See Note 9 to the accompanying consolidated financial statements.

Operating Income (Loss). During Fiscal 2018, we reported operating income of \$498.2 million, as compared to an operating loss of \$92.3 million during Fiscal 2017. Our operating results during Fiscal 2018 and Fiscal 2017 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$165.6 million and \$770.3 million, respectively, as previously discussed. The \$590.5 million increase in operating income also included a net favorable foreign currency effect of \$32.4 million. Operating income as a percentage of net revenues was 8.1% during Fiscal 2018, reflecting a 950 basis point increase from the prior fiscal year. The overall increase in operating income as a percentage of net revenues was primarily driven by the net decline in restructuring-related charges, impairment of assets, and certain other charges and the increase in our gross profit margin, partially offset by the increase in SG&A expenses as a percentage of net revenues, all as previously discussed.

Operating income (loss) and margin for our segments, as well as a discussion of the changes in each reportable segment's operating margin from the prior fiscal year, are provided below:

	Fiscal Years Ended					
	March 31, 2018		April 1, 2017		\$ Change	Margin Change
	Operating Income (Loss)	Operating Margin	Operating Income (Loss)	Operating Margin		
(millions)		(millions)		(millions)		
Segment:						
North America	\$ 677.6	21.0%	\$ 666.8	17.6%	\$ 10.8	340 bps
Europe	356.7	22.5%	305.2	19.8%	51.5	270 bps
Asia	137.2	14.7%	(86.3)	(9.8%)	223.5	2,450 bps
Other non-reportable segments	107.5	24.9%	81.0	18.2%	26.5	670 bps
	1,279.0		966.7		312.3	
Unallocated corporate expenses	(672.8)		(740.4)		67.6	
Unallocated restructuring and other charges	(108.0)		(318.6)		210.6	
Total operating income (loss)	\$ 498.2	8.1%	\$ (92.3)	(1.4%)	\$ 590.5	950 bps

North America operating margin improved by 340 basis points, primarily due to the favorable impact of 100 basis points related to our retail business, largely driven by the increase in our gross profit margin. The increase also reflected the favorable impact of 240 basis points related to lower non-cash charges recorded in connection with the Way Forward Plan during Fiscal 2018 as compared to the prior fiscal year. Our wholesale business did not have a meaningful impact on the change in our North America operating margin, as the improved gross margin was offset by operating expense deleverage on lower net revenues.

Europe operating margin improved by 270 basis points, primarily due to the favorable impact of 130 basis points related to lower non-cash charges recorded in connection with the Way Forward Plan during Fiscal 2018 as compared to the prior fiscal year, as well as the favorable impact of 120 basis points related to our retail business, largely driven by the increase in our gross profit margin, partially offset by an increase in SG&A expenses as a percentage of net revenues. The increase also reflected favorable foreign currency effects of 20 basis points. Our wholesale business did not have a meaningful impact on the change in our Europe operating margin.

Asia operating margin improved by 2,450 basis points, primarily due to the favorable impact of 2,000 basis points related to lower non-cash charges recorded in connection with the Way Forward Plan during Fiscal 2018 as compared to the prior fiscal year. The increase also reflected the favorable impact of 350 basis points related to our retail business, largely driven by the increase in our gross profit margin and a decline in SG&A expenses as a percentage of net revenues. The improvement also reflected favorable foreign currency effects of 140 basis points. These increases in operating margin were partially offset by a 40 basis point decline related to our wholesale business.

Unallocated corporate expenses decreased by \$67.6 million to \$672.8 million in Fiscal 2018, primarily due to lower impairment of asset charges of \$96.3 million, lower non-income tax related expenses of \$9.4 million, and lower other expenses of \$10.7 million, partially offset by lower intercompany sourcing commission income of \$31.9 million (which is offset at the segment level and eliminates in consolidation), higher consulting fees of \$8.7 million, and higher compensation-related expenses of \$8.2 million.

Unallocated restructuring and other charges decreased by \$210.6 million to \$108.0 million in Fiscal 2018, as previously discussed above and in Note 9 to the accompanying consolidated financial statements.

Non-operating Expense, Net. Non-operating expense, net, decreased by \$3.6 million to \$9.0 million in Fiscal 2018 from \$12.6 million in Fiscal 2017. The decline in non-operating expense, net, was driven by:

- a \$5.0 million increase in interest income driven by the increase in our cash, cash equivalents, and investments as compared to the prior fiscal year; and
- a \$3.4 million increase in foreign currency gains, largely related to the net favorable revaluation and settlement of foreign currency-denominated intercompany receivables and payables, inclusive of the impact of forward foreign

currency exchange contracts, as compared to the prior fiscal year (foreign currency gains (losses) do not result from the translation of the operating results of our foreign subsidiaries to U.S. Dollars).

These declines in non-operating expense were partially offset by:

- a \$5.8 million increase in interest expense driven by the less favorable impact of our swap contracts during Fiscal 2018 as compared to the prior fiscal year. See Note 13 to the accompanying consolidated financial statements for further discussion of our swap contracts.

Income Tax Benefit (Provision). During Fiscal 2018, we reported an income tax provision of \$326.4 million and an effective tax rate of 66.7%, as compared to an income tax benefit of \$5.6 million and an effective tax rate of 5.3% during Fiscal 2017. The \$332.0 million increase in the income tax provision was primarily due to enactment-related charges of \$221.4 million recorded during Fiscal 2018 in connection with the TCJA, which negatively impacted our effective tax rate by 4,520 basis points, as well as the increase in pretax income. The 66.7% effective tax rate for Fiscal 2018 was higher than our blended statutory tax rate of 31.5% primarily due to TCJA enactment-related charges, the adoption of Accounting Standards Update No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), and the unfavorable impact of additional income tax reserves associated with certain income tax audits, partially offset by the tax impacts of earnings in lower taxed foreign jurisdictions versus the U.S. and tax benefits associated with adjustments recorded on deferred tax assets and provision to tax return adjustments. The 5.3% effective tax rate for Fiscal 2017 was lower than the statutory tax rate of 35.0% primarily due to the tax impact of earnings in lower taxed foreign jurisdictions versus the U.S., valuation allowances and adjustments recorded on deferred tax assets, and income tax reserves largely associated with an income tax settlement and certain income tax audits, partially offset by the reversal of an income tax reserve resulting from a change in tax law that impacted an interest assessment on a prior year withholding tax.

Net Income (Loss). During Fiscal 2018, we reported net income of \$162.8 million, as compared to a net loss of \$99.3 million during Fiscal 2017. The \$262.1 million increase in net income was primarily due to the \$590.5 million increase in operating income, partially offset by the \$332.0 million increase in our income tax provision, as previously discussed. Net income in Fiscal 2018 reflected TCJA enactment-related charges of \$221.4 million. Our operating results during Fiscal 2018 and Fiscal 2017 were also negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$165.6 million and \$770.3 million, respectively, which had an after-tax effect of reducing net income by \$113.3 million and \$592.1 million, respectively. In addition, our net loss during Fiscal 2017 reflected the favorable impact of \$15.9 million related to the reversal of an income tax reserve resulting from a change in tax law that impacted an interest assessment on a prior year withholding tax.

Net Income (Loss) per Diluted Share. During Fiscal 2018, we reported net income per diluted share of \$1.97, as compared to a net loss per diluted share of \$1.20 during Fiscal 2017. The \$3.17 per share increase was due to the higher level of net income, as previously discussed, and lower weighted-average diluted shares outstanding during Fiscal 2018, driven by the weighted-average impact of our share repurchases during Fiscal 2017. Net income per diluted share during Fiscal 2018 was negatively impacted by \$2.68 per share as a result of TCJA enactment-related charges. Net income (loss) per diluted share during Fiscal 2018 and Fiscal 2017 were also negatively impacted by \$1.38 per share and \$7.10 per share, respectively, as a result of restructuring-related charges, impairment of assets, and certain other charges. In addition, our net loss per diluted share during Fiscal 2017 reflected the favorable impact of \$0.19 per share related to the reversal of an income tax reserve resulting from a change in tax law that impacted an interest assessment on a prior year withholding tax.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

The following table presents our financial condition as of March 30, 2019 and March 31, 2018.

	March 30, 2019	March 31, 2018	\$ Change
	(millions)		
Cash and cash equivalents	\$ 584.1	\$ 1,304.6	\$ (720.5)
Short-term investments	1,403.4	699.4	704.0
Non-current investments ^(a)	44.9	86.2	(41.3)
Short-term debt ^(b)	—	(10.1)	10.1
Current portion of long-term debt ^(b)	—	(298.1)	298.1
Long-term debt ^(b)	(689.1)	(288.0)	(401.1)
Net cash and investments ^(c)	<u>\$ 1,343.3</u>	<u>\$ 1,494.0</u>	<u>\$ (150.7)</u>
Equity	<u>\$ 3,287.2</u>	<u>\$ 3,457.4</u>	<u>\$ (170.2)</u>

^(a) Recorded within other non-current assets in our consolidated balance sheets.

^(b) See Note 11 to the accompanying consolidated financial statements for discussion of the carrying values of our debt.

^(c) "Net cash and investments" is defined as cash and cash equivalents, plus short-term and non-current investments, less total debt.

The decrease in our net cash and investments position at March 30, 2019 as compared to March 31, 2018 was primarily due to our use of cash to support Class A common stock repurchases of \$502.6 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through \$197.7 million in capital expenditures, and to make dividend payments of \$190.7 million, as well as the unfavorable effect of exchange rate changes on our cash and cash equivalents of \$23.9 million, partially offset by our operating cash flows of \$783.8 million.

The decrease in equity was primarily attributable to our share repurchase activity and dividends declared, partially offset by our comprehensive income and the impact of stock-based compensation arrangements during Fiscal 2019.

Cash Flows

Fiscal 2019 Compared to Fiscal 2018

	Fiscal Years Ended		\$ Change
	March 30, 2019	March 31, 2018	
	(millions)		
Net cash provided by operating activities	\$ 783.8	\$ 975.1	\$ (191.3)
Net cash used in investing activities	(879.3)	(189.1)	(690.2)
Net cash used in financing activities	(605.7)	(197.5)	(408.2)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(27.8)	55.2	(83.0)
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ (729.0)</u>	<u>\$ 643.7</u>	<u>\$ (1,372.7)</u>

Net Cash Provided by Operating Activities. Net cash provided by operating activities decreased to \$783.8 million during Fiscal 2019, from \$975.1 million during Fiscal 2018. The \$191.3 million net decline in cash provided by operating activities was due to a net unfavorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year, partially offset by an increase in net income before non-cash charges. The net unfavorable change related to our operating assets and liabilities, including our working capital, was primarily driven by:

- a year-over-year increase in our inventory levels largely to support revenue growth, as well as the timing of inventory receipts;

- an unfavorable change related to our income tax payable, largely a result of the decrease in charges recorded in connection with the TCJA's mandatory transition tax as compared to the prior fiscal year;
- an unfavorable change related to accrued expenses and other current liabilities largely driven by fluctuations associated with our derivative instruments; and
- unfavorable changes related to our accounts receivable and prepaid expenses and other current assets, largely driven by the timing of cash receipts and payments, respectively.

Net Cash Used in Investing Activities. Net cash used in investing activities was \$879.3 million during Fiscal 2019, as compared to \$189.1 million during Fiscal 2018. The \$690.2 million net increase in cash used in investing activities was primarily driven by:

- a \$650.4 million increase in purchases of investments, less proceeds from sales and maturities of investments. During Fiscal 2019, we made net investment purchases of \$673.3 million, as compared to \$22.9 million during Fiscal 2018;
- a \$36.1 million increase in capital expenditures. During Fiscal 2019, we spent \$197.7 million on capital expenditures, as compared to \$161.6 million during Fiscal 2018. Our capital expenditures during Fiscal 2019 primarily related to new store openings, retail and department store renovations, and enhancements to our information technology systems; and
- a \$23.8 million increase in payments to settle net investment hedges.

These increases in cash used in investing activities were partially offset by cash proceeds of \$20.0 million from the sale of one of our distribution centers in North America during Fiscal 2019.

In Fiscal 2020, we expect to spend approximately \$300 million in capital expenditures, continuing our global store fleet expansion and renovations with demonstrated rates of return, investing in our digital ecosystem and other consumer-facing initiatives, and consolidating our corporate office footprint.

Net Cash Used in Financing Activities. Net cash used in financing activities was \$605.7 million during Fiscal 2019, as compared to \$197.5 million during Fiscal 2018. The \$408.2 million net increase in cash used in financing activities was primarily driven by:

- a \$485.5 million increase in cash used to repurchase shares of our Class A common stock. During Fiscal 2019, we used \$470.0 million to repurchase shares of Class A common stock pursuant to our common stock repurchase program, and an additional \$32.6 million in shares of Class A common stock were surrendered or withheld in satisfaction of withholding taxes in connection with the vesting of awards under our long-term stock incentive plans. On a comparative basis, during Fiscal 2018, no shares of Class A common stock were repurchased and \$17.1 million in shares of Class A common stock were surrendered or withheld for taxes; and
- a \$28.3 million increase in payments of dividends, driven by an increase to the quarterly cash dividend per share (as discussed within "Dividends" below). Dividends paid amounted to \$190.7 million and \$162.4 million during Fiscal 2019 and Fiscal 2018, respectively.

These increases in cash used in financing activities were partially offset by:

- a \$78.1 million increase in cash proceeds from the issuance of debt, less debt repayments. During Fiscal 2019, we received \$398.1 million in proceeds from our issuance of 3.750% unsecured senior notes in August 2018, a portion of which was used to repay \$300.0 million of our 2.125% unsecured senior notes that matured in September 2018. Additionally, during Fiscal 2019 we repaid approximately \$10 million that had been borrowed under our credit facilities during Fiscal 2018; and
- a \$21.7 million increase in proceeds from exercise of stock options.

	Fiscal Years Ended		\$ Change
	March 31, 2018	April 1, 2017	
	(millions)		
Net cash provided by operating activities	\$ 975.1	\$ 952.6	\$ 22.5
Net cash used in investing activities	(189.1)	(208.1)	19.0
Net cash used in financing activities	(197.5)	(518.4)	320.9
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	55.2	(16.4)	71.6
Net increase in cash, cash equivalents, and restricted cash	\$ 643.7	\$ 209.7	\$ 434.0

Net Cash Provided by Operating Activities. Net cash provided by operating activities increased to \$975.1 million during Fiscal 2018, from \$952.6 million during Fiscal 2017. The \$22.5 million net increase in cash provided by operating activities was due to a net favorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year, partially offset by a decline in net income before non-cash charges. The decline in net income before non-cash charges reflected a net charge of \$209.3 million recorded during Fiscal 2018 in connection with the TCJA's one-time mandatory transition tax. This charge, which is expected to be paid over an eight-year period net of foreign tax credits and other federal income tax activity, did not impact our cash flows from operating activities during Fiscal 2018 as reflected in the offsetting net favorable change in our income taxes payable and deferred taxes. Excluding the impact of this enactment-related charge, the net increase related to our operating assets and liabilities, including working capital, was primarily due to:

- favorable changes in our (i) other income tax receivables and payables (excluding the impact of the one-time mandatory transition tax) and (ii) deferred income, both largely driven by the timing of cash collections and payments.

These increases related to our operating assets and liabilities were partially offset by:

- a less favorable change related to our inventory in Fiscal 2018 as compared to Fiscal 2017, largely driven by the timing of our inventory management initiatives and the timing of inventory receipts; and
- unfavorable changes in our (i) accounts payable and accrued liabilities and (ii) accounts receivable, largely driven by the timing of cash payments and collections, respectively.

Net Cash Used in Investing Activities. Net cash used in investing activities was \$189.1 million during Fiscal 2018, as compared to \$208.1 million during Fiscal 2017. The \$19.0 million net decrease in cash used in investing activities was primarily driven by:

- a \$122.4 million decline in capital expenditures. During Fiscal 2018, we spent \$161.6 million on capital expenditures, as compared to \$284.0 million during Fiscal 2017. Our capital expenditures during Fiscal 2018 primarily related to our global retail and department store renovations, new store openings, and the continued enhancements to our global information technology systems.

This decrease in cash used in investing activities was partially offset by:

- a \$104.9 million increase in purchases of investments, less proceeds from sales and maturities of investments. During Fiscal 2018, we made net investment purchases of \$22.9 million, as compared to receiving net proceeds from sales and maturities of investments of \$82.0 million during Fiscal 2017.

Net Cash Used in Financing Activities. Net cash used in financing activities was \$197.5 million during Fiscal 2018, as compared to \$518.4 million during Fiscal 2017. The \$320.9 million net decrease in cash used in financing activities was primarily driven by:

- a \$198.1 million decline in cash used to repurchase shares of our Class A common stock. During Fiscal 2018, \$17.1 million in shares of Class A common stock were surrendered or withheld in satisfaction of withholding taxes in connection with the vesting of awards under our long-term stock incentive plans. On a comparative basis, during Fiscal 2017, we used \$200.0 million to repurchase shares of Class A common stock pursuant to our common stock

repurchase program, and an additional \$15.2 million in shares of Class A common stock were surrendered or withheld for taxes; and

- a \$126.2 million decline in cash used to repay debt, less proceeds from debt issuances. During Fiscal 2018, we received \$10.1 million in borrowings under our credit facilities. During Fiscal 2017, we made \$90.0 million in net repayments related to our commercial paper note issuances and repayments and repaid \$26.1 million of borrowings previously outstanding under our credit facilities.

Sources of Liquidity

Our primary sources of liquidity are the cash flows generated from our operations, our available cash and cash equivalents and short-term investments, availability under our credit facilities and commercial paper program, and other available financing options.

During Fiscal 2019, we generated \$783.8 million of net cash flows from our operations. As of March 30, 2019, we had \$1.987 billion in cash, cash equivalents, and short-term investments, of which \$607.4 million were held by our subsidiaries domiciled outside the U.S. We are not dependent on foreign cash to fund our domestic operations. Given recent changes to the taxation of undistributed foreign earnings in connection with the TCJA (as discussed within "Recent Developments"), during the fourth quarter of Fiscal 2018 we reevaluated our permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the TCJA's one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. In connection with this decision, we repatriated \$252 million of cash to the U.S. from certain of our foreign subsidiaries during the fourth quarter of Fiscal 2018, and we repatriated an additional \$875 million during Fiscal 2019, all of which relate to earnings previously taxed under the TCJA. The mandatory transition tax does not apply to undistributed foreign earnings generated after December 31, 2017, and therefore we intend to permanently reinvest any such earnings. However, if our plans change and we choose to repatriate post-2017 earnings to the U.S. in the future, we would be subject to applicable U.S. and foreign taxes.

The following table presents our total availability, borrowings outstanding, and remaining availability under our credit facilities and Commercial Paper Program as of March 30, 2019:

Description ^(a)	March 30, 2019		
	Total Availability	Borrowings Outstanding	Remaining Availability
	(millions)		
Global Credit Facility and Commercial Paper Program ^(b)	\$ 500	\$ 10 ^(c)	\$ 490
Pan-Asia Credit Facilities	33	—	33

^(a) As defined in Note 11 to the accompanying consolidated financial statements.

^(b) Borrowings under the Commercial Paper Program are supported by the Global Credit Facility. Accordingly, we do not expect combined borrowings outstanding under the Commercial Paper Program and the Global Credit Facility to exceed \$500 million.

^(c) Represents outstanding letters of credit for which we were contingently liable under the Global Credit Facility as of March 30, 2019.

We believe that the Global Credit Facility is adequately diversified with no undue concentration in any one financial institution. In particular, as of March 30, 2019, there were nine financial institutions participating in the Global Credit Facility, with no one participant maintaining a maximum commitment percentage in excess of 20%. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the participating regional branches of JPMorgan Chase (the "Banks"), subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. We have no reason to believe that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the Global Credit Facility and the Pan-Asia Credit Facilities in the event of our election to draw funds in the foreseeable future.

Our sources of liquidity are used to fund our ongoing cash requirements, including working capital requirements, global retail store and digital commerce expansion, construction and renovation of shop-within-shops, investment in infrastructure, including technology, acquisitions, joint ventures, payment of dividends, debt repayments, Class A common stock repurchases, settlement of contingent liabilities (including uncertain tax positions), and other corporate activities, including our restructuring actions. We believe that our existing sources of cash, the availability under our credit facilities, and our ability to access capital markets will be sufficient to support our operating, capital, and debt service requirements for the foreseeable future, the ongoing development of our businesses, and our plans for further business expansion.

See Note 11 to the accompanying consolidated financial statements for additional information relating to our credit facilities.

Common Stock Repurchase Program

As of March 30, 2019, the remaining availability under our Class A common stock repurchase program was approximately \$630 million, reflecting the June 4, 2018 approval by our Board of Directors to expand the program by up to an additional \$1.000 billion of Class A common stock repurchases. On May 13, 2019, our Board of Directors approved a further expansion of the common stock repurchase program that allows us to repurchase up to an additional \$600 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

See Note 15 to the accompanying consolidated financial statements for additional information relating to our Class A common stock repurchase program.

Dividends

Since 2003, we have maintained a regular quarterly cash dividend program on our common stock. On June 4, 2018, our Board of Directors approved an increase to the quarterly cash dividend on our common stock from \$0.50 to \$0.625 per share. On May 13, 2019, our Board of Directors approved a further increase to the quarterly cash dividend on our common stock from \$0.625 to \$0.6875 per share.

We intend to continue to pay regular quarterly dividends on our outstanding common stock. However, any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on our results of operations, cash requirements, financial condition, and other factors that the Board of Directors may deem relevant.

See Note 15 to the accompanying consolidated financial statements for additional information relating to our quarterly cash dividend program.

Debt and Covenant Compliance

In August 2015, we completed a registered public debt offering and issued \$300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes"). In August 2018, we completed another registered public debt offering and issued an additional \$400 million aggregate principal amount of unsecured senior notes due September 15, 2025, which bear interest at a fixed rate of 3.750%, payable semi-annually (the "3.750% Senior Notes").

The indenture and supplemental indentures governing the 2.625% Senior Notes and 3.750% Senior Notes (as supplemented, the "Indenture") contain certain covenants that restrict our ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of our property or assets to another party. However, the Indenture does not contain any financial covenants.

The Global Credit Facility contains a number of covenants, as described in Note 11 to the accompanying consolidated financial statements. As of March 30, 2019, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under our Global Credit Facility. The Pan-Asia Credit Facilities do not contain any financial covenants.

See Note 11 to the accompanying consolidated financial statements for additional information relating to our debt and covenant compliance.

Contractual and Other Obligations

Firm Commitments

The following table summarizes certain of our aggregate contractual obligations as of March 30, 2019, and the estimated timing and effect that such obligations are expected to have on our liquidity and cash flows in future periods. We expect to fund these firm commitments with operating cash flows generated in the normal course of business and, if necessary, through availability under our credit facilities or other accessible sources of financing.

	Fiscal 2020	Fiscal 2021-2022	Fiscal 2023-2024	Fiscal 2025 and Thereafter	Total
	(millions)				
Senior Notes	\$ —	\$ 300.0	\$ —	\$ 400.0	\$ 700.0
Interest payments on Senior Notes	22.9	33.9	30.0	22.5	109.3
Operating leases	339.0	587.4	470.6	650.5	2,047.5
Capital leases	31.8	69.0	53.4	159.4	313.6
Inventory purchase commitments	747.8	—	—	—	747.8
Mandatory transition tax payments	14.0	28.0	40.2	78.5	160.7
Other commitments	30.0	7.3	—	—	37.3
Total	<u>\$ 1,185.5</u>	<u>\$ 1,025.6</u>	<u>\$ 594.2</u>	<u>\$ 1,310.9</u>	<u>\$ 4,116.2</u>

The following is a description of our material, firmly committed obligations as of March 30, 2019:

- *Senior Notes* represent the principal amount of our outstanding 2.625% Senior Notes and 3.750% Senior Notes. Amounts do not include any fair value adjustments, call premiums, unamortized debt issuance costs, or interest payments (see below);
- *Interest payments on Senior Notes* represent the semi-annual contractual interest payments due on our 2.625% Senior Notes and 3.750% Senior Notes. Amounts do not include the impact of potential cash flows underlying our related swap contracts (see Note 13 to the accompanying consolidated financial statements for discussion of our swap contracts);
- *Lease obligations* represent the fixed minimum rental payments due under noncancelable leases of our real estate and operating equipment. We are also normally required to pay taxes, insurance, and certain occupancy costs relating to our leased real estate properties, which are included in the table above to the extent such amounts are fixed and determinable. Approximately 68% of these lease obligations relate to our retail operations. Information has been presented separately for operating and capital leases;
- *Inventory purchase commitments* represent our legally-binding agreements to purchase fixed or minimum quantities of goods at determinable prices;
- *Mandatory transition tax payments* represent our tax obligation incurred in connection with the deemed repatriation of previously deferred foreign earnings pursuant to the TCJA (see Note 10 to the accompanying consolidated financial statements for discussion of the TCJA); and
- *Other commitments* primarily represent our legally-binding obligations under sponsorship, licensing, and other marketing and advertising agreements; distribution-related agreements; information technology-related service agreements; and pension-related obligations.

Excluded from the above contractual obligations table is the non-current liability for unrecognized tax benefits of \$78.8 million as of March 30, 2019, as we cannot make a reliable estimate of the period in which the liability will be settled, if ever. The above table also excludes the following: (i) other than capital lease obligations and mandatory transition tax payments, amounts recorded in current liabilities in our consolidated balance sheet as of March 30, 2019, which will be paid within one year; and (ii) non-current liabilities that have no cash outflows associated with them (e.g., deferred revenue), or the cash outflows associated with them are uncertain or do not represent a "purchase obligation" as the term is used herein (e.g., deferred taxes, derivative financial instruments, and other miscellaneous items).

We also have certain contractual arrangements that would require us to make payments if certain events or circumstances occur. See Note 14 to the accompanying consolidated financial statements for a description of our contingent commitments not included in the above table.

Off-Balance Sheet Arrangements

In addition to the commitments included in the above table, our other off-balance sheet firm commitments relating to our outstanding letters of credit amounted to \$11.5 million as of March 30, 2019. We do not maintain any other off-balance sheet arrangements, transactions, obligations, or other relationships with unconsolidated entities that would be expected to have a material current or future effect on our consolidated financial statements.

MARKET RISK MANAGEMENT

As discussed in Note 13 to the accompanying consolidated financial statements, we are exposed to a variety of risks, including changes in foreign currency exchange rates relating to foreign currency-denominated balances, certain anticipated cash flows from our international operations, and possible declines in the value of reported net assets of our foreign operations, as well as changes in the fair value of our fixed-rate debt obligations relating to changes in interest rates. Consequently, at times, in the normal course of business, we employ established policies and procedures, including the use of derivative financial instruments, to manage such risks. We do not enter into derivative transactions for speculative or trading purposes.

As a result of the use of derivative instruments, we are exposed to the risk that counterparties to our contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, we have a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. Our established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of the creditworthiness of our counterparties. We also enter into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with our derivative instruments. As a result of the above considerations, we do not believe that we are exposed to any undue concentration of counterparty risk with respect to our derivative contracts as of March 30, 2019. However, we do have in aggregate \$27.6 million of derivative instruments in net asset positions with seven creditworthy financial institutions.

Foreign Currency Risk Management

We manage our exposure to changes in foreign currency exchange rates through the use of forward foreign currency exchange and cross-currency swap contracts. Refer to Note 13 to the accompanying consolidated financial statements for a summary of the notional amounts and fair values of our forward foreign currency exchange and cross-currency swap contracts outstanding as of March 30, 2019.

Forward Foreign Currency Exchange Contracts

We enter into forward foreign currency exchange contracts as hedges to reduce our risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, the settlement of foreign currency-denominated balances, and the translation of certain foreign operations' net assets into U.S. Dollars. As part of our overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, the Swiss Franc, the Swedish Krona, the Chinese Renminbi, the New Taiwan Dollar, and the Hong Kong Dollar, we hedge a portion of our foreign currency exposures anticipated over a two-year period. In doing so, we use forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period of the respective exposure.

Our foreign exchange risk management activities are governed by our Company's established policies and procedures. These policies and procedures provide a framework that allows for the management of currency exposures while ensuring the activities are conducted within our established guidelines. Our policies include guidelines for the organizational structure of our risk management function and for internal controls over foreign exchange risk management activities, including, but not limited to, authorization levels, transaction limits, and credit quality controls, as well as various measurements for monitoring compliance. We monitor foreign exchange risk using different techniques, including a periodic review of market values and sensitivity analyses.

We record our forward foreign currency exchange contracts at fair value in our consolidated balance sheets. To the extent forward foreign currency exchange contracts are designated as qualifying cash flow hedges, the related gains or losses are initially deferred in equity as a component of accumulated other comprehensive income ("AOCI") and are subsequently recognized in our consolidated statements of operations as follows:

- *Forecasted Inventory Transactions* — recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold to a third party.
- *Settlement of Foreign Currency Balances* — recognized within other income (expense), net, during the period that the hedged balance is remeasured through earnings, generally through its settlement when the related payment occurs.

We recognized in earnings net gains on forward foreign currency exchange contracts of \$9.8 million during Fiscal 2019, and net losses of \$8.7 million and \$2.6 million during Fiscal 2018 and Fiscal 2017, respectively.

Cross-Currency Swap Contracts

During our fiscal year ended April 2, 2016 ("Fiscal 2016"), we entered into two pay-floating rate, receive-floating rate cross-currency swaps, with notional amounts of €280 million and €274 million, which we designated as hedges of our net investment in certain of our European subsidiaries. The €280 million notional cross-currency swap, which was settled during the second quarter of Fiscal 2019, swapped the U.S. Dollar-denominated variable interest rate payments based on the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread (as paid under the 2.125% Interest Rate Swap discussed below) for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate ("EURIBOR") plus a fixed spread, which, in conjunction with the 2.125% Interest Rate Swap, economically converted our previously-outstanding \$300 million fixed-rate 2.125% Senior Notes obligation to a €280 million floating-rate Euro-denominated obligation. Similarly, the €274 million notional cross-currency swap, which matures on August 18, 2020, swaps the U.S. Dollar-denominated variable interest rate payments based on 3-month LIBOR plus a fixed spread (as paid under the 2.625% Interest Rate Swap discussed below) for Euro-denominated variable interest rate payments based on 3-month EURIBOR plus a fixed spread, which, in conjunction with the 2.625% Interest Rate Swap, economically converts our \$300 million fixed-rate 2.625% Senior Notes obligation to a €274 million floating-rate Euro-denominated obligation.

Additionally, in August 2018, we entered into pay-fixed rate, receive-fixed rate cross-currency swap contracts with an aggregate notional amount of €346 million which we designated as hedges of our net investment in certain of our European subsidiaries. These contracts, which mature on September 15, 2025, swap the U.S. Dollar-denominated fixed interest rate payments on our 3.750% Senior Notes for Euro-denominated 1.29% fixed interest rate payments, thereby economically converting our \$400 million fixed-rate 3.750% Senior Notes obligation to a €346 million fixed-rate 1.29% Euro-denominated obligation.

Sensitivity

We perform a sensitivity analysis to determine the effects that market risk exposures may have on the fair values of our forward foreign currency exchange and cross-currency swap contracts. To perform the analysis, we assess the risk of loss in these contracts' fair values that would result from hypothetical changes in foreign currency exchange rates. This analysis assumes a like movement by the foreign currencies in our hedge portfolio against the U.S. Dollar. As of March 30, 2019, a 10% appreciation or depreciation of the U.S. Dollar against the exchange rates for foreign currencies under contract would result in a net increase or decrease, respectively, in the fair value of our derivative portfolio of approximately \$138 million. This hypothetical net change in fair value should ultimately be largely offset by the net change in the fair values of the underlying hedged items.

Interest Rate Risk Management

During Fiscal 2016, we entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which we designated as hedges against changes in the respective fair values of our previously-outstanding fixed-rate 2.125% Senior Notes and our fixed-rate 2.625% Senior Notes attributed to changes in the benchmark interest rate. The interest rate swap related to the 2.125% Senior Notes (the "2.125% Interest Rate Swap"), which matured on September 26, 2018 in conjunction with the maturity of the related debt, had a notional amount of \$300 million and swapped the fixed interest rate on the 2.125% Senior Notes for a variable interest rate based on 3-month LIBOR plus a fixed spread. The interest rate swap related to the 2.625% Senior Notes (the "2.625% Interest Rate Swap"), which matures on August 18, 2020 and also has a notional amount of \$300 million, swaps the fixed interest rate on the 2.625% Senior Notes for a variable interest rate based on 3-month LIBOR plus a fixed spread.

Sensitivity

As of March 30, 2019, notwithstanding the aforementioned 2.625% Interest Rate Swap, we had no variable-rate debt outstanding. As such, our exposure to changes in interest rates primarily relates to a change in the fair value of our fixed-rate Senior Notes. As of March 30, 2019, the fair values of our Senior Notes were \$709.1 million. A 25 basis point increase or decrease in the level of interest rates would decrease or increase, respectively, the aggregate fair value of our Senior Notes by approximately \$7 million. Such potential increases or decreases in the fair value of our debt would only be relevant if we were to retire all or a portion of the debt prior to its maturity, and are based on certain simplifying assumptions, including an immediate across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period.

Investment Risk Management

As of March 30, 2019, we had cash and cash equivalents on-hand of \$584.1 million, consisting of deposits in interest bearing accounts, investments in money market deposit accounts, and investments in time deposits and commercial paper with original maturities of 90 days or less. Our other significant investments included \$1.403 billion of short-term investments, consisting of investments in time deposits and commercial paper with original maturities greater than 90 days; \$42.4 million of restricted cash placed in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters and real estate leases; and \$44.9 million of investments with maturities greater than one year, consisting of time deposits.

We actively monitor our exposure to changes in the fair value of our global investment portfolio in accordance with our established policies and procedures, which include monitoring both general and issuer-specific economic conditions, as discussed further below. Our investment objectives include capital preservation, maintaining adequate liquidity, diversification to minimize liquidity and credit risk, and achievement of maximum returns within the guidelines set forth in our investment policy. See Note 13 to the accompanying consolidated financial statements for further detail of the composition of our investment portfolio as of March 30, 2019.

We evaluate investments held in unrealized loss positions, if any, for other-than-temporary impairment on a quarterly basis. This evaluation involves a variety of considerations, including assessments of risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. We consider the following factors: (i) the length of time and the extent to which the fair value has been below cost, (ii) the financial condition, credit worthiness, and near-term prospects of the issuer, (iii) the length of time to maturity, (iv) anticipated future economic conditions and market forecasts, (v) our intent and ability to retain our investment for a period of time sufficient to allow for recovery of market value, and (vi) an assessment of whether it is more likely than not that we will be required to sell our investment before recovery of market value. No material realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded in any of the fiscal years presented.

CRITICAL ACCOUNTING POLICIES

An accounting policy is considered to be critical if it is important to our results of operations, financial condition, and cash flows, and requires significant judgment and estimates on the part of management in its application. Our estimates are often based on complex judgments, assessments of probability, and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same set of facts and circumstances, could develop and support a range of alternative estimated amounts. We believe that the following list represents our critical accounting policies. For a discussion of all of our significant accounting policies, including our critical accounting policies, see Note 3 to the accompanying consolidated financial statements.

Sales Reserves and Uncollectible Accounts

A significant area of judgment affecting reported revenue and net income involves estimating sales reserves, which represent the portion of gross revenues not expected to be realized. In particular, revenue related to our wholesale business is reduced by estimates of returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances. Revenue related to our retail business, including digital commerce sales, is also reduced by an estimate of returns.

In determining estimates of returns, discounts, end-of-season markdowns, operational chargebacks, and cooperative advertising allowances, we analyze historical trends, actual and forecasted seasonal results, current economic and market conditions, retailer performance, and, in certain cases, contractual terms. Estimates for operational chargebacks are based on actual customer notifications of order fulfillment discrepancies and historical trends. We review and refine these estimates on a quarterly basis. Our historical estimates of these costs have not differed materially from actual results. A hypothetical 1% increase in our reserves

for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances as of March 30, 2019 would have decreased our Fiscal 2019 net revenues by approximately \$2 million.

Similarly, we evaluate our accounts receivable balances to determine if they will ultimately be collected. Significant judgments and estimates are involved in this evaluation, including an analysis of specific risks on a customer-by-customer basis for larger accounts and customers, and a receivables aging analysis that determines the percentage of receivables that has historically been uncollected by aged category. Based on this information, we provide a reserve for the estimated amounts believed to be uncollectible. Although we believe that we have adequately provided for those risks as part of our bad debt reserve, a severe and prolonged adverse impact on our major customers' business operations could have a corresponding material adverse effect on our net sales, cash flows, and/or financial condition.

See "Accounts Receivable" in Note 3 to the accompanying consolidated financial statements for an analysis of the activity in our sales reserves and allowance for doubtful accounts for each of the three fiscal years presented.

Inventories

We hold inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores. We also hold retail inventory that is sold in our own stores and digital commerce sites directly to consumers. Substantially all of our inventories are comprised of finished goods, which are stated at the lower of cost or estimated realizable value, with cost determined on a weighted-average cost basis.

The estimated net realizable value of inventory is determined based on an analysis of historical sales trends of our individual product lines, the impact of market trends and economic conditions, and a forecast of future demand, giving consideration to the value of current orders in-house for future sales of inventory, as well as plans to sell inventory through our factory stores, among other liquidation channels. Actual results may differ from estimates due to the quantity, quality, and mix of products in inventory, consumer and retailer preferences, and market conditions. Reserves for inventory shrinkage, representing the risk of physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts. Our historical estimates of these costs and the related provisions have not differed materially from actual results.

A hypothetical 1% increase in the level of our inventory reserves as of March 30, 2019 would have decreased our Fiscal 2019 gross profit by approximately \$1 million.

Impairment of Goodwill and Other Intangible Assets

Goodwill and certain other intangible assets deemed to have indefinite useful lives are not amortized. Rather, goodwill and indefinite-lived intangible assets are assessed for impairment at least annually. Finite-lived intangible assets are amortized over their respective estimated useful lives and, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their carrying values may not be fully recoverable.

We generally perform our annual goodwill impairment assessment using a qualitative approach to determine whether it is more likely than not that the fair value of a reporting unit is less than its respective carrying value. However, in order to reassess the fair values of our reporting units, we periodically perform a quantitative impairment analysis in lieu of using the qualitative approach.

Performance of the qualitative goodwill impairment assessment requires judgment in identifying and considering the significance of relevant key factors, events, and circumstances that affect the fair values of our reporting units. This requires consideration and assessment of external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as our actual and planned financial performance. We also give consideration to the difference between each reporting unit's fair value and carrying value as of the most recent date that a fair value measurement was performed. If the results of the qualitative assessment conclude that it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, additional quantitative impairment testing is performed.

The quantitative goodwill impairment test involves comparing the fair value of a reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, the reporting unit's goodwill is considered not to be impaired. However, if the carrying value of a reporting unit exceeds its fair value, an impairment loss is recorded in an amount equal to that excess. Any impairment charge recognized is limited to the amount of the respective reporting unit's allocated goodwill.

Determining the fair value of a reporting unit under the quantitative goodwill impairment test requires judgment and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used when determining the fair values of other indefinite-lived intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and the magnitude of any such charge. To assist management in the process of determining any potential goodwill impairment, we may review and consider appraisals from accredited independent valuation firms. Estimates of fair value are primarily determined using discounted cash flows, market comparisons, and recent transactions. These approaches use significant estimates and assumptions, including projected future cash flows (including timing), discount rates reflecting the risks inherent in future cash flows, perpetual growth rates, and determination of appropriate market comparables.

We performed our annual goodwill impairment assessment as of the beginning of the second quarter of Fiscal 2019 using the qualitative approach discussed above, while giving consideration to our most recent quantitative goodwill impairment test (the results of which indicated that the fair values of our reporting units with allocated goodwill significantly exceeded their respective carrying values). Based on the results of the qualitative impairment assessment performed, we concluded that it is more likely than not that the fair values of these reporting units significantly exceeded their respective carrying values and there were no reporting units at risk of impairment. Additionally, no goodwill impairment charges were recorded during any of the three fiscal years presented in connection with the Company's annual goodwill impairment assessments.

Subsequent to our Fiscal 2017 annual goodwill impairment assessment, we realigned our segment reporting structure during the fourth quarter of Fiscal 2017 as a result of significant organizational changes implemented in connection with the Way Forward Plan. As a result of the realignment of our segment reporting structure, we reallocated the carrying amount of goodwill to our new reporting units based upon each reporting unit's relative fair value as of the first day of our fourth quarter of Fiscal 2017. In connection with this reallocation, we performed an interim assessment of the recoverability of goodwill assigned to our new reporting units using the quantitative approach described above. Based on the results of the quantitative impairment assessment performed, we concluded that the fair value of one of our new reporting units was less than its carrying value. As a result, a goodwill impairment charge of \$5.2 million was recorded during the fourth quarter of Fiscal 2017 to fully write off the carrying value of the reporting unit's reallocated goodwill. The fair values of the remaining new reporting units significantly exceeded their respective carrying values and were not at risk of impairment.

In evaluating finite-lived intangible assets for recoverability, we use our best estimate of future cash flows expected to result from the use of the asset and its eventual disposition where probable. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than its carrying value, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value, considering external market participant assumptions.

During Fiscal 2018, we recorded a non-cash impairment charge of \$8.8 million as a result of a change in the planned usage of a certain intangible asset to reduce the value of the intangible asset to its estimated fair value. There were no other finite-lived intangible asset impairment charges recorded during any of the fiscal periods presented. See Note 8 to the accompanying consolidated financial statements for further discussion.

It is possible that our conclusions regarding impairment or recoverability of goodwill or other intangible assets could change in future periods if, for example, (i) our businesses do not perform as projected, (ii) overall economic conditions in future years vary from current assumptions, (iii) business conditions or strategies change from our current assumptions, or (iv) the identification of our reporting units change, among other factors. Such changes could result in a future impairment charge of goodwill or other intangible assets, which could have a material adverse effect on our consolidated financial position or results of operations.

Impairment of Other Long-Lived Assets

Property and equipment, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying values may not be fully recoverable. In evaluating long-lived assets for recoverability, we use our best estimate of future cash flows expected to result from the use of the asset and its eventual disposition, where applicable. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than its carrying value, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value, considering external market participant assumptions. Assets to be disposed of and for which there is a committed plan of disposal (commonly referred to as assets held-for-sale) are reported at the lower of carrying value or fair value, less costs to sell.

In determining future cash flows, we take various factors into account, including changes in merchandising strategy, the emphasis on retail store cost controls, the effects of macroeconomic trends such as consumer spending, and the impacts of more experienced retail store managers and increased local advertising. Since the determination of future cash flows is an estimate of future performance, future impairments may arise in the event that future cash flows do not meet expectations.

During Fiscal 2019, Fiscal 2018, and Fiscal 2017, we recorded non-cash impairment charges of \$21.2 million, \$41.2 million, and \$248.6 million, respectively, to fully write off the carrying values of certain long-lived assets based upon their assumed fair values of zero. Additionally, during Fiscal 2019, we recorded a non-cash charge of \$4.6 million to reduce the carrying value of a certain asset held-for-sale to its estimated fair value, less costs to sell. See Note 8 to the accompanying consolidated financial statements for further discussion.

Income Taxes

In determining our income tax provision for financial reporting purposes, we establish a reserve for uncertain tax positions. If we consider that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, we recognize the tax benefit. We measure the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. These assessments can be complex and require significant judgment, and we often obtain assistance from external advisors. To the extent that our estimates change or the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made. If the initial assessment of a position fails to result in the recognition of a tax benefit, we will recognize the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more likely than not; (ii) the statute of limitations expires; or (iii) there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency.

Deferred income taxes reflect the tax effect of certain net operating losses, capital losses, general business credit carryforwards, and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. Valuation allowances are established when management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. Tax valuation allowances are analyzed periodically by assessing the adequacy of future expected taxable income, which typically involves the use of significant estimates. Such allowances are adjusted as events occur, or circumstances change, that warrant adjustments to those balances.

See Note 10 to the accompanying consolidated financial statements for further discussion of income taxes.

Contingencies

We are periodically exposed to various contingencies in the ordinary course of conducting our business, including certain litigation, alleged information system security breaches, contractual disputes, employee relation matters, various tax or other governmental audits, and trademark and intellectual property matters and disputes. We record a liability for such contingencies to the extent that we conclude their occurrence is probable and the related losses are estimable. In addition, if it is reasonably possible that an unfavorable settlement of a contingency could exceed the established liability, we disclose the estimated impact on our liquidity, financial condition, and results of operations, if practicable. Management considers many factors in making these assessments. As the ultimate resolution of contingencies is inherently unpredictable, these assessments can involve a series of complex judgments about future events including, but not limited to, court rulings, negotiations between affected parties, and governmental actions. As a result, the accounting for loss contingencies relies heavily on management's judgment in developing the related estimates and assumptions.

Stock-Based Compensation

We expense all stock-based compensation awarded to employees and non-employee directors based on the grant date fair value of the awards over the requisite service period, adjusted for forfeitures which are estimated based on an analysis of historical experience and expected future trends.

Stock Options

Stock options have been granted to employees and non-employee directors with exercise prices equal to the fair market value of our Class A common stock on the date of grant. We use the Black-Scholes option-pricing model to estimate the grant date fair value of stock options, which requires the use of both subjective and objective assumptions. Certain key assumptions involve estimating future uncertain events. The key factors influencing the estimation process include the expected term of the option, expected volatility of our stock price, our expected dividend yield, and the risk-free interest rate, among others. Generally, once stock option values are determined, accounting practices do not permit them to be changed, even if the estimates used are different from actual results.

No stock options were granted during any of the three fiscal years presented. See Note 17 to the accompanying consolidated financial statements for further discussion.

Restricted Stock and Restricted Stock Units ("RSUs")

We have granted restricted shares of our Class A common stock to our non-employee directors and grant service-based RSUs to certain of our senior executives and other employees, as well as to our non-employee directors. In addition, we grant RSUs with performance-based and market-based vesting conditions to such senior executives and other key employees.

The fair values of our restricted stock, service-based RSU, and performance-based RSU awards are measured based on the fair value of our Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards for which dividend equivalent amounts do not accrue while outstanding and unvested. Related compensation expense for performance-based RSUs is recognized over the employees' requisite service period, to the extent that our attainment of performance goals (upon which vesting is dependent) is deemed probable, and involves judgment as to expectations surrounding our achievement of certain defined operating performance metrics.

The fair value of our market-based RSU awards, for which vesting is dependent upon total shareholder return ("TSR") of our Class A common stock over a three-year performance period relative to that of a pre-established peer group, is measured on the grant date based on estimated projections of our relative TSR over the performance period. These estimates are made using a Monte Carlo simulation, which models multiple stock price paths of our Class A common stock and that of the peer group to evaluate and determine our ultimate expected relative TSR performance ranking. Related compensation expense, net of estimated forfeitures, is recorded regardless of whether, and the extent to which, the market condition is ultimately satisfied. See Note 17 to the accompanying consolidated financial statements for further discussion.

Sensitivity

The assumptions used in calculating the grant date fair values of our stock-based compensation awards represent our best estimates. In addition, estimating the number of awards expected to be forfeited requires judgment. If actual results differ significantly from our estimates and assumptions, or if assumptions used to estimate the grant date fair value of future stock-based award grants are significantly changed, stock-based compensation expense and, therefore, our results of operations could be materially impacted. A hypothetical 10% change in our Fiscal 2019 stock-based compensation expense would have affected net income by approximately \$8 million.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 4 to the accompanying consolidated financial statements for a description of certain recently issued accounting standards which have impacted our consolidated financial statements, or may impact our consolidated financial statements in future reporting periods.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk.*

For a discussion of our exposure to market risk, see "Market Risk Management" in Item 7 included elsewhere in this Annual Report on Form 10-K.

Item 8. *Financial Statements and Supplementary Data.*

See the "Index to Consolidated Financial Statements" appearing at the end of this Annual Report on Form 10-K.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

Not applicable.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that material information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated, under the supervision and with the participation of management, including our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the fiscal year covered by this annual report. Based on that evaluation, our principal executive and principal financial officers have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level, as of the fiscal year-end covered by this Annual Report on Form 10-K.

(b) Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. Generally Accepted Accounting Principles. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of the Company's assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Under the supervision and with the participation of management, including our principal executive and principal financial officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this report based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework). Based on this evaluation, management concluded that the Company's internal controls over financial reporting were effective at the reasonable assurance level as of the fiscal year-end covered by this Annual Report on Form 10-K.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued an attestation report on the Company's internal control over financial reporting as included elsewhere herein.

(c) Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter of Fiscal 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. However, as discussed below, we are in the process of implementing and reconfiguring certain financial reporting systems that will go live beginning in Fiscal 2020.

Financial Reporting System Implementation and Reconfiguration

In connection with our initiative to integrate and upgrade our global systems and processes, we are in the process of migrating our Asian operations to a new financial reporting information technology system, Microsoft AX Dynamics 365, which is scheduled to go live beginning in Fiscal 2020. In addition to this system implementation, we are in the process of reconfiguring the financial reporting information technology system used by our European operations, SAP, in order to utilize enhanced financial reporting functionality, effective beginning in Fiscal 2020.

As a result of these actions, we expect to experience certain changes to our processes and procedures which, in turn, will result in changes to our internal control over financial reporting. While we expect these system changes to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve. For a discussion of risks related to the implementation of new systems, see Item 1A — "Risk Factors — Our business could suffer if our computer systems and websites are disrupted or cease to operate effectively."

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information relating to our directors and corporate governance will be set forth in the Company's proxy statement for its 2019 annual meeting of stockholders to be filed within 120 days after March 30, 2019 (the "Proxy Statement") and is incorporated by reference herein. Information relating to our executive officers is set forth in Item 1 of this Annual Report on Form 10-K under the caption "Information About Our Executive Officers."

We have a Code of Ethics for Principal Executive Officers and Senior Financial Officers that covers the Company's principal executive officer, principal operating officer, principal financial officer, principal accounting officer, controller, and any person performing similar functions, as applicable. We also have a Code of Business Conduct and Ethics that covers the Company's directors, officers, and employees. You can find our Code of Ethics for Principal Executive Officers and Senior Financial Officers and our Code of Business Conduct and Ethics (collectively, the "Codes") on our Internet site, <http://investor.ralphlauren.com>. We will post any amendments to the Codes and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE on our Internet site.

Item 11. Executive Compensation.

Information relating to executive and director compensation will be set forth in the Proxy Statement and such information is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table sets forth information as of March 30, 2019 regarding compensation plans under which the Company's equity securities are authorized for issuance:

Plan Category	(a) Numbers of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options (\$)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	3,491,022 ⁽¹⁾	\$ 162.53 ⁽²⁾	2,858,998 ⁽³⁾
Equity compensation plans not approved by security holders	—	—	—
Total	3,491,022	\$ 162.53	2,858,998

⁽¹⁾ Consists of 834,329 options to purchase shares of our Class A common stock and 2,656,693 restricted stock units that are payable solely in shares of Class A common stock (including 458,641 service-based restricted stock units that have

fully vested but for which the underlying shares have not yet been delivered as of March 30, 2019). Does not include 10,224 outstanding restricted shares that are subject to forfeiture.

- (2) Represents the weighted-average exercise price of outstanding stock options.
- (3) All of the securities remaining available for future issuance set forth in column (c) may be in the form of options, stock appreciation rights, restricted stock, restricted stock units, performance awards, or other stock-based awards under the Company's 1997 Incentive Plan and 2010 Incentive Plan (the "Plans"). An additional 10,224 outstanding shares of restricted stock granted under the Company's Plans that remain subject to forfeiture are not reflected in column (c).

Other information relating to security ownership of certain beneficial owners and management will be set forth in the Proxy Statement and such information is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required to be included by Item 13 of Form 10-K will be included in the Proxy Statement and such information is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services.

The information required to be included by Item 14 of Form 10-K will be included in the Proxy Statement and such information is incorporated by reference herein.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

- (a) 1., 2. Financial Statements and Financial Statement Schedules. See index on Page F-1.
3. Exhibits

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-24733) (the "S-1")</u>
3.2	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Form 8-K filed August 16, 2011)</u>
3.3	<u>Fourth Amended and Restated By-laws of the Company (filed as Exhibit 3.3 to the Form 10-Q for the quarterly period ended July 1, 2017)</u>
4.1	<u>Indenture, dated as of September 26, 2013, by and between the Company and Wells Fargo Bank, National Association (including the form of Note) (filed as Exhibit 4.1 to the Form 8-K filed September 26, 2013)</u>
4.2	<u>Second Supplemental Indenture, dated as of August 18, 2015, by and between the Company and Wells Fargo Bank, National Association (filed as Exhibit 4.2 to the Form 8-K filed August 18, 2015)</u>
4.3	<u>Third Supplemental Indenture, dated as of August 9, 2018, by and between Ralph Lauren Corporation and Wells Fargo Bank, National Association (filed as Exhibit 4.2 to the Form 8-K filed August 9, 2018)</u>
10.1	<u>Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partner PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and the Company (filed as Exhibit 10.3 to the S-1)</u>
10.2	<u>Form of Indemnification Agreement between the Company and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)</u>
10.3	<u>Amended and Restated Employment Agreement, effective as of April 2, 2017, between the Company and Ralph Lauren (filed as Exhibit 10.1 to the Form 8-K filed March 31, 2017)†</u>
10.4	<u>Employment Agreement, dated May 13, 2017, between the Company and Patrice Louvet (filed as Exhibit 10.1 to the Form 8-K filed May 17, 2017)†</u>
10.5	<u>Amendment No. 1 to the Employment Agreement, dated June 30, 2017, between the Company and Patrice Louvet (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended July 1, 2017)†</u>

Exhibit Number	Description
10.6	Amended and Restated Employment Agreement, effective as of April 4, 2016, between the Company and Valérie Hermann (filed as Exhibit 10.1 to the Form 8-K filed May 4, 2016)†
10.7	Amendment No. 1 to the Amended and Restated Employment Agreement, dated as of November 9, 2016, between the Company and Valérie Hermann (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended October 1, 2016)†
10.8	Amended and Restated Employment Agreement, dated February 28, 2019, between the Company and Jane Nielsen (filed as Exhibit 10.1 to the Form 8-K filed March 1, 2019)†
10.9	Restricted Stock Unit Award Agreement, dated as of June 8, 2004, between the Company and Ralph Lauren (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended April 2, 2005)†
10.10	Executive Officer Annual Incentive Plan, as amended as of August 9, 2012 (filed as Appendix B to the Company's Definitive Proxy Statement dated July 2, 2012)†
10.11	Executive Officer Annual Incentive Plan, as amended as of August 10, 2017 (filed as Exhibit 10.2 to the Form 10-Q for the quarterly period ended July 1, 2017)†
10.12	1997 Long-Term Stock Incentive Plan, as Amended and Restated as of August 12, 2004 (filed as Exhibit 99.1 to the Form 8-K filed October 4, 2004)†
10.13	Amendment, as of June 30, 2006, to the 1997 Long-Term Stock Incentive Plan, as Amended and Restated as of August 12, 2004 (filed as Exhibit 10.4 to the Form 10-Q for the quarterly period ended July 1, 2006)†
10.14	Amendment No. 2, dated as of May 21, 2009, to the 1997 Long-Term Stock Incentive Plan, as Amended and Restated as of August 12, 2004 (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 2009)†
10.15	Amended and Restated 2010 Long-Term Incentive Plan, amended as of August 11, 2016 (filed as Exhibit 10.4 to the Form 10-Q for the quarterly period ended July 2, 2016)†
10.16	Cliff Restricted Performance Share Unit Award Overview containing the standard terms of cliff restricted performance share unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended March 29, 2014 (the "Fiscal 2014 10-K"))†
10.17	Pro-Rata Restricted Performance Share Unit Award Overview containing the standard terms of restricted performance share unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.26 to the Fiscal 2014 10-K)†
10.18	Stock Option Award Overview containing the standard terms of stock option awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.27 to the Fiscal 2014 10-K)†
10.19	Cliff Restricted Performance Share Unit with TSR Modifier Award Overview containing the standard terms of cliff restricted performance share unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.28 to the Fiscal 2014 10-K)†
10.20	Form of Performance Share Unit Award Agreement under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 2015 (the "Fiscal 2015 10-K"))†
10.21	Form of Performance-Based Restricted Stock Unit Award Agreement under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.39 to the Fiscal 2015 10-K)†
10.22	Form of Restricted Stock Unit Award Agreement under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended June 27, 2015)†
10.23	Form of Non-Employee Director Restricted Stock Award Agreement under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K for the fiscal year ended April 2, 2016 (the "Fiscal 2016 10-K"))†
10.24	Performance Share Unit Award Overview containing the standard terms of performance share unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended September 30, 2017)†
10.25	Performance-Based Restricted Stock Unit - Award Notification containing the standard terms of performance-based restricted stock unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.2 to the Form 10-Q for the quarterly period ended September 30, 2017)†
10.26	Restricted Stock Unit Overview containing the standard terms of restricted stock unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.3 to the Form 10-Q for the quarterly period ended September 30, 2017)†
10.27	Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Form 10-Q filed on August 3, 2018)†

Exhibit Number	Description
10.28	Performance Share Unit Award Overview containing the standard terms of performance share unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended December 29, 2018)†
10.29	Performance-Based Restricted Stock Unit - Award Notification containing the standard terms of performance-based restricted stock unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.2 to the Form 10-Q for the quarterly period ended December 29, 2018)†
10.30	Restricted Stock Unit Overview containing the standard terms of restricted stock unit awards under the Amended and Restated 2010 Long-Term Stock Incentive Plan (filed as Exhibit 10.3 to the Form 10-Q for the quarterly period December 29, 2018)†
10.31	Amended and Restated Credit Agreement, dated as of February 11, 2015, among the Company, Acqui Polo C.V., Polo Fin B.V. and Ralph Lauren Asia Pacific Limited, as the borrowers, the lenders party thereto, Bank of America, N.A., as syndication agent, Wells Fargo Bank, N.A., HSBC Bank USA, N.A. and Deutsche Bank Securities Inc., as co-documentation agents, and JPMorgan Chase Bank, N.A., as administrative agent (the "2015 Credit Agreement") (filed as Exhibit 10.1 to the Form 8-K filed February 18, 2015)
10.32	First Amendment to the 2015 Credit Agreement, dated as of March 22, 2016, among the Company, Acqui Polo C.V., RL Finance B.V. (formerly known as Polo Fin B.V.) and Ralph Lauren Asia Pacific Limited, as the borrowers, the lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents parties thereto (filed as Exhibit 10.39 to the Fiscal 2016 10-K)
10.33	Amended and Restated Polo Ralph Lauren Supplemental Executive Retirement Plan (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended December 31, 2005)†
14.1	Code of Ethics for Principal Executive Officers and Senior Financial Officers (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the fiscal year ended March 29, 2003 and available, as amended, on the Company's Internet site)
14.2	Code of Business Conduct and Ethics of the Company (filed as Exhibit 14.1 to the Form 10-Q for the quarterly period ended June 27, 2015 and available, as amended, on the Company's Internet site)
21.1*	List of Significant Subsidiaries of the Company
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of Principal Executive Officer pursuant to 17 CFR 240.13a-14(a)
31.2*	Certification of Principal Financial Officer pursuant to 17 CFR 240.13a-14(a)
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at March 30, 2019 and March 31, 2018, (ii) the Consolidated Statements of Operations for the fiscal years ended March 30, 2019, March 31, 2018, and April 1, 2017, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended March 30, 2019, March 31, 2018, and April 1, 2017, (iv) the Consolidated Statements of Cash Flows for the fiscal years ended March 30, 2019, March 31, 2018, and April 1, 2017, (v) the Consolidated Statements of Equity for the fiscal years ended March 30, 2019, March 31, 2018, and April 1, 2017, and (vi) the Notes to the Consolidated Financial Statements.

Exhibits 32.1 and 32.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934.

* Filed herewith.

† Management contract or compensatory plan or arrangement.

Signature

Title

Date

/s/ MICHAEL A. GEORGE

Michael A. George

Director

May 16, 2019

/s/ HUBERT JOLY

Hubert Joly

Director

May 16, 2019

/s/ LINDA FINDLEY KOZLOWSKI

Linda Findley Kozlowski

Director

May 16, 2019

/s/ JUDITH MCHALE

Judith McHale

Director

May 16, 2019

/s/ ROBERT C. WRIGHT

Robert C. Wright

Director

May 16, 2019

RALPH LAUREN CORPORATION
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RALPH LAUREN CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 30, 2019	March 31, 2018
(millions)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 584.1	\$ 1,304.6
Short-term investments	1,403.4	699.4
Accounts receivable, net of allowances of \$192.2 million and \$222.2 million	398.1	421.4
Inventories	817.8	761.3
Income tax receivable	32.1	38.0
Prepaid expenses and other current assets	359.3	323.7
Total current assets	3,594.8	3,548.4
Property and equipment, net	1,039.2	1,186.3
Deferred tax assets	67.0	86.6
Goodwill	919.6	950.5
Intangible assets, net	163.7	188.0
Other non-current assets	158.5	183.5
Total assets	\$ 5,942.8	\$ 6,143.3
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ —	\$ 10.1
Current portion of long-term debt	—	298.1
Accounts payable	202.3	165.6
Income tax payable	29.4	30.0
Accrued expenses and other current liabilities	968.4	1,083.4
Total current liabilities	1,200.1	1,587.2
Long-term debt	689.1	288.0
Income tax payable	146.7	124.8
Non-current liability for unrecognized tax benefits	78.8	79.2
Other non-current liabilities	540.9	606.7
Commitments and contingencies (Note 14)		
Total liabilities	2,655.6	2,685.9
Equity:		
Class A common stock, par value \$.01 per share; 102.9 million and 102.0 million shares issued; 52.2 million and 55.4 million shares outstanding	1.0	1.0
Class B common stock, par value \$.01 per share; 25.9 million shares issued and outstanding	0.3	0.3
Additional paid-in-capital	2,493.8	2,383.4
Retained earnings	5,979.1	5,752.2
Treasury stock, Class A, at cost; 50.7 million and 46.6 million shares	(5,083.6)	(4,581.0)
Accumulated other comprehensive loss	(103.4)	(98.5)
Total equity	3,287.2	3,457.4
Total liabilities and equity	\$ 5,942.8	\$ 6,143.3

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions, except per share data)		
Net revenues	\$ 6,313.0	\$ 6,182.3	\$ 6,652.8
Cost of goods sold	(2,427.0)	(2,430.6)	(3,001.7)
Gross profit	3,886.0	3,751.7	3,651.1
Selling, general, and administrative expenses	(3,168.3)	(3,095.5)	(3,171.0)
Impairment of assets	(25.8)	(50.0)	(253.8)
Restructuring and other charges	(130.1)	(108.0)	(318.6)
Total other operating expenses, net	(3,324.2)	(3,253.5)	(3,743.4)
Operating income (loss)	561.8	498.2	(92.3)
Interest expense	(20.7)	(18.2)	(12.4)
Interest income	40.8	12.3	7.3
Other income (expense), net	0.6	(3.1)	(7.5)
Income (loss) before income taxes	582.5	489.2	(104.9)
Income tax benefit (provision)	(151.6)	(326.4)	5.6
Net income (loss)	\$ 430.9	\$ 162.8	\$ (99.3)
Net income (loss) per common share:			
Basic	\$ 5.35	\$ 1.99	\$ (1.20)
Diluted	\$ 5.27	\$ 1.97	\$ (1.20)
Weighted-average common shares outstanding:			
Basic	80.6	81.7	82.7
Diluted	81.7	82.5	82.7
Dividends declared per share	\$ 2.50	\$ 2.00	\$ 2.00

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Net income (loss)	\$ 430.9	\$ 162.8	\$ (99.3)
Other comprehensive income (loss), net of tax:			
Foreign currency translation gains (losses)	(39.2)	126.9	(48.6)
Net gains (losses) on cash flow hedges	36.2	(30.6)	26.6
Net gains (losses) on defined benefit plans	(1.9)	3.6	5.1
Other comprehensive income (loss), net of tax	(4.9)	99.9	(16.9)
Total comprehensive income (loss)	<u>\$ 426.0</u>	<u>\$ 262.7</u>	<u>\$ (116.2)</u>

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Cash flows from operating activities:			
Net income (loss)	\$ 430.9	\$ 162.8	\$ (99.3)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	281.3	295.2	307.5
Deferred income tax expense (benefit)	8.5	84.1	(38.9)
Loss on sale of property	11.6	—	—
Non-cash stock-based compensation expense	88.6	74.5	63.6
Non-cash impairment of assets	25.8	50.0	253.8
Non-cash restructuring-related inventory charges	7.2	7.6	197.9
Other non-cash charges	6.9	11.9	34.4
Changes in operating assets and liabilities:			
Accounts receivable	10.1	34.5	54.1
Inventories	(90.8)	57.8	120.4
Prepaid expenses and other current assets	(40.5)	(15.1)	(27.8)
Accounts payable and accrued liabilities	(4.7)	64.6	112.9
Income tax receivables and payables	29.7	165.1	(34.0)
Deferred income	(16.5)	1.4	(20.7)
Other balance sheet changes	35.7	(19.3)	28.7
Net cash provided by operating activities	783.8	975.1	952.6
Cash flows from investing activities:			
Capital expenditures	(197.7)	(161.6)	(284.0)
Purchases of investments	(3,030.8)	(1,605.6)	(860.4)
Proceeds from sales and maturities of investments	2,357.5	1,582.7	942.4
Acquisitions and ventures	(4.5)	(4.6)	(6.1)
Proceeds from sale of property	20.0	—	—
Settlement of net investment hedges	(23.8)	—	—
Net cash used in investing activities	(879.3)	(189.1)	(208.1)
Cash flows from financing activities:			
Proceeds from the issuance of short-term debt	—	10.1	3,735.2
Repayments of short-term debt	(9.9)	—	(3,851.3)
Proceeds from the issuance of long-term debt	398.1	—	—
Repayments of long-term debt	(300.0)	—	—
Payments of capital lease obligations	(19.6)	(28.2)	(27.3)
Payments of dividends	(190.7)	(162.4)	(164.8)
Repurchases of common stock, including shares surrendered for tax withholdings	(502.6)	(17.1)	(215.2)
Proceeds from exercise of stock options	21.8	0.1	5.0
Other financing activities	(2.8)	—	—
Net cash used in financing activities	(605.7)	(197.5)	(518.4)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(27.8)	55.2	(16.4)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(729.0)	643.7	209.7
Cash, cash equivalents, and restricted cash at beginning of period	1,355.5	711.8	502.1
Cash, cash equivalents, and restricted cash at end of period	\$ 626.5	\$ 1,355.5	\$ 711.8

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock ^(a)		Additional	Retained	Treasury Stock		AOCI ^(b)	Total
	Shares	Amount	Paid-in Capital	Earnings	at Cost			
(millions)								
Balance at April 2, 2016	126.9	\$ 1.2	\$ 2,257.5	\$ 6,015.0	44.0	\$ (4,348.7)	\$ (181.5)	\$ 3,743.5
Comprehensive loss:								
Net loss				(99.3)				
Other comprehensive loss							(16.9)	
Total comprehensive loss								(116.2)
Dividends declared				(163.8)				(163.8)
Repurchases of common stock					2.4	(215.2)		(215.2)
Stock-based compensation			63.6					63.6
Shares issued and tax benefits recognized pursuant to stock-based compensation plans ^(c)	0.5	—	(12.3)					(12.3)
Balance at April 1, 2017	127.4	\$ 1.2	\$ 2,308.8	\$ 5,751.9	46.4	\$ (4,563.9)	\$ (198.4)	\$ 3,299.6
Comprehensive income:								
Net income				162.8				
Other comprehensive income							99.9	
Total comprehensive income								262.7
Dividends declared				(162.5)				(162.5)
Repurchases of common stock					0.2	(17.1)		(17.1)
Stock-based compensation			74.5					74.5
Shares issued pursuant to stock-based compensation plans ^(c)	0.5	0.1	0.1					0.2
Balance at March 31, 2018	127.9	\$ 1.3	\$ 2,383.4	\$ 5,752.2	46.6	\$ (4,581.0)	\$ (98.5)	\$ 3,457.4
Comprehensive income:								
Net income				430.9				
Other comprehensive income							(4.9)	
Total comprehensive income								426.0
Dividends declared				(198.9)				(198.9)
Repurchases of common stock					4.1	(502.6)		(502.6)
Stock-based compensation			88.6					88.6
Shares issued pursuant to stock-based compensation plans ^(c)	0.9	—	21.8					21.8
Cumulative adjustment from adoption of new accounting standards (see Note 4)				(5.1)				(5.1)
Balance at March 30, 2019	128.8	\$ 1.3	\$ 2,493.8	\$ 5,979.1	50.7	\$ (5,083.6)	\$ (103.4)	\$ 3,287.2

^(a) Includes Class A and Class B common stock.

^(b) Accumulated other comprehensive income (loss).

^(c) Includes an excess tax shortfall relating to stock-based compensation plans of \$17.3 million in Fiscal 2017. In Fiscal 2018, the Company adopted ASU 2016-09 (as defined in Note 10), which requires such excess tax benefits and shortfalls be reflected prospectively as income tax benefit (provision) in the consolidated statements of operations.

See accompanying notes.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Ralph Lauren Corporation ("RLC") is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, footwear, accessories, home furnishings, and other licensed product categories. RLC's long-standing reputation and distinctive image have been developed across an expanding number of products, brands, sales channels, and international markets. RLC's brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others. RLC and its subsidiaries are collectively referred to herein as the "Company," "we," "us," "our," and "ourselves," unless the context indicates otherwise.

The Company diversifies its business by geography (North America, Europe, and Asia, among other regions) and channel of distribution (wholesale, retail, and licensing). This allows the Company to maintain a dynamic balance as its operating results do not depend solely on the performance of any single geographic area or channel of distribution. The Company's wholesale sales are made principally to major department stores and specialty stores around the world, as well as to certain third party-owned stores to which the Company has licensed the right to operate in defined geographic territories using its trademarks. The Company also sells directly to consumers through its integrated retail channel, which includes its retail stores, concession-based shop-within-shops, and digital commerce operations around the world. In addition, the Company licenses to third parties for specified periods the right to access its various trademarks in connection with the licensees' manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

The Company organizes its business into the following three reportable segments: North America, Europe, and Asia. In addition to these reportable segments, the Company also has other non-reportable segments. See Note 19 for further discussion of the Company's segment reporting structure.

2. Basis of Presentation

Basis of Consolidation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and present the consolidated financial position, income (loss), comprehensive income (loss), and cash flows of the Company, including all entities in which the Company has a controlling financial interest and is determined to be the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2019 ended on March 30, 2019 and was a 52-week period ("Fiscal 2019"); fiscal year 2018 ended on March 31, 2018 and was a 52-week period ("Fiscal 2018"); fiscal year 2017 ended on April 1, 2017 and was a 52-week period ("Fiscal 2017"); and fiscal year 2020 will end on March 28, 2020 and will be a 52-week period ("Fiscal 2020").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the consolidated financial statements include reserves for bad debt, customer returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances; the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; fair value measurements; accounting for income taxes and related uncertain tax positions; valuation of stock-based compensation awards and related estimated forfeiture rates; reserves for restructuring activity; and accounting for business combinations, among others.

Reclassifications

Certain reclassifications have been made to the prior periods' financial information in order to conform to the current period's presentation.

3. Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue across all segments of the business when it satisfies its performance obligations by transferring control of promised products or services to its customers, which occurs either at a point in time or over time, depending on when the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the products or services. The amount of revenue recognized considers terms of sale that create variability in the amount of consideration that the Company ultimately expects to be entitled to in exchange for the products or services, and is subject to an overall constraint that a significant revenue reversal will not occur in future periods. Sales and other related taxes collected from customers and remitted to government authorities are excluded from revenue.

Revenue within the Company's wholesale business is generally recognized upon shipment of products, at which point title passes and risk of loss is transferred to the customer. In certain arrangements where the Company retains the risk of loss during shipment, revenue is recognized upon receipt of products by the customer. Wholesale revenue is recorded net of estimates of returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances. Returns and allowances require pre-approval from management and discounts are based on trade terms. Estimates for end-of-season markdown reserves are based on historical trends, actual and forecasted seasonal results, an evaluation of current economic and market conditions, retailer performance, and, in certain cases, contractual terms. Estimates for operational chargebacks are based on actual customer notifications of order fulfillment discrepancies and historical trends. The Company reviews and refines these estimates on at least a quarterly basis. The Company's historical estimates of these amounts have not differed materially from actual results.

Revenue within the Company's retail business is recognized when the customer takes physical possession of the products, which occurs either at the point of sale for merchandise purchased at the Company's retail stores and concession-based shop-within-shops, or upon receipt of shipment for merchandise ordered through direct-to-consumer digital commerce sites. Such revenues are recorded net of estimated returns based on historical trends. Payment is due at the point of sale.

Gift cards issued to customers by the Company are recorded as a liability until they are redeemed, at which point revenue is recognized. The Company also estimates and recognizes revenue for gift card balances not expected to ever be redeemed (referred to as "breakage") to the extent that it does not have a legal obligation to remit the value of such unredeemed gift cards to the relevant jurisdiction as unclaimed or abandoned property. Such estimates are based upon historical redemption trends, with breakage income recognized in proportion to the pattern of actual customer redemptions.

Revenue from the Company's licensing arrangements is recognized over time during the period that licensees are provided access to the Company's trademarks (i.e., symbolic intellectual property) and benefit from such access through their sales of licensed products. These arrangements require licensees to pay a sales-based royalty, which for certain arrangements may be subject to a contractually-guaranteed minimum royalty amount. Payments are generally due quarterly and, depending on time of receipt, may be recorded as a liability until recognized as revenue. The Company recognizes revenue for its sales-based royalty arrangements (including those for which the royalty exceeds any contractually-guaranteed minimum royalty amount) as licensed products are sold by the licensee. If a sales-based royalty is not ultimately expected to exceed a contractually-guaranteed minimum royalty amount, the minimum is recognized as revenue ratably over the contractual period. This sales-based output measure of progress and pattern of recognition best represents the value transferred to the licensee over the term of the arrangement, as well as the consideration that the Company is entitled to receive in exchange for providing access to its trademarks. As of March 30, 2019, contractually-guaranteed minimum royalty amounts expected to be recognized as revenue during future periods were as follows:

	Contractually-Guaranteed Minimum Royalties^(a)	
	(millions)	
Fiscal 2020	\$	93.5
Fiscal 2021		86.1
Fiscal 2022		47.7
Fiscal 2023 and thereafter		30.0
Total	\$	<u>257.3</u>

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) Amounts presented do not contemplate anticipated contract renewals or royalties earned in excess of the contractually guaranteed minimums.

See Note 4 for discussion of the Company's adoption of the new revenue recognition accounting standard as of the beginning of the first quarter of Fiscal 2019 and the resulting impact to its consolidated financial statements.

Disaggregated Net Revenues

The following tables disaggregate the Company's net revenues into categories that depict how the nature, amount, timing, and uncertainty of revenues and cash flows are affected by economic factors for the fiscal periods presented:

	Fiscal Year Ended				
	March 30, 2019				
	North America	Europe	Asia	Other	Total
	(millions)				
Sales Channel^(a):					
Wholesale	\$ 1,514.4	\$ 778.8	\$ 71.1	\$ 28.2	\$ 2,392.5
Retail	1,688.5	881.1	969.9	208.3	3,747.8
Licensing	—	—	—	172.7	172.7
Total	<u>\$ 3,202.9</u>	<u>\$ 1,659.9</u>	<u>\$ 1,041.0</u>	<u>\$ 409.2</u>	<u>\$ 6,313.0</u>

	Fiscal Year Ended				
	March 31, 2018				
	North America	Europe	Asia	Other	Total
	(millions)				
Sales Channel^(a):					
Wholesale	\$ 1,571.4	\$ 727.1	\$ 59.6	\$ 31.1	\$ 2,389.2
Retail	1,659.6	857.9	874.1	224.8	3,616.4
Licensing	—	—	—	176.7	176.7
Total	<u>\$ 3,231.0</u>	<u>\$ 1,585.0</u>	<u>\$ 933.7</u>	<u>\$ 432.6</u>	<u>\$ 6,182.3</u>

	Fiscal Year Ended				
	April 1, 2017				
	North America	Europe	Asia	Other	Total
	(millions)				
Sales Channel^(a):					
Wholesale	\$ 2,006.5	\$ 712.0	\$ 48.0	\$ 25.8	\$ 2,792.3
Retail	1,776.5	831.4	834.5	234.4	3,676.8
Licensing	—	—	—	183.7	183.7
Total	<u>\$ 3,783.0</u>	<u>\$ 1,543.4</u>	<u>\$ 882.5</u>	<u>\$ 443.9</u>	<u>\$ 6,652.8</u>

(a) Net revenues from the Company's wholesale and retail businesses are recognized at a point in time. Net revenues from the Company's licensing business are recognized over time.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred Income

Deferred income represents cash payments received in advance of the Company's transfer of control of products or services to its customers and is generally comprised of unredeemed gift cards, net of breakage, and advance royalty payments from licensees. The Company's deferred income balances were \$14.8 million and \$31.7 million as of March 30, 2019 and March 31, 2018, respectively, and were primarily recorded within accrued expenses and other current liabilities within the consolidated balance sheets. During Fiscal 2019, the Company recognized \$18.4 million of net revenues from amounts recorded as deferred income as of March 31, 2018. The change in deferred income during Fiscal 2019 also reflected a reduction of \$6.1 million related to the Company's initial adoption of the new revenue recognition accounting standard (see Note 4). The majority of the deferred income balance as of March 30, 2019 is expected to be recognized as revenue within the next twelve months.

Cost of Goods Sold and Selling Expenses

Cost of goods sold includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight-in, and import costs, as well as changes in reserves for shrinkage and inventory realizability. Gains and losses associated with forward foreign currency exchange contracts that are designated as qualifying cash flow hedges of inventory transactions are also recognized within cost of goods sold when the hedged inventory is sold. The costs of selling merchandise, including those associated with preparing merchandise for sale, such as picking, packing, warehousing, and order charges ("handling costs"), are included in selling, general, and administrative ("SG&A") expenses in the consolidated statements of operations.

Shipping and Handling Costs

The costs associated with shipping goods to customers are accounted for as fulfillment activities and reflected as a component of SG&A expenses in the consolidated statements of operations. Shipping and handling costs (described above) billed to customers are included in revenue. A summary of shipping and handling costs is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Shipping costs	\$ 49.1	\$ 39.1	\$ 42.8
Handling costs	153.1	155.4	170.1

Advertising and Marketing Costs

Advertising costs, including the costs to produce advertising, are expensed when the advertisement is first exhibited. Advertising costs paid to wholesale customers under cooperative advertising programs are not included in advertising costs, but rather are reflected as a reduction of revenue since generally the benefits are not sufficiently separable from the purchases of the Company's products by customers. Costs associated with the marketing and promotion of the Company's products are included within SG&A expenses.

Advertising and marketing expenses amounted to \$272.8 million, \$241.1 million, and \$219.9 million in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively. Deferred advertising, marketing, and promotional costs, which principally relate to advertisements that have not yet been exhibited or services that have not yet been received, were \$9.6 million and \$6.8 million at the end of Fiscal 2019 and Fiscal 2018, respectively, and were recorded within prepaid expenses and other current assets in the Company's consolidated balance sheets.

Foreign Currency Translation and Transactions

The financial position and operating results of the Company's foreign operations are primarily consolidated using their respective local currency as the functional currency. Local currency assets and liabilities are translated to U.S. Dollars at the rates of exchange in effect on the balance sheet date, and local currency revenues and expenses are translated to U.S. Dollars at average rates of exchange in effect during the period. The resulting translation gains or losses are included in the consolidated statements of comprehensive income (loss) as a component of other comprehensive income (loss) ("OCI") and in the consolidated statements of equity within accumulated other comprehensive income (loss) ("AOCI"). Gains and losses on the translation of intercompany loans made to foreign subsidiaries that are of a long-term investment nature are also included within this component of equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also recognizes gains and losses on both third-party and intercompany transactions that are denominated in a currency other than the respective entity's functional currency. Such foreign currency transaction gains and losses are recognized in earnings within other income (expense), net, in the consolidated statements of operations, inclusive of the effects of any related hedging activities, and reflected net losses of \$2.8 million in Fiscal 2019 and net gains of \$4.5 million and \$1.1 million in Fiscal 2018 and Fiscal 2017, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss), which is reported in the consolidated statements of comprehensive income (loss) and consolidated statements of equity, consists of net income (loss) and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income (loss). The components of OCI for the Company consist of foreign currency translation gains (losses); net realized and unrealized gains (losses) on cash flow hedges, such as forward foreign currency exchange contracts; net realized and unrealized gains (losses) on available-for-sale investments; and net realized and unrealized gains (losses) related to the Company's defined benefit plans.

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common shares by the weighted-average number of common shares outstanding during the period. Weighted-average common shares include shares of the Company's Class A and Class B common stock. Diluted net income (loss) per common share adjusts basic net income (loss) per common share for the dilutive effects of outstanding stock options, restricted stock units ("RSUs"), and any other potentially dilutive instruments, only in the periods in which such effects are dilutive.

The weighted-average number of common shares outstanding used to calculate basic net income (loss) per common share is reconciled to shares used to calculate diluted net income (loss) per common share as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Basic shares	80.6	81.7	82.7
Dilutive effect of stock options and RSUs	1.1	0.8	— ^(a)
Diluted shares	81.7	82.5	82.7

^(a) Incremental shares of 0.7 million attributable to outstanding stock options and RSUs were excluded from the computation of diluted shares for Fiscal 2017, as such shares would not be dilutive as a result of the net loss incurred.

All earnings per share amounts have been calculated using unrounded numbers. Options to purchase shares of the Company's Class A common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income (loss) per common share. In addition, the Company has outstanding performance-based and market-based RSUs, which are included in the computation of diluted shares only to the extent that the underlying performance or market conditions (i) have been satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive. As of the end of Fiscal 2019, Fiscal 2018, and Fiscal 2017, there were 1.4 million, 2.0 million, and 2.2 million, respectively, of additional shares issuable upon exercise of anti-dilutive options and contingent vesting of performance-based RSUs, that were excluded from the diluted shares calculations.

Stock-Based Compensation

The Company recognizes expense for all stock-based compensation awards granted to employees and non-employee directors based on the grant date fair value of the awards over the requisite service period, adjusted for forfeitures which are estimated based on an analysis of historical experience and expected future trends. The Company uses the Black-Scholes valuation model to estimate the grant date fair value of any stock option awards. The grant date fair value of the Company's market-based RSU awards, for which vesting is dependent upon total shareholder return ("TSR") of its Class A common stock over a three-year performance period relative to that of a pre-established peer group, is estimated using a Monte Carlo simulation model. The grant date fair values of restricted stock awards, service-based RSUs, and performance-based RSUs are determined based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards for which dividend equivalent amounts do not accrue while outstanding and unvested. Compensation expense for all performance-based RSUs is recognized over the requisite service period when attainment of the performance goal is deemed probable, net of estimated forfeitures. Compensation expense for market-based RSUs, net of estimated forfeitures, is recognized over the requisite service period regardless of whether, and the extent to which, the market condition is ultimately satisfied. The Company recognizes compensation expense on an accelerated basis for all awards with graded vesting terms, including stock options, restricted stock, and certain RSUs. For RSU awards with cliff vesting terms, compensation expense is recognized on a straight-line basis. For certain RSU awards granted to retirement-eligible employees, or employees who will become retirement-eligible prior to the end of the awards' respective stated vesting periods, the related stock-based compensation expense is recognized on an accelerated basis over a term commensurate with the period that the employee is required to provide service in order to vest in the award. See Note 17 for further discussion of the Company's stock-based compensation plans.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less, including investments in time deposits and debt securities. Investments in debt securities are diversified among high-credit quality securities in accordance with the Company's risk-management policies.

Restricted Cash

The Company is periodically required to place cash in escrow with various banks as collateral, primarily to secure guarantees of corresponding amounts made by the banks to international tax authorities on behalf of the Company, such as to secure refunds of value-added tax payments in certain international tax jurisdictions or in the case of certain international tax audits, as well as to secure guarantees related to certain real estate leases. Such cash is classified as restricted cash and reported as a component of either prepaid expenses and other current assets or other non-current assets in the Company's consolidated balance sheets.

Investments

The Company's investment objectives include capital preservation, maintaining adequate liquidity, diversification to minimize liquidity and credit risk, and achievement of maximum returns within the guidelines set forth in the Company's investment policy.

Short-term investments consist of investments which the Company expects to convert into cash within one year, including time deposits and debt securities, which have original maturities greater than 90 days. Non-current investments, which are classified within other non-current assets in the consolidated balance sheets, consist of those investments which the Company does not expect to convert into cash within one year.

The Company classifies all of its investments at the time of purchase as available-for-sale. These investments are recorded at fair value with unrealized gains or losses classified as a component of AOCI in the consolidated balance sheets, and related realized gains or losses classified as a component of other income (expense), net, in the consolidated statements of operations. Cash inflows and outflows related to the sale and purchase of investments are classified as investing activities in the Company's consolidated statements of cash flows.

Equity-method Investments

Investments in companies in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method. Significant influence is generally presumed to exist when the Company owns between 20% and 50% of the investee.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the equity method of accounting, the following amounts are recorded in the Company's consolidated financial statements: the Company's investment in and amounts due to and from the investee are included in the consolidated balance sheets; the Company's share of the investee's earnings (losses) is included in the consolidated statements of operations; and dividends, cash distributions, loans, or other cash received from the investee and additional cash investments, loan repayments, or other cash paid to the investee are included in the consolidated statements of cash flows.

Equity in gains and losses of equity-method investees are recognized in earnings within other income (expense), net, in the Company's consolidated statements of operations, and reflected net gains of \$2.9 million in Fiscal 2019 and net losses of \$4.5 million and \$5.2 million in Fiscal 2018 and Fiscal 2017, respectively.

Impairment Assessment

The Company evaluates investments held in unrealized loss positions, if any, for other-than-temporary impairment on a quarterly basis. Such evaluation involves a variety of considerations, including assessments of the risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include (i) the length of time and the extent to which the fair value has been below cost; (ii) the financial condition, credit worthiness, and near-term prospects of the issuer; (iii) the length of time to maturity; (iv) future economic conditions and market forecasts; (v) the Company's intent and ability to retain its investment for a period of time sufficient to allow for recovery of market value; and (vi) an assessment of whether it is more likely than not that the Company will be required to sell its investment before recovery of market value. See Note 13 for further information relating to the Company's investments.

Accounts Receivable

In the normal course of business, the Company extends credit to wholesale customers that satisfy defined credit criteria. Payment is generally due within 30 to 120 days and does not include a significant financing component. Accounts receivable is recorded at carrying value, which approximates fair value, and is presented in the Company's consolidated balance sheets net of certain reserves and allowances. These reserves and allowances consist of (i) reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances (see the "Revenue Recognition" section above for further discussion of related accounting policies) and (ii) allowances for doubtful accounts.

A rollforward of the activity in the Company's reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances is presented below:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Beginning reserve balance	\$ 202.5	\$ 202.8	\$ 239.7
Amount charged against revenue to increase reserve	543.8	585.0	666.6
Amount credited against customer accounts to decrease reserve	(563.0)	(596.6)	(698.8)
Foreign currency translation	(6.8)	11.3	(4.7)
Ending reserve balance	<u>\$ 176.5</u>	<u>\$ 202.5</u>	<u>\$ 202.8</u>

An allowance for doubtful accounts is determined through an analysis of accounts receivable aging, assessments of collectability based on an evaluation of historical and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions, among other factors.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A rollforward of the activity in the Company's allowance for doubtful accounts is presented below:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Beginning reserve balance	\$ 19.7	\$ 11.6	\$ 14.5
Amount recorded to expense to increase reserve ^(a)	0.4	10.2	6.2
Amount written-off against customer accounts to decrease reserve	(3.5)	(3.2)	(8.5)
Foreign currency translation	(0.9)	1.1	(0.6)
Ending reserve balance	<u>\$ 15.7</u>	<u>\$ 19.7</u>	<u>\$ 11.6</u>

^(a) Amounts recorded to bad debt expense are included within SG&A expenses in the consolidated statements of operations.

Concentration of Credit Risk

The Company sells its wholesale merchandise primarily to major department and specialty stores around the world, and extends credit based on an evaluation of each customer's financial capacity and condition, usually without requiring collateral. In the Company's wholesale business, concentration of credit risk is relatively limited due to the large number of customers and their dispersion across many geographic areas. However, the Company has three key wholesale customers that generate significant sales volume. During Fiscal 2019, the Company's sales to its largest wholesale customer, Macy's, Inc. ("Macy's"), accounted for approximately 8% of total net revenues. Further, during Fiscal 2019, sales to the Company's three largest wholesale customers, including Macy's, accounted for approximately 19% of total net revenues. Substantially all of the Company's sales to its three largest wholesale customers related to its North America segment. As of March 30, 2019, these three key wholesale customers constituted approximately 33% of total gross accounts receivable.

Inventories

The Company holds inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores. The Company also holds retail inventory that is sold in its own stores and digital commerce sites directly to consumers. Substantially all of the Company's inventories are comprised of finished goods, which are stated at the lower of cost or estimated realizable value, with cost determined on a weighted-average cost basis.

The estimated realizable value of inventory is determined based on an analysis of historical sales trends of the Company's individual product lines, the impact of market trends and economic conditions, and a forecast of future demand, giving consideration to the value of current in-house orders for future sales of inventory, as well as plans to sell inventory through the Company's factory stores, among other liquidation channels. Actual results may differ from estimates due to the quantity, quality, and mix of products in inventory, consumer and retailer preferences, and market conditions. Reserves for inventory shrinkage, representing the risk of physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts. The Company's historical estimates of these costs and its related provisions have not differed materially from actual results.

Property and Equipment, Net

Property and equipment, net is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based upon the estimated useful lives of depreciable assets, which range from three to seven years for furniture and fixtures, machinery and equipment, and capitalized software; and from ten to forty years for buildings and improvements. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the respective assets or the term of the related lease.

Property and equipment, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying values may not be fully recoverable. In evaluating long-lived assets for recoverability, including finite-lived intangibles as described below, the Company uses its best estimate of future cash flows expected to result from the use of the asset and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than its carrying value, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value, considering external market participant assumptions. Assets to be disposed of and for which there is a committed plan for disposal are reported at the lower of carrying value or fair value, less costs to sell.

Goodwill and Other Intangible Assets

At acquisition, the Company estimates and records the fair value of purchased intangible assets, which typically consist of reacquired license agreements, customer relationships, non-compete agreements, and/or order backlog. The fair values of these intangible assets are estimated based on management's assessment, considering independent third-party appraisals when necessary. The excess of the purchase consideration over the fair value of net assets acquired, both tangible and intangible, is recorded as goodwill. Goodwill and certain other intangible assets deemed to have indefinite useful lives are not amortized. Rather, goodwill and such indefinite-lived intangible assets are assessed for impairment at least annually. The Company generally performs its annual goodwill and indefinite-lived intangible assets impairment analyses using a qualitative approach to determine whether it is more likely than not that the fair values of such assets are less than their respective carrying values. If, based on the results of the qualitative assessment, it is concluded that it is not more likely than not that the fair value of the asset exceeds its carrying value, a quantitative test is performed. Under the quantitative test, if the carrying value of the asset exceeds its fair value, an impairment loss is recognized in the amount of the excess. The Company also periodically performs a quantitative test to assess its goodwill for impairment in lieu of using the qualitative approach in order to reassess the fair values of its reporting units.

Finite-lived intangible assets are amortized over their respective estimated useful lives and, along with other long-lived assets as noted above, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying values may not be fully recoverable. See discussion of the Company's accounting policy for long-lived asset impairment as previously described under the caption "*Property and Equipment, Net.*"

Income Taxes

Income taxes are provided using the asset and liability method. Under this method, income taxes (i.e., deferred tax assets and liabilities, current taxes payable/refunds receivable, and tax expense) are recorded based on amounts refundable or payable in the current year and include the results of any difference between U.S. GAAP and tax reporting. Deferred income taxes reflect the tax effect of certain net operating losses, capital losses, general business credit carryforwards, and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The Company accounts for the financial effect of changes in tax laws or rates in the period of enactment.

In addition, valuation allowances are established when management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. Tax valuation allowances are analyzed periodically and adjusted as events occur or circumstances change that warrant adjustments.

In determining the income tax benefit (provision) for financial reporting purposes, the Company establishes a reserve for uncertain tax positions. If the Company considers that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. These assessments can be complex and the Company often obtains assistance from external advisors. To the extent that the Company's estimates change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax benefit (provision) in the period in which such determinations are made. If the initial assessment fails to result in the recognition of a tax benefit, the Company regularly monitors its position and subsequently recognizes the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more likely than not; (ii) the statute of limitations expires; or (iii) there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency. Uncertain tax positions are classified as current only when the Company expects to pay cash within the next twelve months. Interest and penalties are recorded within the income tax benefit (provision) in the Company's consolidated statements of operations and are classified on the consolidated balance sheets together with the related liability for unrecognized tax benefits.

See Note 10 for further discussion of the Company's income taxes.

Leases

The Company leases certain facilities and equipment, including the vast majority of its retail stores. Certain of the Company's lease agreements contain renewal options, rent escalation clauses, and/or landlord incentives. Renewal terms generally reflect market rates at the time of renewal. Rent expense for noncancelable operating leases with scheduled rent increases and/or landlord incentives is recognized on a straight-line basis over the lease term, including any applicable rent holidays, beginning on the earlier of the lease commencement date or the date the Company takes control of the leased space. The excess of straight-line rent expense over the scheduled payment amounts and landlord incentives is recorded as a deferred rent obligation. As of the end of Fiscal 2019 and Fiscal 2018, deferred rent obligations of \$242.4 million and \$249.5 million, respectively, were classified primarily within other non-current liabilities in the Company's consolidated balance sheets.

Assets under capital leases are recorded within property and equipment, net in the consolidated balance sheets based on their nature and are depreciated over the lease term, with the related minimum lease payments allocated between a reduction of the lease liability and the recognition of interest expense.

In certain lease arrangements, the Company is involved with the construction of the building or leasehold improvements (generally on property owned by the landlord). If the Company concludes that it has substantively all of the risks of ownership during construction of a leased property and therefore is deemed the owner of the project for accounting purposes, it records an asset and related financing obligation in the amount of the total project costs related to construction-in-progress and the fair value of the pre-existing property. Once construction is complete, the Company considers the requirements for sale-leaseback treatment, including the transfer back of all risks of ownership and whether it has any continuing involvement with the leased property. If the arrangement does not qualify for sale-leaseback treatment, the Company continues to amortize the financing obligation and depreciate the building over the lease term.

Derivative Financial Instruments

The Company records all derivative financial instruments on its consolidated balance sheets at fair value. Changes in the fair value of derivative instruments that qualify for hedge accounting are either (i) offset against the changes in fair value of the related hedged assets, liabilities, or firm commitments through earnings or (ii) recognized in equity as a component of AOCI until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge against changes in fair value or cash flows and net investments, respectively.

Each derivative instrument that qualifies for hedge accounting is expected to be highly effective in reducing and offsetting the risk associated with the related exposure being hedged. For each derivative instrument that is designated as a hedge, the Company formally documents the related risk management objective and strategy, including identification of the hedging instrument, the hedged item, and the risk exposure, as well as how hedge effectiveness will be assessed over the instrument's term. To assess hedge effectiveness at the inception of a hedging relationship, the Company generally uses regression analysis, a statistical method, to compare changes in the fair value of the derivative instrument to changes in the fair value or cash flows of the related hedged item. The extent to which a hedging instrument has been and is expected to remain highly effective in achieving offsetting changes in fair value or cash flows is assessed by the Company on at least a quarterly basis.

As a result of its use of derivative instruments, the Company is exposed to the risk that counterparties to such contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. The Company's established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of its counterparties' creditworthiness. The Company also enters into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with its derivative instruments. In the event of default or termination (as such terms are defined within the respective master netting arrangement), these arrangements allow the Company to net-settle amounts payable and receivable related to multiple derivative transactions with the same counterparty. The master netting arrangements specify a number of events of default and termination, including, among others, the failure to make timely payments.

The fair values of the Company's derivative instruments are recorded on its consolidated balance sheets on a gross basis. For cash flow reporting purposes, proceeds received or amounts paid upon the settlement of a derivative instrument are classified in the same manner as the related item being hedged, primarily within cash flows from operating activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash Flow Hedges

The Company uses forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency and the settlement of foreign currency-denominated balances. To the extent forward foreign currency exchange contracts are designated as qualifying cash flow hedges, the related gains or losses are initially deferred in equity as a component of AOCI and are subsequently recognized in the consolidated statements of operations as follows:

- *Forecasted Inventory Transactions* — recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold to a third party.
- *Settlement of Foreign Currency Balances* — recognized within other income (expense), net, during the period that the hedged balance is remeasured through earnings, generally through its settlement when the related payment occurs.

If it is determined that a derivative instrument has not been highly effective, and will continue not to be highly effective in hedging the designated exposure, hedge accounting is discontinued and further gains (losses) are immediately recognized in earnings within other income (expense), net. Upon discontinuance of hedge accounting, the cumulative change in fair value of the derivative instrument previously recorded in AOCI is recognized in earnings when the related hedged item affects earnings, consistent with the originally-documented hedging strategy, unless the forecasted transaction is no longer probable of occurring, in which case the accumulated amount is immediately recognized in earnings within other income (expense), net.

Hedges of Net Investments in Foreign Operations

The Company periodically uses cross-currency swap contracts and forward foreign currency exchange contracts to reduce risk associated with exchange rate fluctuations on certain of its net investments in foreign subsidiaries. Changes in the fair values of such derivative instruments that are designated as qualifying hedges of net investments in foreign operations are recorded in equity as a component of AOCI in the same manner as foreign currency translation adjustments. In assessing the effectiveness of such hedges, the Company uses a method based on changes in spot rates to measure the impact of foreign currency exchange rate fluctuations on both its foreign subsidiary net investment and the related derivative hedging instrument. Under this method, changes in the fair value of the hedging instrument other than those due to changes in the spot rate are initially recorded in AOCI as a translation adjustment, and are amortized into earnings as interest expense using a systematic and rational method over the instrument's term. Changes in fair value associated with the effective portion (i.e., those due to changes in the spot rate) are recorded in AOCI as a translation adjustment and are released and recognized in earnings only upon the sale or liquidation of the hedged net investment.

Fair Value Hedges

Changes in the fair value of a derivative instrument that is designated as a fair value hedge, along with offsetting changes in the fair value of the related hedged item attributable to the hedged risk, are recorded in earnings. To the extent that the change in the fair value of the hedged item does not fully offset the change in the fair value of the hedging instrument, the resulting net impact is reflected in earnings within the income statement line item associated with the hedged item.

Undesignated Hedges

All of the Company's undesignated hedges are entered into to hedge specific economic risks, particularly foreign currency exchange rate risk related to foreign currency-denominated balances. Changes in the fair value of undesignated derivative instruments are immediately recognized in earnings within other income (expense), net.

See Note 13 for further discussion of the Company's derivative financial instruments.

4. Recently Issued Accounting Standards

Implementation Costs in Cloud Computing Arrangements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" ("ASU 2018-15"). ASU 2018-15 addresses diversity in practice surrounding the accounting for costs incurred to implement a cloud computing hosting arrangement that is a service contract by establishing a model for capitalizing or expensing such costs, depending on their nature and the stage of the implementation project during which they are incurred. Any capitalized costs are to be amortized over the reasonably certain term of the hosting arrangement and presented in the same line as the service arrangement's fees within the statement of operations. ASU 2018-15 also requires enhanced qualitative and quantitative disclosures surrounding hosting arrangements that are service contracts. ASU 2018-15 is effective for the Company beginning in its fiscal year ending March 27, 2021 ("Fiscal 2021"), with early adoption permitted, and may be adopted on either a retrospective or prospective basis. Although the impact of adopting ASU 2018-15 will depend on the Company's cloud computing arrangements in place at that time, other than the new disclosure requirements, the Company does not currently expect that it will have a material impact on its consolidated financial statements.

Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"). ASU 2017-12 amends existing hedge accounting guidance by better aligning an entity's financial reporting with its risk management activities and by simplifying its application. Among its provisions, ASU 2017-12 eliminates the requirement to separately measure and report ineffectiveness for instruments that qualify for hedge accounting and generally requires that the entire change in fair value of such instruments ultimately be presented in the same income statement line as the respective hedged item. Additionally, the updated guidance reduces the overall complexity of the hedge accounting model, including easing documentation and effectiveness assessment requirements and modifying the treatment of components excluded from the assessment of hedge effectiveness. The new guidance also broadens the scope of risks eligible to qualify for hedge accounting and enhances the understandability of hedge results through amended disclosure requirements. ASU 2017-12 is to be applied using a modified retrospective transition approach, except for the amended presentation and disclosure requirements, which are to be applied prospectively.

The Company early-adopted ASU 2017-12 as of the beginning of the first quarter of Fiscal 2019, which resulted in a cumulative adjustment of \$0.7 million, net of tax, to increase its opening retained earnings balance. Overall, the adoption of ASU 2017-12 did not have a material impact on the Company's consolidated financial statements.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory" ("ASU 2016-16"). ASU 2016-16 requires recognition of income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset has been sold to a third party. The Company adopted ASU 2016-16 as of the beginning of the first quarter of Fiscal 2019 using the modified retrospective method, which resulted in a cumulative adjustment of \$0.6 million to reduce its opening retained earnings balance. Overall, the adoption of ASU 2016-16 did not have a material impact on the Company's consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13, which was further updated and clarified by the FASB through issuance of additional related ASUs, amends the guidance surrounding measurement and recognition of credit losses on financial assets measured at amortized cost, including trade receivables and debt securities, by requiring recognition of an allowance for credit losses expected to be incurred over an asset's lifetime based on relevant information about past events, current conditions, and supportable forecasts impacting its ultimate collectibility. This "expected loss" model will result in earlier recognition of credit losses than the current "as incurred" model, under which losses are recognized only upon an occurrence of an event that gives rise to the incurrence of a probable loss. ASU 2016-13 is effective for the Company beginning in its Fiscal 2021, with early adoption permitted, and is to be adopted on a modified retrospective basis. The Company is currently evaluating the impact that ASU 2016-13 will have on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02 requires that a lessee's rights and fixed payment obligations under most leases be recognized as right-of-use ("ROU") assets and lease liabilities on the consolidated balance sheet. ASU 2016-02 retains a dual model for classifying leases as either finance or operating, which governs the pattern of expense recognition to be reflected in the consolidated statement of operations. Variable lease payments based on performance, such as percentage-of-sales-based payments, will not be included in the measurement of ROU assets and lease liabilities. Rather, consistent with current practice, such amounts will be recognized as an expense in the period incurred. After its original issuance, the FASB issued several additional related ASUs to address implementation concerns and further amend and clarify certain guidance within ASU 2016-02.

The Company will adopt ASU 2016-02 in the first quarter of its fiscal year ending March 28, 2020 ("Fiscal 2020") using a modified retrospective approach under which the cumulative effect of initially applying the standard will be recognized as an adjustment to its opening Fiscal 2020 retained earnings, with no restatement of prior year amounts. In connection therewith, the Company will apply an optional package of practical expedients intended to ease transition to the standard for existing leases by, among its provisions, allowing the Company to carry forward its original lease classification conclusions without reassessment. The Company also intends to elect application of the practical expedient to not separate non-lease components from lease components for purposes of measuring its lease-related balances.

Based on assessment efforts to date, the Company estimates that the adoption of ASU 2016-02 will result in initial increases in its long-term assets and liabilities of approximately \$1.6 billion to \$1.8 billion relating to its existing lease commitments that will become subject to balance sheet recognition. These balances will fluctuate over time as the Company's lease portfolio changes as a result of ongoing lease-related activity. The standard also requires enhanced quantitative and qualitative lease-related disclosures. Recognition of lease expense in the consolidated statement of operations will not significantly change (see Note 3).

In connection with the adoption of ASU 2016-02, the Company has assessed the transition impact related to a certain real estate lease for which it has been deemed the owner of the related leased asset for accounting purposes under existing accounting guidance (commonly referred to as a "build-to-suit" lease arrangement), but no longer actively uses the related space. Although the Company no longer generates revenue or any other cash flows through its rights underlying the leased asset, it has not been considered impaired under existing accounting guidance as the asset's fair value from an ownership perspective (and not from the perspective of a sublessor) exceeds its carrying value. However, in accordance with and upon transitioning to ASU 2016-02, the Company will derecognize the remaining lease asset and liability balances that had been recognized solely as a result of the arrangement's build-to-suit designation, as the related construction activities that gave rise to such designation have since ended, and will establish a ROU asset and related lease liability measured based on its remaining fixed payment obligations. The initial ROU asset will then be assessed for impairment based on the aggregate estimated cash flows that could be generated by transferring the lease to a market participant sublessee for the remainder of its term, which are expected to be materially lower than the aggregate remaining minimum lease payments underlying the ROU asset. Accordingly, the Company expects to impair the initial ROU asset by approximately \$170 million to \$190 million to its estimated fair value, which will be recorded as a reduction to its opening retained earnings balance upon adoption, net of related income tax effects.

The Company also anticipates recording other initial ROU asset impairment adjustments of approximately \$20 million to \$30 million upon adoption of ASU 2016-02 related to certain underperforming retail locations for which the fair value of the respective store's lease is lower than the carrying value of the related initial ROU asset. These impairments will be recorded as an adjustment to reduce the Company's opening retained earnings balance, net of related income tax effects. Leasehold improvements related to these underperforming retail locations were fully impaired prior to the adoption of ASU 2016-02, as their carrying values were determined not to be recoverable.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single, comprehensive accounting model for revenues arising from contracts with customers that supersedes most previously existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue, representing the amount that an entity expects to be entitled to in exchange for providing promised goods or services (i.e., performance obligations), is recognized upon control of promised goods or services transferring to a customer. ASU 2014-09 also requires enhanced qualitative and quantitative revenue-related disclosures. After its original issuance, the FASB issued several additional related ASUs to address implementation concerns and further amend and clarify certain guidance within ASU 2014-09.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company adopted ASU 2014-09 as of the beginning of the first quarter of Fiscal 2019 using the modified retrospective method and applied the standard to all contracts as of the adoption date. The adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements, as the performance obligations underlying its core revenue streams (i.e., its retail and wholesale businesses) and the timing of recognition thereof, remain substantially unchanged. Revenues for these businesses are generated through the sale of finished products, and continue to be recognized at the point in time when merchandise is transferred to the customer and in an amount that considers the impacts of estimated returns, end-of-season markdowns, and other allowances that are variable in nature. For its licensing business, the Company continues to recognize revenue, including any contractually-guaranteed minimum royalty amounts, over time consistent with historical practice.

The Company's adoption of ASU 2014-09 did have an impact on its accounting for certain ancillary items. Specifically, certain costs associated with the marketing of merchandise to wholesale customers for a particular selling season are now expensed as incurred, rather than deferred and expensed over the course of the season. Additionally, revenue related to gift card breakage is now recognized in proportion to the pattern of actual customer redemptions, rather than when the likelihood of redemption becomes remote. As a result of applying these changes and in order to transition to ASU 2014-09, the Company reduced (i) prepaid expenses and other current assets by \$12.1 million related to certain previously deferred wholesale marketing costs and (ii) accrued expenses and other current liabilities by \$6.1 million related to outstanding gift cards, which together resulted in a net cumulative adjustment to reduce its opening retained earnings balance by \$5.2 million, net of tax, as of the beginning of the first quarter of Fiscal 2019. In addition to these changes, inventory amounts associated with estimated sales returns, which were \$18.4 million as of March 30, 2019, are now presented within prepaid expenses and other current assets in the consolidated balance sheet, rather than within inventories. Other than these changes, the Company's adoption of ASU 2014-09 did not have a material impact on its consolidated balance sheet as of March 30, 2019 or its consolidated statements of operations, comprehensive income (loss), and cash flows during Fiscal 2019. Prior periods have not been restated and continue to be reported under the accounting standards in effect during those periods.

See Note 3 for a detailed discussion of the Company's revenue recognition accounting policy.

5. **Property and Equipment**

Property and equipment, net consists of the following:

	March 30, 2019	March 31, 2018
	(millions)	
Land and improvements	\$ 15.3	\$ 16.8
Buildings and improvements	387.8	458.1
Furniture and fixtures	626.4	647.2
Machinery and equipment	350.4	393.8
Capitalized software	534.0	523.1
Leasehold improvements	1,169.4	1,147.1
Construction in progress	58.7	41.5
	<u>3,142.0</u>	<u>3,227.6</u>
Less: accumulated depreciation	(2,102.8)	(2,041.3)
Property and equipment, net	<u>\$ 1,039.2</u>	<u>\$ 1,186.3</u>

Depreciation expense was \$257.8 million, \$271.2 million, and \$283.4 million during Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively, and is recorded primarily within SG&A expenses in the consolidated statements of operations.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Other Intangible Assets

Goodwill

The following table details the changes in goodwill for each of the Company's segments during Fiscal 2019 and Fiscal 2018:

	North America	Europe	Asia	Other Non- reportable Segments ^(a)	Total ^(a)
	(millions)				
Balance at April 1, 2017	\$ 421.8	\$ 275.9	\$ 74.9	\$ 132.0	\$ 904.6
Foreign currency translation	—	42.0	3.9	—	45.9
Balance at March 31, 2018	421.8	317.9	78.8	132.0	950.5
Foreign currency translation	—	(27.9)	(3.0)	—	(30.9)
Balance at March 30, 2019	<u>\$ 421.8</u>	<u>\$ 290.0</u>	<u>\$ 75.8</u>	<u>\$ 132.0</u>	<u>\$ 919.6</u>

^(a) The goodwill balance for each period presented is net of accumulated impairment charges of \$5.2 million related to the Company's other non-reportable segments.

Based on the results of the Company's goodwill impairment testing, the Company recorded an impairment charge of \$5.2 million during Fiscal 2017 to fully write off the carrying value of reallocated goodwill related to one of its reporting units. No goodwill impairment charges were recorded during Fiscal 2019 or Fiscal 2018. See Note 12 for further discussion of the Company's goodwill impairment testing.

Other Intangible Assets

Other intangible assets consist of the following:

	March 30, 2019			March 31, 2018		
	Gross Carrying Amount	Accum. Amort.	Net	Gross Carrying Amount	Accum. Amort.	Net
	(millions)					
<i>Intangible assets subject to amortization:</i>						
Re-acquired licensed trademarks	\$ 231.3	\$ (146.8)	\$ 84.5	\$ 232.7	\$ (140.0)	\$ 92.7
Customer relationships	253.2	(184.0)	69.2	256.5	(171.4)	85.1
Other	10.1	(7.4)	2.7	10.1	(7.2)	2.9
Total intangible assets subject to amortization	494.6	(338.2)	156.4	499.3	(318.6)	180.7
<i>Intangible assets not subject to amortization:</i>						
Trademarks and brands	7.3	N/A	7.3	7.3	N/A	7.3
Total intangible assets	<u>\$ 501.9</u>	<u>\$ (338.2)</u>	<u>\$ 163.7</u>	<u>\$ 506.6</u>	<u>\$ (318.6)</u>	<u>\$ 188.0</u>

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortization Expense

Amortization expense was \$23.5 million, \$24.0 million, and \$24.1 million during Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively, and is recorded within SG&A expenses in the consolidated statements of operations.

Based on the balance of the Company's finite-lived intangible assets subject to amortization as of March 30, 2019, the expected amortization expense for each of the next five fiscal years and thereafter is as follows:

	<u>Amortization Expense</u>	
	(millions)	
Fiscal 2020	\$	22.7
Fiscal 2021		19.8
Fiscal 2022		17.9
Fiscal 2023		14.4
Fiscal 2024		13.2
Fiscal 2025 and thereafter		68.4
Total	\$	<u>156.4</u>

The expected future amortization expense above reflects weighted-average estimated remaining useful lives of 10.8 years for re-acquired licensed trademarks, 8.0 years for customer relationships, and 9.7 years for the Company's finite-lived intangible assets in total.

7. Other Assets and Liabilities

Prepaid expenses and other current assets consist of the following:

	<u>March 30,</u> <u>2019</u>	<u>March 31,</u> <u>2018</u>
	(millions)	
Other taxes receivable	\$ 137.9	\$ 171.4
Prepaid rent expense	38.0	37.0
Non-trade receivables	30.8	16.6
Assets held-for-sale (see Note 12)	20.8	—
Derivative financial instruments	19.8	12.3
Prepaid software maintenance	19.8	8.7
Inventory return asset (see Note 4)	18.4	—
Restricted cash	11.9	15.5
Prepaid advertising and marketing	9.6	6.8
Tenant allowances receivable	8.2	4.3
Other prepaid expenses and current assets	44.1	51.1
Total prepaid expenses and other current assets	<u>\$ 359.3</u>	<u>\$ 323.7</u>

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other non-current assets consist of the following:

	March 30, 2019	March 31, 2018
	(millions)	
Non-current investments	\$ 44.9	\$ 86.2
Restricted cash	30.5	35.4
Security deposits	24.5	27.3
Derivative financial instruments	12.2	—
Other non-current assets	46.4	34.6
Total other non-current assets	<u>\$ 158.5</u>	<u>\$ 183.5</u>

Accrued expenses and other current liabilities consist of the following:

	March 30, 2019	March 31, 2018
	(millions)	
Accrued operating expenses	\$ 235.2	\$ 225.8
Accrued payroll and benefits	232.5	227.8
Other taxes payable	158.3	194.2
Accrued inventory	141.0	174.0
Restructuring reserve	60.4	69.6
Dividends payable	48.8	40.6
Accrued capital expenditures	47.6	37.0
Capital lease obligations	22.3	19.5
Deferred income	14.1	30.4
Derivative financial instruments	3.6	60.8
Other accrued expenses and current liabilities	4.6	3.7
Total accrued expenses and other current liabilities	<u>\$ 968.4</u>	<u>\$ 1,083.4</u>

Other non-current liabilities consist of the following:

	March 30, 2019	March 31, 2018
	(millions)	
Capital lease obligations	\$ 212.6	\$ 236.4
Deferred rent obligations	202.7	212.2
Deferred tax liabilities	50.2	36.5
Derivative financial instruments	11.9	49.2
Restructuring reserve	11.4	27.9
Other non-current liabilities	52.1	44.5
Total other non-current liabilities	<u>\$ 540.9</u>	<u>\$ 606.7</u>

8. Impairment of Assets

During Fiscal 2019, the Company recorded non-cash impairment charges of \$21.2 million to write off certain fixed assets related to its domestic and international stores, shop-within-shops, and corporate offices, of which \$10.7 million was recorded in connection with its restructuring plans (see Note 9) and \$10.5 million was recorded in connection with underperforming retail locations as a result of its on-going store portfolio evaluation. Additionally, as a result of its decision to sell a certain corporate fixed asset in connection with its cost savings initiative, the Company recorded a non-cash impairment charge of \$4.6 million during Fiscal 2019 to reduce the carrying value of the asset held-for-sale to its estimated fair value, less costs to sell.

During Fiscal 2018, the Company recorded non-cash impairment charges of \$41.2 million to write off certain fixed assets related to its domestic and international stores, shop-within-shops, and corporate offices, of which \$16.0 million was recorded in connection with the Way Forward Plan (see Note 9) and \$25.2 million was recorded in connection with underperforming retail locations as a result of its on-going store portfolio evaluation. Additionally, as a result of a change in the planned usage of a certain intangible asset, the Company recorded a non-cash impairment charge of \$8.8 million during Fiscal 2018 to reduce the carrying value of the intangible asset to its estimated fair value.

During Fiscal 2017, the Company recorded non-cash impairment charges of \$248.6 million, to write off certain fixed assets related to its domestic and international stores, shop-within-shops, and corporate offices, as well as its in-house global digital commerce platform which was in development, of which \$234.6 million was recorded in connection with the Way Forward Plan (see Note 9) and \$14.0 million was recorded in connection with underperforming retail locations that were subject to potential future closure. Additionally, as a result of the realignment of its segment reporting structure, the Company recorded a non-cash goodwill impairment charge of \$5.2 million during Fiscal 2017.

See Note 12 for further discussion of the non-cash impairment charges recorded during the fiscal years presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Restructuring and Other Charges

A description of significant restructuring and other activities and related costs is included below.

Fiscal 2019 Restructuring Plan

On June 4, 2018, the Company's Board of Directors approved a restructuring plan associated with the Company's strategic objective of operating with discipline to drive sustainable growth (the "Fiscal 2019 Restructuring Plan"). The Fiscal 2019 Restructuring Plan includes the following restructuring-related activities: (i) rightsizing and consolidation of the Company's global distribution network and corporate offices; (ii) targeted severance-related actions; and (iii) closure of certain of its stores and shop-within-shops. Actions associated with the Fiscal 2019 Restructuring Plan were largely completed during Fiscal 2019, with certain activities shifting into Fiscal 2020.

In connection with the Fiscal 2019 Restructuring Plan, the Company expects to incur total estimated charges of approximately \$125 million to \$150 million, comprised of cash-related charges of approximately \$90 million to \$110 million and non-cash charges of approximately \$35 million to \$40 million.

A summary of the charges recorded in connection with the Fiscal 2019 Restructuring Plan is as follows:

	Fiscal Year Ended
	March 30,
	2019
	(millions)
Cash-related restructuring charges:	
Severance and benefit costs	\$ 60.2
Lease termination and store closure costs	1.8
Other cash charges	7.4
Total cash-related restructuring charges	69.4
Non-cash charges:	
Impairment of assets (see Note 8)	10.3
Inventory-related charges ^(a)	6.0
Loss on sale of property ^(b)	11.6
Total non-cash charges	27.9
Total charges	\$ 97.3

^(a) Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.

^(b) Loss on sale of property, which is recorded within restructuring and other charges in the consolidated statements of operations, was recorded in connection with the sale of one of the Company's distribution centers in North America. Total cash proceeds from the sale were \$20.0 million.

A summary of current period activity in the restructuring reserve related to the Fiscal 2019 Restructuring Plan is as follows:

	Severance and Benefit Costs	Lease Termination and Store Closure Costs	Other Cash Charges	Total
	(millions)			
Balance at March 31, 2018	\$ —	\$ —	\$ —	\$ —
Additions charged to expense	60.2	1.8	7.4	69.4
Cash payments charged against reserve	(19.0)	(2.1)	(7.3)	(28.4)
Non-cash adjustments	(0.2)	0.8	—	0.6
Balance at March 30, 2019	\$ 41.0	\$ 0.5	\$ 0.1	\$ 41.6

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Way Forward Plan

On June 2, 2016, the Company's Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). The Company is refocusing on its core brands and evolving its product, marketing, and shopping experience to increase desirability and relevance. It is also evolving its operating model to enable sustainable, profitable sales growth by significantly improving quality of sales, reducing supply chain lead times, improving its sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, the Company is rightsizing its cost structure and implementing a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan included strengthening the Company's leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan also included the discontinuance of the Company's Denim & Supply brand and the integration of its denim product offerings into its Polo Ralph Lauren brand. Collectively, these actions, which were substantially completed during Fiscal 2017, resulted in a reduction in workforce and the closure of certain stores and shop-within-shops.

On March 30, 2017, the Company's Board of Directors approved the following additional restructuring-related activities associated with the Way Forward Plan: (i) the restructuring of its in-house global digital commerce platform which was in development and shifting to a more cost-effective, flexible platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of its Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Company's Way Forward Plan. These actions are an important part of the Company's efforts to achieve its stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities were largely completed during Fiscal 2018 and resulted in a further reduction in workforce and the closure of certain corporate office and store locations.

In connection with the Way Forward Plan, the Company has incurred total cumulative charges of \$838.6 million, including \$155.2 million recorded during Fiscal 2017 associated with the destruction of inventory. Additionally, as the Company did not legally assign a certain lease agreement for which it has been deemed the owner of the leased asset for accounting purposes prior to the end of Fiscal 2019, an impairment of approximately \$170 million to \$190 million is expected to be recorded as an adjustment to reduce the Company's opening retained earnings balance as of the beginning of Fiscal 2020 in connection with its adoption of ASU 2016-02 (see Note 4). Accordingly, actions associated with the Way Forward Plan are now complete and no additional charges are expected to be incurred in connection with this plan.

A summary of the charges recorded in connection with the Way Forward Plan during the fiscal periods presented, as well as the cumulative charges recorded since its inception, is as follows:

	Fiscal Years Ended			Cumulative Charges
	March 30, 2019	March 31, 2018	April 1, 2017	
	(millions)			
Cash-related restructuring charges:				
Severance and benefits costs	\$ 7.0	\$ 39.0	\$ 182.7	\$ 228.7
Lease termination and store closure costs	1.4	33.2	87.3	121.9
Other cash charges	0.8	6.3	19.1	26.2
Total cash-related restructuring charges	9.2	78.5	289.1	376.8
Non-cash charges:				
Impairment of assets (see Note 8)	0.4	16.0	234.6	251.0
Inventory-related charges ^(a)	1.2	7.6	197.9	206.7
Accelerated stock-based compensation expense ^(b)	—	0.7	—	0.7
Other non-cash charges	3.4	—	—	3.4
Total non-cash charges	5.0	24.3	432.5	461.8
Total charges	\$ 14.2	\$ 102.8	\$ 721.6	\$ 838.6

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (a) Includes charges of \$155.2 million associated with the destruction of inventory out of current liquidation channels during Fiscal 2017. Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.
- (b) Accelerated stock-based compensation expense, which is recorded within restructuring and other charges in the consolidated statements of operations, was recorded in connection with vesting provisions associated with certain separation agreements.

A summary of the activity in the restructuring reserve related to the Way Forward Plan is as follows:

	Severance and Benefits Costs	Lease Termination and Store Closure Costs	Other Cash Charges	Total
	(millions)			
Balance at April 1, 2017	\$ 94.3	\$ 34.3	\$ 6.6	\$ 135.2
Additions charged to expense	39.0	33.2	6.3	78.5
Cash payments charged against reserve	(97.9)	(22.8)	(11.1)	(131.8)
Non-cash adjustments	2.2	8.8	—	11.0
Balance at March 31, 2018	37.6	53.5	1.8	92.9
Additions charged to expense	7.0	1.4	0.8	9.2
Cash payments charged against reserve	(37.7)	(33.6)	(2.2)	(73.5)
Non-cash adjustments	(0.4)	0.6	—	0.2
Balance at March 30, 2019	\$ 6.5	\$ 21.9	\$ 0.4	\$ 28.8

Other Restructuring Plans

During Fiscal 2017, the Company recorded cash-related restructuring of \$4.9 million related to the Company's restructuring plan initiated during its fiscal year ended April 2, 2016 ("Fiscal 2016"), primarily consisting of severance and benefits costs. As of March 30, 2019 and March 31, 2018, the remaining restructuring reserve related to this restructuring plan was \$1.4 million and \$4.6 million, respectively, reflecting \$3.2 million of cash payments made during Fiscal 2019. Refer to Note 9 of the Fiscal 2018 10-K for additional discussion regarding this restructuring plan.

Other Charges

During Fiscal 2019, the Company recorded other charges of \$14.1 million related to depreciation expense associated with the Company's former Polo store at 711 Fifth Avenue in New York City, recorded after the store closed during the first quarter of Fiscal 2018 in connection with the Way Forward Plan. Although the Company is no longer generating revenue or has any other economic activity associated with its former Polo store, it continues to incur depreciation expense due to its involvement at the time of construction. Additionally, during Fiscal 2019, the Company recorded other charges of \$4.2 million primarily related to its customs audit (see Note 14), as well as \$18.2 million primarily related to its new sabbatical leave program, which entitles eligible employees to periodic paid leave based on the attainment of certain employment tenure milestones. Other than this initial charge to establish its estimated liability for services rendered to-date, the Company does not expect there will be a significant, ongoing impact to the consolidated financial statements in future periods related to its sabbatical leave program.

During Fiscal 2018, the Company recorded other charges of \$14.1 million related to depreciation expense associated with the Company's former Polo store at 711 Fifth Avenue in New York City, \$10.2 million related to its customs audit (see Note 14), and \$6.7 million (inclusive of accelerated stock-based compensation expense of \$2.1 million) primarily related to the departure of Mr. Stefan Larsson as the Company's President and Chief Executive Officer and as a member of its Board of Directors, effective as of May 1, 2017. Refer to the Form 8-K filed on February 2, 2017 for additional discussion regarding the departure of Mr. Larsson. These other charges recorded in Fiscal 2018 were partially offset by the favorable impact of \$2.2 million related to the reversal of reserves associated with the settlement of certain non-income tax issues.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During Fiscal 2017, the Company recorded other charges of \$13.2 million related to the anticipated settlement of certain non-income tax issues and \$11.4 million (inclusive of accelerated stock-based compensation expense of \$4.3 million) related to Mr. Larsson's departure.

10. Income Taxes***U.S. Tax Reform***

On December 22, 2017, President Trump signed into law new tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which became effective January 1, 2018. The TCJA significantly revised U.S. tax law by, among other provisions, lowering the U.S. federal statutory income tax rate from 35% to 21%, creating a territorial tax system that includes a one-time mandatory transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

ASC Topic 740, "Income Taxes," requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the TCJA's provisions, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") on December 22, 2017, which allowed companies to record the tax effects of the TCJA on a provisional basis based on a reasonable estimate, and then, if necessary, subsequently adjust such amounts during a limited measurement period as additional information became available and further analyses were completed. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, not to extend beyond one year from enactment.

During the third quarter of Fiscal 2018, the Company recorded charges of \$231.3 million within its income tax provision in connection with the TCJA, of which \$215.5 million related to the mandatory transition tax, and \$15.8 million related to the revaluation of the Company's deferred tax assets and liabilities. Subsequently, as a result of finalizing its full Fiscal 2018 operating results, the issuance of new interpretive guidance, and other analyses performed, the Company recorded measurement period adjustments during the fourth quarter of Fiscal 2018, whereby it reversed \$6.2 million of the charges related to the mandatory transition tax and \$5.5 million related to the revaluation of its deferred taxes. These reversals were partially offset by an incremental charge of \$1.8 million related to the expected future remittance of certain previously deferred foreign earnings. Collectively, these net charges of \$221.4 million, which were recorded on a provisional basis, increased the Company's effective tax rate by 4,520 basis points during Fiscal 2018.

During the second quarter of Fiscal 2019, the Company recorded an additional measurement period adjustment as a result of the issuance of new interpretive guidance related to stock-based compensation for certain executives, whereby it recorded an income tax benefit and corresponding deferred tax asset of \$4.7 million. Subsequently, during the third quarter of Fiscal 2019, the Company completed its analyses and recorded its final measurement period adjustments, whereby it recorded incremental charges of \$32.3 million within its income tax provision, substantially all of which related to the mandatory transition tax. These measurement period adjustments increased the Company's effective tax rate by 470 basis points during Fiscal 2019. Approximately \$241 million of the cumulative TCJA enactment-related charges recorded related to the mandatory transition tax (see Note 14).

Additionally, during the fourth quarter of Fiscal 2018 the Company reevaluated its permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. In connection with this decision, the Company repatriated \$252 million of cash to the U.S. from certain of its foreign subsidiaries during the fourth quarter of Fiscal 2018, and it repatriated an additional \$875 million during Fiscal 2019. The mandatory transition tax does not apply to undistributed foreign earnings generated after December 31, 2017, and therefore the Company intends to permanently reinvest such earnings. See "*Deferred Taxes*" for additional discussion.

Additionally, the Company has decided to account for the minimum tax on global intangible low-taxed income ("GILTI") in the period in which it is incurred and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for Fiscal 2019.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Taxes on Income (Loss)

Domestic and foreign pretax income (loss) are as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Domestic	\$ 66.6	\$ 16.4	\$ (155.3)
Foreign	515.9	472.8	50.4
Total income (loss) before income taxes	<u>\$ 582.5</u>	<u>\$ 489.2</u>	<u>\$ (104.9)</u>

Benefits (provisions) for current and deferred income taxes are as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Current:			
Federal ^(a)	\$ (37.3)	\$ (154.6)	\$ 29.1
State and local ^(a)	(11.9)	(5.0)	2.3
Foreign	(93.9)	(82.7)	(64.7)
	<u>(143.1)</u>	<u>(242.3)</u>	<u>(33.3)</u>
Deferred:			
Federal	(5.0)	(64.1)	25.1
State and local	(6.9)	(12.6)	2.9
Foreign	3.4	(7.4)	10.9
	<u>(8.5)</u>	<u>(84.1)</u>	<u>38.9</u>
Total income tax benefit (provision)	<u>\$ (151.6)</u>	<u>\$ (326.4)</u>	<u>\$ 5.6</u>

^(a) Excludes federal, state, and local tax provisions of \$17.3 million in Fiscal 2017 resulting from stock-based compensation arrangements, which was recorded within equity. In Fiscal 2018, the Company adopted ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which requires such excess tax benefits and shortfalls be reflected prospectively in the income tax benefit (provision) in the statement of operations.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tax Rate Reconciliation

The differences between income taxes expected at the U.S. federal statutory income tax rate and income taxes provided are as set forth below:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Benefit (provision) for income taxes at the U.S. federal statutory rate ^(a)	\$ (122.3)	\$ (154.3)	\$ 36.7
Change due to:			
State and local income taxes, net of federal benefit	(12.4)	(1.6)	2.7
Foreign income taxed at different rates, net of U.S. foreign tax credits	27.6	74.7	(25.4)
Unrecognized tax benefits and settlements of tax examinations	(3.4)	(14.4)	0.5
Changes in valuation allowance on deferred tax assets	(1.4)	2.5	(7.3)
TCJA enactment-related charges	(27.6)	(221.4)	—
Compensation-related adjustments	(11.6)	(15.4)	—
Other	(0.5)	3.5	(1.6)
Total income tax benefit (provision)	<u>\$ (151.6)</u>	<u>\$ (326.4)</u>	<u>\$ 5.6</u>
Effective tax rate ^(b)	26.0%	66.7%	5.3%

^(a) The U.S. federal statutory income tax rate was 21.0% during Fiscal 2019. The previous statutory rate of 35.0%, which was in effect during the Company's Fiscal 2017, was reduced to 21.0% by the TCJA effective January 1, 2018, resulting in a blended statutory rate of 31.5% for the Company's Fiscal 2018.

^(b) Effective tax rate is calculated by dividing the income tax benefit (provision) by income (loss) before income taxes.

The Company's Fiscal 2019 effective tax rate was higher than the U.S. federal statutory income tax rate of 21% primarily due to the SAB 118 measurement period adjustments recorded, as previously discussed, state and local income taxes, and compensation-related adjustments, partially offset by the favorable impact of the proportion of earnings generated in lower taxed jurisdictions. The Company's Fiscal 2018 effective tax rate was higher than the blended statutory rate of 31.5% primarily due to the enactment-related charges recorded in connection with the TCJA, as previously discussed, the negative impact of the adoption of ASU 2016-09, and the unfavorable impact of additional income tax reserves associated with certain income tax audits, partially offset by the favorable impact of the proportion of earnings generated in lower taxed foreign jurisdictions versus the U.S. and tax benefits associated with adjustments recorded on deferred tax assets and provision to tax return adjustments. The Company's Fiscal 2017 effective tax rate was lower than the statutory rate of 35% primarily due to the tax impact of earnings in foreign jurisdictions, valuation allowances and adjustments recorded on deferred tax assets, and income tax reserves largely associated with an income tax settlement and certain income tax audits, partially offset by the reversal of an income tax reserve resulting from a change in tax law that impacted an interest assessment on a prior year withholding tax.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred Taxes

Significant components of the Company's deferred tax assets and liabilities are as follows:

	March 30, 2019	March 31, 2018
	(millions)	
Goodwill and other intangible assets	\$ (149.8)	\$ (149.2)
Property and equipment	(24.6)	(36.2)
Cumulative translation adjustment and hedges	(7.8)	15.0
Undistributed foreign earnings	(4.7)	(7.1)
Deferred compensation	53.4	45.7
Net operating loss carryforwards	48.9	54.8
Lease obligations	44.6	49.6
Receivable allowances and reserves	25.6	38.5
Inventory basis difference	19.0	16.0
Accrued expenses	11.8	12.1
Transfer pricing	9.0	9.0
Unrecognized tax benefits	8.1	10.8
Deferred rent	7.3	6.9
Deferred income	1.2	5.2
Other	13.2	14.4
Valuation allowance	(38.4)	(35.4)
Net deferred tax assets ^(a)	<u>\$ 16.8</u>	<u>\$ 50.1</u>

^(a) Net deferred tax balances as of March 30, 2019 and March 31, 2018 were comprised of non-current deferred tax assets of \$67.0 million and \$86.6 million, respectively, recorded within deferred tax assets, and non-current deferred tax liabilities of \$50.2 million and \$36.5 million, respectively, recorded within other non-current liabilities in the consolidated balance sheets.

The Company has available state and foreign net operating loss carryforwards of \$2.1 million and \$10.7 million (both net of tax), respectively, for tax purposes to offset future taxable income. The net operating loss carryforwards expire beginning in Fiscal 2020.

The Company also has available state and foreign net operating loss carryforwards of \$7.1 million and \$29.1 million (both net of tax), respectively, for which no net deferred tax asset has been recognized. A full valuation allowance has been recorded against these carryforwards since the Company does not believe that it will more likely than not be able to utilize these carryforwards to offset future taxable income. Subsequent recognition of these deferred tax assets would result in an income tax benefit in the year of such recognition. The valuation allowance relating to state net operating loss carryforwards increased by \$4.7 million (net of tax) as a result of net operating losses in certain jurisdictions where the Company does not believe that it will more likely than not be able to utilize these carryforwards in the future. The valuation allowance relating to foreign net operating loss carryforwards decreased by \$1.7 million as a result of net operating losses in certain jurisdictions where the Company believes that it will be more likely than not to be able to utilize these carryforwards in the future.

Given recent changes to the taxation of undistributed foreign earnings in connection with the TCJA, the Company has reevaluated its permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the TCJA's one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. The mandatory transition tax does not apply to undistributed foreign earnings generated after December 31, 2017. Accordingly, provision has not been made for U.S. or additional foreign taxes on approximately \$548 million of undistributed earnings of foreign subsidiaries generated after December 31, 2017, as such earnings are expected to be permanently reinvested. These earnings could become subject to tax if they were remitted as dividends, if foreign earnings were lent to RLC, a subsidiary or a U.S. affiliate of RLC, or if the stock of the subsidiaries were sold. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practicable.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Uncertain Income Tax Benefits

Fiscal 2019, Fiscal 2018, and Fiscal 2017 Activity

Reconciliations of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties, for Fiscal 2019, Fiscal 2018, and Fiscal 2017 are presented below:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Unrecognized tax benefits beginning balance	\$ 64.2	\$ 49.9	\$ 49.7
Additions related to current period tax positions	4.9	6.8	5.3
Additions related to prior period tax positions	11.7	9.5	15.3
Reductions related to prior period tax positions	(5.5)	(1.3)	(3.4)
Reductions related to expiration of statutes of limitations	(4.1)	(3.3)	(4.1)
Reductions related to settlements with taxing authorities	(3.1)	(0.7)	(12.0)
Additions (reductions) related to foreign currency translation	(2.9)	3.3	(0.9)
Unrecognized tax benefits ending balance	<u>\$ 65.2</u>	<u>\$ 64.2</u>	<u>\$ 49.9</u>

The Company classifies interest and penalties related to unrecognized tax benefits as part of its provision for income taxes. Reconciliations of the beginning and ending amounts of accrued interest and penalties related to unrecognized tax benefits for Fiscal 2019, Fiscal 2018, and Fiscal 2017 are presented below:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Accrued interest and penalties beginning balance	\$ 15.0	\$ 12.8	\$ 30.9
Net additions charged to expense	3.0	3.8	2.3
Reductions related to prior period tax positions	(3.4)	(1.6)	(18.3) ^(a)
Reductions related to settlements with taxing authorities	(0.8)	(0.3)	(0.8)
Additions (reductions) related to foreign currency translation	(0.2)	0.3	(1.3)
Accrued interest and penalties ending balance	<u>\$ 13.6</u>	<u>\$ 15.0</u>	<u>\$ 12.8</u>

^(a) Includes a \$15.9 million reversal of an income tax reserve resulting from a change in tax law that impacted an interest assessment on a prior year withholding tax.

The total amount of unrecognized tax benefits, including interest and penalties, was \$78.8 million and \$79.2 million as of March 30, 2019 and March 31, 2018, respectively, and was included within the non-current liability for unrecognized tax benefits in the consolidated balance sheets. The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was \$70.7 million and \$68.4 million as of March 30, 2019 and March 31, 2018, respectively.

Future Changes in Unrecognized Tax Benefits

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, settlements of ongoing tax audits and assessments and the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, the Company does not anticipate that the balance of gross unrecognized tax benefits, excluding interest and penalties, will change significantly during the next twelve months. However, changes in the occurrence, expected outcomes, and timing of such events could cause the Company's current estimate to change materially in the future.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company files a consolidated U.S. federal income tax return, as well as tax returns in various state, local, and foreign jurisdictions. The Company is generally no longer subject to examinations by the relevant tax authorities for years prior to its fiscal year ended April 3, 2010.

11. Debt

Debt consists of the following:

	March 30, 2019	March 31, 2018
	(millions)	
\$300 million 2.125% Senior Notes ^(a)	\$ —	\$ 298.1
\$300 million 2.625% Senior Notes ^(b)	293.4	288.0
\$400 million 3.750% Senior Notes ^(c)	395.7	—
Borrowings outstanding under credit facilities	—	10.1
Total debt	689.1	596.2
Less: short-term debt and current portion of long-term debt	—	308.2
Total long-term debt	\$ 689.1	\$ 288.0

^(a) The carrying value of the 2.125% Senior Notes as of March 31, 2018 reflects adjustments of \$1.6 million associated with the Company's related interest rate swap contract (see Note 13), and is also presented net of unamortized debt issuance costs and discount of \$0.3 million.

^(b) The carrying value of the 2.625% Senior Notes as of March 30, 2019 and March 31, 2018 reflects adjustments of \$5.9 million and \$10.8 million, respectively, associated with the Company's related interest rate swap contract (see Note 13). The carrying value of the 2.625% Senior Notes is also presented net of unamortized debt issuance costs and discount of \$0.7 million and \$1.2 million as of March 30, 2019 and March 31, 2018, respectively.

^(c) The carrying value of the 3.750% Senior Notes is presented net of unamortized debt issuance costs and discount of \$4.3 million as of March 30, 2019.

Senior Notes

In August 2015, the Company completed a registered public debt offering and issued \$300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes"). The 2.625% Senior Notes were issued at a price equal to 99.795% of their principal amount. The proceeds from this offering were used for general corporate purposes.

In August 2018, the Company completed another registered public debt offering and issued an additional \$400 million aggregate principal amount of unsecured senior notes due September 15, 2025, which bear interest at a fixed rate of 3.750%, payable semi-annually (the "3.750% Senior Notes"). The 3.750% Senior Notes were issued at a price equal to 99.521% of their principal amount. The proceeds from this offering were used for general corporate purposes, including repayment of the Company's previously outstanding \$300 million principal amount of unsecured 2.125% senior notes that matured September 26, 2018 (the "2.125% Senior Notes").

The Company has the option to redeem the 2.625% Senior Notes and 3.750% Senior Notes (collectively, the "Senior Notes"), in whole or in part, at any time at a price equal to accrued and unpaid interest on the redemption date, plus the greater of (i) 100% of the principal amount of the series of Senior Notes to be redeemed or (ii) the sum of the present value of Remaining Scheduled Payments, as defined in the supplemental indentures governing such Senior Notes (together with the indenture governing the Senior Notes, the "Indenture"). The Indenture contains certain covenants that restrict the Company's ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of the Company's property or assets to another party. However, the Indenture does not contain any financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Commercial Paper

In May 2014, the Company initiated a commercial paper borrowing program (the "Commercial Paper Program") that allowed it to issue up to \$300 million of unsecured commercial paper notes through private placement using third-party broker-dealers. In May 2015, the Company expanded its Commercial Paper Program to allow for a total issuance of up to \$500 million of unsecured commercial paper notes.

Borrowings under the Commercial Paper Program are supported by the Global Credit Facility, as defined below. Accordingly, the Company does not expect combined borrowings outstanding under the Commercial Paper Program and Global Credit Facility to exceed \$500 million. Commercial Paper Program borrowings may be used to support the Company's general working capital and corporate needs. Maturities of commercial paper notes vary, but cannot exceed 397 days from the date of issuance. Commercial paper notes issued under the Commercial Paper Program rank equally with the Company's other forms of unsecured indebtedness. As of March 30, 2019, there were no borrowings outstanding under the Commercial Paper Program.

Revolving Credit Facilities*Global Credit Facility*

In February 2015, the Company entered into an amended and restated credit facility (which was further amended in March 2016) that provides for a \$500 million senior unsecured revolving line of credit through February 11, 2020 (the "Global Credit Facility") under terms and conditions substantially similar to those previously in effect. The Global Credit Facility is also used to support the issuance of letters of credit and the maintenance of the Commercial Paper Program. Borrowings under the Global Credit Facility may be denominated in U.S. Dollars and other currencies, including Euros, Hong Kong Dollars, and Japanese Yen. The Company has the ability to expand its borrowing availability under the Global Credit Facility to \$750 million, subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Global Credit Facility. As of March 30, 2019, there were no borrowings outstanding under the Global Credit Facility and the Company was contingently liable for \$10.2 million of outstanding letters of credit.

U.S. Dollar-denominated borrowings under the Global Credit Facility bear interest, at the Company's option, either at (a) a base rate, by reference to the greatest of: (i) the annual prime commercial lending rate of JPMorgan Chase Bank, N.A. in effect from time to time, (ii) the weighted-average overnight Federal funds rate plus 50 basis points, or (iii) the one-month London Interbank Offered Rate ("LIBOR") plus 100 basis points; or (b) LIBOR, adjusted for the Federal Reserve Board's Eurocurrency liabilities maximum reserve percentage, plus a spread of 87.5 basis points, subject to adjustment based on the Company's credit ratings ("Adjusted LIBOR"). Foreign currency-denominated borrowings bear interest at Adjusted LIBOR.

In addition to paying interest on any outstanding borrowings under the Global Credit Facility, the Company is required to pay a commitment fee to the lenders under the Global Credit Facility with respect to the unutilized commitments. The commitment fee rate of 7 basis points under the terms of the Global Credit Facility is subject to adjustment based on the Company's credit ratings.

The Global Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances, or guarantees; engage in transactions with affiliates; and make certain investments. The Global Credit Facility also requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the "leverage ratio") of no greater than 3.75 as of the date of measurement for the four most recent consecutive fiscal quarters. Adjusted Debt is defined generally as consolidated debt outstanding plus four times consolidated rent expense for the four most recent consecutive fiscal quarters. Consolidated EBITDAR is defined generally as consolidated net income plus (i) income tax expense, (ii) net interest expense, (iii) depreciation and amortization expense, (iv) consolidated rent expense, (v) restructuring and other non-recurring expenses, and (vi) acquisition-related costs. As of March 30, 2019, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under the Company's Global Credit Facility.

Upon the occurrence of an Event of Default under the Global Credit Facility, the lenders may cease making loans, terminate the Global Credit Facility, and declare all amounts outstanding to be immediately due and payable. The Global Credit Facility specifies a number of events of default (many of which are subject to applicable grace periods), including, among others, the failure to make timely principal, interest, and fee payments or to satisfy the covenants, including the financial covenant described above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Additionally, the Global Credit Facility provides that an Event of Default will occur if Mr. Ralph Lauren, the Company's Executive Chairman and Chief Creative Officer, and entities controlled by the Lauren family fail to maintain a specified minimum percentage of the voting power of the Company's common stock.

Pan-Asia Credit Facilities

Certain of the Company's subsidiaries in Asia have uncommitted credit facilities with regional branches of JPMorgan Chase (the "Banks") in China and South Korea (the "Pan-Asia Credit Facilities"). These credit facilities are subject to annual renewal and may be used to fund general working capital and corporate needs of the Company's operations in the respective countries. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the Banks, subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. The Pan-Asia Credit Facilities do not contain any financial covenants. The Company's Pan-Asia Credit Facilities by country are as follows:

- China Credit Facility — provides Ralph Lauren Trading (Shanghai) Co., Ltd. with a revolving line of credit of up to 50 million Chinese Renminbi (approximately \$7 million) through April 3, 2020, which is also able to be used to support bank guarantees.
- South Korea Credit Facility — provides Ralph Lauren (Korea) Ltd. with a revolving line of credit of up to 30 billion South Korean Won (approximately \$26 million) through October 31, 2019.

During the first quarter of Fiscal 2019, the Company repaid approximately \$10 million in borrowings that were previously outstanding under its Pan-Asia Credit Facilities. As of March 30, 2019, there were no borrowings outstanding under the Pan-Asia Credit Facilities.

12. Fair Value Measurements

U.S. GAAP establishes a three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy for a particular asset or liability depends on the inputs used in its valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally-derived (unobservable). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology based on quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology based on quoted prices for similar assets or liabilities in active markets for substantially the full term of the financial instrument; quoted prices for identical or similar instruments in markets that are not active for substantially the full term of the financial instrument; and model-derived valuations whose inputs or significant value drivers are observable.
- Level 3 — inputs to the valuation methodology based on unobservable prices or valuation techniques that are significant to the fair value measurement.

The following table summarizes the Company's financial assets and liabilities that are measured and recorded at fair value on a recurring basis, excluding accrued interest components:

	March 30, 2019	March 31, 2018
	(millions)	
Investments in commercial paper ^{(a)(b)}	\$ 290.7	\$ 234.2
Derivative assets ^(a)	32.0	12.3
Derivative liabilities ^(a)	15.5	110.0

^(a) Based on Level 2 measurements.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) As of March 30, 2019, \$54.7 million was included within cash and cash equivalents and \$236.0 million was included within short-term investments in the consolidated balance sheet. As of March 31, 2018, \$15.0 million was included within cash and cash equivalents and \$219.2 million was included within short-term investments in the consolidated balance sheet.

The Company's investments in commercial paper are classified as available-for-sale and recorded at fair value in its consolidated balance sheets using external pricing data, based on interest rates and credit ratings for similar issuances with the same remaining term as the Company's investments. To the extent the Company invests in bonds, such investments are also classified as available-for-sale and recorded at fair value in its consolidated balance sheets based on quoted prices in active markets.

The Company's derivative financial instruments are recorded at fair value in its consolidated balance sheets and are valued using pricing models that are primarily based on market observable external inputs, including spot and forward currency exchange rates, benchmark interest rates, and discount rates consistent with the instrument's tenor, and consider the impact of the Company's own credit risk, if any. Changes in counterparty credit risk are also considered in the valuation of derivative financial instruments.

The Company's cash and cash equivalents, restricted cash, and time deposits are recorded at carrying value, which generally approximates fair value based on Level 1 measurements.

The Company's debt instruments are recorded at their carrying values in its consolidated balance sheets, which may differ from their respective fair values. The fair values of the senior notes are estimated based on external pricing data, including available quoted market prices, and with reference to comparable debt instruments with similar interest rates, credit ratings, and trading frequency, among other factors. The fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities, if any, are estimated using external pricing data, based on interest rates and credit ratings for similar issuances with the same remaining term as the Company's outstanding borrowings. Due to their short-term nature, the fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities, if any, generally approximate their carrying values.

The following table summarizes the carrying values and the estimated fair values of the Company's debt instruments:

	March 30, 2019		March 31, 2018	
	Carrying Value	Fair Value ^(a)	Carrying Value	Fair Value ^(a)
	(millions)			
\$300 million 2.125% Senior Notes	\$ —	\$ —	\$ 298.1 ^(b)	\$ 299.4
\$300 million 2.625% Senior Notes	293.4 ^(b)	299.1	288.0 ^(b)	298.7
\$400 million 3.750% Senior Notes	395.7 ^(b)	410.0	—	—
Borrowings outstanding under credit facilities	—	—	10.1	10.1

(a) Based on Level 2 measurements.

(b) See Note 11 for discussion of the carrying values of the Company's senior notes.

Unrealized gains or losses resulting from changes in the fair value of the Company's debt do not result in the realization or expenditure of cash, unless the debt is retired prior to its maturity.

Non-financial Assets and Liabilities

The Company's non-financial assets, which primarily consist of goodwill, other intangible assets, and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial assets are assessed for impairment and, if applicable, written down to and recorded at fair value, considering external market participant assumptions.

During Fiscal 2019, Fiscal 2018, and Fiscal 2017, the Company recorded non-cash impairment charges of \$21.2 million, \$41.2 million, and \$248.6 million, respectively, to fully write off the carrying values of certain long-lived assets based upon their assumed fair values of zero. As a result of its decision to sell a certain corporate fixed asset in connection with its cost savings initiative, the Company also recorded a non-cash impairment charge of \$4.6 million during Fiscal 2019 to reduce the carrying value of the asset held-for-sale to its estimated fair value less costs to sell of \$20.8 million as of March 30, 2019. The Company anticipates completing the sale of this asset during Fiscal 2020. Additionally, as a result of a change in the planned usage of a certain intangible asset, the Company recorded a non-cash impairment charge of \$8.8 million during Fiscal 2018 to reduce the carrying value of the intangible asset from \$11.7 million to its estimated fair value of \$2.9 million as of March 31, 2018. The fair values of these long-lived and intangible assets were determined based on Level 3 measurements. Inputs to these fair value measurements included estimates of the amount and timing of the assets' net future discounted cash flows based on historical experience, current trends, market conditions, and comparable sales, as applicable. See Note 8 for further discussion of the non-cash impairment charges recorded by the Company during the fiscal years presented.

In Fiscal 2019, the Company performed its annual goodwill impairment assessment as of the beginning of the second quarter of the fiscal year using a qualitative approach. In performing the assessment, the Company identified and considered the significance of relevant key factors, events, and circumstances that affected the fair values and/or carrying amounts of its reporting units with allocated goodwill. These factors included external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as the Company's actual and expected financial performance. Additionally, the results of the Company's most recent quantitative goodwill impairment test indicated that the fair values of these reporting units significantly exceeded their respective carrying values. Based on the results of its qualitative goodwill impairment assessment, the Company concluded that it is not more likely than not that the fair values of its reporting units are less than their respective carrying values, and there were no reporting units at risk of impairment. No goodwill impairment charges were recorded during any of the three fiscal years presented in connection with the Company's annual goodwill impairment assessments.

Subsequent to the Company's Fiscal 2017 annual goodwill impairment assessment, the Company realigned its segment reporting structure during the fourth quarter of Fiscal 2017 as a result of significant organizational changes implemented in connection with the Way Forward Plan. As a result of the realignment of its segment reporting structure, the Company reallocated the carrying amount of goodwill to its new reporting units based upon each reporting unit's relative fair value as of the first day of the Company's fourth quarter of Fiscal 2017. In connection with this reallocation, the Company performed an interim assessment of the recoverability of goodwill assigned to its new reporting units using a quantitative approach. The estimated fair values of the Company's new reporting units were determined using discounted cash flows and market comparisons. Based on the results of the quantitative impairment assessment performed, the Company concluded that the fair value of one of its new reporting units was less than its carrying value. As a result, a goodwill impairment charge of \$5.2 million was recorded during Fiscal 2017 to fully write off the carrying value of the reporting unit's reallocated goodwill. The fair values of the remaining new reporting units significantly exceeded their respective carrying values and were not at risk of impairment.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Financial Instruments

Derivative Financial Instruments

The Company is exposed to changes in foreign currency exchange rates, primarily relating to certain anticipated cash flows and the value of the reported net assets of its international operations, as well as changes in the fair value of its fixed-rate debt obligations attributed to changes in a benchmark interest rate. Consequently, the Company uses derivative financial instruments to manage and mitigate such risks. The Company does not enter into derivative transactions for speculative or trading purposes.

The following table summarizes the Company's outstanding derivative instruments on a gross basis as recorded in its consolidated balance sheets as of March 30, 2019 and March 31, 2018:

Derivative Instrument ^(a)	Notional Amounts		Derivative Assets				Derivative Liabilities			
	March 30, 2019	March 31, 2018	March 30, 2019		March 31, 2018		March 30, 2019		March 31, 2018	
			Balance Sheet Line ^(b)	Fair Value	Balance Sheet Line ^(b)	Fair Value	Balance Sheet Line ^(b)	Fair Value	Balance Sheet Line ^(b)	Fair Value
(millions)										
Designated Hedges:										
FC — Cash flow hedges	\$ 636.3	\$ 514.5	PP	\$ 19.5	PP	\$ 1.1	AE	\$ 2.3	^(e)	\$ 13.5
IRS — Fixed-rate debt	300.0	600.0		—		—	ONCL	5.9	^(f)	12.4
Net investment hedges ^(c)	695.3	1,081.2	ONCA	12.2	PP	0.1	ONCL	6.0	^(g)	82.6
Total Designated Hedges	1,631.6	2,195.7		31.7		1.2		14.2		108.5
Undesignated Hedges:										
FC — Undesignated hedges ^(d)	146.6	459.2	PP	0.3	PP	11.1	AE	1.3	AE	1.5
Total Hedges	\$ 1,778.2	\$ 2,654.9		\$ 32.0		\$ 12.3		\$ 15.5		\$ 110.0

^(a) FC = Forward foreign currency exchange contracts; IRS = Interest rate swap contracts.

^(b) PP = Prepaid expenses and other current assets; AE = Accrued expenses and other current liabilities; ONCA = Other non-current assets; ONCL = Other non-current liabilities.

^(c) Includes cross-currency swaps and forward foreign currency exchange contracts designated as hedges of the Company's net investment in certain foreign operations.

^(d) Primarily includes undesignated hedges of foreign currency-denominated intercompany loans and other intercompany balances.

^(e) \$12.9 million included within accrued expenses and other current liabilities and \$0.6 million included within other non-current liabilities.

^(f) \$1.6 million included within accrued expenses and other current liabilities and \$10.8 million included within other non-current liabilities.

^(g) \$44.8 million included within accrued expenses and other current liabilities and \$37.8 million included within other non-current liabilities.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company records and presents the fair values of all of its derivative assets and liabilities in its consolidated balance sheets on a gross basis, even when they are subject to master netting arrangements. However, if the Company were to offset and record the asset and liability balances of all of its derivative instruments on a net basis in accordance with the terms of each of its master netting arrangements, spread across eight separate counterparties, the amounts presented in the consolidated balance sheets as of March 30, 2019 and March 31, 2018 would be adjusted from the current gross presentation as detailed in the following table:

	March 30, 2019			March 31, 2018		
	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount
	(millions)					
Derivative assets	\$ 32.0	\$ (4.8)	\$ 27.2	\$ 12.3	\$ (10.7)	\$ 1.6
Derivative liabilities	15.5	(4.8)	10.7	110.0	(10.7)	99.3

The Company's master netting arrangements do not require cash collateral to be pledged by the Company or its counterparties. See Note 3 for further discussion of the Company's master netting arrangements.

The following tables summarize the pretax impact of gains and losses from the Company's designated derivative instruments on its consolidated financial statements for the fiscal years presented:

	Gains (Losses) Recognized in OCI		
	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
<u>Designated Hedges:</u>			
FC — Cash flow hedges	\$ 47.5	\$ (45.5)	\$ 30.4
Net investment hedges — effective portion	64.5	(90.9)	37.7
Net investment hedges — portion excluded from assessment of hedge effectiveness	1.6	—	—
Total Designated Hedges	\$ 113.6	\$ (136.4)	\$ 68.1

Location and Amount of Gains (Losses) from Cash Flow Hedges Reclassified from AOCI to Earnings

	Fiscal Years Ended					
	March 30, 2019		March 31, 2018		April 1, 2017	
	Cost of goods sold	Other income (expense), net	Cost of goods sold	Other income (expense), net	Cost of goods sold	Other income (expense), net
	(millions)					
Total amounts presented in the consolidated statements of operations in which the effects of related cash flow hedges are recorded	\$ (2,427.0)	\$ 0.6	\$ (2,430.6)	\$ (3.1)	\$ (3,001.7)	\$ (7.5)
<u>Effects of cash flow hedging:</u>						
FC — Cash flow hedges	5.0	1.7	(8.2)	(2.9)	0.5	0.5

Gains (Losses) from Net Investment Hedges Recognized in Earnings

	Fiscal Years Ended			Location of Gains (Losses) Recognized in Earnings
	March 30, 2019	March 31, 2018	April 1, 2017	
		(millions)		
Net investment hedges — portion excluded from assessment of hedge effectiveness ^(a)	\$ 19.0	\$ 10.5	\$ 12.2	Interest expense
Total Net Investment Hedges	\$ 19.0	\$ 10.5	\$ 12.2	

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) Amounts recognized in OCI related to the effective portion of the Company's net investment hedges would be recognized in earnings only upon the sale or liquidation of the hedged net investment.

As of March 30, 2019, it is estimated that \$22.7 million of pretax net gains on both outstanding and matured derivative instruments designated as qualifying cash flow hedges deferred in AOCI will be recognized in earnings over the next twelve months. The amounts ultimately recognized in earnings will depend on exchange rates in effect when outstanding derivative instruments are settled.

The following table summarizes the pretax impact of gains and losses from the Company's undesignated derivative instruments on its consolidated financial statements for the fiscal years presented:

	Gains (Losses) Recognized in Earnings			Location of Gains (Losses) Recognized in Earnings
	Fiscal Years Ended			
	March 30, 2019	March 31, 2018	April 1, 2017	
	(millions)			
Undesignated Hedges:				
FC — Undesignated hedges	\$ 3.1	\$ 2.4	\$ (3.6)	Other income (expense), net
Total Undesignated Hedges	<u>\$ 3.1</u>	<u>\$ 2.4</u>	<u>\$ (3.6)</u>	

Risk Management Strategies

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, the settlement of foreign currency-denominated balances, and the translation of certain foreign operations' net assets into U.S. dollars. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, the Swiss Franc, the Swedish Krona, the Chinese Renminbi, the New Taiwan Dollar, and the Hong Kong Dollar, the Company hedges a portion of its foreign currency exposures anticipated over a two-year period. In doing so, the Company uses forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period of the respective exposure.

Interest Rate Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which it designated as hedges against changes in the respective fair values of its fixed-rate 2.125% Senior Notes and its fixed-rate 2.625% Senior Notes, attributed to changes in a benchmark interest rate (the "Interest Rate Swaps"). The interest rate swap related to the 2.125% Senior Notes (the "2.125% Interest Rate Swap"), which matured on September 26, 2018 in conjunction with the maturity of the related debt, had a notional amount of \$300 million and swapped the fixed interest rate on the 2.125% Senior Notes for a variable interest rate based on the 3-month LIBOR plus a fixed spread. The interest rate swap related to the 2.625% Senior Notes (the "2.625% Interest Rate Swap"), which matures on August 18, 2020 and also has a notional amount of \$300 million, swaps the fixed interest rate on the 2.625% Senior Notes for a variable interest rate based on 3-month LIBOR plus a fixed spread. Changes in the fair values of the Interest Rate Swaps were offset by changes in the fair values of the 2.125% Senior Notes and 2.625% Senior Notes attributed to changes in the benchmark interest rate, with no resulting net impact reflected in earnings during any of the fiscal years presented.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the carrying values of the 2.125% and 2.625% Senior Notes and the impacts of the related fair value hedging adjustments as of March 30, 2019 and March 31, 2018, as applicable:

Hedged Item	Balance Sheet Line in which the Hedged Item is Included	Carrying Value of the Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Value of the Hedged Item	
		March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
(millions)					
\$300 million 2.125% Senior Notes	Current portion of long-term debt	N/A	\$ 298.1	N/A	\$ (1.6)
\$300 million 2.625% Senior Notes	Long-term debt	\$ 293.4	288.0	\$ (5.9)	(10.8)

Cross-Currency Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-floating rate cross-currency swap contracts, with notional amounts of €280 million and €274 million, that were designated as hedges of its net investment in certain of its European subsidiaries. The €280 million notional cross-currency swap, which was settled during the second quarter of Fiscal 2019, swapped the U.S. Dollar-denominated variable interest rate payments based on 3-month LIBOR plus a fixed spread (as paid under the 2.125% Interest Rate Swap discussed above) for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate ("EURIBOR") plus a fixed spread, which, in conjunction with the 2.125% Interest Rate Swap, economically converted the Company's previously-outstanding \$300 million fixed-rate 2.125% Senior Notes obligation to a €280 million floating-rate Euro-denominated obligation. Similarly, the €274 million notional cross-currency swap, which matures on August 18, 2020, swaps the U.S. Dollar-denominated variable interest rate payments based on 3-month LIBOR plus a fixed spread (as paid under the 2.625% Interest Rate Swap discussed above) for Euro-denominated variable interest rate payments based on 3-month EURIBOR plus a fixed spread, which in conjunction with the 2.625% Interest Rate Swap, economically converts the Company's \$300 million fixed-rate 2.625% Senior Notes obligation to a €274 million floating-rate Euro-denominated obligation.

Additionally, in August 2018, the Company entered into pay-fixed rate, receive-fixed rate cross-currency swap contracts with an aggregate notional amount of €346 million that were designated as hedges of its net investment in certain of its European subsidiaries. These contracts, which mature on September 15, 2025, swap the U.S. Dollar-denominated fixed interest rate payments on the Company's 3.750% Senior Notes for Euro-denominated 1.29% fixed interest rate payments, thereby economically converting the Company's \$400 million fixed-rate 3.750% Senior Notes obligation to a €346 million fixed-rate 1.29% Euro-denominated obligation.

See Note 3 for further discussion of the Company's accounting policies relating to its derivative financial instruments.

Investments

As of March 30, 2019, the Company's short-term investments consisted of \$1.167 billion of time deposits and \$236.0 million of commercial paper, and its non-current investments consisted of \$44.9 million of time deposits. As of March 31, 2018, the Company's short-term investments consisted of \$480.2 million of time deposits and \$219.2 million of commercial paper, and its non-current investments consisted of \$86.2 million of time deposits.

No significant realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded in any of the fiscal years presented.

See Note 3 for further discussion of the Company's accounting policies relating to its investments.

14. Commitments and Contingencies*Leases*

The Company operates most of its retail stores under various leasing arrangements. The Company also occupies various office and warehouse facilities and uses certain equipment under numerous lease agreements. Such leasing arrangements are accounted for as either operating leases or capital leases. In this context, capital leases include leases whereby the Company is considered to have the substantive risks of ownership during construction of a leased property. Information on the Company's operating and capital leasing activities is set forth below.

Operating Leases

The Company is typically required to make minimum rental payments, and often contingent rental payments, under its operating leases. Many of the Company's retail store leases provide for contingent rental payments based upon sales, and certain rental agreements require payment based solely on a percentage of sales. Terms of the Company's leases generally contain renewal options, rent escalation clauses, and landlord incentives. Rent expense, net of sublease income, was \$449.3 million, \$443.1 million, and \$460.5 million in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively. Such amounts include contingent rental charges of \$192.0 million, \$175.9 million, and \$164.0 million in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively. In addition to such amounts, the Company is normally required to pay taxes, insurance, and certain occupancy costs relating to the leased real estate properties.

As of March 30, 2019, future minimum rental payments under noncancelable operating leases with lease terms in excess of one year were as follows:

	Minimum Operating Lease Payments^(a)
	(millions)
Fiscal 2020	\$ 339.0
Fiscal 2021	315.4
Fiscal 2022	272.0
Fiscal 2023	235.8
Fiscal 2024	234.8
Fiscal 2025 and thereafter	650.5
Total net minimum rental payments	\$ 2,047.5

^(a) Net of sublease income, which is not significant in any period.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capital Leases

Assets under capital leases, including build-to-suit leases, amounted to \$221.3 million and \$243.2 million at the end of Fiscal 2019 and Fiscal 2018, respectively, net of accumulated depreciation of \$115.5 million and \$104.5 million, respectively. Such assets are classified within property and equipment, net in the consolidated balance sheets based on their nature.

As of March 30, 2019, future minimum rental payments under noncancelable capital leases, including build-to-suit leases, with lease terms in excess of one year were as follows:

	Minimum Capital Lease Payments^(a)
	(millions)
Fiscal 2020	\$ 31.8
Fiscal 2021	32.1
Fiscal 2022	36.9
Fiscal 2023	36.4
Fiscal 2024	17.0
Fiscal 2025 and thereafter	159.4
Total net minimum rental payments	313.6
Less: amount representing interest	(91.4)
Present value of net minimum rental payments	\$ 222.2

^(a) Net of sublease income, which is not significant in any period.

U.S. Tax Reform

In connection with the TCJA's provision that subjects previously deferred foreign earnings to a one-time mandatory transition tax, the Company recorded cumulative charges of approximately \$241 million within its income tax provision since enactment (as described in Note 10). The remaining related income tax payable obligation of \$160.7 million as of March 30, 2019, which was reduced by foreign tax credits and other federal income tax activity, is expected to be paid as follows:

	Mandatory Transition Tax Payments^(a)
	(millions)
Fiscal 2020	\$ 14.0
Fiscal 2021	14.0
Fiscal 2022	14.0
Fiscal 2023	14.0
Fiscal 2024	26.2
Fiscal 2025 and thereafter	78.5
Total mandatory transition tax payments	\$ 160.7

^(a) Included within current and non-current income tax payable in the consolidated balance sheets based upon the estimated timing of payments.

See Note 10 for further discussion of the TCJA and its enactment-related impacts on the Company's consolidated financial statements.

Employee Agreements

The Company has employment agreements with certain executives in the normal course of business which provide for compensation and certain other benefits. These agreements also provide for severance payments under certain circumstances.

Other Commitments

Other off-balance sheet firm commitments amounted to \$905.9 million as of March 30, 2019, including inventory purchase commitments of \$747.8 million, outstanding letters of credit of \$11.5 million, interest payments related to the Company's Senior Notes of \$109.3 million, and other commitments of \$37.3 million, comprised of the Company's legally-binding obligations under sponsorship, licensing, and other marketing and advertising agreements, distribution-related agreements, information technology-related service agreements, and pension-related obligations.

Customs Audit

In September 2014, one of the Company's international subsidiaries received a pre-assessment notice from the relevant customs officials concerning the method used to determine the dutiable value of imported inventory. The notice communicated the customs officials' assertion that the Company should have applied an alternative duty method, which could have resulted in up to \$46 million in incremental duty and non-creditable value-added tax, including \$11 million in interest and penalties. The Company believed that the alternative duty method claimed by the customs officials was not applicable to the Company's facts and circumstances and contested their asserted methodology.

In October 2014, the Company filed an appeal of the pre-assessment notice in accordance with the standard procedures established by the relevant customs authorities. In response to the filing of the Company's appeal of the pre-assessment notice, the review committee instructed the customs officials to reconsider their assertion of the alternative duty method and conduct a re-audit to evaluate the facts and circumstances noted in the pre-assessment notice. In December 2015, the Company received the results of the re-audit conducted and a customs audit assessment notice in the amount of \$34.1 million, which the Company recorded within restructuring and other charges in its consolidated statements of operations during the third quarter of Fiscal 2016. Although the Company disagreed with the assessment notice, in order to secure the Company's rights, the Company was required to pay the assessment amount and then subsequently file an appeal with the customs authorities.

In October 2017, the tax tribunal presiding over the Company's appeal instructed the customs officials to reconsider their assertions under the alternative duty method and conduct a second re-audit to evaluate the facts and circumstances noted in the pre-assessment notice. In March 2018, the Company received the results of the second re-audit conducted and a related net refund in the amount of \$15.6 million. Additionally, in March 2018 and May 2018, the Company filed voluntary disclosure requests to the relevant customs authorities for certain post-audit periods and made related payments of \$40.6 million and \$7.1 million, respectively, in order to secure its rights to recover value-added tax of \$14.8 million and \$3.3 million, respectively. In connection with the re-audit refund received and the non-tax portion of the voluntary disclosure payment made, the Company recorded net charges of \$10.2 million and \$3.8 million, respectively, within restructuring and other charges in its consolidated statements of operations during the fourth quarter of Fiscal 2018 and first quarter of Fiscal 2019, respectively (see Note 9).

Although the Company believes its original filing position was appropriate, in June 2018, the Company decided to resolve the dispute and not further appeal the re-audit decision within the courts for the periods covered by the re-audit in order to avoid incurring additional management time, costs, and uncertainty associated with litigation, as the customs officials' revised methodology results in an incremental annual duty charge that is not material to the Company.

Other Matters

The Company is involved, from time to time, in litigation, other legal claims, and proceedings involving matters associated with or incidental to its business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, importation and exportation of its products, taxation, unclaimed property, and employee relations. The Company believes at present that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on its consolidated financial statements. However, the Company's assessment of any current litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

In the normal course of business, the Company enters into agreements that provide general indemnifications. The Company has not made any significant indemnification payments under such agreements in the past, and does not currently anticipate incurring any material indemnification payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Equity

Capital Stock

The Company's capital stock consists of two classes of common stock. There are 500 million shares of Class A common stock and 100 million shares of Class B common stock authorized to be issued. Shares of Class A and Class B common stock have substantially identical rights, except with respect to voting rights. Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share. Holders of both classes of stock vote together as a single class on all matters presented to the stockholders for their approval, except with respect to the election and removal of directors or as otherwise required by applicable law. All outstanding shares of Class B common stock are owned by Mr. Ralph Lauren, the Company's Executive Chairman and Chief Creative Officer, and entities controlled by the Lauren family, and are convertible at any time into shares of Class A common stock on a one-for-one basis.

Common Stock Repurchase Program

In June 2016, as part of its common stock repurchase program, the Company entered into an accelerated share repurchase program with a third-party financial institution under which it made an upfront payment of \$100 million in exchange for an initial delivery of 0.9 million shares of its Class A common stock, representing 90% of the total shares ultimately expected to be delivered over the program's term (the "ASR Program"). The initial shares received, which had an aggregate cost of \$90 million based on the June 20, 2016 closing share price, were immediately retired and recorded as an increase to treasury stock.

In September 2016, at the ASR Program's conclusion, the Company received 0.1 million additional shares and recorded a related \$10 million increase to treasury stock. The number of additional shares delivered was based on the volume-weighted average price per share of the Company's Class A common stock over the term of the ASR Program, less an agreed upon discount. The average price per share paid for all of the shares delivered under the ASR Program was \$98.48.

A summary of the Company's repurchases of Class A common stock under its common stock repurchase program, including the ASR Program, is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(in millions)		
Cost of shares repurchased	\$ 470.0	\$ —	\$ 200.0
Number of shares repurchased	3.8	0.0	2.2

As of March 30, 2019, the remaining availability under the Company's Class A common stock repurchase program was approximately \$630 million, reflecting the June 4, 2018 approval by the Company's Board of Directors to expand the program by up to an additional \$1.000 billion of Class A common stock repurchases. On May 13, 2019, the Company's Board of Directors approved a further expansion of the common stock repurchase program that allows it to repurchase up to an additional \$600 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

In addition, during Fiscal 2019, Fiscal 2018, and Fiscal 2017, 0.3 million, 0.2 million, and 0.2 million shares of Class A common stock, respectively, at a cost of \$32.6 million, \$17.1 million, and \$15.2 million, respectively, were surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan, as amended (the "1997 Incentive Plan"), and its Amended and Restated 2010 Long-Term Stock Incentive Plan (the "2010 Incentive Plan").

Repurchased and surrendered shares are accounted for as treasury stock at cost and held in treasury for future use.

Dividends

Since 2003, the Company has maintained a regular quarterly cash dividend program on its common stock. On June 4, 2018, the Company's Board of Directors approved an increase to the Company's quarterly cash dividend on its common stock from \$0.50 to \$0.625 per share. On May 13, 2019, the Company's Board of Directors approved a further increase to the Company's quarterly cash dividend on its common stock from \$0.625 to \$0.6875 per share. Dividends paid amounted to \$190.7 million, \$162.4 million, and \$164.8 million in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Accumulated Other Comprehensive Income (Loss)

The following table presents OCI activity, net of tax, which is accumulated in equity:

	Foreign Currency Translation Gains (Losses)(a)	Net Unrealized Gains (Losses) on Cash Flow Hedges(b)	Net Unrealized Gains (Losses) on Defined Benefit Plans(c)	Total Accumulated Other Comprehensive Income (Loss)
	(millions)			
Balance at April 2, 2016	\$ (157.6)	\$ (12.0)	\$ (11.9)	\$ (181.5)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	(48.6)	28.2	1.8	(18.6)
Amounts reclassified from AOCI to earnings	—	(1.6)	3.3	1.7
Other comprehensive income (loss), net of tax	(48.6)	26.6	5.1	(16.9)
Balance at April 1, 2017	(206.2)	14.6	(6.8)	(198.4)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	126.9	(40.5)	0.9	87.3
Amounts reclassified from AOCI to earnings	—	9.9	2.7	12.6
Other comprehensive income (loss), net of tax	126.9	(30.6)	3.6	99.9
Balance at March 31, 2018	(79.3)	(16.0)	(3.2)	(98.5)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	(39.2)	42.2	(2.0)	1.0
Amounts reclassified from AOCI to earnings	—	(6.0)	0.1	(5.9)
Other comprehensive income (loss), net of tax	(39.2)	36.2	(1.9)	(4.9)
Balance at March 30, 2019	\$ (118.5)	\$ 20.2	\$ (5.1)	\$ (103.4)

(a) OCI before reclassifications to earnings related to foreign currency translation gains (losses) includes income tax provisions of \$10.8 million and \$15.0 million for Fiscal 2019 and Fiscal 2017, respectively, and includes an income tax benefit of \$23.3 million for Fiscal 2018. OCI before reclassifications to earnings includes gains of \$50.2 million (net of a \$15.9 million income tax provision) and \$23.4 million (net of a \$14.3 million income tax provision) for Fiscal 2019 and Fiscal 2017, respectively, and includes a loss of \$59.6 million (net of a \$31.3 million income tax benefit) for Fiscal 2018, related to the effective portion of changes in the fair values of instruments designated as hedges of the Company's net investment in certain foreign operations (see Note 13).

(b) OCI before reclassifications to earnings related to net unrealized gains (losses) on cash flow hedges are presented net of income tax provisions of \$5.3 million and \$2.2 million for Fiscal 2019 and Fiscal 2017, respectively, and are presented net of an income tax benefit of \$5.0 million for Fiscal 2018. The tax effects on amounts reclassified from AOCI to earnings are presented in a table below.

(c) Activity is presented net of taxes, which were immaterial for all periods presented.

The following table presents reclassifications from AOCI to earnings for cash flow hedges, by component:

	Fiscal Years Ended			Location of Gains (Losses) Reclassified from AOCI to Earnings
	March 30, 2019	March 31, 2018	April 1, 2017	
	(millions)			
Gains (losses) on cash flow hedges(a):				
FC — Cash flow hedges	\$ 5.0	\$ (8.2)	\$ 0.5	Cost of goods sold
FC — Cash flow hedges	1.7	(2.9)	0.5	Other income (expense), net
Tax effect	(0.7)	1.2	0.6	Income tax benefit (provision)
Net of tax	\$ 6.0	\$ (9.9)	\$ 1.6	

(a) FC = Forward foreign currency exchange contracts.

17. Stock-based Compensation***Long-term Stock Incentive Plans***

The Company's stock-based compensation awards are currently issued under the 2010 Incentive Plan, which was approved by its stockholders on August 5, 2010. However, any prior awards granted under the 1997 Incentive Plan remain subject to the terms of that plan. Any awards that expire, are forfeited, or are surrendered to the Company in satisfaction of taxes are available for issuance under the 2010 Incentive Plan. On September 1, 2016, the Company registered with the Securities and Exchange Commission an additional 0.9 million shares of its Class A common stock for issuance pursuant to the 2010 Incentive Plan. As of March 30, 2019, 2.9 million shares remained available for future issuance under the Company's incentive plans.

Stock-based compensation awards that may be made under the 2010 Incentive Plan include, but are not limited to, (i) stock options, (ii) restricted stock, and (iii) RSUs. During the fiscal periods presented, annual grants consisted entirely of restricted stock and RSUs. Additionally, for RSUs granted to retirement-eligible employees, or employees who become retirement-eligible prior to the end of the awards' respective stated vesting periods, vesting continues post-retirement for all or a portion of the remaining unvested RSUs.

Impact on Results

A summary of total stock-based compensation expense and the related income tax benefits recognized is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Compensation expense ^(a)	\$ 88.6	\$ 74.5	\$ 63.6
Income tax benefit	(13.1)	(25.3)	(22.6)

^(a) Fiscal 2018 and Fiscal 2017 includes \$2.8 million, and \$4.3 million, respectively, of accelerated stock-based compensation expense recorded within restructuring and other charges in the consolidated statements of operations (see Note 9). All other stock-based compensation expense was recorded within SG&A expenses.

The Company issues its annual grants of stock-based compensation awards in the first half of each fiscal year. Due to the timing of the annual grants and other factors, including the timing and magnitude of forfeiture and performance goal achievement adjustments, as well as changes to the size and composition of the eligible employee population, stock-based compensation expense recognized during any given fiscal period is not indicative of the level of compensation expense expected to be incurred in future periods.

Stock Options

Stock options are granted to employees and non-employee directors with exercise prices equal to the fair market value of the Company's Class A common stock on the date of grant. Generally, options become exercisable ratably (graded-vesting schedule) over a three-year vesting period, subject to the employee's continuing employment. Stock options generally expire seven years from the date of grant. No stock options were granted during any of the fiscal years presented.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of stock option activity during Fiscal 2019 is as follows:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value ^(a)
	(thousands)		(years)	(millions)
Options outstanding at March 31, 2018	1,151	\$ 157.86	2.1	\$ —
Granted	—	N/A		
Exercised	(162)	134.64		
Cancelled/Forfeited	(155)	156.98		
Options outstanding at March 30, 2019	<u>834</u>	<u>\$ 162.53</u>	1.5	\$ —
Options vested at March 30, 2019 ^(b)	834	\$ 162.53	1.5	\$ —
Options exercisable at March 30, 2019	834	\$ 162.53	1.5	\$ —

^(a) Aggregate intrinsic value is the amount by which the market price of the Company's Class A common stock at the end of the period exceeds the exercise price of the stock option, multiplied by the number of options.

^(b) There were no nonvested stock options as of March 30, 2019. Accordingly, there was no related unrecognized compensation expense as of March 30, 2019.

Additional information pertaining to the Company's stock option plans is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Aggregate intrinsic value of stock options exercised ^(a)	\$ 1.2	\$ —	\$ 3.0
Cash received from the exercise of stock options	21.8	0.1	5.0
Tax benefits realized on exercise of stock options	3.7	—	1.0

^(a) Aggregate intrinsic value is the amount by which the market price of the Company's Class A common stock exceeded the stock option's exercise price when exercised, multiplied by the number of options.

Restricted Stock Awards and Service-based RSUs

Restricted shares granted to non-employee directors vest ratably over a three-year period, subject to the director's continued service to the Company. The fair values of restricted stock awards are based on the fair value of the Company's Class A common stock on the date of grant. Holders of restricted shares are entitled to receive cash dividends in connection with the payments of dividends on the Company's Class A common stock. Effective beginning Fiscal 2019, non-employee directors are now granted service-based RSUs in lieu of restricted shares.

Service-based RSUs granted to certain of the Company's senior executives and other employees, as well as non-employee directors, generally vest over a three-year period, subject to the employee's continuing employment (except for awards granted to retirement-eligible employees, or employees who become retirement-eligible prior to the end of the awards' respective stated vesting periods, as previously discussed). The fair values of service-based RSUs are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards for which dividend equivalent amounts do not accrue while outstanding and unvested.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of restricted stock and service-based RSU activity during Fiscal 2019 is as follows:

	Restricted Stock		Service-based RSUs	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
	(thousands)		(thousands)	
Nonvested at March 31, 2018	19	\$ 92.11	1,072	\$ 81.27
Granted	—	N/A	628	113.38
Vested	(9)	99.14	(444)	87.66
Forfeited	—	N/A	(144)	89.69
Nonvested at March 30, 2019	10	\$ 86.01	1,112	\$ 94.99

	Restricted Stock	Service-based RSUs
Total unrecognized compensation expense at March 30, 2019 (millions)	\$ 0.1	\$ 39.6
Weighted-average period expected to be recognized over (years)	1.0	2.0

Additional information pertaining to restricted stock and service-based RSU activity is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
Restricted Stock:			
Weighted-average grant date fair value of awards granted	N/A	N/A	\$ 81.78
Total fair value of awards vested (millions)	\$ 1.0	N/A	\$ 0.5
Service-based RSUs:			
Weighted-average grant date fair value of awards granted	\$ 113.38	\$ 73.59	\$ 82.89
Total fair value of awards vested (millions)	\$ 50.0	\$ 30.0	\$ 13.8

Performance-based RSUs

The Company grants performance-based RSUs to its senior executives and other key employees. The fair values of performance-based RSUs are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards for which dividend equivalent amounts do not accrue while outstanding and unvested. Performance-based RSUs generally vest (i) upon the completion of a three-year period of time (cliff vesting), subject to the employee's continuing employment (except for awards granted to retirement-eligible employees, or employees who become retirement-eligible prior to the end of the awards' respective stated vesting periods, as previously discussed) and the Company's achievement of certain performance goals established at the beginning of the three-year performance period or (ii) ratably, over a three-year period of time (graded vesting), subject to the employee's continuing employment during the applicable vesting period (except for awards granted to retirement-eligible employees, or employees who become retirement-eligible prior to the end of the awards' respective stated vesting periods, as previously discussed) and the achievement by the Company of certain performance goals in the initial year of the three-year vesting period.

For performance-based RSUs subject to cliff vesting, beginning in the second quarter of Fiscal 2019, the number of shares that may be earned ranges between 0% (if the specified threshold performance level is not attained) and 200% (if performance meets or exceeds the maximum achievement level) of the awards originally granted. For such awards granted in recent years prior to Fiscal 2019, the number of shares that may be earned ranges between 0% (if the specified threshold performance level is not attained) and 150% (if performance meets or exceeds the maximum achievement level) of the awards originally granted. If actual performance exceeds the pre-established threshold, the number of shares earned is calculated based on the relative performance between specified levels of achievement.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of performance-based RSU activity during Fiscal 2019 is as follows:

	Performance-based RSUs	
	Number of Shares	Weighted- Average Grant Date Fair Value
	(thousands)	
Nonvested at March 31, 2018	1,157	\$ 85.73
Granted	154	129.78
Change due to performance condition achievement	(29)	126.67
Vested	(232)	117.16
Forfeited	(39)	82.27
Nonvested at March 30, 2019	1,011	\$ 84.16

	Performance-based RSUs	
Total unrecognized compensation expense at March 30, 2019 (millions)	\$	37.8
Weighted-average period expected to be recognized over (years)		1.5

Additional information pertaining to performance-based RSU activity is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
<i>Performance-based RSUs:</i>			
Weighted-average grant date fair value of awards granted	\$ 129.78	\$ 69.40	\$ 86.11
Total fair value of awards vested (millions)	\$ 31.8	\$ 12.9	\$ 24.4

Market-based RSUs

During the second quarter of Fiscal 2019, the Company granted cliff vesting RSU awards to its senior executives and other key employees, which, in addition to being subject to continuing employment requirements (except for awards granted to retirement-eligible employees, or employees who become retirement-eligible prior to the end of the awards' respective stated vesting periods, as previously discussed), are also subject to a market condition based on TSR performance. The number of shares that vest upon the completion of a three-year period of time is determined by comparing the Company's TSR relative to that of a pre-established peer group over the related three-year performance period. Depending on the Company's level of achievement, the number of shares that ultimately vest may range from 0% to 200% of the awards originally granted.

The Company estimates the fair value of its TSR awards on the date of grant using a Monte Carlo simulation, which models multiple stock price paths of the Company's Class A common stock and that of its peer group to evaluate and determine its ultimate expected relative TSR performance ranking. Compensation expense, net of estimated forfeitures, is recorded regardless of whether, and the extent to which, the market condition is ultimately satisfied.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The assumptions used to estimate the fair value of TSR awards granted during Fiscal 2019 were as follows:

	Fiscal Year Ended	
	March 30, 2019	
Expected term (years)		2.6
Expected volatility		33.5%
Expected dividend yield		1.9%
Risk-free interest rate		2.6%
Weighted-average grant date fair value	\$	177.13

A summary of market-based RSU activity during Fiscal 2019 is as follows:

	Market-based RSUs	
	Number of Shares	Weighted- Average Grant Date Fair Value
	(thousands)	
Nonvested at March 31, 2018	—	N/A
Granted	80	\$ 177.13
Change due to market condition achievement	—	N/A
Vested	—	N/A
Forfeited	(4)	173.83
Nonvested at March 30, 2019	<u>76</u>	<u>\$ 177.31</u>

	Market-based RSUs	
Total unrecognized compensation expense at March 30, 2019 (millions)	\$	9.5
Weighted-average period expected to be recognized over (years)		2.1

Additional information pertaining to market-based RSU activity is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
<i>Market-based RSUs:</i>			
Weighted-average grant date fair value of awards granted	\$ 177.13	N/A	N/A
Total fair value of awards vested (millions)	N/A	N/A	N/A

18. Employee Benefit Plans***Defined Contribution Plans***

The Company sponsors defined contribution benefit plans covering substantially all eligible employees in the U.S. and Puerto Rico who are not covered by a collective bargaining agreement. The plans include a savings plan feature under Section 401(k) of the Internal Revenue Code. The Company makes matching contributions to the plans equal to 50% of the first 6% of salary contributed by an eligible employee. Additionally, the Company makes a supplemental matching contribution for plan years in which the Company achieves a "stretch" or a "maximum" performance target based on certain goals established at the beginning of each fiscal year, increasing the matching contribution to 75% or 100%, respectively, of the first 6% of salary contributed by eligible employees, not to exceed the maximum contribution permitted by the plan.

Under the terms of the plans, a participant becomes 100% vested in the Company's matching contributions after five years of credited service. Contributions made by the Company under these plans were \$11.2 million, \$10.6 million, and \$10.1 million in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively.

International Defined Benefit Plans

The Company sponsors certain single-employer defined benefit plans and cash balance plans at international locations which are not considered to be material individually or in the aggregate to the Company's financial statements. Pension benefits under these plans are based on formulas that reflect the employees' years of service and compensation levels during their employment period. The aggregate funded status of the single-employer defined benefit plans reflected net liabilities of \$2.8 million and \$1.1 million as of March 30, 2019 and March 31, 2018, respectively, and were primarily recorded within other non-current liabilities in the Company's consolidated balance sheets. These single-employer defined benefit plans had aggregate projected benefit obligations of \$48.1 million and aggregate fair values of plan assets of \$45.3 million as of March 30, 2019, compared to aggregate projected benefit obligations of \$43.4 million and aggregate fair values of plan assets of \$42.3 million as of March 31, 2018. The asset portfolio of the single-employer defined benefit plans primarily consists of fixed income securities, which have been measured at fair value largely using Level 2 inputs, as described in Note 12. Net pension expense for these plans was \$4.2 million, \$6.6 million, and \$9.2 million in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively. The service cost component of \$4.4 million, \$4.6 million, and \$6.7 million in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively, was recorded within SG&A expenses in the Company's consolidated statements of operations. All other components of net pension expense during the fiscal years presented were recorded within other income (expense), net, in the Company's consolidated statement of operations.

Union Pension Plan

The Company participates in a multi-employer pension plan and is required to make contributions to the Workers United union (which was previously known as UNITE HERE) (the "Union") for dues based on wages paid to union employees. A portion of these dues is allocated by the Union to a retirement fund which provides defined benefits to substantially all unionized workers. The Company does not participate in the management of the plan and has not been furnished with information with respect to the type of benefits provided, vested and non-vested benefits, or assets.

Under the Employee Retirement Income Security Act of 1974, as amended, an employer, upon withdrawal from or termination of a multi-employer plan, is required to continue funding its proportionate share of the plan's unfunded vested benefits. Such liability was assumed in conjunction with the acquisition of certain assets from a non-affiliated licensee. The Company has no current intention of withdrawing from the plan.

Other Compensation Plans

The Company had a non-qualified supplemental retirement plan for certain highly compensated employees whose benefits under the 401(k) profit sharing retirement savings plans were expected to be constrained by the operation of Internal Revenue Code limitations. These supplemental benefits vested over time and the related compensation expense was recognized over the vesting period. Effective August 2008, the Company amended this plan, resulting in a suspension of the annual contributions for substantially all plan participants. Further, affected participants were provided with a one-time election to either withdraw all benefits vested in the plan in a lump sum amount or remain in the plan and receive future distributions of benefits. As of March 30, 2019 and March 31, 2018, amounts accrued under this plan totaled \$5.1 million and \$7.0 million, respectively, and were classified within other non-current liabilities in the consolidated balance sheets. Total compensation expense recognized related to these benefits was not material in any of the three fiscal years presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Segment Information

The Company has three reportable segments based on its business activities and organization:

- *North America* — The North America segment primarily consists of sales of Ralph Lauren branded apparel, footwear, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, the Company's wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. The Company's retail business in North America is comprised of its Ralph Lauren stores, its factory stores, and its digital commerce site, www.RalphLauren.com.
- *Europe* — The Europe segment primarily consists of sales of Ralph Lauren branded apparel, footwear, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, the Company's wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. The Company's retail business in Europe is comprised of its Ralph Lauren stores, its factory stores, its concession-based shop-within-shops, and its various digital commerce sites.
- *Asia* — The Asia segment primarily consists of sales of Ralph Lauren branded apparel, footwear, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in Asia, Australia, and New Zealand. The Company's retail business in Asia is comprised of its Ralph Lauren stores, its factory stores, its concession-based shop-within-shops, and its digital commerce site, www.RalphLauren.cn, which launched in September 2018. In addition, the Company sells its products online through various third-party digital partner commerce sites. In Asia, the Company's wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

No operating segments were aggregated to form the Company's reportable segments. In addition to these reportable segments, the Company also has other non-reportable segments, which primarily consist of (i) sales of Club Monaco branded products made through its retail businesses in the U.S., Canada, and Europe, and its licensing alliances in Europe and Asia, (ii) sales of Ralph Lauren branded products made through its wholesale business in Latin America, and (iii) royalty revenues earned through its global licensing alliances, excluding Club Monaco.

The Company's segment reporting structure is consistent with how it establishes its overall business strategy, allocates resources, and assesses performance of its business. The accounting policies of the Company's segments are consistent with those described in Notes 2 and 3. Sales and transfers between segments are generally recorded at cost and treated as transfers of inventory. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based upon net revenues and operating income before restructuring-related charges, impairment of assets, and certain other one-time items, if any. Certain corporate overhead expenses related to global functions, most notably the Company's executive office, information technology, finance and accounting, human resources, and legal departments, largely remain at corporate. Additionally, other costs that cannot be allocated to the segments based on specific usage are also maintained at corporate, including corporate advertising and marketing expenses, depreciation and amortization of corporate assets, and other general and administrative expenses resulting from corporate-level activities and projects. Asset information by segment is not utilized for purposes of assessing performance or allocating resources, and therefore such information has not been presented.

Net revenues for each of the Company's segments are as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Net revenues:			
North America	\$ 3,202.9	\$ 3,231.0	\$ 3,783.0
Europe	1,659.9	1,585.0	1,543.4
Asia	1,041.0	933.7	882.5
Other non-reportable segments	409.2	432.6	443.9
Total net revenues ^(a)	<u>\$ 6,313.0</u>	<u>\$ 6,182.3</u>	<u>\$ 6,652.8</u>

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) The Company's sales to its largest wholesale customer, Macy's, accounted for approximately 8% of its total net revenues in each of Fiscal 2019 and Fiscal 2018 and 10% in Fiscal 2017. Substantially all of the Company's sales to Macy's related to its North America segment.

Operating income (loss) for each of the Company's segments is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Operating income (loss)^(a):			
North America	\$ 682.8	\$ 677.6	\$ 666.8
Europe	389.9	356.7	305.2
Asia	161.0	137.2	(86.3)
Other non-reportable segments	121.6	107.5	81.0
	1,355.3	1,279.0	966.7
Unallocated corporate expenses	(663.4)	(672.8)	(740.4)
Unallocated restructuring and other charges ^(b)	(130.1)	(108.0)	(318.6)
Total operating income (loss)	\$ 561.8	\$ 498.2	\$ (92.3)

(a) Segment operating income (loss) and unallocated corporate expenses during the fiscal years presented included certain restructuring-related inventory charges (see Note 9) and asset impairment charges (see Note 8), which are detailed below:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Restructuring-related inventory charges:			
North America	\$ (1.9)	\$ (2.8)	\$ (33.9)
Europe	(2.5)	(1.5)	(20.1)
Asia	(0.8)	(2.9)	(137.6)
Other non-reportable segments	(2.0)	(0.4)	(6.3)
Total restructuring-related inventory charges	\$ (7.2)	\$ (7.6)	\$ (197.9)

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Asset impairment charges:			
North America	\$ (3.1)	\$ (4.7)	\$ (62.5)
Europe	(4.3)	(1.2)	(3.1)
Asia	(4.4)	(1.0)	(42.0)
Other non-reportable segments	(8.1)	(22.4)	(29.2)
Unallocated corporate expenses	(5.9)	(20.7)	(117.0)
Total asset impairment charges	\$ (25.8)	\$ (50.0)	\$ (253.8)

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) The fiscal years presented included certain unallocated restructuring and other charges (see Note 9), which are detailed below:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Unallocated restructuring and other charges:			
North America-related	\$ (27.0)	\$ (15.5)	\$ (34.7)
Europe-related	(12.0)	(4.5)	(27.7)
Asia-related	(0.9)	2.5	(68.3)
Other non-reportable segment-related	(7.4)	(8.5)	(7.7)
Corporate operations-related	(46.3)	(53.2)	(155.6)
Unallocated restructuring charges	(93.6)	(79.2)	(294.0)
Other charges (see Note 9)	(36.5)	(28.8)	(24.6)
Total unallocated restructuring and other charges	\$ (130.1)	\$ (108.0)	\$ (318.6)

The following tables summarize depreciation and amortization expense and capital expenditures for each of the Company's segments:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Depreciation and amortization expense:			
North America	\$ 81.8	\$ 82.5	\$ 110.0
Europe	33.5	34.8	31.8
Asia	49.1	50.3	47.8
Other non-reportable segments	7.3	10.7	14.5
Unallocated corporate	95.5	102.8	103.4
Unallocated restructuring and other charges (see Note 9)	14.1	14.1	—
Total depreciation and amortization expense	\$ 281.3	\$ 295.2	\$ 307.5

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Capital expenditures:			
North America	\$ 74.6	\$ 41.9	\$ 62.8
Europe	26.4	28.5	43.6
Asia	45.2	40.7	30.2
Other non-reportable segments	5.2	5.3	20.1
Unallocated corporate	46.3	45.2	127.3
Total capital expenditures	\$ 197.7	\$ 161.6	\$ 284.0

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net revenues and long-lived assets by geographic location of the reporting subsidiary are as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Net revenues^(a):			
The Americas ^(b)	\$ 3,602.2	\$ 3,652.1	\$ 4,214.7
Europe ^(c)	1,668.6	1,595.2	1,554.1
Asia ^(d)	1,042.2	935.0	884.0
Total net revenues	\$ 6,313.0	\$ 6,182.3	\$ 6,652.8

	March 30, 2019	March 31, 2018
		(millions)
Long-lived assets^(a):		
The Americas ^(b)	\$ 789.6	\$ 915.4
Europe ^(c)	140.0	154.8
Asia ^(d)	109.6	116.1
Total long-lived assets	\$ 1,039.2	\$ 1,186.3

^(a) Net revenues and long-lived assets for certain of the Company's licensed operations are included within the geographic location of the reporting subsidiary which holds the respective license.

^(b) Includes the U.S., Canada, and Latin America. Net revenues earned in the U.S. were \$3.379 billion, \$3.427 billion, and \$3.990 billion in Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively. Long-lived assets located in the U.S. were \$766.1 million and \$889.7 million as of March 30, 2019 and March 31, 2018, respectively.

^(c) Includes the Middle East.

^(d) Includes Australia and New Zealand.

20. Additional Financial Information

Reconciliation of Cash, Cash Equivalents, and Restricted Cash

A reconciliation of cash, cash equivalents, and restricted cash as of March 30, 2019 and March 31, 2018 from the consolidated balance sheets to the consolidated statements of cash flows is as follows:

	March 30, 2019	March 31, 2018
	(millions)	
Cash and cash equivalents	\$ 584.1	\$ 1,304.6
Restricted cash included within prepaid expenses and other current assets	11.9	15.5
Restricted cash included within other non-current assets	30.5	35.4
Total cash, cash equivalents, and restricted cash	\$ 626.5	\$ 1,355.5

Amounts included in restricted cash relate to cash placed in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters and real estate leases.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash Interest and Taxes

Cash paid for interest and income taxes is as follows:

	Fiscal Years Ended		
	March 30, 2019	March 31, 2018	April 1, 2017
	(millions)		
Cash paid for interest	\$ 17.3	\$ 11.7	\$ 13.0
Cash paid for income taxes	102.0	54.0	81.7

Non-cash Transactions

Non-cash investing activities included capital expenditures incurred but not yet paid of \$47.6 million, \$37.0 million, and \$45.7 million as of the end of Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively.

Additionally, during Fiscal 2018 and Fiscal 2017, the Company recorded capital lease assets and corresponding capital lease obligations of \$3.3 million and \$10.9 million, respectively, within its consolidated balance sheet.

There were no other significant non-cash investing or financing activities for any of the fiscal years presented.

MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ralph Lauren Corporation is responsible for the preparation, objectivity, and integrity of the consolidated financial statements and other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include some amounts that are based on management's informed judgments and best estimates.

These consolidated financial statements have been audited by Ernst & Young LLP in Fiscal 2019, Fiscal 2018, and Fiscal 2017, which is an independent registered public accounting firm. They conducted their audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and have expressed herein their unqualified opinions on those financial statements.

The Audit Committee of the Board of Directors, which oversees all of the Company's financial reporting process on behalf of the Board of Directors, consists solely of independent directors, meets with the independent registered accountants, internal auditors, and management periodically to review their respective activities and the discharge of their respective responsibilities. Both the independent registered public accountants and the internal auditors have unrestricted access to the Audit Committee, with or without management, to discuss the scope and results of their audits and any recommendations regarding the system of internal controls.

May 16, 2019

/s/ PATRICE LOUVET

Patrice Louvet
President and Chief Executive Officer
(Principal Executive Officer)

/s/ JANE HAMILTON NIELSEN

Jane Hamilton Nielsen
Chief Operating Officer and Chief Financial Officer
(Principal Financial and Accounting Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Ralph Lauren Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ralph Lauren Corporation (the "Company") as of March 30, 2019 and March 31, 2018, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended March 30, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 30, 2019 and March 31, 2018, and the results of its operations and its cash flows for each of the three years in the period ended March 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 30, 2019, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 16, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2008.

New York, New York
May 16, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Ralph Lauren Corporation

Opinion on Internal Control over Financial Reporting

We have audited Ralph Lauren Corporation's internal control over financial reporting as of March 30, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Ralph Lauren Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of March 30, 2019, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 30, 2019 and March 31, 2018, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended March 30, 2019, and the related notes and our report dated May 16, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, New York
May 16, 2019

RALPH LAUREN CORPORATION
SELECTED FINANCIAL INFORMATION

The following table sets forth selected historical financial information as of the dates and for the periods indicated.

The consolidated statement of operations data for each of the three fiscal years in the period ended March 30, 2019, as well as the consolidated balance sheet data as of March 30, 2019 and March 31, 2018 have been derived from, and should be read in conjunction with, the audited financial statements, notes, and other financial information presented elsewhere herein. The consolidated statements of operations data for the fiscal years ended April 2, 2016 and March 28, 2015 and the consolidated balance sheet data at April 1, 2017, April 2, 2016, and March 28, 2015 have been derived from audited financial statements not included herein. Capitalized terms are as defined and described in the consolidated financial statements or elsewhere herein. The historical results are not necessarily indicative of the results to be expected in any future period.

	Fiscal Years Ended ^(a)				
	March 30, 2019 ^(b)	March 31, 2018 ^(b)	April 1, 2017	April 2, 2016	March 28, 2015
(millions, except per share data)					
Statement of Operations Data:					
Net revenues	\$ 6,313.0	\$ 6,182.3	\$ 6,652.8	\$ 7,405.2	\$ 7,620.3
Gross profit ^(c)	3,886.0	3,751.7	3,651.1	4,186.7	4,377.9
Impairment of assets	(25.8)	(50.0)	(253.8)	(48.8)	(6.9)
Restructuring and other charges	(130.1)	(108.0)	(318.6)	(142.6)	(10.1)
Operating income (loss)	561.8	498.2	(92.3)	582.8	1,035.5
Interest income (expense), net	20.1	(5.9)	(5.1)	(14.7)	(9.0)
Net income (loss)	\$ 430.9	\$ 162.8	\$ (99.3)	\$ 396.4	\$ 702.2
Net income (loss) per common share:					
Basic	\$ 5.35	\$ 1.99	\$ (1.20)	\$ 4.65	\$ 7.96
Diluted	\$ 5.27	\$ 1.97	\$ (1.20)	\$ 4.62	\$ 7.88
Weighted-average common shares outstanding:					
Basic	80.6	81.7	82.7	85.2	88.2
Diluted	81.7	82.5	82.7	85.9	89.1
Dividends declared per common share	\$ 2.50	\$ 2.00	\$ 2.00	\$ 2.00	\$ 1.85

^(a) Fiscal 2016 consisted of 53 weeks. All other fiscal years presented consisted of 52 weeks. The inclusion of the 53rd week in Fiscal 2016 resulted in incremental net revenues of \$72.2 million and net income of \$8.3 million, or \$0.10 per diluted share.

^(b) Fiscal 2019 and Fiscal 2018 reflect TCJA enactment-related charges of \$27.6 million and \$221.4 million, respectively, recorded within the income tax provision (see Note 10 to the accompanying consolidated financial statements).

^(c) Fiscal 2019, Fiscal 2018, Fiscal 2017, and Fiscal 2016 reflect non-cash inventory-related charges of \$7.2 million, \$7.6 million, \$197.9 million, and \$20.4 million, respectively, recorded in connection with the Company's restructuring plans (see Note 9 to the accompanying consolidated financial statements).

RALPH LAUREN CORPORATION
SELECTED FINANCIAL INFORMATION (Continued)

	March 30, 2019	March 31, 2018	April 1, 2017	April 2, 2016	March 28, 2015
(millions)					
Balance Sheet Data:					
Cash and cash equivalents	\$ 584.1	\$ 1,304.6	\$ 668.3	\$ 456.3	\$ 499.7
Investments	1,448.3	785.6	706.1	816.0	652.2
Working capital ^(a)	2,394.7	1,961.2	1,794.6	1,854.4	2,137.4
Total assets	5,942.8	6,143.3	5,652.0	6,213.1	6,105.8
Total debt (including current maturities of debt)	689.1	596.2	588.2	713.1	532.3
Other non-current obligations ^(b)	359.3	361.2	250.9	265.7	237.5
Equity	3,287.2	3,457.4	3,299.6	3,743.5	3,891.6

^(a) Working capital is calculated as total current assets less total current liabilities (including current maturities of debt). Working capital as of March 30, 2019, March 31, 2018, April 1, 2017, and April 2, 2016 reflect the Company's adoption of ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires all deferred tax assets and liabilities, together with any related valuation allowances, to be classified as non-current on the consolidated balance sheet (past guidance required deferred tax assets and liabilities to be broken out as current and non-current on the consolidated balance sheet). Prior periods were not retrospectively adjusted.

^(b) Comprised of the Company's non-current capital lease and income tax payable obligations.

RALPH LAUREN CORPORATION
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth the quarterly financial information of the Company:

	Quarterly Periods Ended ^{(a)(b)}			
	June 30, 2018	September 29, 2018 ^(c)	December 29, 2018 ^(c)	March 30, 2019
	(millions, except per share data)			
Net revenues	\$ 1,390.6	\$ 1,690.9	\$ 1,725.8	\$ 1,505.7
Gross profit	895.7	1,029.3	1,059.5	901.5
Net income	109.0	170.3	120.0	31.6
Net income per common share ^(d) :				
Basic	\$ 1.33	\$ 2.09	\$ 1.50	\$ 0.40
Diluted	\$ 1.31	\$ 2.07	\$ 1.48	\$ 0.39
Dividends declared per common share	\$ 0.625	\$ 0.625	\$ 0.625	\$ 0.625

	Quarterly Periods Ended ^{(a)(e)}			
	July 1, 2017	September 30, 2017	December 30, 2017 ^(f)	March 31, 2018 ^(f)
	(millions, except per share data)			
Net revenues	\$ 1,347.1	\$ 1,664.2	\$ 1,641.8	\$ 1,529.2
Gross profit	851.2	995.8	996.2	908.5
Net income (loss)	59.5	143.8	(81.8)	41.3
Net income (loss) per common share ^(d) :				
Basic	\$ 0.73	\$ 1.76	\$ (1.00)	\$ 0.51
Diluted	\$ 0.72	\$ 1.75	\$ (1.00)	\$ 0.50
Dividends declared per common share	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50

^(a) All fiscal quarters presented consisted of 13 weeks.

^(b) Net income and net income per common share for the three-month periods ended June 30, 2018, September 29, 2018, December 29, 2018, and March 30, 2019 were negatively impacted by pretax restructuring-related charges, impairment of assets, and certain other charges of \$23.7 million, \$25.7 million, \$45.4 million, and \$68.3 million, respectively (see Notes 8 and 9 to the accompanying consolidated financial statements).

^(c) Net income and net income per common share reflect a favorable TCJA measurement period adjustment of \$4.7 million and a TCJA measurement period charge of \$32.3 million for the three-month periods ended September 29, 2018 and December 29, 2018, respectively (see Note 10 to the accompanying consolidated financial statements).

^(d) Per common share amounts for the quarters and full years have been calculated separately. Accordingly, quarterly amounts may not add to the annual amount because of differences in the average number of common shares outstanding during each period.

^(e) Net income (loss) and net income (loss) per common share for the three-month periods ended July 1, 2017, September 30, 2017, December 30, 2017, and March 31, 2018 were negatively impacted by pretax restructuring-related charges, impairment of assets, and certain other charges of \$47.2 million, \$30.4 million, \$27.2 million, and \$60.8 million, respectively (see Notes 8 and 9 to the accompanying consolidated financial statements).

^(f) Net loss and net loss per common share for the three months ended December 30, 2017 reflected the negative impact of TCJA enactment-related charges of \$231.3 million. During the three months ended March 31, 2018, net income and net income per common share were favorably impacted by TCJA measurement period adjustments of \$9.9 million (see Note 10 to the accompanying consolidated financial statements).

SIGNIFICANT SUBSIDIARIES OF THE COMPANY

Entity Name	Jurisdiction of Formation
Acqui Polo CV	Netherlands
Acqui Polo GP, LLC	Delaware
PRL Fashions Inc.	Delaware
PRL International, Inc.	Delaware
PRL Netherlands Limited, LLC (f/k/a Acqui Polo Limited, LLC)	Delaware
PRL USA, Inc.	Delaware
Ralph Lauren Asia Pacific Limited (f/k/a Polo Ralph Lauren Asia Pacific, Limited)	Hong Kong
Ralph Lauren Commercial Enterprises ULC	Ireland
Ralph Lauren Europe Sàrl (f/k/a Polo Ralph Lauren Europe Sàrl)	Switzerland
Ralph Lauren Holding BV (f/k/a Polo Hold BV)	Netherlands
Ralph Lauren International Holdings ULC	Ireland
Ralph Lauren Retail, Inc. (f/k/a Fashions Outlet of America, Inc.)	Delaware
RL Acqui Polo Holding GP, Sàrl	Luxembourg
RL CV Holding Limited, Sàrl	Luxembourg
RL Finance BV (f/k/a Polo Fin BV)	Netherlands
The Polo/Lauren Company LP	New York

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 pertaining to the 1997 Long-Term Stock Incentive Plan (Registration No. 333-46808), Form S-8 pertaining to the 1997 Long-Term Stock Incentive Plan and 1997 Stock Option Plan for Non-Employee Directors (Registration No. 333-29023), Form S-8 pertaining to the 2010 Long-Term Stock Incentive Plan (Registration No. 333-169619), Form S-8 pertaining to the Amended and Restated 2010 Long-Term Stock Incentive Plan (Registration No. 333-191338), Form S-3 pertaining to the registration of 10,350,000 Class A Common Shares (Registration No. 333-167503) of Ralph Lauren Corporation, Form S-3 pertaining to the September 2013 and August 2015 registered public debt offerings (Registration No. 333-191302) by Ralph Lauren Corporation, and Form S-3 pertaining to the August 2018 registered public debt offering (Registration No. 333-226636) by Ralph Lauren Corporation, of our reports dated May 16, 2019, with respect to the consolidated financial statements of Ralph Lauren Corporation and the effectiveness of internal control over financial reporting of Ralph Lauren Corporation included in this Annual Report (Form 10-K) for the year ended March 30, 2019.

/s/ Ernst & Young LLP

New York, NY
May 16, 2019

CERTIFICATION

I, Patrice Louvet, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ralph Lauren Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PATRICE LOUVET

Patrice Louvet
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 16, 2019

CERTIFICATION

I, Jane Hamilton Nielsen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ralph Lauren Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JANE HAMILTON NIELSEN

Jane Hamilton Nielsen
Chief Operating Officer and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 16, 2019

**Certification of Patrice Louvet Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Ralph Lauren Corporation (the "Company") on Form 10-K for the period ended March 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrice Louvet, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ PATRICE LOUVET

Patrice Louvet

Date: May 16, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ralph Lauren Corporation and will be retained by Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Jane Hamilton Nielsen Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Ralph Lauren Corporation (the "Company") on Form 10-K for the period ended March 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jane Hamilton Nielsen, Chief Operating Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JANE HAMILTON NIELSEN

Jane Hamilton Nielsen

Date: May 16, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ralph Lauren Corporation and will be retained by Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.