UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 28, 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	**13-2622036**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
650 Madison Avenue, New York, New York	**10022**
(Address of principal executive offices)	*(Zip Code)*

(212) 318-7000

(Registrant's telephone number, including area code)

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

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

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 Exchange Act). Yes ☐ No ☑

At January 31, 2020, 48,861,815 shares of the registrant's Class A common stock, $.01 par value, and 24,881,276 shares of the registrant's Class B common stock, $.01 par value, were outstanding.

RALPH LAUREN CORPORATION

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RALPH LAUREN CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	December 28, 2019	March 30, 2019
	(millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,079.9	$ 584.1
Short-term investments	828.5	1,403.4
Accounts receivable, net of allowances of $201.5 million and $192.2 million	349.4	398.1
Inventories	904.6	817.8
Income tax receivable	32.3	32.1
Prepaid expenses and other current assets	254.2	359.3
Total current assets	3,448.9	3,594.8
Property and equipment, net	1,028.2	1,039.2
Operating lease right-of-use assets	1,573.4	—
Deferred tax assets	240.6	67.0
Goodwill	917.1	919.6
Intangible assets, net	146.2	163.7
Other non-current assets	91.5	158.5
Total assets	$ 7,445.9	$ 5,942.8
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 298.1	$ —
Accounts payable	267.6	202.3
Income tax payable	69.1	29.4
Current operating lease liabilities	287.5	—
Accrued expenses and other current liabilities	853.1	968.4
Total current liabilities	1,775.4	1,200.1
Long-term debt	396.3	689.1
Long-term operating lease liabilities	1,637.5	—
Income tax payable	132.7	146.7
Non-current liability for unrecognized tax benefits	70.6	78.8
Other non-current liabilities	316.9	540.9
Commitments and contingencies (Note 14)		
Total liabilities	4,329.4	2,655.6
Equity:		
Class A common stock, par value $.01 per share; 104.8 million and 102.9 million shares issued; 48.8 million and 52.2 million shares outstanding	1.0	1.0
Class B common stock, par value $.01 per share; 24.9 million issued and outstanding; 25.9 million shares issued and outstanding	0.3	0.3
Additional paid-in-capital	2,566.7	2,493.8
Retained earnings	6,292.8	5,979.1
Treasury stock, Class A, at cost; 56.0 million and 50.7 million shares	(5,625.7)	(5,083.6)
Accumulated other comprehensive loss	(118.6)	(103.4)
Total equity	3,116.5	3,287.2
Total liabilities and equity	$ 7,445.9	$ 5,942.8

See accompanying notes.

RALPH LAUREN CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions, except per share data)			
Net revenues	$ 1,750.7	$ 1,725.8	$ 4,885.7	$ 4,807.3
Cost of goods sold	(661.6)	(666.3)	(1,826.8)	(1,822.8)
Gross profit	1,089.1	1,059.5	3,058.9	2,984.5
Selling, general, and administrative expenses	(843.3)	(823.4)	(2,385.3)	(2,358.9)
Impairment of assets	(14.4)	(2.2)	(21.7)	(13.3)
Restructuring and other charges	(7.0)	(40.1)	(51.1)	(78.4)
Total other operating expenses, net	(864.7)	(865.7)	(2,458.1)	(2,450.6)
Operating income	224.4	193.8	600.8	533.9
Interest expense	(4.2)	(5.2)	(12.8)	(15.6)
Interest income	7.3	9.9	28.5	29.5
Other income (expense), net	2.9	1.0	(2.9)	(0.6)
Income before income taxes	230.4	199.5	613.6	547.2
Income tax benefit (provision)	103.7	(79.5)	19.7	(147.9)
Net income	$ 334.1	$ 120.0	$ 633.3	$ 399.3
Net income per common share:				
Basic	$ 4.47	$ 1.50	$ 8.28	$ 4.92
Diluted	$ 4.41	$ 1.48	$ 8.13	$ 4.85
Weighted average common shares outstanding:				
Basic	74.7	80.2	76.5	81.1
Diluted	75.8	81.2	77.9	82.3
Dividends declared per share	$ 0.6875	$ 0.625	$ 2.0625	$ 1.875

See accompanying notes.

RALPH LAUREN CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 28, 2019	**December 29, 2018**	**December 28, 2019**	**December 29, 2018**
		(millions)		
Net income	$ 334.1	$ 120.0	$ 633.3	$ 399.3
Other comprehensive income (loss), net of tax:				
Foreign currency translation gains (losses)	5.5	(0.3)	(10.4)	(37.2)
Net gains (losses) on cash flow hedges	(8.6)	6.8	(4.7)	34.3
Net gains (losses) on defined benefit plans	(0.1)	—	(0.1)	0.1
Other comprehensive income (loss), net of tax	(3.2)	6.5	(15.2)	(2.8)
Total comprehensive income	$ 330.9	$ 126.5	$ 618.1	$ 396.5

See accompanying notes.

RALPH LAUREN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended	
	December 28, 2019	December 29, 2018
	(millions)	
Cash flows from operating activities:		
Net income	$ 633.3	$ 399.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	201.0	212.0
Deferred income tax expense (benefit)	(155.7)	13.7
Loss on sale of property	—	11.6
Non-cash stock-based compensation expense	72.9	65.3
Non-cash impairment of assets	21.7	13.3
Non-cash restructuring-related inventory charges	1.0	3.1
Other non-cash charges	1.6	7.6
Changes in operating assets and liabilities:		
Accounts receivable	46.9	105.9
Inventories	(90.0)	(179.3)
Prepaid expenses and other current assets	(30.4)	(75.7)
Accounts payable and accrued liabilities	56.3	24.9
Income tax receivables and payables	16.1	82.7
Deferred income	0.6	(10.6)
Other balance sheet changes	(27.3)	9.3
Net cash provided by operating activities	748.0	683.1
Cash flows from investing activities:		
Capital expenditures	(216.0)	(149.2)
Purchases of investments	(890.1)	(2,627.8)
Proceeds from sales and maturities of investments	1,510.3	1,975.2
Acquisitions and ventures	0.9	(4.5)
Proceeds from sale of property	20.8	20.0
Settlement of net investment hedges	—	(23.8)
Net cash provided by (used in) investing activities	425.9	(810.1)
Cash flows from financing activities:		
Repayments of short-term debt	—	(9.9)
Proceeds from the issuance of long-term debt	—	398.1
Repayments of long-term debt	—	(300.0)
Payments of finance lease obligations	(10.6)	(14.8)
Payments of dividends	(153.2)	(141.6)
Repurchases of common stock, including shares surrendered for tax withholdings	(542.1)	(431.9)
Proceeds from exercise of stock options	—	21.8
Other financing activities	(0.9)	(2.8)
Net cash used in financing activities	(706.8)	(481.1)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(4.2)	(23.9)
Net increase (decrease) in cash, cash equivalents, and restricted cash	462.9	(632.0)
Cash, cash equivalents, and restricted cash at beginning of period	626.5	1,355.5
Cash, cash equivalents, and restricted cash at end of period	$ 1,089.4	$ 723.5

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Three Months Ended December 28, 2019							
	Common Stock[a]		Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost		AOCI[b]	Total Equity
	Shares	Amount			Shares	Amount		
	(millions)							
Balance at September 28, 2019	129.7	$ 1.3	$ 2,544.6	$ 6,009.4	55.1	$ (5,526.3)	$ (115.4)	$ 2,913.6
Comprehensive income:								
Net income				334.1				
Other comprehensive loss							(3.2)	
Total comprehensive income								330.9
Dividends declared				(50.7)				(50.7)
Repurchases of common stock					0.9	(99.4)		(99.4)
Stock-based compensation			22.1					22.1
Balance at December 28, 2019	129.7	$ 1.3	$ 2,566.7	$ 6,292.8	56.0	$ (5,625.7)	$ (118.6)	$ 3,116.5

	Three Months Ended December 29, 2018							
	Common Stock[a]		Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost		AOCI[b]	Total Equity
	Shares	Amount			Shares	Amount		
	(millions)							
Balance at September 29, 2018	128.8	$ 1.3	$ 2,448.0	$ 5,925.4	48.3	$ (4,804.9)	$ (107.8)	$ 3,462.0
Comprehensive income:								
Net income				120.0				
Other comprehensive income							6.5	
Total comprehensive income								126.5
Dividends declared				(49.1)				(49.1)
Repurchases of common stock					1.8	(208.0)		(208.0)
Stock-based compensation			22.5					22.5
Balance at December 29, 2018	128.8	$ 1.3	$ 2,470.5	$ 5,996.3	50.1	$ (5,012.9)	$ (101.3)	$ 3,353.9

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

(b) Accumulated other comprehensive income (loss).

RALPH LAUREN CORPORATION

CONSOLIDATED STATEMENTS OF EQUITY (Continued)

(Unaudited)

	Nine Months Ended December 28, 2019							
	Common Stock[a]		Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost		AOCI[b]	Total Equity
	Shares	Amount			Shares	Amount		
	(millions)							
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
Comprehensive income:								
Net income				633.3				
Other comprehensive loss							(15.2)	
Total comprehensive income								618.1
Dividends declared				(155.1)				(155.1)
Repurchases of common stock					5.3	(542.1)		(542.1)
Stock-based compensation			72.9					72.9
Shares issued pursuant to stock-based compensation plans	0.9	—	—					—
Cumulative adjustments from adoption of new accounting standards (see Note 4)				(164.5)				(164.5)
Balance at December 28, 2019	129.7	$ 1.3	$ 2,566.7	$ 6,292.8	56.0	$ (5,625.7)	$ (118.6)	$ 3,116.5

	Nine Months Ended December 29, 2018							
	Common Stock[a]		Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost		AOCI[b]	Total Equity
	Shares	Amount			Shares	Amount		
	(millions)							
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				399.3				
Other comprehensive loss							(2.8)	
Total comprehensive income								396.5
Dividends declared				(150.1)				(150.1)
Repurchases of common stock					3.5	(431.9)		(431.9)
Stock-based compensation			65.3					65.3
Shares issued pursuant to stock-based compensation plans	0.9	—	21.8					21.8
Cumulative adjustments from adoption of new accounting standards				(5.1)				(5.1)
Balance at December 29, 2018	128.8	$ 1.3	$ 2,470.5	$ 5,996.3	50.1	$ (5,012.9)	$ (101.3)	$ 3,353.9

(a) Includes Class A and Class B common stock. During the nine months ended December 28, 2019, 1.0 million shares of Class B common stock were converted into an equal number of shares of Class A common stock pursuant to the terms of the Class B common stock (see Note 15).

(b) Accumulated other comprehensive income (loss).

See accompanying notes.

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, fragrances, and hospitality. 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 (retail, wholesale, 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 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. 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. 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 18 for further discussion of the Company's segment reporting structure.

2. Basis of Presentation

Interim Financial Statements

These interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and are unaudited. In the opinion of management, these consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial position, income, comprehensive income, and cash flows of the Company for the interim periods presented. In addition, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and the notes thereto have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading.

This report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended March 30, 2019 (the "Fiscal 2019 10-K").

Basis of Consolidation

These unaudited interim consolidated financial statements present the consolidated financial position, income, comprehensive income, 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 Periods

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

52-week period ("Fiscal 2019"). The third quarter of Fiscal 2020 ended on December 28, 2019 and was a 13-week period. The third quarter of Fiscal 2019 ended on December 29, 2018 and was also a 13-week period.

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 pre-vesting forfeiture rates; reserves for restructuring activity; and accounting for business combinations, among others.

Reclassifications

Certain reclassifications have been made to prior period financial information in order to conform to the current period's presentation, including a change to the Company's segment reporting structure as further described in Note 18.

Seasonality of Business

The Company's business is typically affected by seasonal trends, with higher levels of retail sales in its second and third fiscal quarters and higher wholesale sales in its second and fourth fiscal quarters. These trends result primarily from the timing of key vacation travel, back-to-school, and holiday shopping periods impacting its retail business and the timing of seasonal wholesale shipments. As a result of changes in its business, consumer spending patterns, and the macroeconomic environment, historical quarterly operating trends and working capital requirements may not be indicative of the Company's 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. Accordingly, the Company's operating results and cash flows for the three-month and nine-month periods ended December 28, 2019 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2020.

3. Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue across all channels 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 from 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 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 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 most 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 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 amount of consideration that the Company is entitled to receive in exchange for providing access to its trademarks. As of December 28, 2019, contractually-guaranteed minimum royalty amounts expected to be recognized as revenue during future periods were as follows:

	Contractually-Guaranteed Minimum Royalties[(a)]
	(millions)
Remainder of Fiscal 2020	$ 22.1
Fiscal 2021	117.3
Fiscal 2022	78.9
Fiscal 2023	43.4
Fiscal 2024 and thereafter	26.1
Total	$ 287.8

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

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:

	Three Months Ended									
	December 28, 2019					December 29, 2018				
	North America	Europe	Asia	Other	Total	North America	Europe	Asia	Other	Total
	(millions)									
Sales Channel[(a)]:										
Retail	$ 575.0	$ 257.2	$ 274.1	$ 63.9	$ 1,170.2	$ 543.2	$ 248.7	$ 261.4	$ 68.3	$ 1,121.6
Wholesale	335.6	180.6	15.5	2.9	534.6	365.5	176.3	13.4	1.3	556.5
Licensing	—	—	—	45.9	45.9	—	—	—	47.7	47.7
Total	$ 910.6	$ 437.8	$ 289.6	$ 112.7	$ 1,750.7	$ 908.7	$ 425.0	$ 274.8	$ 117.3	$ 1,725.8

	Nine Months Ended									
	December 28, 2019					December 29, 2018				
	North America	Europe	Asia	Other	Total	North America	Europe	Asia	Other	Total
	(millions)									
Sales Channel[(a)]:										
Retail	$ 1,436.0	$ 714.3	$ 753.9	$ 158.8	$ 3,063.0	$ 1,366.1	$ 688.9	$ 719.3	$ 165.6	$ 2,939.9
Wholesale	1,075.2	564.5	49.6	6.6	1,695.9	1,128.4	556.1	48.2	3.6	1,736.3
Licensing	—	—	—	126.8	126.8	—	—	—	131.1	131.1
Total	$ 2,511.2	$ 1,278.8	$ 803.5	$ 292.2	$ 4,885.7	$ 2,494.5	$ 1,245.0	$ 767.5	$ 300.3	$ 4,807.3

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

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 $15.3 million and $14.8 million as of December 28, 2019 and March 30, 2019, respectively, and were primarily recorded within accrued expenses and other current liabilities within the consolidated balance sheets. During the three-month and nine-month periods ended December 28, 2019, the Company recognized $1.2 million and $8.4 million, respectively, of net revenues from amounts recorded as deferred income as of March 30, 2019. The majority of the deferred income balance as of December 28, 2019 is expected to be recognized as revenue within the next twelve months.

Shipping and Handling Costs

Costs associated with shipping goods to the Company's customers are accounted for as fulfillment activities and reflected as a component of selling, general, and administrative ("SG&A") expenses in the consolidated statements of operations. Costs of preparing merchandise for sale, such as picking, packing, warehousing, and order charges ("handling costs"), are also included in SG&A expenses. Shipping and handling costs billed to customers are included in revenue.

A summary of shipping and handling costs for the fiscal periods presented is as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Shipping costs	$ 12.3	$ 16.6	$ 34.7	$ 36.2
Handling costs	40.8	41.6	116.5	116.3

Net Income per Common Share

Basic net income per common share is computed by dividing net income 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 per common share adjusts basic net income 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 per common share is reconciled to shares used to calculate diluted net income per common share as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Basic shares	74.7	80.2	76.5	81.1
Dilutive effect of stock options and RSUs	1.1	1.0	1.4	1.2
Diluted shares	75.8	81.2	77.9	82.3

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 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 December 28, 2019 and December 29, 2018, there were 0.9 million and 1.5 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.

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:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Beginning reserve balance	$ 195.5	$ 198.7	$ 176.5	$ 202.5
Amount charged against revenue to increase reserve	138.5	146.1	421.0	396.3
Amount credited against customer accounts to decrease reserve	(149.4)	(149.1)	(411.1)	(398.4)
Foreign currency translation	1.1	(1.1)	(0.7)	(5.8)
Ending reserve balance	$ 185.7	$ 194.6	$ 185.7	$ 194.6

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

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Beginning reserve balance	$ 15.6	$ 17.2	$ 15.7	$ 19.7
Amount recorded to expense to increase reserve[(a)]	0.4	1.7	1.9	1.2
Amount written-off against customer accounts to decrease reserve	(0.3)	(0.4)	(1.7)	(1.8)
Foreign currency translation	0.1	(0.2)	(0.1)	(0.8)
Ending reserve balance	$ 15.8	$ 18.3	$ 15.8	$ 18.3

(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 three largest wholesale customers 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 December 28, 2019, these three key wholesale customers constituted approximately 29% of total gross accounts receivable.

Inventories

The Company holds inventory that is sold in its retail stores and digital commerce sites directly to consumers. The Company also holds inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores. 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. Inventory held by the Company totaled $904.6 million, $817.8 million, and $914.5 million as of December 28, 2019, March 30, 2019, and December 29, 2018, respectively.

Leases

As discussed in Note 4, the Company adopted a new lease accounting standard as of the beginning of Fiscal 2020.

The Company's lease arrangements primarily relate to real estate, including its retail stores, concession-based shop-within-shops, corporate offices, and warehouse facilities, and to a lesser extent, certain equipment and other assets. The Company's leases generally have initial terms ranging from 3 to 15 years and may include renewal or early-termination options, rent escalation clauses, and/or lease incentives in the form of construction allowances and rent abatements. Renewal rent payment terms generally reflect market rates prevailing at the time of renewal. The Company is typically required to make fixed minimum rent payments, variable rent payments based on performance (e.g., percentage-of-sales-based payments), or a combination thereof, directly related to its right to use an underlying leased asset. The Company is also often required to pay for certain other costs that do not relate specifically to its right to use an underlying leased asset, but that are associated with the asset, including real estate taxes, insurance, common area maintenance fees, and/or certain other costs (referred to collectively herein as "non-lease components"), which may be fixed or variable in amount, depending on the terms of the respective lease agreement. The Company's leases do not contain significant residual value guarantees or restrictive covenants.

The Company determines whether an arrangement contains a lease at the arrangement's inception. If a lease is determined to exist, its related term is assessed at lease commencement, once the underlying asset is made available by the lessor for the Company's use. The Company's assessment of the lease term reflects the non-cancellable period of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options for which the Company is reasonably certain of not exercising, as well as periods covered by renewal options for which it is reasonably certain of exercising. The Company also determines lease classification as either operating or finance (formerly referred to as "capital") at lease commencement, which governs the pattern of expense recognition and the presentation thereof reflected in the consolidated statements of operations over the lease term.

For leases with a lease term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of its fixed payment obligations over the lease term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, increased by any prepaid rent and/or initial direct costs incurred in connection with execution of the lease, and reduced by any lease incentives received. The Company includes fixed payment obligations related to non-lease components in the measurement of ROU assets and lease liabilities, as it elects to account for lease and non-lease components together as a single lease component. Variable lease payments are not included in the measurement of ROU assets and lease liabilities. ROU assets associated with finance leases are presented separate from those associated with operating leases, and are included within property and equipment, net on the Company's consolidated balance sheet. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow on a secured basis, and incorporates the term and economic environment of the lease.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases, the initial ROU asset is depreciated on a straight-line basis over the lease term, along with recognition of interest expense associated with accretion of the lease liability, which is ultimately reduced by the related fixed payments as they are made. For leases with a lease term of 12 months or less (referred to as a "short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the consolidated balance sheet. Variable lease cost, if any, is recognized as incurred for all leases.

ROU assets, along with any other related long-lived assets, are periodically evaluated for impairment (see Note 11). To the extent that an ROU asset and any related long-lived assets are determined to be impaired, they are written down accordingly on a relative carrying amount basis, with the ROU asset written down to an amount no lower than its estimated fair value. Subsequent to the recognition of any such impairment, total remaining lease cost is recognized on a front-loaded basis over the remaining lease term.

See Note 13 for further discussion of the Company's leases.

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 accumulated other comprehensive income (loss) ("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 further mitigate credit risk. 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.

Cash Flow Hedges

The Company uses forward foreign currency exchange contracts to mitigate 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 ultimate 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 12 for further discussion of the Company's derivative financial instruments.

Refer to Note 3 of the Fiscal 2019 10-K for a summary of all of the Company's significant accounting policies.

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 within the statement of operations as the related service arrangement's fees. 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. Other than the new disclosure requirements, the Company does not currently expect that the adoption of ASU 2018-15 will have a material impact on its consolidated financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"). Existing accounting guidance requires the remeasurement of deferred tax assets and liabilities resulting from a change in tax laws or rates to be included in net income, including the remeasurement of deferred taxes related to items recorded within AOCI. ASU 2018-02 provides an entity with the option to adjust AOCI for the "stranded" tax effect of such remeasurements resulting from the reduction in the U.S. federal statutory income tax rate under the 2017 Tax Cuts and Jobs Act (the "TCJA") through a reclassification to retained earnings.

The Company adopted ASU 2018-02 as of the beginning of the first quarter of Fiscal 2020 and elected to reclassify the income tax effect stranded in AOCI related to the TCJA, inclusive of state income tax-related effects, resulting in a $4.9 million increase to its opening retained earnings. The Company generally releases income tax effects from AOCI when the corresponding pretax AOCI items are reclassified to earnings.

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 investments in certain 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 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 evaluating the anticipated impact of adopting ASU 2016-13 and, based on the Company's historically insignificant credit impairment and bad debt write-off activity, does not currently expect that the standard will have a material impact on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02, along with certain other ASUs that were subsequently issued to clarify and modify certain of its provisions (collectively "ASU 2016-02"), supersedes historical lease accounting guidance and requires that, among its provisions, a lessee's rights and fixed payment obligations under most leases be recognized as ROU assets and lease liabilities on its balance sheet, initially measured based on the present value of its fixed payment obligations over the lease term. Under historical guidance, only those leases classified as capital were recognized on a lessee's balance sheet; operating leases were not recognized on the balance sheet. ASU 2016-02 retains a dual model for classifying leases as either finance (formerly referred to as "capital") or operating, consistent with historical guidance, which governs the pattern of expense recognition reflected in the statement of operations over the lease term. Accordingly, recognition of lease expense in the statement of operations will not significantly change. Additionally, variable lease payments based on performance, such as percentage-of-sales-based payments, are not included in the measurement of ROU assets and lease liabilities and, consistent with historical practice, are recognized as an expense in the period incurred. The standard also requires enhanced quantitative and qualitative lease-related disclosures.

The Company adopted ASU 2016-02 as of the beginning of the first quarter of Fiscal 2020 using a modified retrospective approach under which the cumulative effect of initially applying the standard was recognized as an adjustment to its opening retained earnings (discussed further below), with no restatement of prior year amounts. In connection therewith, the Company applied an optional package of practical expedients intended to ease transition to the standard for existing leases by, among its provisions, carrying forward its original lease classification conclusions without reassessment. Upon adoption of ASU 2016-02, the Company recognized initial ROU asset and lease liability balances of approximately $1.60 billion and $1.75 billion, respectively, on its consolidated balance sheet.

Additionally, in connection with its adoption of ASU 2016-02, the Company recorded an adjustment to reduce its opening retained earnings balance by $131.6 million, net of related income tax benefits, reflecting the impairment of an ROU asset for a certain real estate lease of which, under historical accounting guidance, the Company was previously deemed the owner for accounting purposes (commonly referred to as a "build-to-suit" lease arrangement). Specifically, although the Company no longer generates revenue or other cash flows from its rights underlying the leased asset given it no longer actively uses the space for commercial purposes, the asset was previously not considered impaired under historical accounting guidance as its fair value, assessed from an ownership perspective (and not from that of a lessee), exceeded its carrying value. However, in accordance with and upon transitioning to ASU 2016-02, the Company derecognized the remaining asset and liability balances previously recognized solely as a result of the arrangement's build-to-suit designation, as the related construction activities that originally gave rise to such designation have since ended, and established initial ROU asset and lease liability balances measured based on the Company's remaining fixed payment obligations under the lease. The initial ROU asset was then 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 were lower than the aggregate remaining lease payments underlying the measurement of the initial ROU asset. Accordingly, the Company impaired the initial ROU asset by $175.4 million to its estimated fair value which was recorded as a reduction to its opening retained earnings balance, net of related income tax benefits of $43.8 million, upon adoption of ASU 2016-02, as previously noted.

The Company also recorded other initial ROU asset impairment adjustments to reduce its opening retained earnings balance upon adoption of the standard related to leases of certain underperforming retail locations for which the carrying value of the respective store's initial operating lease ROU asset exceeded its fair value. These impairments totaled $49.7 million and were recorded as adjustments to reduce the Company's opening retained earnings balance by $37.8 million, net of related income tax effects. Leasehold improvements related to these underperforming retail locations were previously fully-impaired prior to the adoption of ASU 2016-02.

See Notes 3 and 13 for further discussion of the Company's lease accounting policy and other related disclosures.

5. Property and Equipment

Property and equipment, net consists of the following:

	December 28, 2019	March 30, 2019
	(millions)	
Land and improvements	$ 15.3	$ 15.3
Buildings and improvements	310.9	387.8
Furniture and fixtures	634.4	626.4
Machinery and equipment	363.3	350.4
Capitalized software	543.1	534.0
Leasehold improvements	1,223.6	1,169.4
Construction in progress	65.0	58.7
	3,155.6	3,142.0
Less: accumulated depreciation	(2,127.4)	(2,102.8)
Property and equipment, net	$ 1,028.2	$ 1,039.2

Depreciation expense was $62.3 million and $183.3 million during the three-month and nine-month periods ended December 28, 2019, respectively, and $66.0 million and $194.3 million during the three-month and nine-month periods ended December 29, 2018, respectively, and is recorded primarily within SG&A expenses in the consolidated statements of operations.

6. Other Assets and Liabilities

Prepaid expenses and other current assets consist of the following:

	December 28, 2019	March 30, 2019
	(millions)	
Other taxes receivable	$ 63.4	$ 137.9
Non-trade receivables	30.7	30.8
Inventory return asset	28.4	18.4
Tenant allowances receivable	23.4	8.2
Prepaid software maintenance	20.2	19.8
Prepaid advertising and marketing	12.1	9.6
Derivative financial instruments	12.0	19.8
Prepaid occupancy costs	9.8	38.0
Restricted cash	1.5	11.9
Asset held-for-sale[(a)]	—	20.8
Other prepaid expenses and current assets	52.7	44.1
Total prepaid expenses and other current assets	$ 254.2	$ 359.3

(a) Balance as of March 30, 2019 related to the estimated fair value, less costs to sell, of the Company's corporate jet. The jet was sold during the first quarter of Fiscal 2020 with no gain or loss recognized on sale. The Company donated the $20.8 million net cash proceeds received from the sale to the Polo Ralph Lauren Foundation, a non-profit, charitable foundation that supports various philanthropic programs.

Other non-current assets consist of the following:

	December 28, 2019	March 30, 2019
	(millions)	
Security deposits	$ 28.5	$ 24.5
Derivative financial instruments	23.3	12.2
Restricted cash	8.0	30.5
Non-current investments	—	44.9
Other non-current assets	31.7	46.4
Total other non-current assets	$ 91.5	$ 158.5

Accrued expenses and other current liabilities consist of the following:

	December 28, 2019	March 30, 2019
	(millions)	
Accrued operating expenses	$ 232.0	$ 235.2
Accrued inventory	178.1	141.0
Accrued payroll and benefits	177.6	232.5
Other taxes payable	89.8	158.3
Accrued capital expenditures	56.6	47.6
Dividends payable	50.7	48.8
Restructuring reserve	23.1	60.4
Deferred income	15.1	14.1
Finance lease obligations	10.3	22.3
Derivative financial instruments	9.2	3.6
Other accrued expenses and current liabilities	10.6	4.6
Total accrued expenses and other current liabilities	$ 853.1	$ 968.4

Other non-current liabilities consist of the following:

	December 28, 2019	March 30, 2019
	(millions)	
Finance lease obligations	$ 191.1	$ 212.6
Deferred lease incentives and obligations	61.4	202.7
Accrued benefits and deferred compensation	20.1	26.2
Deferred tax liabilities	11.8	50.2
Restructuring reserve	2.1	11.4
Derivative financial instruments	—	11.9
Other non-current liabilities	30.4	25.9
Total other non-current liabilities	$ 316.9	$ 540.9

7. Impairment of Assets

The Company recorded non-cash impairment charges of $3.0 million and $6.5 million during the three-month and nine-month periods ended December 28, 2019, respectively, and $1.7 million and $7.5 million during the three-month and nine-month periods ended December 29, 2018, respectively, to write-down certain long-lived assets in connection with its restructuring plans (see Note 8).

Additionally, the Company recorded non-cash impairment charges of $11.4 million and $15.2 million during the three-month and nine-month periods ended December 28, 2019, respectively, and $0.5 million and $5.8 million during the three-month and nine-month periods ended December 29, 2018, respectively, to write-down certain long-lived assets related to underperforming stores as a result of its ongoing store portfolio evaluation.

See Note 11 for further discussion of these impairment charges.

8. Restructuring and Other Charges

A description of significant restructuring and other activities and their related costs is provided 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 $135 million to $150 million, comprised of cash-related charges of approximately $95 million to $105 million and non-cash charges of approximately $40 million to $45 million.

A summary of charges recorded in connection with the Fiscal 2019 Restructuring Plan during the fiscal periods presented, as well as the cumulative charges recorded since its inception, is as follows:

	Three Months Ended		Nine Months Ended		
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	Cumulative Charges
	(millions)				
Cash-related restructuring charges:					
Severance and benefit costs	$ 3.0	$ 17.1	$ 17.9	$ 34.3	$ 78.1
Lease termination and store closure costs	—	1.2	0.5	1.2	2.3
Other cash charges	1.0	1.9	2.1	3.5	9.5
Total cash-related restructuring charges	4.0	20.2	20.5	39.0	89.9
Non-cash charges:					
Impairment of assets (see Note 7)	3.0	1.3	6.5	7.1	16.8
Inventory-related charges[(a)]	—	1.9	1.0	1.9	7.0
Accelerated stock-based compensation expense[(b)]	—	—	3.6	—	3.6
Loss on sale of property[(c)]	—	11.6	—	11.6	11.6
Total non-cash charges	3.0	14.8	11.1	20.6	39.0
Total charges	$ 7.0	$ 35.0	$ 31.6	$ 59.6	$ 128.9

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

(b) Accelerated stock-based compensation, 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.

(c) Loss on sale of property, which was recorded within restructuring and other charges in the consolidated statements of operations during the third quarter of Fiscal 2019, was incurred 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 30, 2019	$ 41.0	$ 0.5	$ 0.1	$ 41.6
Additions charged to expense	17.9	0.5	2.1	20.5
Cash payments charged against reserve	(38.1)	(0.6)	(1.6)	(40.3)
Non-cash adjustments[a]	—	(0.4)	—	(0.4)
Balance at December 28, 2019	$ 20.8	$ —	$ 0.6	$ 21.4

(a) Certain lease-related liabilities previously recognized in connection with the Company's closure and cessation of use of real estate locations were reclassified and reflected as reductions of the respective operating lease ROU assets initially recognized upon adoption of ASU 2016-02 (see Note 4).

Other Restructuring Plans

During the three-month and nine-month periods ended December 29, 2018, the Company recorded charges related to certain other restructuring plans initiated prior to Fiscal 2019, as follows:

	December 29, 2018	
	Three Months Ended	Nine Months Ended
	(millions)	
Cash-related restructuring charges:		
Severance and benefit costs	$ 0.1	$ 6.6
Lease termination and store closure costs	2.1	3.7
Other cash charges	0.6	0.8
Total cash-related restructuring charges	2.8	11.1
Non-cash charges:		
Impairment of assets (see Note 7)	0.4	0.4
Inventory-related charges[a]	1.2	1.2
Other non-cash charges	2.0	2.0
Total non-cash charges	3.6	3.6
Total charges	$ 6.4	$ 14.7

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

Actions associated with these other plans were completed in previous fiscal years.

A summary of current period activity in the restructuring reserve related to these other plans is as follows:

	Severance and Benefit Costs	Lease Termination and Store Closure Costs	Other Cash Charges	Total
		(millions)		
Balance at March 30, 2019	$ 6.5	$ 23.3	$ 0.4	$ 30.2
Additions charged to expense	—	—	—	—
Cash payments charged against reserve	(4.6)	(2.8)	(0.1)	(7.5)
Non-cash adjustments[(a)]	—	(18.9)	—	(18.9)
Balance at December 28, 2019	$ 1.9	$ 1.6	$ 0.3	$ 3.8

(a) Certain lease-related liabilities previously recognized in connection with the Company's closure and cessation of use of real estate locations were reclassified and reflected as reductions of the respective operating lease ROU assets initially recognized upon adoption of ASU 2016-02 (see Note 4).

Refer to Note 9 of the Fiscal 2019 10-K for additional discussion regarding these other restructuring plans.

Other Charges

During the first quarter of Fiscal 2020, the Company recorded other charges of $20.8 million related to the donation of net cash proceeds received from the sale of its corporate jet. This donation was made to the Polo Ralph Lauren Foundation, a non-profit, charitable foundation that supports various philanthropic programs. Additionally, during the three-month and nine-month periods ended December 28, 2019, the Company recorded other charges of $3.0 million and $6.2 million, respectively, primarily related to rent and occupancy costs associated with certain previously exited real estate locations for which the related lease agreements have not yet expired.

The Company recorded other charges of $3.5 million and $10.5 million during the three-month and nine-month periods ended December 29, 2018, respectively, related to depreciation expense associated with its former Polo store at 711 Fifth Avenue in New York City recorded after the store closed during the first quarter of Fiscal 2018. Additionally, during the first quarter of Fiscal 2019, the Company recorded other charges of $4.2 million primarily related to a customs audit. Refer to Note 14 of the Fiscal 2019 10-K for additional discussion regarding the Company's customs audit.

9. Income Taxes

Swiss Tax Reform

In May 2019, a public referendum was held in Switzerland that approved the Federal Act on Tax Reform and AHV Financing (the "Swiss Tax Act"), which became effective January 1, 2020. The Swiss Tax Act eliminates certain preferential tax items at both the federal and cantonal levels for multinational companies, and provides the cantons with parameters for establishing local tax rates and regulations. The Swiss Tax Act also provides transitional provisions, one of which allows eligible companies to increase the tax basis of certain assets based on the value generated by their business in previous years, and to amortize such adjustment as a tax deduction over a transitional period.

During the second quarter of Fiscal 2020, the Swiss Tax Act was enacted into law, resulting in an immaterial adjustment associated with the revaluation of the Company's Swiss deferred tax assets and liabilities and estimated annual effective tax rate. Subsequently, as a result of additional information received from the tax authorities and analyses performed related to the transitional provision noted above, the Company recorded a one-time income tax benefit and corresponding deferred tax asset of $134.1 million during the third quarter of Fiscal 2020. This one-time benefit decreased the Company's effective tax rate by 5,820 basis points and 2,180 basis points during the three-month and nine-month periods ended December 28, 2019, respectively.

Effective Tax Rate

The Company's effective tax rate, which is calculated by dividing each fiscal period's income tax benefit (provision) by pretax income, was (45.1%) and (3.2%) during the three-month and nine-month periods ended December 28, 2019, respectively, and 39.8% and 27.0% during the three-month and nine-month periods ended December 29, 2018, respectively. The negative effective tax rates for the three-month and nine-month periods ended December 28, 2019 were lower than the U.S. federal statutory income tax rate of 21% primarily due to the one-time income tax benefit recorded in connection with Swiss tax reform, as previously discussed, lower income tax reserves largely associated with the settlement of certain international income tax audits, and the favorable impact of tax benefits associated with provision to tax return adjustments. The effective tax rates for the three-month and nine-month periods ended December 29, 2018 were higher than the U.S. federal statutory income tax rate of 21% primarily due to net unfavorable TCJA-related measurement period adjustments, as discussed below.

During the second quarter of Fiscal 2019, the Company recorded a TCJA 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 1,610 basis points and 500 basis points during the three-month and nine-month periods ended December 29, 2018, respectively. Refer to Note 10 of the Fiscal 2019 10-K for further discussion regarding the TCJA.

Uncertain Income Tax Benefits

The Company classifies interest and penalties related to unrecognized tax benefits as part of its income tax provision. The total amount of unrecognized tax benefits, including interest and penalties, was $70.6 million and $78.8 million as of December 28, 2019 and March 30, 2019, respectively, and is included within 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 $60.2 million and $70.7 million as of December 28, 2019 and March 30, 2019, 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.

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 March 30, 2013.

10. Debt

Debt consists of the following:

	December 28, 2019	March 30, 2019
	(millions)	
$300 million 2.625% Senior Notes[a]	$ 298.1	$ 293.4
$400 million 3.750% Senior Notes[b]	396.3	395.7
Total debt	694.4	689.1
Less: current portion of long-term debt	298.1	—
Long-term debt	$ 396.3	$ 689.1

(a) The carrying value of the 2.625% Senior Notes as of December 28, 2019 and March 30, 2019 reflects adjustments of $1.6 million and $5.9 million, respectively, associated with the Company's related interest rate swap contract (see Note 12). The carrying value of the 2.625% Senior Notes is also presented net of unamortized debt issuance costs and discount of $0.3 million and $0.7 million as of December 28, 2019 and March 30, 2019, respectively.

(b) The carrying value of the 3.750% Senior Notes is presented net of unamortized debt issuance costs and discount of $3.7 million and $4.3 million as of December 28, 2019 and March 30, 2019, respectively.

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.

Commercial Paper

The Company has a commercial paper borrowing program that allows it to issue up to $500 million of unsecured commercial paper notes through private placement using third-party broker-dealers (the "Commercial Paper Program").

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 December 28, 2019, there were no borrowings outstanding under the Commercial Paper Program.

Revolving Credit Facilities

Global Credit Facility

In August 2019, the Company terminated its credit facility previously in place and entered into a new credit facility that provides for a $500 million senior unsecured revolving line of credit through August 12, 2024 (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 $1 billion, 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 December 28, 2019, there were no borrowings outstanding under the Global Credit Facility and the Company was contingently liable for $9.0 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 75 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 6.5 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 4.25 as of the date of measurement for the four most recent consecutive fiscal quarters. Adjusted Debt is defined generally as consolidated debt outstanding, including finance lease obligations, plus all operating lease obligations. Consolidated EBITDAR is defined generally as consolidated net income plus (i) income tax expense, (ii) net interest expense, (iii) depreciation and amortization expense, (iv) operating lease cost, (v) restructuring and other non-recurring expenses, and (vi) acquisition-related costs. As of December 28, 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. 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 30, 2020.

As of December 28, 2019, there were no borrowings outstanding under the Pan-Asia Credit Facilities.

Refer to Note 11 of the Fiscal 2019 10-K for additional discussion of the terms and conditions of the Company's debt and credit facilities.

11. 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:

	December 28, 2019	March 30, 2019
	(millions)	
Investments in commercial paper[a][b]	$ 244.9	$ 290.7
Derivative assets[a]	35.3	32.0
Derivative liabilities[a]	9.2	15.5

(a) Based on Level 2 measurements.

(b) Amount as of December 28, 2019 was included within short-term investments in the consolidated balance sheet. 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.

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:

	December 28, 2019		March 30, 2019	
	Carrying Value[(a)]	Fair Value[(b)]	Carrying Value[(a)]	Fair Value[(b)]
	(millions)			
$300 million 2.625% Senior Notes	$ 298.1	$ 301.5	$ 293.4	$ 299.1
$400 million 3.750% Senior Notes	396.3	430.2	395.7	410.0

(a) See Note 10 for discussion of the carrying values of the Company's senior notes.

(b) Based on Level 2 measurements.

Unrealized gains or losses resulting from changes in the fair value of the Company's debt instruments 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, property and equipment, and lease-related ROU assets, are not required to be measured at fair value on a recurring basis, and instead are reported at carrying value in its consolidated balance sheet. However, on a periodic basis or whenever events or changes in circumstances indicate that they may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), the respective carrying values of non-financial assets are assessed for impairment and, if ultimately considered impaired, are adjusted and written down to their fair value, as estimated based on consideration of external market participant assumptions.

During the three-month and nine-month periods ended December 28, 2019 and December 29, 2018, the Company recorded non-cash impairment adjustments to reduce the carrying values of certain long-lived assets to their estimated fair values. The fair values of these assets were determined based on Level 3 measurements, the related inputs of which included estimates of the amount and timing of the assets' net future discounted cash flows (including any potential sublease income for lease-related ROU assets), based on historical experience and consideration of current trends, market conditions, and comparable sales, as applicable.

The following tables summarize non-cash impairment adjustments recorded by the Company during the fiscal periods presented in order to reduce the carrying values of certain long-lived assets to their estimated fair values as of the assessment date:

	Three Months Ended			
	December 28, 2019		December 29, 2018	
Long-Lived Asset Category	Fair Value As of Impairment Date	Total Impairments	Fair Value As of Impairment Date	Total Impairments
	(millions)			
Property and equipment, net	$ —	$ 11.0	$ —	$ 2.2
Operating lease right-of-use assets	13.2	3.4	N/A	N/A

	Nine Months Ended			
	December 28, 2019		December 29, 2018	
Long-Lived Asset Category	Fair Value As of Impairment Date	Total Impairments	Fair Value As of Impairment Date	Total Impairments
	(millions)			
Property and equipment, net	$ —	$ 13.6	$ —	$ 13.3
Operating lease right-of-use assets	109.6	233.2 [a]	N/A	N/A

[a] Includes $225.1 million recorded in connection with the Company's adoption of ASC 2016-02 as of the beginning of Fiscal 2020 which, net of related income tax benefits, reduced its opening retained earnings balance by $169.4 million (see Note 4).

See Note 7 for additional discussion regarding non-cash impairment charges recorded by the Company within the consolidated statements of operations during the fiscal periods presented.

No impairment charges associated with goodwill or other intangible assets were recorded during either of the nine-month periods ended December 28, 2019 or December 29, 2018. The Company performed its annual goodwill impairment assessment using a qualitative approach as of the beginning of the second quarter of Fiscal 2020. 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.

12. 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 December 28, 2019 and March 30, 2019:

Derivative Instrument[a]	Notional Amounts		Derivative Assets				Derivative Liabilities			
	December 28, 2019	March 30, 2019	December 28, 2019		March 30, 2019		December 28, 2019		March 30, 2019	
			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	$ 597.0	$ 636.3	[e]	$ 13.1	PP	$ 19.5	AE	$ 1.3	AE	$ 2.3
IRS — Fixed-rate debt	300.0	300.0		—		—	AE	1.6	ONCL	5.9
Net investment hedges[c]	687.7	695.3	ONCA	21.9	ONCA	12.2	AE	6.0	ONCL	6.0
Total Designated Hedges	1,584.7	1,631.6		35.0		31.7		8.9		14.2
Undesignated Hedges:										
FC — Undesignated hedges[d]	291.3	146.6	PP	0.3	PP	0.3	AE	0.3	AE	1.3
Total Hedges	$ 1,876.0	$ 1,778.2		$ 35.3		$ 32.0		$ 9.2		$ 15.5

(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 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) $11.7 million included within prepaid expenses and other current assets and $1.4 million included within other non-current assets.

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 December 28, 2019 and March 30, 2019 would be adjusted from the current gross presentation as detailed in the following table:

	December 28, 2019			March 30, 2019		
	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	$ 35.3	$ (6.5)	$ 28.8	$ 32.0	$ (4.8)	$ 27.2
Derivative liabilities	9.2	(6.5)	2.7	15.5	(4.8)	10.7

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 three-month and nine-month periods ended December 28, 2019 and December 29, 2018:

	Gains (Losses) Recognized in OCI			
	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Designated Hedges:				
FC — Cash flow hedges	$ (2.4)	$ 11.1	$ 13.2	$ 38.5
Net investment hedges — effective portion	(14.7)	10.6	2.4	50.8
Net investment hedges — portion excluded from assessment of hedge effectiveness	2.1	6.8	7.3	0.1
Total Designated Hedges	$ (15.0)	$ 28.5	$ 22.9	$ 89.4

	Location and Amount of Gains (Losses) from Cash Flow Hedges Reclassified from AOCI to Earnings							
	Three Months Ended				Nine Months Ended			
	December 28, 2019		December 29, 2018		December 28, 2019		December 29, 2018	
	Cost of goods sold	Other income (expense), net	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	$ (661.6)	$ 2.9	$ (666.3)	$ 1.0	$ (1,826.8)	$ (2.9)	$ (1,822.8)	$ (0.6)
Effects of cash flow hedging:								
FC — Cash flow hedges	7.1	(0.1)	4.3	(0.4)	17.7	0.3	(1.2)	1.7

	Gains (Losses) from Net Investment Hedges Recognized in Earnings				
	Three Months Ended		Nine Months Ended		
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	Location of Gains (Losses) Recognized in Earnings
	(millions)				
Net Investment Hedges					
Net investment hedges — portion excluded from assessment of hedge effectiveness[a]	$ 4.7	$ 4.8	$ 14.5	$ 13.9	Interest expense
Total Net Investment Hedges	$ 4.7	$ 4.8	$ 14.5	$ 13.9	

(a) Amounts recognized in other comprehensive income (loss) ("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 December 28, 2019, it is estimated that $16.6 million of pretax net gains on both outstanding and matured derivative instruments designated and qualifying as cash flow hedges deferred in AOCI will be recognized in earnings over the next twelve months. 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 three-month and nine-month periods ended December 28, 2019 and December 29, 2018:

	Gains (Losses) Recognized in Earnings				
	Three Months Ended		Nine Months Ended		
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	Location of Gains (Losses) Recognized in Earnings
	(millions)				
Undesignated Hedges:					
FC — Undesignated hedges	$ (2.7)	$ (1.0)	$ 2.4	$ 4.7	Other income (expense), net
Total Undesignated Hedges	$ (2.7)	$ (1.0)	$ 2.4	$ 4.7	

Risk Management Strategies

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to mitigate 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 Chinese Renminbi, 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 Contract

During Fiscal 2016, the Company entered into a pay-floating rate, receive-fixed rate interest rate swap contract which it designated as a hedge against changes in the fair value of its fixed-rate 2.625% Senior Notes attributed to changes in a benchmark interest rate (the "2.625% Interest Rate Swap"). The 2.625% Interest Rate Swap, which matures on August 18, 2020 and 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 the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread. Changes in the fair value of the 2.625% Interest Rate Swap were offset by changes in the fair value of the 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 periods presented. The following table summarizes the carrying value of the 2.625% Senior Notes and the impacts of the related fair value hedging adjustments as of December 28, 2019 and March 30, 2019:

		Carrying Value of the Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Value of the Hedged Item	
Hedged Item	Balance Sheet Line in which the Hedged Item is Included	December 28, 2019	March 30, 2019	December 28, 2019	March 30, 2019
		(millions)			
$300 million 2.625% Senior Notes	Current portion of long-term debt	$ 298.1	N/A	$ (1.6)	N/A
$300 million 2.625% Senior Notes	Long-term debt	N/A	$ 293.4	N/A	$ (5.9)

Cross-Currency Swap Contracts

During Fiscal 2016, the Company entered into a pay-floating rate, receive-floating rate cross-currency swap contract with a notional amount of €274 million that was designated as a hedge of its net investment in certain of its European subsidiaries. This 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 Euro Interbank Offered Rate ("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 December 28, 2019, the Company's investments were all classified as short-term and consisted of $583.6 million of time deposits and $244.9 million of commercial paper. 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.

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

Refer to Note 3 of the Fiscal 2019 10-K for further discussion of the Company's accounting policies relating to its investments.

13. Leases

The following table summarizes ROU assets and lease liabilities recorded on the Company's consolidated balance sheet as of December 28, 2019:

	December 28, 2019	Location Recorded on Balance Sheet
	(millions)	
Assets:		
Operating leases	$ 1,573.4	Operating lease right-of-use assets
Finance leases	171.1	Property and equipment, net
Total lease assets	$ 1,744.5	
Liabilities:		
Operating leases:		
Current portion	$ 287.5	Current operating lease liabilities
Non-current portion	1,637.5	Long-term operating lease liabilities
Total operating lease liabilities	1,925.0	
Finance leases:		
Current portion	10.3	Accrued expenses and other current liabilities
Non-current portion	191.1	Other non-current liabilities
Total finance lease liabilities	201.4	
Total lease liabilities	$ 2,126.4	

The following table summarizes the composition of net lease cost during the three-month and nine-month periods ended December 28, 2019:

	December 28, 2019		
	Three Months Ended	Nine Months Ended	Location Recorded in Earnings
	(millions)		
Operating lease cost	$ 81.5	$ 241.6	(a)
Finance lease costs:			
Depreciation of leased assets	4.5	13.4	SG&A expenses
Accretion of lease liabilities	2.0	6.0	Interest expense
Variable lease cost	82.5	236.2	(b)
Short-term lease cost	0.6	4.1	SG&A expenses
Sublease income	(0.7)	(2.4)	Restructuring and other charges
Total lease cost	$ 170.4	$ 498.9	

(a) During the three months ended December 28, 2019, $1.1 million included within cost of goods sold, $77.3 million included within SG&A expenses, and $3.1 million included within restructuring and other charges. During the nine months ended December 28, 2019, $3.4 million included within cost of goods sold, $229.7 million included within SG&A expenses, and $8.5 million included within restructuring and other charges.

(b) During the three months ended December 28, 2019, $1.3 million included within cost of goods sold, $80.6 million included within SG&A expenses, and $0.6 million included within restructuring and other charges. During the nine months ended December 28, 2019, $3.4 million included within cost of goods sold, $230.7 million included within SG&A expenses, and $2.1 million included within restructuring and other charges.

In accordance with lease accounting guidance in effect prior to its adoption of ASU 2016-02, during the three-month and nine-month periods ended December 29, 2018, the Company recognized rent expense of approximately $115 million and $337 million, respectively, net of insignificant sublease income, related to its operating leases, which included contingent rental charges of approximately $53 million and $146 million, respectively. Such amounts do not include expense recognized related to non-lease components.

The following table summarizes certain cash flow information related to the Company's leases for the nine months ended ended December 28, 2019:

	December 28, 2019
	Nine Months Ended
	(millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 289.2
Operating cash flows from finance leases	5.9
Financing cash flows from finance leases	10.6

See Note 19 for supplemental non-cash information related to ROU assets obtained in exchange for new lease liabilities.

The following table provides a maturity analysis summary of the Company's lease liabilities recorded on the consolidated balance sheet as of December 28, 2019:

	December 28, 2019	
	Operating Leases	Finance Leases
	(millions)	
Remainder of Fiscal 2020	$ 57.5	$ 4.7
Fiscal 2021	354.2	16.6
Fiscal 2022	318.5	22.6
Fiscal 2023	286.4	22.4
Fiscal 2024	258.7	22.3
Fiscal 2025 and thereafter	829.5	175.0
Total lease payments	2,104.8	263.6
Less: interest	(179.8)	(62.2)
Total lease liabilities	$ 1,925.0	$ 201.4

Additionally, the Company had approximately $123 million of future payment obligations related to executed lease agreements for which the related leases had not yet commenced as of December 28, 2019.

The following table summarizes the weighted-average remaining lease terms and weighted-average discount rates related to the Company's operating and finance leases recorded on the consolidated balance sheet as of December 28, 2019:

	December 28, 2019	
	Operating Leases	Finance Leases
Weighted-average remaining lease term (years)	8.0	12.8
Weighted-average discount rate	2.1%	4.1%

See Note 3 for discussion of the Company's accounting policies related to its leasing activities.

14. Commitments and Contingencies

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.

15. Equity

Class B Common Stock Conversion

During the nine months ended December 28, 2019, the Lauren Family, L.L.C., a limited liability company managed by the children of Mr. Ralph Lauren, converted 1.0 million shares of Class B common stock into an equal number of shares of Class A common stock pursuant to the terms of the security. These conversions occurred in advance of a sales plan providing for the sale of such shares of Class A common stock pursuant to Rule 10b5-1 subject to the conditions set forth therein. These transactions resulted in a reclassification within equity and had no effect on the Company's consolidated balance sheet.

Common Stock Repurchase Program

A summary of the Company's repurchases of Class A common stock under its common stock repurchase program is as follows:

	Nine Months Ended	
	December 28, 2019	December 29, 2018
	(millions)	
Cost of shares repurchased	$ 498.3	$ 400.0
Number of shares repurchased	4.9	3.2

On May 13, 2019, the Company's Board of Directors approved an expansion of the Company's existing common stock repurchase program that allows it to repurchase up to an additional $600 million of Class A Common stock. As of December 28, 2019, the remaining availability under the Company's Class A common stock repurchase program was approximately $732 million. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

In addition, during the nine-month periods ended December 28, 2019 and December 29, 2018, 0.4 million and 0.3 million shares of Class A common stock, respectively, at a cost of $43.8 million and $31.9 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 long-term stock incentive plans.

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 May 13, 2019, the Company's Board of Directors approved an increase to the Company's quarterly cash dividend on its common stock from $0.625 to $0.6875 per share. The third quarter Fiscal 2020 dividend of $0.6875 per share was declared on December 13, 2019, was payable to stockholders of record at the close of business on December 27, 2019, and was paid on January 10, 2020. Dividends paid amounted to $153.2 million and $141.6 million during the nine-month periods ended December 28, 2019 and December 29, 2018, respectively.

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 March 30, 2019	$ (118.5)	$ 20.2	$ (5.1)	$ (103.4)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	(5.5)	11.5	—	6.0
Amounts reclassified from AOCI to earnings	(4.9)	(16.2)	(0.1)	(21.2)
Other comprehensive income (loss), net of tax	(10.4)	(4.7)	(0.1)	(15.2)
Balance at December 28, 2019	$ (128.9)	$ 15.5	$ (5.2)	$ (118.6)
Balance at March 31, 2018	$ (79.3)	$ (16.0)	$ (3.2)	$ (98.5)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	(37.2)	34.8	0.3	(2.1)
Amounts reclassified from AOCI to earnings	—	(0.5)	(0.2)	(0.7)
Other comprehensive income (loss), net of tax	(37.2)	34.3	0.1	(2.8)
Balance at December 29, 2018	$ (116.5)	$ 18.3	$ (3.1)	$ (101.3)

(a) OCI before reclassifications to earnings related to foreign currency translation gains (losses) includes income tax provisions of $1.8 million and $7.3 million for the nine-month periods ended December 28, 2019 and December 29, 2018, respectively. OCI before reclassifications to earnings for the nine-month periods ended December 28, 2019 and December 29, 2018 includes a gain of $7.4 million (net of a $2.3 million income tax provision) and a gain of $38.7 million (net of a $12.2 million income tax provision), respectively, related to changes in the fair values of instruments designated as hedges of the Company's net investment in certain foreign operations (see Note 12). Amounts reclassified from AOCI to earnings related to foreign currency translation gains (losses) for the nine months ended December 28, 2019 relate to the reclassification to retained earnings of income tax effects stranded in AOCI (see Note 4).

(b) OCI before reclassifications to earnings related to net unrealized gains (losses) on cash flow hedges are presented net of income tax provisions of $1.7 million and $3.7 million for the nine-month periods ended December 28, 2019 and December 29, 2018, respectively. 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 both periods presented.

The following table presents reclassifications from AOCI to earnings for cash flow hedges, by component:

	Three Months Ended		Nine Months Ended		Location of Gains (Losses) Reclassified from AOCI to Earnings
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	
	(millions)				
Gains (losses) on cash flow hedges[a]:					
FC — Cash flow hedges	$ 7.1	$ 4.3	$ 17.7	$ (1.2)	Cost of goods sold
FC — Cash flow hedges	(0.1)	(0.4)	0.3	1.7	Other income (expense), net
Tax effect	(0.7)	(0.3)	(1.8)	—	Income tax benefit (provision)
Net of tax	$ 6.3	$ 3.6	$ 16.2	$ 0.5	

(a) FC = Forward foreign currency exchange contracts.

17. Stock-based Compensation

On August 1, 2019, the Company's shareholders approved the 2019 Long-Term Stock Incentive Plan (the "2019 Incentive Plan"), which replaced the Company's Amended and Restated 2010 Long-Term Stock Incentive Plan (the "2010 Incentive Plan"). The 2019 Incentive Plan provides for 1.2 million of new shares authorized for issuance to the participants, in addition to the approximately 3.0 million shares that remained available for issuance under the 2010 Incentive Plan as of August 1, 2019. In addition, any outstanding awards under the 2010 Incentive Plan or the Company's 1997 Long-Term Stock Incentive Plan (the "1997 Incentive Plan") that expire, are forfeited, or are surrendered to the Company in satisfaction of taxes, will become available for issuance under the 2019 Incentive Plan. The 2019 Incentive Plan became effective August 1, 2019 and no further grants will be made under the 2010 Incentive Plan. Outstanding awards issued prior to August 1, 2019 will continue to remain subject to the terms of the 2010 Incentive Plan or 1997 Incentive Plan, as applicable. Stock-based compensation awards that may be made under the 2019 Incentive Plan include, but are not limited to, (i) stock options, (ii) restricted stock, and (iii) RSUs.

Refer to Note 17 of the Fiscal 2019 10-K for a detailed description of the Company's stock-based compensation awards, including information related to vesting terms, service, performance and market conditions, and payout percentages.

Impact on Results

A summary of total stock-based compensation expense and the related income tax benefits recognized during the three-month and nine-month periods ended December 28, 2019 and December 29, 2018 is as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Compensation expense	$ 22.1	$ 22.5	$ 72.9 [a]	$ 65.3
Income tax benefit	(3.4)	(3.4)	(11.1)	(9.9)

(a) Includes $3.6 million of accelerated stock-based compensation expense recorded within restructuring and other charges in the consolidated statements of operations during the second quarter of Fiscal 2020 (see Note 8). 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

A summary of stock option activity under all plans during the nine months ended December 28, 2019 is as follows:

	Number of Options
	(thousands)
Options outstanding at March 30, 2019	834
Granted	—
Exercised	—
Cancelled/Forfeited	(275)
Options outstanding at December 28, 2019	559

Restricted Stock Awards and Service-based RSUs

Restricted stock awards were granted to non-employee directors prior to Fiscal 2019. Effective beginning Fiscal 2019, non-employee directors are now granted service-based RSUs in lieu of restricted shares.

The fair values of service-based RSUs granted to certain of the Company's senior executives and other employees, as well as non-employee directors, 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. The weighted-average grant date fair values of service-based RSU awards granted were $102.96 and $113.30 per share during the nine-month periods ended December 28, 2019 and December 29, 2018, respectively.

A summary of restricted stock and service-based RSU activity during the nine months ended December 28, 2019 is as follows:

	Number of Shares/Units	
	Restricted Stock	Service-based RSUs
	(thousands)	
Unvested at March 30, 2019	10	1,112
Granted	—	533
Vested	(6)	(451)
Forfeited	—	(68)
Unvested at December 28, 2019	4	1,126

Performance-based RSUs

The fair values of the Company's performance-based RSUs granted to its senior executives and other key employees 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. The weighted-average grant date fair values of performance-based RSUs granted were $83.16 and $129.78 per share during the nine months ended December 28, 2019 and December 29, 2018, respectively.

A summary of performance-based RSU activity during the nine months ended December 28, 2019 is as follows:

	Number of Performance-based RSUs
	(thousands)
Unvested at March 30, 2019	1,011
Granted	289
Change due to performance condition achievement	123
Vested	(482)
Forfeited	(6)
Unvested at December 28, 2019	935

Market-based RSUs

The Company grants market-based RSUs, which are based on TSR performance, to its senior executives and other key employees. 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, adjusted to reflect the absence of dividends for any awards for which dividend equivalent amounts do not accrue while outstanding and unvested.

The weighted-average grant date fair values of market-based RSUs granted were $90.59 and $177.13 per share during the nine months ended December 28, 2019 and December 29, 2018, respectively. The assumptions used to estimate the fair value of TSR awards granted during the nine months ended December 28, 2019 and December 29, 2018 were as follows:

	Nine Months Ended	
	December 28, 2019	December 29, 2018
Expected term (years)	2.6	2.6
Expected volatility	31.4%	33.5%
Expected dividend yield	3.2%	1.9%
Risk-free interest rate	1.4%	2.6%

A summary of market-based RSU activity during the nine months ended December 28, 2019 is as follows:

	Number of Market-based RSUs
	(thousands)
Unvested at March 30, 2019	76
Granted	159
Change due to market condition achievement	—
Vested	—
Forfeited	(1)
Unvested at December 28, 2019	234

18. 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 retail and wholesale businesses in the U.S. and Canada, excluding Club Monaco. In North America, the Company's retail business is primarily comprised of its Ralph Lauren stores, its factory stores, and its digital commerce site, www.RalphLauren.com. The Company's wholesale business in North America is comprised primarily of sales to department stores, and to a lesser extent, specialty stores.

- *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 retail and wholesale businesses in Europe, the Middle East, and Latin America, excluding Club Monaco. In Europe, the Company's retail business is primarily comprised of its Ralph Lauren stores, its factory stores, its concession-based shop-within-shops, and its various digital commerce sites. The Company's wholesale business in Europe is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country.

- *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 retail and wholesale businesses in Asia, Australia, and New Zealand. The Company's retail business in Asia is primarily 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 and wholesale businesses in the U.S., Canada, and Europe, and its licensing alliances in Europe and Asia, and (ii) 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 of the Fiscal 2019 10-K. 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.

Effective beginning in the first quarter of Fiscal 2020, operating results related to the Company's business in Latin America are included within its Europe segment due to a change in the way in which the Company manages this business. Previously, such results were included within the Company's other non-reportable segments. All prior period segment information has been recast to reflect this change on a comparative basis.

Net revenues and operating income for each of the Company's segments are as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Net revenues:				
North America	$ 910.6	$ 908.7	$ 2,511.2	$ 2,494.5
Europe	437.8	425.0	1,278.8	1,245.0
Asia	289.6	274.8	803.5	767.5
Other non-reportable segments	112.7	117.3	292.2	300.3
Total net revenues	$ 1,750.7	$ 1,725.8	$ 4,885.7	$ 4,807.3

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Operating income[(a)]:				
North America	$ 202.7	$ 204.3	$ 560.5	$ 574.0
Europe	111.9	92.6	331.9	294.2
Asia	46.6	47.9	135.6	123.3
Other non-reportable segments	29.5	41.4	85.2	95.6
	390.7	386.2	1,113.2	1,087.1
Unallocated corporate expenses	(159.3)	(152.3)	(461.3)	(474.8)
Unallocated restructuring and other charges[(b)]	(7.0)	(40.1)	(51.1)	(78.4)
Total operating income	$ 224.4	$ 193.8	$ 600.8	$ 533.9

(a) Segment operating income and unallocated corporate expenses during the three-month and nine-month periods ended December 28, 2019 and December 29, 2018 included certain restructuring-related inventory charges (see Note 8) and asset impairment charges (see Note 7), which are detailed below:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Restructuring-related inventory charges:				
Europe	$ —	$ (3.1)	$ (0.1)	$ (3.1)
Asia	—	—	(0.9)	—
Total restructuring-related inventory charges	$ —	$ (3.1)	$ (1.0)	$ (3.1)

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Asset impairment charges:				
North America	$ (0.4)	$ (1.1)	$ (0.4)	$ (1.4)
Europe	—	(0.3)	—	(1.8)
Asia	(2.4)	—	(2.4)	(3.7)
Other non-reportable segments	(8.6)	(0.5)	(12.4)	(5.8)
Unallocated corporate expenses	(3.0)	(0.3)	(6.5)	(0.6)
Total asset impairment charges	$ (14.4)	$ (2.2)	$ (21.7)	$ (13.3)

(b) The three-month and nine-month periods ended December 28, 2019 and December 29, 2018 included certain unallocated restructuring and other charges (see Note 8), which are detailed below:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Unallocated restructuring and other charges:				
North America-related	$ —	$ (14.1)	$ (0.7)	$ (17.6)
Europe-related	(0.1)	(3.7)	(3.2)	(12.7)
Asia-related	(0.1)	(0.4)	(0.9)	(0.2)
Other non-reportable segment-related	(0.1)	(1.5)	(0.8)	(2.7)
Corporate-related	(3.7)	(16.9)	(18.5)	(30.5)
Unallocated restructuring charges	(4.0)	(36.6)	(24.1)	(63.7)
Other charges (see Note 8)	(3.0)	(3.5)	(27.0)	(14.7)
Total unallocated restructuring and other charges	$ (7.0)	$ (40.1)	$ (51.1)	$ (78.4)

Depreciation and amortization expense for the Company's segments is as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Depreciation and amortization:				
North America	$ 18.9	$ 21.7	$ 56.4	$ 61.8
Europe	8.4	8.6	23.7	25.1
Asia	14.9	12.2	44.6	36.8
Other non-reportable segments	1.4	1.8	4.2	5.6
Unallocated corporate expenses	24.6	24.2	72.1	72.2
Unallocated restructuring and other charges (see Note 8)	—	3.5	—	10.5
Total depreciation and amortization	$ 68.2	$ 72.0	$ 201.0	$ 212.0

Net revenues by geographic location of the reporting subsidiary are as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Net revenues[a]:				
The Americas[b]	$ 1,025.4	$ 1,033.4	$ 2,808.4	$ 2,807.0
Europe[c]	435.5	417.4	1,273.0	1,231.8
Asia[d]	289.8	275.0	804.3	768.5
Total net revenues	$ 1,750.7	$ 1,725.8	$ 4,885.7	$ 4,807.3

(a) Net revenues 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. during the three-month and nine-month periods ended December 28, 2019 were $966.0 million and $2.637 billion, respectively, and $968.9 million and $2.631 billion during the three-month and nine-month periods ended December 29, 2018.

(c) Includes the Middle East.

(d) Includes Australia and New Zealand.

19. Additional Financial Information

Reconciliation of Cash, Cash Equivalents, and Restricted Cash

A reconciliation of cash, cash equivalents, and restricted cash as of December 28, 2019 and March 30, 2019 from the consolidated balance sheets to the consolidated statements of cash flows is as follows:

	December 28, 2019	March 30, 2019
	(millions)	
Cash and cash equivalents	$ 1,079.9	$ 584.1
Restricted cash included within prepaid expenses and other current assets	1.5	11.9
Restricted cash included within other non-current assets	8.0	30.5
Total cash, cash equivalents, and restricted cash	$ 1,089.4	$ 626.5

Restricted cash relates to cash held in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters and real estate leases.

Cash Interest and Taxes

Cash paid for interest and income taxes is as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Cash paid for interest	$ 2.5	$ 2.8	$ 10.3	$ 10.9
Cash paid for income taxes	32.8	26.3	114.9	56.9

Non-cash Transactions

Operating and finance lease ROU assets recorded in connection with the recognition of new lease liabilities were $326.6 million and $64.0 million, respectively, during the nine months ended December 28, 2019.

Non-cash investing activities also included capital expenditures incurred but not yet paid of $56.6 million and $35.9 million for the nine-month periods ended December 28, 2019 and December 29, 2018, respectively.

Non-cash financing activities included the conversion of 1.0 million shares of Class B common stock into an equal number of shares of Class A common stock during the nine months ended December 28, 2019, as discussed in Note 15.

There were no other significant non-cash investing or financing activities for any of the fiscal periods presented.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

Special Note Regarding Forward-Looking Statements

Various statements in this Form 10-Q, or incorporated by reference into this Form 10-Q, 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," "outlook," "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 exit from the European Union and the uncertainty surrounding its future relationship with the European Union, including trade agreements, 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 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, including business disruptions in Hong Kong resulting from ongoing protests and political unrest;
- 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 man-made or natural disasters, such as severe weather, geological events, and epidemic diseases such as the coronavirus outbreak, and other catastrophic events;
- 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;
- our ability to achieve our goals regarding environmental, social, and governance practices; 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 included in our Annual Report on Form 10-K for the fiscal year ended March 30, 2019 (the "Fiscal 2019 10-K"). There are no material changes to such risk factors, nor have we identified any previously undisclosed risks that could materially adversely affect our business, operating results, and/or financial condition, as set forth in Part II, Item 1A — "*Risk Factors*" of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In this Form 10-Q, references to "Ralph Lauren," "ourselves," "we," "our," "us," and the "Company" refer to Ralph Lauren Corporation and its subsidiaries, unless the context indicates otherwise. We utilize a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2020 will end on March 28, 2020 and will be a 52-week period ("Fiscal 2020"). Fiscal year 2019 ended on March 30, 2019 and was also a 52-week period ("Fiscal 2019"). The third quarter of Fiscal 2020 ended on December 28, 2019 and was a 13-week period. The third quarter of Fiscal 2019 ended on December 29, 2018 and was also a 13-week period.

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations ("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 the three-month and nine-month periods ended December 28, 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 the three-month and nine-month periods ended December 28, 2019 as compared to the three-month and nine-month periods ended December 29, 2018.

- *Financial condition and liquidity.* This section provides a discussion of our financial condition and liquidity as of December 28, 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 the nine months ended December 28, 2019 as compared to the nine months ended December 29, 2018; (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 description of any material changes in our contractual and other obligations since March 30, 2019.

- *Market risk management.* This section discusses any significant changes in our risk exposures related to foreign currency exchange rates, interest rates, and our investments since March 30, 2019.

- *Critical accounting policies.* This section discusses any significant changes in our critical accounting policies since March 30, 2019. Critical accounting policies 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 of the Fiscal 2019 10-K.

- *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 or proposed.

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, fragrances, and hospitality. 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 (retail, wholesale, 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. We 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. 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. 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 retail and wholesale businesses in the U.S. and Canada, excluding Club Monaco. In North America, our retail business is primarily comprised of our Ralph Lauren stores, our factory stores, and our digital commerce site, www.RalphLauren.com. Our wholesale business in North America is comprised primarily of sales to department stores, and to a lesser extent, specialty stores.

- *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 retail and wholesale businesses in Europe, the Middle East, and Latin America, excluding Club Monaco. In Europe, our retail business is primarily comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our various digital commerce sites. Our wholesale business in Europe is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country.

- *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 retail and wholesale businesses in Asia, Australia, and New Zealand. Our retail business in Asia is primarily 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 and wholesale businesses in the U.S., Canada, and Europe, and our licensing alliances in Europe and Asia, and (ii) royalty revenues earned through our global licensing alliances, excluding Club Monaco.

Effective beginning in the first quarter of Fiscal 2020, operating results related to our business in Latin America are included within our Europe segment due to a change in the way in which we manage this business. Previously, such results were included within our other non-reportable segments. All prior period segment information has been recast to reflect this change on a comparative basis.

Approximately 46% of our Fiscal 2019 net revenues were earned outside of the U.S. See Note 18 to the accompanying consolidated financial statements for a summary of net revenues and operating income by segment, as well as net revenues by geographic location.

Our business is typically affected by seasonal trends, with higher levels of retail sales in our second and third fiscal quarters and higher wholesale sales in our second and fourth fiscal quarters. These trends result primarily from the timing of key vacation travel, back-to-school, and holiday shopping periods impacting our retail business and the timing of seasonal wholesale shipments. In addition, fluctuations in net sales, operating income, and cash flows in any fiscal quarter may be affected by other events impacting retail sales, such as changes in weather patterns. Accordingly, our operating results and cash flows for the three-month and nine-month periods ended December 28, 2019 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2020.

Global Economic Conditions and Industry Trends

The global economy and our industry are impacted by many different variables. The current domestic and international political environment has resulted in uncertainty surrounding the future state of the global economy, including volatile international trade relations and political unrest. Although trade relations between the U.S. and China have begun to ease, both have imposed new tariffs on each other related to the importation of certain product categories. Additionally, ongoing protests in Hong Kong have resulted in a significant decline in local retail traffic and tourism and forced temporary store closures. There are also concerns regarding the United Kingdom's recent withdrawal from the European Union, commonly referred to as "Brexit." Although the United Kingdom ceased to be a member of the European Union effective January 31, 2020, it has now entered a "transition period" during which its existing trading relationship with the European Union will remain in place and it will continue to follow the European Union's rules. Negotiations during the transition period to determine the United Kingdom's future relationship with the European Union, including terms of trade, are expected to be complex. It is not clear at this time what, if any, agreements will be reached by the current December 31, 2020 transition period deadline and the resulting impact on consumer sentiment. 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 disease epidemics such as the recent coronavirus outbreak, 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 on a periodic basis in an attempt to offset declines in physical store traffic. The retail industry has also experienced numerous bankruptcies, restructurings, and ownership changes in recent years, particularly in the U.S. which continues to experience challenging department store traffic trends. Certain of our operations, notably 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. 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 and acting upon options to mitigate our exposure to the resulting tariffs, including diverting production to and sourcing from other countries, driving productivity within our existing supplier base, and taking pricing actions. As a result of these efforts, the tariffs enacted to date are not expected to have a material impact on our consolidated financial statements. We are also closely monitoring the latest developments regarding Brexit and are assessing risks and opportunities and developing strategies to mitigate our exposure once the transition period expires, including scenarios in which the transition period ends without trade agreements 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*" in our Fiscal 2019 10-K.

Summary of Financial Performance

Operating Results

During the three months ended December 28, 2019, we reported net revenues of $1.751 billion, net income of $334.1 million, and net income per diluted share of $4.41, as compared to net revenues of $1.726 billion, net income of $120.0 million, and net income per diluted share of $1.48 during the three months ended December 29, 2018. During the nine months ended December 28, 2019, we reported net revenues of $4.886 billion, net income of $633.3 million, and net income per diluted share of $8.13, as compared to net revenues of $4.807 billion, net income of $399.3 million, and net income per diluted share of $4.85 during the nine months ended December 29, 2018. The comparability of our operating results has been affected by international and domestic tax reform, as well as restructuring-related charges, impairment of assets, and certain other charges, as discussed further below.

Our operating performance for the three-month and nine-month periods ended December 28, 2019 reflected revenue growth of 1.4% and 1.6%, respectively, on a reported basis, and 2.0% and 2.9%, respectively, on a constant currency basis, as defined within "*Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition*" below. The increases in net revenues on both a reported and constant currency basis were largely driven by our Europe and Asia businesses.

Our gross profit as a percentage of net revenues increased by 80 basis points to 62.2% during the three months ended December 28, 2019, and by 50 basis points to 62.6% during the nine months ended December 28, 2019. These increases were primarily driven by improved pricing and lower levels of promotional activity, as well as favorable geographic and channel mix.

Selling, general, and administrative ("SG&A") expenses as a percentage of net revenues increased by 50 basis points to 48.2% during the three months ended December 28, 2019, largely driven by our increased marketing investment and the unfavorable impact attributable to geographic and channel mix due in part to our new store expansion. During the nine months ended December 28, 2019, SG&A expenses as a percentage of net revenues declined by 30 basis points to 48.8%, largely driven by a decrease in corporate expenses and operating leverage on higher net revenues, partially offset by our increased marketing investment and the unfavorable impact attributable to geographic and channel mix due in part to our new store expansion.

Net income increased by $214.1 million to $334.1 million during the three months ended December 28, 2019 as compared to the three months ended December 29, 2018, primarily due to a $183.2 million decrease in our income tax provision largely driven by the combined impact of international and domestic tax reform, as well as a $30.6 million increase in our operating income. Net income increased by $234.0 million to $633.3 million during the nine months ended December 28, 2019 as compared to the nine months ended December 29, 2018, primarily due to a $167.6 million decrease in our income tax provision largely driven by the combined impact of international and domestic tax reform, as well as a $66.9 million increase in operating income. Net income per diluted share increased by $2.93 to $4.41 per share during the three months ended December 28, 2019, and by $3.28 to $8.13 per share during the nine months ended December 28, 2019, both due to the higher level of net income and lower weighted-average diluted shares outstanding.

Net income during the three-month and nine-month periods ended December 28, 2019 reflected a one-time benefit recorded within our income tax provision during the third quarter of Fiscal 2020 of $134.1 million, or $1.77 per diluted share and $1.72 per diluted share, respectively, in connection with Swiss tax reform. Our operating results during the three-month and nine-month periods ended December 28, 2019 also reflected restructuring-related charges, impairment of assets, and certain other charges totaling $21.4 million and $73.8 million, respectively, which had an after-tax effect of reducing net income by $16.8 million, or $0.22 per diluted share, and $57.5 million, or $0.74 per diluted share, respectively.

Net income during the three-month and nine-month periods ended December 29, 2018 reflected unfavorable measurement period adjustments within our income tax provision of $32.3 million, or $0.40 per diluted share, and $27.6 million, or $0.34 per diluted share, respectively, recorded in connection with tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"). Our operating results during the three-month and nine-month periods ended December 29, 2018 also reflected restructuring-related charges, impairment of assets, and certain other charges totaling $45.4 million and $94.8 million, respectively, which had an after-tax effect of reducing net income by $35.7 million, or $0.44 per diluted share, and $75.2 million, or $0.91 per diluted share, respectively.

Financial Condition and Liquidity

We ended the third quarter of Fiscal 2020 in a net cash and investments position (cash and cash equivalents plus short-term and non-current investments, less total debt) of $1.214 billion, as compared to $1.343 billion as of the end of Fiscal 2019. The decline in our net cash and investments position at December 28, 2019 as compared to March 30, 2019 was primarily due to our use of cash to support Class A common stock repurchases of $542.1 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through $216.0 million in capital expenditures, and to make dividend payments of $153.2 million, partially offset by our operating cash flows of $748.0 million.

We generated $748.0 million of cash from operations during the nine months ended December 28, 2019, compared to $683.1 million during the nine months ended December 29, 2018. The increase in cash provided by operating activities was due to an increase in net income before non-cash charges and a net favorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year period.

Our equity decreased to $3.117 billion as of December 28, 2019 compared to $3.287 billion as of March 30, 2019, primarily due to our share repurchase activity, cumulative adjustments from our adoption of new accounting standards, and dividends declared, partially offset by our comprehensive income and the impact of stock-based compensation arrangements during the nine months ended December 28, 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 $135 million to $150 million, comprised of cash-related charges of approximately $95 million to $105 million and non-cash charges of approximately $40 million to $45 million. Cumulative charges incurred since inception were approximately $129 million. See Note 8 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Fiscal 2019 Restructuring Plan.

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

The comparability of our operating results for the three-month and nine-month periods ended December 28, 2019 and December 29, 2018 has been affected by certain events, including:

- pretax restructuring-related charges, impairment of assets, and certain other charges, as summarized below (references to "Notes" are to the notes to the accompanying consolidated financial statements):

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	(millions)			
Impairment of assets (see Note 7)	$ (14.4)	$ (2.2)	$ (21.7)	$ (13.3)
Restructuring and other charges (see Note 8)	(7.0)	(40.1)	(51.1)	(78.4)
Restructuring-related inventory charges (see Note 8)[(a)]	—	(3.1)	(1.0)	(3.1)
Total charges	$ (21.4)	$ (45.4)	$ (73.8)	$ (94.8)

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

- a one-time benefit of $134.1 million recorded within our income tax provision during the third quarter of Fiscal 2020 in connection with Swiss tax reform, which decreased our effective tax rate by 5,820 basis points and 2,180 basis points during the three-month and nine-month periods ended December 28, 2019, respectively. See Note 9 to the accompanying consolidated financial statements for further discussion; and

- TCJA enactment-related charges of $32.3 million and $27.6 million recorded within our income tax provision during the three-month and nine-month periods ended December 29, 2018, respectively, which increased our effective tax rate by 1,610 basis points and 500 basis points, respectively. See Note 9 to the accompanying consolidated financial statements for further discussion.

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. 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 "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

Three Months Ended December 28, 2019 Compared to Three Months Ended December 29, 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.

	Three Months Ended			
	December 28, 2019	December 29, 2018	$ Change	% / bps Change
	(millions, except per share data)			
Net revenues	$ 1,750.7	$ 1,725.8	$ 24.9	1.4%
Cost of goods sold	(661.6)	(666.3)	4.7	(0.7%)
Gross profit	1,089.1	1,059.5	29.6	2.8%
Gross profit as % of net revenues	*62.2%*	*61.4%*		*80 bps*
Selling, general, and administrative expenses	(843.3)	(823.4)	(19.9)	2.4%
SG&A expenses as % of net revenues	*48.2%*	*47.7%*		*50 bps*
Impairment of assets	(14.4)	(2.2)	(12.2)	545.8%
Restructuring and other charges	(7.0)	(40.1)	33.1	(82.5%)
Operating income	224.4	193.8	30.6	15.8%
Operating income as % of net revenues	*12.8%*	*11.2%*		*160 bps*
Interest expense	(4.2)	(5.2)	1.0	(18.9%)
Interest income	7.3	9.9	(2.6)	(26.9%)
Other income, net	2.9	1.0	1.9	186.3%
Income before income taxes	230.4	199.5	30.9	15.5%
Income tax benefit (provision)	103.7	(79.5)	183.2	NM
Effective tax rate[(a)]	*(45.1%)*	*39.8%*		*(8,490 bps)*
Net income	$ 334.1	$ 120.0	$ 214.1	178.5%
Net income per common share:				
Basic	$ 4.47	$ 1.50	$ 2.97	198.0%
Diluted	$ 4.41	$ 1.48	$ 2.93	198.0%

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

NM Not meaningful.

Net Revenues. Net revenues increased by $24.9 million, or 1.4%, to $1.751 billion during the three months ended December 28, 2019 as compared to the three months ended December 29, 2018, including net unfavorable foreign currency effects of $9.6 million. On a constant currency basis, net revenues increased by $34.5 million, or 2.0%.

The following table summarizes the percentage change in our consolidated comparable store sales for the three months ended December 28, 2019 as compared to the prior fiscal year period:

	% Change
Digital commerce comparable store sales	8%
Comparable store sales excluding digital commerce	1%
Total comparable store sales	2%

Our global average store count increased by 40 stores and concession shops during the three months ended December 28, 2019 compared with the three months ended December 29, 2018, largely driven by new openings in Asia and Europe. The following table details our retail store presence by segment as of the periods presented:

	December 28, 2019	December 29, 2018
Freestanding Stores:		
North America	232	227
Europe	94	87
Asia	130	111
Other non-reportable segments	76	76
Total freestanding stores	532	501
Concession Shops:		
North America	2	2
Europe	29	25
Asia	620	619
Other non-reportable segments	4	5
Total concession shops	655	651
Total stores	1,187	1,152

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 comparable prior fiscal year period, are provided below:

	Three Months Ended		$ Change	Foreign Exchange Impact	$ Change	% Change	
	December 28, 2019	December 29, 2018	As Reported		Constant Currency	As Reported	Constant Currency
			(millions)				
Net Revenues:							
North America	$ 910.6	$ 908.7	$ 1.9	$ —	$ 1.9	0.2%	0.2%
Europe	437.8	425.0	12.8	(10.3)	23.1	3.0%	5.4%
Asia	289.6	274.8	14.8	0.7	14.1	5.4%	5.1%
Other non-reportable segments	112.7	117.3	(4.6)	—	(4.6)	(3.8%)	(3.8%)
Total net revenues	$ 1,750.7	$ 1,725.8	$ 24.9	$ (9.6)	$ 34.5	1.4%	2.0%

North America net revenues — Net revenues increased slightly by $1.9 million, or 0.2%, during the three months ended December 28, 2019 as compared to the three months ended December 29, 2018, on both a reported and constant currency basis.

The $1.9 million net increase in North America net revenues was driven by:

- a $31.9 million net increase related to our North America retail business on both a reported and constant currency basis, reflecting increases of $22.4 million in comparable store sales and $9.5 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	6%
Comparable store sales excluding digital commerce	4%
Total comparable store sales	4%

This increase was largely offset by a $30.0 million net decrease related to our North America wholesale business, largely driven by weaker demand and the continued challenging department store traffic trends.

Europe net revenues — Net revenues increased by $12.8 million, or 3.0%, during the three months ended December 28, 2019 as compared to the three months ended December 29, 2018, including net unfavorable foreign currency effects of $10.3 million. On a constant currency basis, net revenues increased by $23.1 million, or 5.4%.

The $12.8 million net increase in Europe net revenues was driven by:

- an $8.5 million net increase related to our Europe retail business, inclusive of net unfavorable foreign currency effects of $5.0 million. On a constant currency basis, net revenues increased by $13.5 million driven by increases of $7.0 million in non-comparable store sales and $6.5 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	15%
Comparable store sales excluding digital commerce	2%
Total comparable store sales	3%

- a $4.3 million net increase related to our Europe wholesale business driven by stronger demand, partially offset by net unfavorable foreign currency effects of $5.3 million.

Asia net revenues — Net revenues increased by $14.8 million, or 5.4%, during the three months ended December 28, 2019 as compared to the three months ended December 29, 2018, including net favorable foreign currency effects of $0.7 million. On a constant currency basis, net revenues increased by $14.1 million, or 5.1%, despite the unfavorable impact of approximately 400 basis points related to ongoing protests in Hong Kong.

The $14.8 million net increase in Asia net revenues was driven by:

- a $12.7 million net increase related to our Asia retail business, inclusive of net favorable foreign currency effects of $0.7 million. On a constant currency basis, net revenues increased by $12.0 million, reflecting an increase of $14.3 million in non-comparable store sales, partially offset by a decrease of $2.3 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	36%
Comparable store sales excluding digital commerce	(2%)
Total comparable store sales	(1%)

  The decline in comparable store sales was primarily driven by Hong Kong. Excluding Hong Kong, comparable store sales were up 2% as compared to the prior fiscal year period.

- a $2.1 million net increase related to our Asia wholesale business.

Gross Profit. Gross profit increased by $29.6 million, or 2.8%, to $1.089 billion for the three months ended December 28, 2019. The increase in gross profit included a net unfavorable foreign currency effect of $6.6 million. Gross profit as a percentage of net revenues increased to 62.2% for the three months ended December 28, 2019 from 61.4% for the three months ended December 29, 2018. The 80 basis point increase was primarily driven by improved pricing and lower levels of promotional activity, as well as favorable geographic and channel mix.

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 period to period.

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 $19.9 million, or 2.4%, to $843.3 million for the three months ended December 28, 2019. This increase included a net favorable foreign currency effect of $5.7 million. SG&A expenses as a percentage of net revenues increased to 48.2% for the three months ended December 28, 2019 from 47.7% for the three months ended December 29, 2018. The 50 basis point increase was primarily due to our increased marketing investment 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).

The $19.9 million net increase in SG&A expenses was driven by:

	Three Months Ended December 28, 2019 Compared to Three Months Ended December 29, 2018	
	(millions)	
SG&A expense category:		
Marketing and advertising expenses	$	11.7
Compensation-related expenses		8.1
Consulting fees		4.7
Other		(4.6)
Total change in SG&A expenses	$	19.9

During the remainder of Fiscal 2020, we continue to expect to spend 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 the three-month periods ended December 28, 2019 and December 29, 2018, we recorded non-cash impairment charges of $14.4 million and $2.2 million, respectively, to write-down certain long-lived assets. See Note 7 to the accompanying consolidated financial statements.

Restructuring and Other Charges. During the three-month periods ended December 28, 2019 and December 29, 2018, we recorded restructuring charges of $4.0 million and $36.6 million, respectively, in connection with our restructuring plans, primarily consisting of severance and benefit costs, as well as a loss on sale of property during the prior fiscal year period. Additionally, during the three months ended December 28, 2019, we recorded other charges of $3.0 million related to rent and occupancy costs associated with certain previously exited real estate locations for which the related lease agreements have not yet expired. During the three months ended December 29, 2018, we recorded other charges of $3.5 million related to depreciation expense associated with our former Polo store at 711 Fifth Avenue in New York City. See Note 8 to the accompanying consolidated financial statements.

Operating Income. Operating income increased by $30.6 million, or 15.8%, to $224.4 million for the three months ended December 28, 2019. Our operating results during the three-month periods ended December 28, 2019 and December 29, 2018 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling $21.4 million and $45.4 million, respectively, as previously discussed. Operating income as a percentage of net revenues increased to 12.8% for the three months ended December 28, 2019 from 11.2% for the three months ended December 29, 2018. The 160 basis point increase was primarily driven by the increase in our gross margin and lower restructuring-related charges recorded as compared to the prior fiscal year period, partially offset by an 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 comparable prior fiscal year period, are provided below:

	Three Months Ended					
	December 28, 2019		December 29, 2018			
	Operating Income	Operating Margin	Operating Income	Operating Margin	$ Change	Margin Change
	(millions)		(millions)		(millions)	
Segment:						
North America	$ 202.7	22.3%	$ 204.3	22.5%	$ (1.6)	(20 bps)
Europe	111.9	25.6%	92.6	21.8%	19.3	380 bps
Asia	46.6	16.1%	47.9	17.4%	(1.3)	(130 bps)
Other non-reportable segments	29.5	26.2%	41.4	35.3%	(11.9)	(910 bps)
	390.7		386.2		4.5	
Unallocated corporate expenses	(159.3)		(152.3)		(7.0)	
Unallocated restructuring and other charges	(7.0)		(40.1)		33.1	
Total operating income	$ 224.4	12.8%	$ 193.8	11.2%	$ 30.6	160 bps

North America operating margin declined by 20 basis points, primarily due to the unfavorable impact of approximately 60 basis points related to our wholesale business, largely driven by an increase in SG&A expenses as a percentage of net revenues. Partially offsetting this decline in our operating margin was an approximate 30 basis point increase related to our retail business, largely driven by an increase in our gross margin. The remaining 10 basis point improvement was attributable to lower non-cash charges recorded in connection with our restructuring plans during the three months ended December 28, 2019 as compared to the prior fiscal year period.

Europe operating margin improved by 380 basis points, primarily due to the favorable impacts of approximately 180 basis points and 120 basis points related to our wholesale and retail businesses, respectively, both largely driven by an increase in our gross margin and a decline in SG&A expenses as a percentage of net revenues. The remaining 80 basis point improvement was attributable to lower non-cash charges recorded in connection with our restructuring plans during the three months ended December 28, 2019 as compared to the prior fiscal year period.

Asia operating margin declined by 130 basis points, primarily due to the unfavorable impact of approximately 80 basis points related to our retail business largely driven by the impact of ongoing protests in Hong Kong. Our operating margin also reflected the unfavorable impact of 80 basis points attributable to higher non-cash charges recorded in connection with our restructuring plans during the three months ended December 28, 2019 as compared to the prior fiscal year period. Partially offsetting these declines in our operating margin were favorable foreign currency effects of 20 basis points and an approximate 10 basis point improvement in our wholesale business.

Unallocated corporate expenses increased by $7.0 million to $159.3 million during the three months ended December 28, 2019. The increase in unallocated corporate expenses was due to higher impairment of asset charges of $2.7 million, lower intercompany sourcing commission income of $1.7 million (which is offset at the segment level and eliminates in consolidation), higher consulting fees of $1.6 million, and higher other expenses of $1.0 million.

Unallocated restructuring and other charges decreased by $33.1 million to $7.0 million during the three months ended December 28, 2019, as previously discussed above and in Note 8 to the accompanying consolidated financial statements.

Non-operating Income (Expense), Net. Non-operating income (expense), net is comprised of interest expense, interest income, and other income (expense), net, which includes foreign currency gains (losses), equity in income (losses) from our equity-method investees, and other non-operating expenses. During the three months ended December 28, 2019, we reported non-operating income, net, of $6.0 million, as compared to $5.7 million during the three months ended December 29, 2018.

Income Tax Benefit (Provision). The income tax benefit (provision) represents federal, foreign, state and local income taxes. The income tax benefit and effective tax rate for the three months ended December 28, 2019 were $103.7 million and (45.1%), respectively, as compared to an income tax provision and effective tax rate of $79.5 million and 39.8%, respectively, for the three months ended December 29, 2018. The $183.2 million improvement in our income tax provision was primarily driven by a one-time benefit of $134.1 million recorded during the third quarter of Fiscal 2020 in connection with Swiss tax reform, which lowered our effective tax rate by 5,820 basis points, as well as the absence of a $32.3 million TCJA enactment-related charge recorded during the prior fiscal year period, which negatively impacted our prior fiscal year period effective tax rate by 1,610 basis points. In addition to this combined 7,430 basis point improvement related to tax reform impacts, the decline in our effective tax rate also reflected the net favorable impact of 1,060 basis points primarily attributable to lower income tax reserves largely associated with the settlement of certain international income tax audits. 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. See Note 9 to the accompanying consolidated financial statements for discussion regarding Swiss tax reform and the TCJA.

Net Income. Net income increased to $334.1 million for the three months ended December 28, 2019, from $120.0 million for the three months ended December 29, 2018. The $214.1 million increase in net income was primarily due to the decrease in our income tax provision and the increase in our operating income, both as previously discussed. Net income during the three-month periods ended December 28, 2019 and December 29, 2018 reflected a one-time benefit of $134.1 million recorded in connection with Swiss tax reform and TCJA enactment-related charges of $32.3 million, respectively, both as previously discussed. Our operating results during the three-month periods ended December 28, 2019 and December 29, 2018 were also negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling $21.4 million and $45.4 million, respectively, which had an after-tax effect of reducing net income by $16.8 million and $35.7 million, respectively.

Net Income per Diluted Share. Net income per diluted share increased to $4.41 for the three months ended December 28, 2019, from $1.48 for the three months ended December 29, 2018. The $2.93 per share increase was due to the higher level of net income, as previously discussed, and lower weighted-average diluted shares outstanding during the three months ended December 28, 2019 driven by our share repurchases during the last twelve months. Net income per diluted share for the three-month periods ended December 28, 2019 and December 29, 2018 were favorably impacted by $1.77 per share as a result of a one-time benefit recorded in connection with Swiss tax reform and negatively impacted by $0.40 per share as a result of TCJA enactment-related charges, respectively, both as previously discussed. Net income per diluted share for the three-month periods ended December 28, 2019 and December 29, 2018 were also negatively impacted by $0.22 per share and $0.44 per share, respectively, as a result of restructuring-related charges, impairment of assets, and certain other charges, as previously discussed.

Nine Months Ended December 28, 2019 Compared to Nine Months Ended December 29, 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.

	Nine Months Ended			
	December 28, 2019	December 29, 2018	$ Change	% / bps Change
	(millions, except per share data)			
Net revenues	$ 4,885.7	$ 4,807.3	$ 78.4	1.6%
Cost of goods sold	(1,826.8)	(1,822.8)	(4.0)	0.2%
Gross profit	3,058.9	2,984.5	74.4	2.5%
Gross profit as % of net revenues	*62.6%*	*62.1%*		*50 bps*
Selling, general, and administrative expenses	(2,385.3)	(2,358.9)	(26.4)	1.1%
SG&A expenses as % of net revenues	*48.8%*	*49.1%*		*(30 bps)*
Impairment of assets	(21.7)	(13.3)	(8.4)	63.7%
Restructuring and other charges	(51.1)	(78.4)	27.3	(34.9%)
Operating income	600.8	533.9	66.9	12.5%
Operating income as % of net revenues	*12.3%*	*11.1%*		*120 bps*
Interest expense	(12.8)	(15.6)	2.8	(18.0%)
Interest income	28.5	29.5	(1.0)	(3.6%)
Other expense, net	(2.9)	(0.6)	(2.3)	403.6%
Income before income taxes	613.6	547.2	66.4	12.1%
Income tax benefit (provision)	19.7	(147.9)	167.6	NM
Effective tax rate[(a)]	*(3.2%)*	*27.0%*		*(3,020 bps)*
Net income	$ 633.3	$ 399.3	$ 234.0	58.6%
Net income per common share:				
Basic	$ 8.28	$ 4.92	$ 3.36	68.3%
Diluted	$ 8.13	$ 4.85	$ 3.28	67.6%

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

NM Not meaningful.

Net Revenues. Net revenues increased by $78.4 million, or 1.6%, to $4.886 billion during the nine months ended December 28, 2019 as compared to the nine months ended December 29, 2018, including net unfavorable foreign currency effects of $61.5 million. On a constant currency basis, net revenues increased by $139.9 million, or 2.9%.

The following table summarizes the percentage change in our consolidated comparable store sales for the nine months ended December 28, 2019 as compared to the prior fiscal year period:

	% Change
Digital commerce comparable store sales	6%
Comparable store sales excluding digital commerce	2%
Total comparable store sales	2%

Our global average store count increased by 47 stores and concession shops during the nine months ended December 28, 2019 compared with the nine months ended December 29, 2018, largely driven by new openings in Asia and Europe.

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

	Nine Months Ended		$ Change	Foreign Exchange Impact	$ Change	% Change	
	December 28, 2019	December 29, 2018	As Reported		Constant Currency	As Reported	Constant Currency
	(millions)						
Net Revenues:							
North America	$ 2,511.2	$ 2,494.5	$ 16.7	$ (1.4)	$ 18.1	0.7%	0.7%
Europe	1,278.8	1,245.0	33.8	(51.2)	85.0	2.7%	6.8%
Asia	803.5	767.5	36.0	(8.6)	44.6	4.7%	5.8%
Other non-reportable segments	292.2	300.3	(8.1)	(0.3)	(7.8)	(2.7%)	(2.5%)
Total net revenues	$ 4,885.7	$ 4,807.3	$ 78.4	$ (61.5)	$ 139.9	1.6%	2.9%

North America net revenues — Net revenues increased by $16.7 million, or 0.7%, during the nine months ended December 28, 2019 as compared to the nine months ended December 29, 2018, including net unfavorable foreign currency effects of $1.4 million. On a constant currency basis, net revenues increased by $18.1 million, or 0.7%.

The $16.7 million net increase in North America net revenues was driven by:

- a $70.0 million net increase related to our North America retail business, inclusive of net unfavorable foreign currency effects of $0.7 million. On a constant currency basis, net revenues increased by $70.7 million driven by increases of $39.2 million in non-comparable store sales and $31.5 million in 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	3%
Comparable store sales excluding digital commerce	2%
Total comparable store sales	2%

This increase was largely offset by a $53.3 million decrease related to our North America wholesale business, largely driven by weaker demand and the continued challenging department store traffic trends.

Europe net revenues — Net revenues increased by $33.8 million, or 2.7%, during the nine months ended December 28, 2019 as compared to the nine months ended December 29, 2018, including net unfavorable foreign currency effects of $51.2 million. On a constant currency basis, net revenues increased by $85.0 million, or 6.8%.

The $33.8 million net increase in Europe net revenues was driven by:

- a $25.4 million net increase related to our Europe retail business, inclusive of net unfavorable foreign currency effects of $26.6 million. On a constant currency basis, net revenues increased by $52.0 million driven by increases of $31.4 million in non-comparable store sales and $20.6 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	16%
Comparable store sales excluding digital commerce	2%
Total comparable store sales	3%

- an $8.4 million increase related to our Europe wholesale business driven by stronger demand, partially offset by net unfavorable foreign currency effects of $24.6 million.

Asia net revenues — Net revenues increased by $36.0 million, or 4.7%, during the nine months ended December 28, 2019 as compared to the nine months ended December 29, 2018, including net unfavorable foreign currency effects of $8.6 million. On a constant currency basis, net revenues increased by $44.6 million, or 5.8%, despite the unfavorable impact of approximately 200 basis points related to ongoing protests in Hong Kong.

The $36.0 million net increase in Asia net revenues was driven by:

- a $34.5 million net increase related to our Asia retail business, inclusive of net unfavorable foreign currency effects of $8.1 million. On a constant currency basis, net revenues increased by $42.6 million, reflecting increases of $32.6 million in non-comparable store sales and $10.0 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	25%
Comparable store sales excluding digital commerce	1%
Total comparable store sales	2%

  The increase in comparable store sales reflected the impact of Hong Kong. Excluding Hong Kong, comparable store sales were up 4% as compared to the prior fiscal year period.

- a $1.5 million net increase related to our Asia wholesale business.

Gross Profit. Gross profit increased by $74.4 million, or 2.5%, to $3.059 billion for the nine months ended December 28, 2019. The increase in gross profit included a net unfavorable foreign currency effect of $41.3 million. Gross profit as a percentage of net revenues increased to 62.6% for the nine months ended December 28, 2019 from 62.1% for the nine months ended December 29, 2018. The 50 basis point increase was primarily driven by favorable geographic, channel, and product mix, improved pricing, and lower levels of promotional activity, partially offset by higher inventory reserves.

Selling, General, and Administrative Expenses. SG&A expenses increased by $26.4 million, or 1.1%, to $2.385 billion for the nine months ended December 28, 2019. This increase included a net favorable foreign currency effect of $28.0 million. SG&A expenses as a percentage of net revenues declined to 48.8% for the nine months ended December 28, 2019 from 49.1% for the nine months ended December 29, 2018. The 30 basis point decline was primarily due to a decrease in corporate expenses and operating leverage on higher net revenues, partially offset by our increased marketing investment 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).

The $26.4 million net increase in SG&A expenses was driven by:

	Nine Months Ended December 28, 2019 Compared to Nine Months Ended December 29, 2018
	(millions)
SG&A expense category:	
Compensation-related expenses	$ 13.3
Marketing and advertising expenses	12.4
Selling-related expenses	5.1
Other	(4.4)
Total change in SG&A expenses	$ 26.4

Impairment of Assets. During the nine-month periods ended December 28, 2019 and December 29, 2018, we recorded non-cash impairment charges of $21.7 million and $13.3 million, respectively, to write-down certain long-lived assets. See Note 7 to the accompanying consolidated financial statements.

Restructuring and Other Charges. During the nine-month periods ended December 28, 2019 and December 29, 2018, we recorded restructuring charges of $24.1 million and $63.7 million, respectively, in connection with our restructuring plans, primarily consisting of severance and benefit costs, as well as a loss on sale of property during the prior fiscal year period. Additionally, during the nine months ended December 28, 2019, we recorded other charges of $27.0 million primarily related to the charitable donation of the net cash proceeds received from the sale of our corporate jet, and rent and occupancy costs associated with certain previously exited real estate locations for which the related lease agreements have not yet expired. During the nine months ended December 29, 2018, we recorded other charges of $14.7 million primarily related to depreciation expense associated with our former Polo store at 711 Fifth Avenue and a customs audit. See Note 8 to the accompanying consolidated financial statements.

Operating Income. Operating income increased by $66.9 million, or 12.5%, to $600.8 million for the nine months ended December 28, 2019. Our operating results during the nine-month periods ended December 28, 2019 and December 29, 2018 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling $73.8 million and $94.8 million, respectively, as previously discussed. The increase in operating income also included a net unfavorable foreign currency effect of $13.3 million. Operating income as a percentage of net revenues increased to 12.3% for the nine months ended December 28, 2019 from 11.1% for the nine months ended December 29, 2018. The 120 basis point increase was primarily driven by the increase in our gross margin and the decline in SG&A expenses as a percentage of net revenues, as well as lower restructuring-related charges recorded as compared to the prior fiscal year period, 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 comparable prior fiscal year period, are provided below:

	Nine Months Ended					
	December 28, 2019		December 29, 2018			
	Operating Income	Operating Margin	Operating Income	Operating Margin	$ Change	Margin Change
	(millions)		(millions)		(millions)	
Segment:						
North America	$ 560.5	22.3%	$ 574.0	23.0%	$ (13.5)	(70 bps)
Europe	331.9	26.0%	294.2	23.6%	37.7	240 bps
Asia	135.6	16.9%	123.3	16.1%	12.3	80 bps
Other non-reportable segments	85.2	29.2%	95.6	31.9%	(10.4)	(270 bps)
	1,113.2		1,087.1		26.1	
Unallocated corporate expenses	(461.3)		(474.8)		13.5	
Unallocated restructuring and other charges	(51.1)		(78.4)		27.3	
Total operating income	$ 600.8	12.3%	$ 533.9	11.1%	$ 66.9	120 bps

North America operating margin declined by 70 basis points, primarily due to the unfavorable impact of approximately 60 basis points related to our wholesale business, largely driven by a decline in our gross margin and an increase in SG&A expenses as a percentage of net revenues. The remaining 10 basis point decline was primarily attributable to our retail business, largely driven by an increase in SG&A expenses as a percentage of net revenues.

Europe operating margin improved by 240 basis points, primarily due to the favorable impact of approximately 160 basis points related to our retail business, largely driven by an increase in our gross margin and a decline in SG&A expenses as a percentage of net revenues. The increase in operating margin also reflected the favorable impacts of approximately 30 basis points related to our wholesale business, largely driven by a decline in SG&A expenses as a percentage of net revenues, and 40 basis points attributable to lower non-cash charges recorded in connection with our restructuring plans during the nine months ended December 28, 2019 as compared to the prior fiscal year period. The remaining 10 basis point improvement was related to foreign currency effects.

Asia operating margin improved by 80 basis points, primarily due to the favorable impact of approximately 70 basis points related to our retail business despite the impact of ongoing protests in Hong Kong, largely driven by an increase in our gross margin, partially offset by an increase in SG&A expenses as a percentage of net revenues. The remaining 10 basis point improvement was attributable to our wholesale business, largely driven by an increase in our gross margin.

Unallocated corporate expenses decreased by $13.5 million to $461.3 million during the nine months ended December 28, 2019. The decline in unallocated corporate expenses was due to lower compensation-related expenses of $20.3 million, lower consulting fees of $5.0 million, and lower marketing and advertising expenses of $4.7 million, partially offset by lower intercompany sourcing commission income of $8.1 million (which is offset at the segment level and eliminates in consolidation), higher impairment of asset charges of $5.9 million, and higher other expenses of $2.5 million.

Unallocated restructuring and other charges decreased by $27.3 million to $51.1 million during the nine months ended December 28, 2019, as previously discussed above and in Note 8 to the accompanying consolidated financial statements.

Non-operating Income (Expense), Net. During the nine months ended December 28, 2019, we reported non-operating income, net, of $12.8 million, as compared to $13.3 million during the nine months ended December 29, 2018.

Income Tax Benefit (Provision). The income tax benefit and effective tax rate for the nine months ended December 28, 2019 were $19.7 million and (3.2%), respectively, as compared to an income tax provision and effective tax rate of $147.9 million and 27.0%, respectively, for the nine months ended December 29, 2018. The $167.6 million improvement in our income tax provision was primarily driven by a one-time benefit of $134.1 million recorded during the third quarter of Fiscal 2020 in connection with Swiss tax reform, which lowered our effective tax rate by 2,180 basis points, as well as the absence of a $27.6 million TCJA enactment-related charge recorded during the prior fiscal year period, which negatively impacted our prior fiscal year period effective tax rate by 500 basis points. In addition to this combined 2,680 basis point improvement related to tax reform impacts, the decline in our effective tax rate also reflected the net favorable impact of 340 basis points primarily attributable to lower income tax reserves largely associated with the settlement of certain international income tax audits. See Note 9 to the accompanying consolidated financial statements for discussion regarding Swiss tax reform and the TCJA.

Net Income. Net income increased to $633.3 million for the nine months ended December 28, 2019, from $399.3 million for the nine months ended December 29, 2018. The $234.0 million increase in net income was primarily due to the decrease in our income tax provision and the increase in operating income, both as previously discussed. Net income during the nine months ended December 28, 2019 and December 29, 2018 reflected a one-time benefit of $134.1 million recorded in connection with Swiss tax reform and TCJA enactment-related charges of $27.6 million, respectively, both as previously discussed. Our operating results during the nine months ended December 28, 2019 and December 29, 2018 were also negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling $73.8 million and $94.8 million, respectively, which had an after-tax effect of reducing net income by $57.5 million and $75.2 million, respectively.

Net Income per Diluted Share. Net income per diluted share increased to $8.13 for the nine months ended December 28, 2019, from $4.85 for the nine months ended December 29, 2018. The $3.28 per share increase was due to the higher level of net income, as previously discussed, and lower weighted-average diluted shares outstanding during the nine months ended December 28, 2019 driven by our share repurchases during the last twelve months. Net income per diluted share for the nine-month periods ended ended December 28, 2019 and December 29, 2018 were favorably impacted by $1.72 per share as a result of a one-time benefit recorded in connection with Swiss tax reform and negatively impacted by $0.34 per share as a result of TCJA enactment-related charges, respectively, both as previously discussed. Net income per diluted share for the nine-month periods ended December 28, 2019 and December 29, 2018 were also negatively impacted by $0.74 per share and $0.91 per share, respectively, as a result of restructuring-related charges, impairment of assets, and certain other charges, as previously discussed.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

The following table presents our financial condition as of December 28, 2019 and March 30, 2019:

	December 28, 2019	March 30, 2019	$ Change
		(millions)	
Cash and cash equivalents	$ 1,079.9	$ 584.1	$ 495.8
Short-term investments	828.5	1,403.4	(574.9)
Non-current investments[(a)]	—	44.9	(44.9)
Current portion of long-term debt[(b)]	(298.1)	—	(298.1)
Long-term debt[(b)]	(396.3)	(689.1)	292.8
Net cash and investments[(c)]	$ 1,214.0	$ 1,343.3	$ (129.3)
Equity	$ 3,116.5	$ 3,287.2	$ (170.7)

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

(b) See Note 10 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 December 28, 2019 as compared to March 30, 2019 was primarily due to our use of cash to support Class A common stock repurchases of $542.1 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through $216.0 million in capital expenditures, and to make dividend payments of $153.2 million, partially offset by our operating cash flows of $748.0 million.

The decrease in equity was primarily attributable to our share repurchase activity, cumulative adjustments from our adoption of new accounting standards, and dividends declared, partially offset by our comprehensive income and the impact of stock-based compensation arrangements during the nine months ended December 28, 2019.

Cash Flows

The following table details our cash flows for the nine-month periods ended December 28, 2019 and December 29, 2018:

	Nine Months Ended		
	December 28, 2019	December 29, 2018	$ Change
		(millions)	
Net cash provided by operating activities	$ 748.0	$ 683.1	$ 64.9
Net cash provided by (used in) investing activities	425.9	(810.1)	1,236.0
Net cash used in financing activities	(706.8)	(481.1)	(225.7)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(4.2)	(23.9)	19.7
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 462.9	$ (632.0)	$ 1,094.9

Net Cash Provided by Operating Activities. Net cash provided by operating activities increased to $748.0 million during the nine months ended December 28, 2019, as compared to $683.1 million during the nine months ended December 29, 2018. The $64.9 million net increase in cash provided by operating activities was due to an increase in net income before non-cash charges and a net favorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year period. The net favorable change related to our operating assets and liabilities, including our working capital, was primarily driven by:

- a favorable change related to our inventory due to the timing of inventory receipts; and
- a favorable change related to our prepaid and other current assets, largely driven by the timing of cash payments.

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

- an unfavorable change related to our income tax payable, largely as a result of the absence of charges recorded during the prior fiscal year period in connection with the TCJA's mandatory transition tax; and
- an unfavorable change related to our accounts receivable, largely driven by the timing of cash receipts.

Net Cash Provided by (Used in) Investing Activities. Net cash provided by investing activities was $425.9 million during the nine months ended December 28, 2019, as compared to net cash used in investing activities of $810.1 million during the nine months ended December 29, 2018. The $1.236 billion net increase in cash provided by investing activities was primarily driven by:

- a $1.273 billion increase in proceeds from sales and maturities of investments, less purchases of investments. During the nine months ended December 28, 2019, we received net proceeds from sales and maturities of investments of $620.2 million, as compared to making net investment purchases of $652.6 million during the nine months ended December 29, 2018; and

- a $23.8 million decrease in payments to settle net investment hedges.

These increases in cash provided by investing activities were partially offset by:

- a $66.8 million increase in capital expenditures. During the nine months ended December 28, 2019, we spent $216.0 million on capital expenditures, as compared to $149.2 million during the nine months ended December 29, 2018. Our capital expenditures during the nine months ended December 28, 2019 primarily related to new store openings, retail and department store renovations, enhancements to our information technology systems, and the consolidation of our corporate office footprint.

Net Cash Used in Financing Activities. Net cash used in financing activities was $706.8 million during the nine months ended December 28, 2019, as compared to $481.1 million during the nine months ended December 29, 2018. The $225.7 million net increase in cash used in financing activities was primarily driven by:

- a $110.2 million increase in cash used to repurchase shares of our Class A common stock. During the nine months ended December 28, 2019, we used $498.3 million to repurchase shares of Class A common stock pursuant to our common stock repurchase program, and an additional $43.8 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 the nine months ended December 29, 2018, we used $400.0 million to repurchase shares of Class A common stock pursuant to our common stock repurchase program, and an additional $31.9 million in shares of Class A common stock were surrendered or withheld for taxes;

- an $88.2 million increase in cash proceeds from the issuance of debt, less debt repayments. During the nine months ended December 28, 2019, we did not issue or repay any debt. On a comparative basis, during the nine months ended December 29, 2018, 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 the nine months ended December 29, 2018, we repaid $9.9 million of borrowings previously outstanding under our credit facilities;

- a $21.8 million decrease in proceeds from exercise of stock options; and

- an $11.6 million increase in payments of dividends, driven by an increase to the quarterly cash dividend per share. Dividends paid amounted to $153.2 million and $141.6 million during the nine-month periods ended December 28, 2019 and December 29, 2018, respectively.

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 the nine months ended December 28, 2019, we generated $748.0 million of net cash flows from our operations. As of December 28, 2019, we had $1.908 billion in cash, cash equivalents, and short-term investments, of which $747.4 million were held by our subsidiaries domiciled outside the U.S. We are not dependent on foreign cash to fund our domestic operations. Undistributed foreign earnings that were subject to the TCJA's one-time mandatory transition tax as of December 31, 2017 are not considered to be permanently reinvested and may be repatriated to the U.S. in the future with minimal or no additional U.S. taxation. We intend to permanently reinvest undistributed foreign earnings generated after December 31, 2017 that were not subject to the one-time mandatory transition tax. 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 December 28, 2019:

	December 28, 2019		
Description[a]	**Total Availability**	**Borrowings Outstanding**	**Remaining Availability**
		(millions)	
Global Credit Facility and Commercial Paper Program[b]	$ 500	$ 9 [c]	$ 491
Pan-Asia Credit Facilities	33	—	33

(a) As defined in Note 10 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 December 28, 2019.

We believe that our Global Credit Facility is adequately diversified with no undue concentration in any one financial institution. In particular, as of December 28, 2019, there were eight 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 10 to the accompanying consolidated financial statements and Note 11 of the Fiscal 2019 10-K for detailed disclosure of the terms and conditions of our credit facilities.

Common Stock Repurchase Program

On May 13, 2019, our Board of Directors approved an expansion of our existing common stock repurchase program that allows us to repurchase up to an additional $600 million of Class A Common stock. As of December 28, 2019, the remaining availability under our Class A common stock repurchase program was approximately $732 million. 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 May 13, 2019 our Board of Directors approved an 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 10 to the accompanying consolidated financial statements. As of December 28, 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 10 to the accompanying consolidated financial statements and Note 11 of the Fiscal 2019 10-K for additional information relating to our debt and covenant compliance.

Contractual and Other Obligations

There have been no material changes to our contractual and other obligations as disclosed in our Fiscal 2019 10-K, other than those which occur in the ordinary course of business. Refer to the "*Financial Condition and Liquidity — Contractual and Other Obligations*" section of the MD&A in our Fiscal 2019 10-K for detailed disclosure of our contractual and other obligations as of March 30, 2019.

MARKET RISK MANAGEMENT

As discussed in Note 13 of the Fiscal 2019 10-K and Note 12 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 further mitigate credit risk. 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 December 28, 2019. However, we do have in aggregate $31.9 million of derivative instruments in net asset positions with eight 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. See Note 12 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 December 28, 2019.

Forward Foreign Currency Exchange Contracts

We enter into forward foreign currency exchange contracts as hedges to mitigate 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 Chinese Renminbi, 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.

Cross-Currency Swap Contracts

During our fiscal year ended April 2, 2016 ("Fiscal 2016"), we entered into a pay-floating rate, receive-floating rate cross-currency swap with a notional amount of €274 million which we designated as a hedge of our net investment in certain of our European subsidiaries. This cross-currency swap, which matures on August 18, 2020, swaps 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 2.625% 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 2.625% 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.

See Note 3 to the accompanying consolidated financial statements for further discussion of our foreign currency exposures, and the types of derivative instruments used to hedge those exposures.

Interest Rate Risk Management

During Fiscal 2016, we entered into a pay-floating rate, receive-fixed rate interest rate swap contract which we designated as a hedge against changes in the fair value of our fixed-rate 2.625% Senior Notes attributed to changes in the benchmark interest rate (the "2.625% Interest Rate Swap"). The 2.625% Interest Rate Swap, which matures on August 18, 2020 and 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.

Investment Risk Management

As of December 28, 2019, we had cash and cash equivalents on-hand of $1.080 billion, consisting of deposits in interest bearing accounts, investments in money market deposit accounts, and investments in time deposits with original maturities of 90 days or less. Our other significant investments included $828.5 million of short-term investments, consisting of investments in time deposits and commercial paper with original maturities greater than 90 days; and $9.5 million of restricted cash held in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters and real estate leases.

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 12 to the accompanying consolidated financial statements for further detail of the composition of our investment portfolio as of December 28, 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 periods presented.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 3 of the Fiscal 2019 10-K. 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. For a complete discussion of our critical accounting policies, refer to the "*Critical Accounting Policies*" section of the MD&A in our Fiscal 2019 10-K.

There have been no significant changes in the application of our critical accounting policies since March 30, 2019, other than those related to our adoption of Accounting Standards Update ("ASU") No. 2016-02, "Leases" ("ASU 2016-02") as of the beginning of the first quarter of Fiscal 2020, as described in Note 3 to the accompanying consolidated financial statements.

Goodwill Impairment Assessment

We performed our annual goodwill impairment assessment using a qualitative approach as of the beginning of the second quarter of Fiscal 2020. In performing the assessment, we identified and considered the significance of relevant key factors, events, and circumstances that affected the fair values and/or carrying amounts of our 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 our actual and expected financial performance. Additionally, the results of our 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 our qualitative goodwill impairment assessment, we concluded that it is not more likely than not that the fair values of our reporting units are less than their respective carrying values, and there were no reporting units at risk of impairment.

RECENTLY ISSUED ACCOUNTING STANDARDS

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

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

For a discussion of the Company's exposure to market risk, see "*Market Risk Management*" presented in Part I, Item 2 — MD&A of this Form 10-Q and incorporated herein by reference.

Item 4. *Controls and Procedures.*

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

We carried out an evaluation based on criteria established in the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) under the supervision and with the participation of management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. 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 December 28, 2019. Except as discussed below, there has been no change in the Company's internal control over financial reporting during the fiscal quarter ended December 28, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Leases

In connection with our adoption of ASU 2016-02 as of the beginning of the first quarter of Fiscal 2020, changes were made to certain lease-related processes and control activities, including information systems, in order to monitor and maintain appropriate controls over financial reporting. Management will continue to evaluate and monitor our internal controls as our lease-related processes and procedures evolve. See Note 4 to the accompanying consolidated financial statements for additional discussion regarding our adoption of ASU 2016-02.

Implementation and Reconfiguration of Financial Reporting Systems

In connection with our initiative to integrate and upgrade our global systems and processes, we migrated our Asia operations to a new financial reporting information technology system, Microsoft AX Dynamics 365, during the first quarter of Fiscal 2020. In addition to this system implementation, during the first quarter of Fiscal 2020, we began reconfiguring the financial reporting information technology system used by our Europe operations, SAP, in order to utilize enhanced financial reporting functionality.

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*" in the Fiscal 2019 10-K.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings.*

Reference is made to the information disclosed under Item 3 — "*Legal Proceedings*" in the Fiscal 2019 10-K.

Item 1A. *Risk Factors.*

Reference is made to the information disclosed under Part I, Item 1A — "*Risk Factors*" in the Fiscal 2019 10-K, which contains a detailed discussion of certain risk factors that could materially adversely affect the Company's business, operating results, and/or financial condition. There are no material changes to the risk factors previously disclosed, nor has the Company identified any previously undisclosed risks that could materially adversely affect the Company's business, operating results, and/or financial condition.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds.*

(a) Sales of Unregistered Securities

Shares of the Company's 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 the Company's Class B common stock were converted into Class A common stock during the fiscal quarter ended December 28, 2019.

(b) Not Applicable

(c) Stock Repurchases

The following table sets forth the repurchases of shares of the Company's Class A common stock during the three months ended December 28, 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[(a)]
				(millions)
September 29, 2019 to October 26, 2019	—	$ —	—	$ 830
October 27, 2019 to November 30, 2019	882,061	111.47	882,061	732
December 1, 2019 to December 28, 2019	5,675 [(b)]	118.24	—	732
	887,736		882,061	

(a) Repurchases of shares of Class A common stock are subject to overall business and market conditions.

(b) Represents 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.

Item 6. ***Exhibits.***

3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1/A (File No. 333-24733) filed June 10, 1997).
3.2	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).
3.3	Fourth Amended and Restated By-Laws of the Company (filed as Exhibit 3.3 to the Form 10-Q filed August 10, 2017).
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.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RALPH LAUREN CORPORATION

By: /s/ JANE HAMILTON NIELSEN

Jane Hamilton Nielsen

Chief Operating Officer and Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: February 6, 2020

EXHIBIT 31.1

CERTIFICATION

I, Patrice Louvet, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 6, 2020

EXHIBIT 31.2

CERTIFICATION

I, Jane Hamilton Nielsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 6, 2020

EXHIBIT 32.1

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 Quarterly Report of Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended December 28, 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: February 6, 2020

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.

EXHIBIT 32.2

**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 Quarterly Report of Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended December 28, 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: February 6, 2020

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.