PVH CORP. /DE/
Form 10-Q
June 05, 2017

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 30, 2017

OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-07572
PVH CORP.
(Exact name of registrant as specified in its charter)

Delaware	13-1166910
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Madison Avenue, New York, New York	10016
(Address of principal executive offices)	(Zip Code)

(212) 381-3500
(Registrant’s telephone number, including area code)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

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. o

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

The number of outstanding shares of common stock, par value $1.00 per share, of the registrant as of May 30, 2017 was 77,845,986.

PVH CORP.
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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Quarterly Report on Form 10-Q, including, without limitation, statements relating to our future revenue, earnings and cash flows, plans, strategies, objectives, expectations and intentions are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) we may be considered to be highly leveraged and we use a significant portion of our cash flows to service our indebtedness, as a result of which we might not have sufficient funds to operate our businesses in the manner we intend or have operated in the past; (iii) the levels of sales of our apparel, footwear and related products, both to our wholesale customers and in our retail stores, the levels of sales of our licensees at wholesale and retail, and the extent of discounts and promotional pricing in which we and our licensees and other business partners are required to engage, all of which can be affected by weather conditions, changes in the economy, fuel prices, reductions in travel, fashion trends, consolidations, repositionings and bankruptcies in the retail industries, repositionings of brands by our licensors and other factors; (iv) our ability to manage our growth and inventory, including our ability to realize benefits from acquisitions; (v) quota restrictions and the imposition of safeguard controls (which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and technical expertise needed); (vi) the availability and cost of raw materials; (vii) our ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where our products can best be produced); (viii) changes in available factory and shipping capacity, wage and shipping cost escalation, civil conflict, war or terrorist acts, the threat of any of the foregoing, or political and labor instability in any of the countries where our or our licensees' or other business partners' products are sold, produced or are planned to be sold or produced; (ix) disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas, as well as reduced consumer traffic and purchasing, as consumers become ill or limit or cease shopping in order to avoid exposure; (x) acquisitions and divestitures and issues arising with acquisitions, divestitures and proposed transactions, including, without limitation, the ability to integrate an acquired entity or business into us with no substantial adverse effect on the acquired entity's, the acquired business's or our existing operations, employee relationships, vendor relationships, customer relationships or financial performance, and the disposal of the net assets of a divested entity; (xi) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands; (xii) significant fluctuations of the United States dollar against foreign currencies in which we transact significant levels of business; (xiii) our retirement plan expenses recorded throughout the year are calculated using actuarial valuations that incorporate assumptions and estimates about financial market, economic and demographic conditions, and differences between estimated and actual results give rise to gains and losses that are recorded immediately in earnings, generally in the fourth quarter of the year; and (xiv) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

We do not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimate regarding revenue, earnings or cash flows, whether as a result of the receipt of new information, future events or otherwise.

PART I -- FINANCIAL INFORMATION

Item 1 - Financial Statements

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

PVH Corp.
Consolidated Income Statements
Unaudited
(In millions, except per share data)

	Thirteen Weeks Ended	
	April 30, 2017	May 1, 2016
Net sales	$1,875.0	$1,817.7
Royalty revenue	87.3	77.1
Advertising and other revenue	26.7	23.0
Total revenue	1,989.0	1,917.8
Cost of goods sold (exclusive of depreciation and amortization)	908.2	910.9
Gross profit	1,080.8	1,006.9
Selling, general and administrative expenses	968.0	865.2
Gain to write-up equity investment in joint venture to fair value	—	153.1
Equity in net income (loss) of unconsolidated affiliates	0.4	(0.2)
Income before interest and taxes	113.2	294.6
Interest expense	30.4	29.9
Interest income	1.7	0.9
Income before taxes	84.5	265.6
Income tax expense	14.4	34.0
Net income	70.1	231.6
Less: Net loss attributable to redeemable non-controlling interest	(0.3)	—
Net income attributable to PVH Corp.	$70.4	$231.6
Basic net income per common share attributable to PVH Corp.	$0.90	$2.85
Diluted net income per common share attributable to PVH Corp.	$0.89	$2.83
Dividends declared per common share	$0.0750	$0.0750

See accompanying notes.

PVH Corp.
Consolidated Statements of Comprehensive Income
Unaudited
(In millions)

	Thirteen Weeks Ended	
	April 30, 2017	May 1, 2016
Net income	$70.1	$231.6
Other comprehensive income (loss):		
Foreign currency translation adjustments	76.3	184.2
Net unrealized and realized loss related to effective cash flow hedges, net of tax expense (benefit) of $2.5 and $(5.9)	(11.6)	(54.9)
Net loss on net investment hedge, net of tax benefit of $3.3 in the first quarter of 2017	(5.3)	—
Total other comprehensive income	59.4	129.3
Comprehensive income	129.5	360.9
Less: Comprehensive loss attributable to redeemable non-controlling interest	(0.3)	—
Comprehensive income attributable to PVH Corp.	$129.8	$360.9

See accompanying notes.

PVH Corp.
Consolidated Balance Sheets
(In millions, except share and per share data)

	April 30, 2017 UNAUDITED	January 29, 2017 AUDITED	May 1, 2016 UNAUDITED
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 490.9	$730.1	$ 365.1
Trade receivables, net of allowances for doubtful accounts of $17.7, $15.0 and $21.1	688.1	616.0	661.5
Other receivables	24.4	25.4	22.8
Inventories, net	1,253.8	1,317.9	1,281.4
Prepaid expenses	150.1	133.2	154.5
Other	47.9	57.0	42.9
Total Current Assets	2,655.2	2,879.6	2,528.2
Property, Plant and Equipment, net	751.6	759.9	749.9
Goodwill	3,545.4	3,469.9	3,572.3
Tradenames	2,803.4	2,783.4	2,841.2
Other Intangibles, net	814.6	826.6	967.5
Other Assets, including deferred taxes of $17.2, $17.4 and $17.1	342.1	348.5	226.0
Total Assets	$ 10,912.3	$11,067.9	$ 10,885.1
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$ 546.7	$682.6	$ 497.7
Accrued expenses	760.8	832.4	706.2
Deferred revenue	28.2	30.7	23.3
Short-term borrowings	42.5	19.1	41.0
Current portion of long-term debt	—	—	126.7
Total Current Liabilities	1,378.2	1,564.8	1,394.9
Long-Term Debt	3,157.1	3,197.3	2,991.6
Other Liabilities, including deferred taxes of $846.8, $877.7 and $880.1	1,498.6	1,499.3	1,636.3
Redeemable Non-Controlling Interest	3.4	2.0	—
Stockholders' Equity:			
Preferred stock, par value $100 per share; 150,000 total shares authorized	—	—	—
Common stock, par value $1 per share; 240,000,000 shares authorized; 84,070,992; 83,923,184 and 83,665,468 shares issued	84.1	83.9	83.6
Additional paid in capital - common stock	2,878.0	2,866.2	2,832.9
Retained earnings	3,161.7	3,098.0	2,786.6
Accumulated other comprehensive loss	(651.4)	(710.8)	(574.9)
Less: 6,052,199; 5,371,660 and 2,680,402 shares of common stock held in treasury, at cost	(597.4)	(532.8)	(265.9)
Total Stockholders' Equity	4,875.0	4,804.5	4,862.3
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	$ 10,912.3	$11,067.9	$ 10,885.1

See accompanying notes.

PVH Corp.
Consolidated Statements of Cash Flows
Unaudited
(In millions)

	Thirteen Weeks Ended	
	April 30, 2017	May 1, 2016
OPERATING ACTIVITIES		
Net income	$70.1	$231.6
Adjustments to reconcile to net cash (used) provided by operating activities:		
Depreciation and amortization	77.2	70.6
Equity in net (income) loss of unconsolidated affiliates	(0.4)	0.2
Deferred taxes	(34.2)	0.5
Stock-based compensation expense	8.7	10.3
Settlement loss on retirement plans	9.4	—
Gain to write-up equity investment in joint venture to fair value	—	(153.1)
Changes in operating assets and liabilities:		
Trade receivables, net	(67.7)	12.7
Inventories, net	72.6	90.1
Accounts payable, accrued expenses and deferred revenue	(197.9)	(174.0)
Prepaid expenses	(15.7)	2.6
Other, net	33.0	17.8
Net cash (used) provided by operating activities	(44.9)	109.3
INVESTING ACTIVITIES[1]		
Business acquisitions, net of cash acquired	(28.1)	(158.0)
Purchase of property, plant and equipment	(68.4)	(45.9)
Contingent purchase price payments	(12.5)	(12.8)
Investments in unconsolidated affiliates	(1.2)	(1.5)
Payment received on advance to unconsolidated affiliate	6.3	—
Net cash used by investing activities	(103.9)	(218.2)
FINANCING ACTIVITIES[1]		
Net proceeds from short-term borrowings	23.4	15.1
Repayment of 2016/2014 facilities	(50.0)	(51.9)
Net proceeds from settlement of awards under stock plans	2.3	0.8
Cash dividends	(5.9)	(6.2)
Acquisition of treasury shares	(64.6)	(53.0)
Payments of capital lease obligations	(1.2)	(2.0)
Contributions from non-controlling interest	1.7	—
Net cash used by financing activities	(94.3)	(97.2)
Effect of exchange rate changes on cash and cash equivalents	3.9	14.8
Decrease in cash and cash equivalents	(239.2)	(191.3)
Cash and cash equivalents at beginning of period	730.1	556.4
Cash and cash equivalents at end of period	$490.9	$365.1

[1] See Note 17 for information on Noncash Investing and Financing Transactions.

See accompanying notes.

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PVH CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

PVH Corp. and its consolidated subsidiaries (collectively, the "Company") constitute a global apparel company whose brand portfolio consists of nationally and internationally recognized brand names, including CALVIN KLEIN, Tommy Hilfiger, Van Heusen, IZOD, ARROW, Warner's, Olga and, as of March 30, 2017, True&Co., which are owned, and Speedo, which is licensed, as well as various other owned, licensed and private label brands. The Company designs and markets branded dress shirts, neckwear, sportswear, jeanswear, performance apparel, intimate apparel, underwear, swim products, handbags, accessories, footwear and other related products and licenses its owned brands over a broad range of products. References to the aforementioned and other brand names are to registered and common law trademarks owned by the Company or licensed to the Company by third parties and are identified by italicizing the brand name.

The consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated in consolidation. Investments in entities that the Company does not control but has the ability to exercise significant influence over are accounted for using the equity method of accounting. The Company's Consolidated Income Statements include its proportionate share of the net income or loss of these entities. Please see Note 6, "Investments in Unconsolidated Affiliates," for a further discussion. During the second quarter of 2016, the Company and Arvind Limited ("Arvind") formed a joint venture in Ethiopia, PVH Arvind Manufacturing Private Limited Company ("PVH Ethiopia"), in which the Company owns a 75% interest. PVH Ethiopia is consolidated and the minority shareholder's proportionate share (25%) of the equity in this joint venture is accounted for as a redeemable non-controlling interest. Please see Note 5, "Redeemable Non-Controlling Interest," for a further discussion.

The Company's fiscal years are based on the 52-53 week periods ending on the Sunday closest to February 1 of each calendar year and are designated by the calendar year in which the fiscal year commences. References to a year are to the Company's fiscal year, unless the context requires otherwise.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not contain all disclosures required by accounting principles generally accepted in the United States for complete financial statements. Reference is made to the Company's audited consolidated financial statements, including the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended January 29, 2017.

The preparation of interim financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from these estimates.

The results of operations for the thirteen weeks ended April 30, 2017 and May 1, 2016 are not necessarily indicative of those for a full fiscal year due, in part, to seasonal factors. The data contained in these consolidated financial statements are unaudited and are subject to year-end adjustments. However, in the opinion of management, all known adjustments (which consist of normal recurring accruals) have been made to present fairly the consolidated operating results for the unaudited periods.

The Company records warehousing and distribution expenses as a component of selling, general and administrative expenses in its Consolidated Income Statements. Warehousing and distribution expenses, which are subject to exchange rate fluctuations, totaled $60.8 million and $58.3 million in the thirteen weeks ended April 30, 2017 and

May 1, 2016, respectively, excluding costs related to the consolidation of the Company's warehouse and distribution network in North America incurred in the thirteen weeks ended April 30, 2017.

Certain reclassifications have been made to the consolidated financial statements for the prior year periods to present that information on a basis consistent with the current year.

2. INVENTORIES

Inventories are comprised principally of finished goods and are stated at the lower of cost or net realizable value. Cost for principally all wholesale inventories in North America and certain wholesale and retail inventories in Asia and Latin America is determined using the first-in, first-out method. Cost for all other inventories is determined using the weighted average cost method. The Company reviews current business trends, inventory aging and discontinued merchandise categories to determine adjustments that it estimates will be needed to liquidate existing clearance inventories and record inventories at the lower of cost or net realizable value.

3. ACQUISITIONS

Acquisition of True & Co.

The Company acquired on March 30, 2017 True & Co., a direct-to-consumer intimate apparel digital commerce retailer. This acquisition enables the Company to participate further in the fast-growing online channel and provides a platform to increase innovation, data-driven decisions and speed in the way it serves its consumers across its channels of distribution.

The acquisition date fair value of the consideration paid was $28.5 million. The estimated fair value of assets acquired and liabilities assumed included net assets of $0.8 million (including $0.4 million of cash acquired) and $27.7 million of goodwill. The goodwill of $27.7 million was assigned as of the acquisition date to the Company’s Calvin Klein North America, Calvin Klein International and Heritage Brands Wholesale segments in the amounts of $7.2 million, $6.3 million and $14.2 million, respectively, which are the Company’s reporting units that are expected to benefit from the synergies of the combination. For those reporting units that had not been assigned any of the assets acquired or liabilities assumed in the acquisition, the amount of goodwill assigned was determined by calculating the estimated fair value of such reporting units before the acquisition and their estimated fair values after the acquisition. Goodwill is not expected to be deductible for tax purposes. The Company is still in the process of finalizing the valuation of the assets acquired and liabilities assumed; thus, the allocation of the acquisition consideration is subject to change.

Acquisition of TH China

The Company acquired on April 13, 2016 the 55% of the ownership interests in TH Asia, Ltd. (“TH China”), its former joint venture for Tommy Hilfiger in China, that it did not already own (the “TH China acquisition”). Prior to April 13, 2016, the Company accounted for its 45% interest in TH China under the equity method of accounting. Since the completion of the TH China acquisition, the results of TH China’s operations have been consolidated in the Company’s consolidated financial statements.

TH China began operating the Tommy Hilfiger wholesale and retail distribution businesses in China in 2011 and held a license from a subsidiary of the Company for the Tommy Hilfiger trademarks for use in connection with these businesses.

The carrying value of the Company’s 45% interest in TH China prior to the acquisition was $52.5 million. In connection with the acquisition, this investment was remeasured to a fair value of $205.6 million, resulting in the recognition of a pre-tax noncash gain of $153.1 million during the first quarter of 2016. Such fair value was estimated using future operating cash flow projections that were discounted at a rate of 14.4%, which accounted for the relative risks of the estimated future cash flows. Such fair value also included an estimated discount for a lack of marketability of 10.0%. The Company classified this as a Level 3 fair value measurement due to the use of these significant unobservable inputs.

The acquisition date fair value of the consideration for the 55% interest that the Company did not already own was $265.8 million, consisting of $263.0 million paid in cash and the elimination of a $2.8 million pre-acquisition receivable owed to the Company by TH China. Together with the fair value of the Company’s 45% interest, the total fair value of TH China was $471.4 million. The estimated fair value of assets acquired and liabilities assumed included net assets of $102.2 million (including $105.3 million of cash acquired), $110.6 million of other intangible assets and $258.6 million of goodwill. The goodwill of $258.6 million was assigned to the Company’s Tommy Hilfiger

International segment. Goodwill is not expected to be deductible for tax purposes. The other intangible assets of $110.6 million included reacquired license rights of $72.0 million, order backlog of $26.2 million and customer relationships of $12.4 million. The Company finalized the purchase price allocation during the fourth quarter of 2016.

4. ASSETS HELD FOR SALE

During 2015, one of the Company’s European subsidiaries entered into an agreement to sell a building in Amsterdam, the Netherlands. The Company classified the building as held for sale in the fourth quarter of 2015 and ceased recording depreciation on the building at that time. The building had a carrying value of $15.3 million as of May 1, 2016, which was determined to be lower than the fair value, less costs to sell, and was included in other current assets in the Calvin Klein International segment. The Company completed the sale of the building in the second quarter of 2016.

5. REDEEMABLE NON-CONTROLLING INTEREST

During the second quarter of 2016, the Company and Arvind formed PVH Ethiopia, in which the Company owns a 75% interest. The Company has consolidated the joint venture in its consolidated financial statements. PVH Ethiopia was formed to operate a manufacturing facility that produces finished products for the Company for distribution primarily in the United States. The manufacturing facility began operations in the first half of 2017.

The shareholders agreement governing the joint venture (the “Shareholders Agreement”) contains a put option under which Arvind can require the Company to purchase all of its shares in the joint venture during various future periods as specified in the Shareholders Agreement. The first such period immediately precedes the ninth anniversary of the date of incorporation of PVH Ethiopia. The Shareholders Agreement also contains call options under which the Company can require Arvind to sell to the Company (i) all or a portion of its shares during various future periods as specified in the Shareholders Agreement; (ii) all of its shares in the event of a change of control of Arvind; or (iii) all of its shares in the event that Arvind ceases to hold at least ten percent of the outstanding shares. The Company’s first call option referred to in clause (i) immediately follows the fifth anniversary of the date of incorporation of PVH Ethiopia. The put and call prices are the fair market value of the shares on the redemption date based upon a multiple of the joint venture’s earnings before interest, taxes, depreciation and amortization for the prior 12 months, less the joint venture’s net debt.

The fair value of the redeemable non-controlling interest (“RNCI”) as of the date of formation of the joint venture was $0.1 million. The carrying amount of the RNCI is adjusted to equal the redemption amount at the end of each reporting period, provided that this amount at the end of each reporting period cannot be lower than the initial fair value adjusted for the minority shareholder’s share of net income or loss. Any adjustment to the redemption amount of the RNCI is determined after attribution of net income of the RNCI and will be recognized immediately in retained earnings of the Company, since it is probable that the RNCI will become redeemable in the future based on the passage of time. The carrying amount of the RNCI, which is also its fair value, increased to $3.4 million as of April 30, 2017 from $2.0 million as of January 29, 2017, principally attributable to additional contributions of $1.7 million made by Arvind during the first quarter of 2017 for its proportionate share of the joint venture funding.

6. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Karl Lagerfeld
The Company owns an economic interest of approximately 8% in the parent company of the Karl Lagerfeld brand (“Karl Lagerfeld”). The Company has significant influence with respect to this investment, which is being accounted for under the equity method of accounting.
PVH Australia
The Company owns a 50% economic interest in a joint venture, PVH Brands Australia Pty. Limited (“PVH Australia”). PVH Australia licenses from subsidiaries of the Company the rights to distribute and sell certain CALVIN KLEIN, Tommy Hilfiger and Van Heusen brand products in Australia, New Zealand and, in the cases of CALVIN KLEIN and Tommy Hilfiger, other island nations in the South Pacific. Additionally, subsidiaries of PVH Australia license other trademarks for certain product categories. This investment is being accounted for under the equity method of accounting.

The Company received a $1.5 million dividend from PVH Australia during the first quarter of 2017.

Gazal

The Company acquired approximately 10% of the outstanding capital stock of Gazal Corporation Limited (“Gazal”), which is listed on the Australian Securities Exchange, during the third quarter of 2016 for approximately $9.2 million. The Company has significant influence with respect to this investment, which is being accounted for under the equity method of accounting. Gazal is also the Company’s joint venture partner in PVH Australia.

CK India

The Company owns a 51% economic interest in a joint venture, Calvin Klein Arvind Fashion Private Limited (“CK India”). CK India licenses from a subsidiary of the Company the rights to the CALVIN KLEIN trademarks in India for certain product categories. The Company is not deemed to hold a controlling interest in the joint venture. This investment is being accounted for under the equity method of accounting.

TH Brazil

The Company owns a 40% economic interest in a joint venture, Tommy Hilfiger do Brasil S.A. (“TH Brazil”). TH Brazil licenses from a subsidiary of the Company the rights to the Tommy Hilfiger trademarks in Brazil for certain product categories. This investment is being accounted for under the equity method of accounting.

The Company made a payment of $1.5 million to TH Brazil during the first quarter of 2016 to contribute its 40% share of the joint venture funding for the period.

The Company issued a note receivable due April 2, 2017 to TH Brazil during the third quarter of 2016 for $12.5 million, of which $6.2 million was repaid in the fourth quarter of 2016 and the remaining balance, including accrued interest, was repaid in the first quarter of 2017.

TH India

The Company owns a 50% economic interest in a joint venture, Tommy Hilfiger Arvind Fashion Private Limited (“TH India”). TH India licenses from a subsidiary of the Company the rights to the Tommy Hilfiger trademarks in India for certain product categories. This investment is being accounted for under the equity method of accounting. Arvind, the Company’s joint venture partner in PVH Ethiopia and in CK India, is also the Company’s joint venture partner in TH India.

The Company made a payment of $1.2 million to TH India during the first quarter of 2017 to contribute its 50% share of the joint venture funding for the period.

PVH Mexico

The Company and Grupo Axo, S.A.P.I. de C.V. (“Grupo Axo”) formed a joint venture (“PVH Mexico”) in the fourth quarter of 2016, in which the Company owns a 49% economic interest. PVH Mexico licenses from certain wholly owned subsidiaries of the Company the rights to distribute and sell certain CALVIN KLEIN, Tommy Hilfiger, Warner’s, Olga and Speedo brand products in Mexico. PVH Mexico was formed by merging the Company’s wholly owned subsidiary that principally operated and managed the Calvin Klein business in Mexico (the “Mexico business”) with a wholly owned subsidiary of Grupo Axo that distributes certain Tommy Hilfiger brand products in Mexico. In connection with the formation of PVH Mexico, the Company deconsolidated the Mexico business and began accounting for its 49% interest under the equity method of accounting in the fourth quarter of 2016.

Total Investments in Unconsolidated Affiliates

Included in other assets in the Company’s Consolidated Balance Sheets as of April 30, 2017, January 29, 2017 and May 1, 2016 was $182.0 million, $180.0 million (of which $7.0 million was related to the note receivable, including accrued interest, due from TH Brazil) and $95.9 million, respectively, related to these investments in unconsolidated affiliates.

7. GOODWILL

The changes in the carrying amount of goodwill for the thirteen weeks ended April 30, 2017, by segment (please see Note 18, “Segment Data,” for a further discussion of the Company’s reportable segments), were as follows:

(In millions)	Calvin Klein North America	Calvin Klein International	Tommy Hilfiger North America	Tommy Hilfiger International	Heritage Brands Wholesale	Heritage Brands Retail	Total
Balance as of January 29, 2017							
Goodwill, gross	$739.4	$ 864.5	$ 204.4	$ 1,425.8	$ 235.8	$ 11.9	$3,481.8
Accumulated impairment losses	—	—	—	—	—	(11.9)	(11.9)
Goodwill, net	739.4	864.5	204.4	1,425.8	235.8	—	3,469.9
Contingent purchase price payments to Mr. Calvin Klein	7.8	5.4	—	—	—	—	13.2
True & Co. acquisition	7.2	6.3	—	—	14.2	—	27.7
Currency translation and other	(0.7)	6.9	—	28.4	—	—	34.6
Balance as of April 30, 2017							
Goodwill, gross	753.7	883.1	204.4	1,454.2	250.0	11.9	3,557.3
Accumulated impairment losses	—	—	—	—	—	(11.9)	(11.9)
Goodwill, net	$753.7	$ 883.1	$ 204.4	$ 1,454.2	$ 250.0	$—	$3,545.4

The goodwill acquired in the True & Co. acquisition was assigned as of the acquisition date to the Company’s reporting units that are expected to benefit from the synergies of the combination. For those reporting units that had not been assigned any of the assets acquired or liabilities assumed in the acquisition, the amount of goodwill assigned was determined by calculating the estimated fair value of such reporting units before the acquisition and their estimated fair values after the acquisition.

The Company is required to make contingent purchase price payments to Mr. Calvin Klein in connection with the Company’s acquisition of all of the issued and outstanding stock of Calvin Klein, Inc. and certain affiliated companies (collectively, “Calvin Klein”). Such payments are based on 1.15% of total worldwide net sales, as defined in the acquisition agreement (as amended), of products bearing any of the CALVIN KLEIN brands and are required to be made with respect to sales made through February 12, 2018. A significant portion of the sales on which the payments to Mr. Klein are made are wholesale sales by the Company and its licensees and other partners to retailers.

8. RETIREMENT AND BENEFIT PLANS

The Company has five qualified defined benefit pension plans as of April 30, 2017 covering substantially all employees resident in the United States who meet certain age and service requirements. The plans provide monthly benefits upon retirement generally based on career average compensation and years of credited service. Vesting in plan benefits generally occurs after five years of service. The Company refers to these five noncontributory plans as its “Pension Plans.”

The Company also has for certain members of Tommy Hilfiger’s domestic senior management a supplemental executive retirement plan, which is an unfunded non-qualified supplemental defined benefit pension plan. Such plan is frozen and, as a result, participants do not accrue additional benefits. In addition, the Company has a capital accumulation program, which is an unfunded non-qualified supplemental defined benefit plan. Under the individual participants’ agreements, the participants in this plan will receive a predetermined amount during the 10 years following the attainment of age 65, provided that prior to the termination of employment with the Company, the participant has been in the plan for at least 10 years and has attained age 55. The Company also has for certain employees resident in the United States who meet certain age and service requirements an unfunded non-qualified supplemental defined benefit pension plan, which provides benefits for compensation in excess of Internal Revenue Service earnings limits and requires payments to vested employees upon, or shortly after, employment termination or retirement. The Company refers to these three noncontributory plans as its “SERP Plans.”

The Company also provides certain postretirement health care and life insurance benefits to certain retirees resident in the United States. Retirees contribute to the cost of this plan, which is unfunded. As a result of the Company’s acquisition of The Warnaco Group, Inc. (“Warnaco”), the Company also provides certain postretirement health care and life insurance benefits to certain Warnaco retirees resident in the United States. Retirees contribute to the cost of this plan, which is unfunded. Both of the Company's postretirement health care and life insurance benefit plans are frozen. The Company refers to these two plans as its "Postretirement Plans."

Net benefit cost was recognized in selling, general and administrative expenses in the Company's Consolidated Income Statements as follows:

	Pension Plans		SERP Plans	
	Thirteen Weeks Ended		Thirteen Weeks Ended	
(In millions)	4/30/17	5/1/16	4/30/17	5/1/16
Service cost, including plan expenses	$6.9	$6.5	$1.2	$ 1.3
Interest cost	6.4	7.5	1.0	1.0
Expected return on plan assets	(9.7)	(9.0)	—	—
Loss on settlement	9.4	—	—	—
Total	$13.0	$5.0	$2.2	$ 2.3

Net benefit cost related to the Company's Postretirement Plans was immaterial for the thirteen weeks ended April 30, 2017 and May 1, 2016.

Currently, the Company does not expect to make any material contributions to the Pension Plans in 2017. The Company's actual contributions may differ from planned contributions due to many factors, including changes in tax and other benefit laws, or significant differences between expected and actual pension asset performance or interest rates.

During the first quarter of 2017, the Company completed the purchase of a group annuity using assets from the Pension Plans. Under the group annuity, the accrued pension obligations for approximately 4,000 select retiree participants who have deferred vested benefits under the Pension Plans were transferred to an insurer. As a result, the Company recognized a loss of $9.4 million, which was recorded in selling, general and administrative expenses in the Company's Consolidated Income Statement for the thirteen weeks ended April 30, 2017. The amount of the pension benefit obligation settled was $65.3 million.

9. DEBT

Short-Term Borrowings

The Company has the ability to draw revolving borrowings under its senior secured credit facilities, as discussed in the section entitled "2016 Senior Secured Credit Facilities" below. As of April 30, 2017, the Company had $20.8 million of borrowings outstanding under these facilities. The weighted average interest rate on the funds borrowed as of April 30, 2017 was 4.39%. The maximum amount of revolving borrowings outstanding under these facilities during the thirteen weeks ended April 30, 2017 was $33.6 million.

Additionally, the Company has the availability to borrow under short-term lines of credit, overdraft facilities and short-term revolving credit facilities denominated in various foreign currencies. These facilities provided for borrowings of up to $92.4 million based on exchange rates in effect on April 30, 2017 and are utilized primarily to fund working capital needs. As of April 30, 2017, the Company had $21.7 million outstanding under these facilities. The weighted average interest rate on the funds borrowed as of April 30, 2017 was approximately 2.50%. The maximum amount of borrowings outstanding under these facilities during the thirteen weeks ended April 30, 2017 was $23.5 million.

Long-Term Debt

The carrying amounts of the Company’s long-term debt were as follows:

(In millions)	4/30/17	1/29/17	5/1/16
Senior secured Term Loan A facility due 2021	$1,990.5	$2,039.9	$1,758.3
Senior secured Term Loan B facility	—	—	571.4
4 1/2% senior unsecured notes due 2022	690.8	690.4	689.2
7 3/4% debentures due 2023	99.5	99.5	99.4
3 5/8% senior unsecured euro notes due 2024	376.3	367.5	—
Total	3,157.1	3,197.3	3,118.3
Less: Current portion of long-term debt	—	—	126.7
Long-term debt	$3,157.1	$3,197.3	$2,991.6

Please see Note 12, “Fair Value Measurements,” for the fair value of the Company’s long-term debt as of April 30, 2017, January 29, 2017 and May 1, 2016.

As of April 30, 2017, the Company’s mandatory long-term debt repayments for the next five years were as follows:

(In millions)

Fiscal Year	Amount
Remainder of 2017	$ —
2018	18.7
2019	220.1
2020	234.7
2021	1,525.8
2022	700.0

Total debt repayments for the next five years exceed the carrying amount of the Company’s Term Loan A facility and 4 1/2% senior unsecured notes due 2022 as of April 30, 2017 because the carrying amounts reflect the unamortized portions of debt issuance costs and the original issue discounts.

As of April 30, 2017, after taking into account the effect of the Company’s interest rate swap agreement discussed in the section below entitled “2016 Senior Secured Credit Facilities,” which was in effect as of such date, approximately 65% of the Company’s long-term debt had a fixed interest rate, with the remainder at variable interest rates.

2014 Senior Secured Credit Facilities

On March 21, 2014, the Company entered into an amendment to its senior secured credit facilities (as amended, the “2014 facilities”). The 2014 facilities consisted of a $1,986.3 million United States dollar-denominated Term Loan A facility, a $1,188.6 million United States dollar-denominated Term Loan B facility and senior secured revolving credit facilities consisting of (a) a $475.0 million United States dollar-denominated revolving credit facility, (b) a $25.0 million United States dollar-denominated revolving credit facility available in United States dollars or Canadian dollars and (c) a €185.9 million euro-denominated revolving credit facility available in euro, British pound sterling, Japanese yen or Swiss francs.

On May 19, 2016, the Company amended the 2014 facilities, as discussed in the following section.

2016 Senior Secured Credit Facilities

On May 19, 2016 (the “Amendment Date”), the Company entered into an amendment (the “Amendment”) to the 2014 facilities (as amended by the Amendment, the “2016 facilities”). Among other things, the Amendment provided for (i) the Company to borrow an additional $582.0 million principal amount of loans under the Term Loan A facility, (ii) the repayment of all outstanding loans under the Term Loan B facility with the proceeds of the additional loans under the Term Loan A facility, and (iii) the termination of the Term Loan B facility. In addition, the Amendment extended the maturity of the Term Loan A and the revolving credit facilities from February 13, 2019 to May 19, 2021.

The 2016 facilities consist of a $2,347.4 million United States dollar-denominated Term Loan A facility and the senior secured revolving credit facilities consisting of (a) a $475.0 million United States dollar-denominated revolving credit facility, (b) a $25.0 million United States dollar-denominated revolving credit facility available in United States dollars or Canadian dollars and (c) a €185.9 million euro-denominated revolving credit facility available in euro, British pound sterling, Japanese yen or Swiss francs. In connection with entering into the Amendment, the Company paid debt issuance costs of $10.9 million (of which $4.6 million was expensed as debt modification costs and $6.3 million is being amortized over the term of the related debt agreement) and recorded debt extinguishment costs of $11.2 million to write-off previously capitalized debt issuance costs.

The revolving credit facilities also include amounts available for letters of credit. As of April 30, 2017, the Company had $20.8 million of outstanding revolving credit borrowings and $22.6 million of outstanding letters of credit. A portion of each of the United States dollar-denominated revolving credit facilities is also available for the making of swingline loans. The issuance of such letters of credit and the making of any swingline loan reduces the amount available under the applicable revolving credit facility. So long as certain conditions are satisfied, the Company may add one or more term loan facilities or increase the commitments under the revolving credit facilities by an aggregate amount not to exceed the sum of (1) the sum of (x) $1,350.0 million plus (y) the aggregate amount of all voluntary prepayments of loans under the Term Loan A and the revolving credit facilities (to the extent, in the case of voluntary prepayments of loans under the revolving credit facilities, there is an equivalent permanent reduction of the revolving commitments) plus (z) an amount equal to the aggregate revolving commitments of any defaulting lender (to the extent the commitments with respect thereto have been terminated) and (2) an additional unlimited amount as long as the ratio of the Company’s senior secured net debt to consolidated adjusted earnings before interest, taxes, depreciation and amortization (in each case calculated as set forth in the documentation relating to the 2016 facilities) would not exceed 3 to 1 after giving pro forma effect to the incurrence of such increase. The lenders under the 2016 facilities are not required to provide commitments with respect to such additional facilities or increased commitments.

The terms of the Term Loan A facility require the Company to make quarterly repayments of amounts outstanding under the 2016 facilities, which commenced with the calendar quarter ended June 30, 2016. Such amounts equal 5.00% per annum of the principal amount outstanding on the Amendment Date for the first eight calendar quarters following the Amendment Date, 7.50% per annum of the principal amount for the four calendar quarters thereafter and 10.00% per annum of the principal amount for the remaining calendar quarters, in each case paid in equal installments and in each case subject to certain customary adjustments, with the balance due on the maturity date of the Term Loan A facility.

The Company made payments of $50.0 million and $51.9 million during the thirteen weeks ended April 30, 2017 and May 1, 2016, respectively, on its term loans under the 2016 and 2014 facilities. As a result of the voluntary repayments made by the Company, as of April 30, 2017, the Company is not required to make a long-term debt repayment until December 2018.

The Company’s obligations under the 2016 facilities are guaranteed by substantially all of its existing and future direct and indirect United States subsidiaries, with certain exceptions. Obligations of the European borrower under the 2016 facilities are guaranteed by the Company, substantially all of the Company’s existing and future direct and indirect United States subsidiaries (with certain exceptions) and Tommy Hilfiger Europe B.V., one of the Company’s wholly owned subsidiaries. The Company and its United States subsidiary guarantors have pledged certain of their assets as security for the obligations under the 2016 facilities.

The outstanding borrowings under the 2016 facilities are prepayable at any time without penalty (other than customary breakage costs). The terms of the 2016 facilities require the Company to repay certain amounts outstanding thereunder with (a) net cash proceeds of the incurrence of certain indebtedness, (b) net cash proceeds of certain asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds, to the extent such proceeds are not reinvested or committed to be reinvested in the business in accordance with customary reinvestment provisions, and (c) a percentage of excess cash flow that exceeds the voluntary debt payments the Company has made during the applicable year, which percentage is based upon its net leverage ratio during the relevant fiscal period.

The United States dollar-denominated borrowings under the 2016 facilities bear interest at a rate equal to an applicable margin plus, as determined at the Company's option, either (a) a base rate determined by reference to the greater of (i) the prime rate, (ii) the United States federal funds rate plus 1/2 of 1.00% and (iii) a one-month adjusted Eurocurrency rate plus 1.00% or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the 2016 facilities.

The Canadian dollar-denominated borrowings under the 2016 facilities bear interest at a rate equal to an applicable margin plus, as determined at the Company's option, either (a) a Canadian prime rate determined by reference to the greater of (i) the rate of interest per annum that Royal Bank of Canada establishes at its main office in Toronto, Ontario as the reference rate of interest in order to determine interest rates for loans in Canadian dollars to its Canadian borrowers and (ii) the sum of (x) the average of the rates per annum for Canadian dollar bankers' acceptances having a term of one month that appears on the display referred to as "CDOR Page" of Reuters Monitor Money Rate Services as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the administrative agent (and if such screen is not available, any successor or similar service as may be selected by the administrative agent), and (y) 0.75%, or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the 2016 facilities.

The borrowings under the 2016 facilities in currencies other than United States dollars or Canadian dollars bear interest at a rate equal to an applicable margin plus an adjusted Eurocurrency rate, calculated in a manner set forth in the 2016 facilities.

The current applicable margin with respect to the Term Loan A facility and each revolving credit facility is 1.50% for adjusted Eurocurrency rate loans and 0.50% for base rate loans, respectively. After the date of delivery of the compliance certificate and financial statements with respect to each of the Company's fiscal quarters, the applicable margin for borrowings under the Term Loan A facility and the revolving credit facilities is subject to adjustment based upon the Company's net leverage ratio.

The 2016 facilities contain customary events of default, including but not limited to nonpayment; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; cross-default to material indebtedness; certain material judgments; certain events related to the Employee Retirement Income Security Act of 1974, as amended; certain events related to certain of the guarantees by the Company and certain of its subsidiaries, and certain pledges of the Company's assets and those of certain of the Company's subsidiaries, as security for the obligations under the 2016 facilities; and a change in control (as defined in the 2016 facilities).

During the second quarter of 2014, the Company entered into an interest rate swap agreement for a two-year term commencing on February 17, 2016. The agreement was designed with the intended effect of converting an initial notional amount of $682.6 million of the Company's variable rate debt obligation under the 2014 facilities or any replacement facility with similar terms, including the 2016 facilities, to fixed rate debt. Such agreement remains outstanding with a notional amount of $849.4 million as of April 30, 2017, and is now converting a portion of the Company's variable rate debt obligation under the 2016 facilities to fixed rate debt. Under the terms of the agreement for the then-outstanding notional amount, the Company's exposure to fluctuations in the one-month LIBOR is eliminated and the Company will pay a weighted average fixed rate of 1.924%, plus the current applicable margin.

During the second quarter of 2013, the Company entered into an interest rate swap agreement for a three-year term commencing on August 19, 2013. The agreement was designed with the intended effect of converting an initial notional amount of $1,228.8 million of the Company's variable rate debt obligation to fixed rate debt and applied to debt incurred under its then outstanding facilities and, subsequently, to the 2014 facilities and the 2016 facilities. Under the terms of the agreement for the then-outstanding notional amount, the Company's exposure to fluctuations in the one-month LIBOR was eliminated and the Company paid a fixed rate of 0.604%, plus the current applicable margin. The agreement expired on August 17, 2016.

The notional amount of any outstanding interest rate swap will be adjusted according to a pre-set schedule during the term of the applicable swap agreement such that, based on the Company's projections for future debt repayments, the Company's outstanding debt under the Term Loan A facility is expected to always equal or exceed the combined notional amount of the then-outstanding interest rate swaps.

The 2016 facilities also contain covenants that restrict the Company's ability to finance future operations or capital needs, to take advantage of other business opportunities that may be in its interest or to satisfy its obligations under its other outstanding debt. These covenants restrict its ability to, among other things:

- incur or guarantee additional debt or extend credit;
- make restricted payments, including paying dividends or making distributions on, or redeeming or repurchasing, the Company’s capital stock or certain debt;
- make acquisitions and investments;
- dispose of assets;
- engage in transactions with affiliates;
- enter into agreements restricting the Company’s subsidiaries’ ability to pay dividends;
- create liens on the Company’s assets or engage in sale/leaseback transactions; and
- effect a consolidation or merger, or sell, transfer, or lease all or substantially all of the Company’s assets.

The 2016 facilities require the Company to comply with certain financial covenants, including minimum interest coverage and maximum net leverage. A breach of any of these operating or financial covenants would result in a default under the applicable facility. If an event of default occurs and is continuing, the lenders could elect to declare all amounts then outstanding, together with accrued interest, to be immediately due and payable which would result in acceleration of its other debt. If the Company were unable to repay any such borrowings when due, the lenders could proceed against their collateral, which also secures some of the Company's other indebtedness.

4 1/2% Senior Notes Due 2022

The Company has outstanding $700.0 million principal amount of 4 1/2% senior notes due December 15, 2022. The Company paid $16.3 million of fees during 2013 in connection with the issuance of these notes, which are amortized over the term of the notes. The Company may redeem some or all of these notes at any time prior to December 15, 2017 by paying a "make whole" premium plus any accrued and unpaid interest. In addition, the Company may redeem some or all of these notes on or after December 15, 2017 at specified redemption prices plus any accrued and unpaid interest. The Company's ability to pay cash dividends and make other restricted payments is limited, in each case, over specified amounts as defined in the indenture governing the notes.

7 3/4% Debentures Due 2023

The Company has outstanding $100.0 million of debentures due November 15, 2023 that accrue interest at the rate of 7 3/4%. Pursuant to the indenture governing the debentures, the Company must maintain a certain level of stockholders' equity in order to pay cash dividends and make other restricted payments, as defined in the indenture governing the debentures.

3 5/8% Euro Senior Notes Due 2024

On June 20, 2016, the Company issued €350.0 million euro-denominated principal amount of 3 5/8% senior notes due July 15, 2024. Interest on the notes is payable in euros. The Company paid €6.4 million (approximately $7.3 million based on exchange rates in effect on the payment date) of fees during the second quarter of 2016 in connection with the issuance of these notes, which are amortized over the term of the notes. The Company may redeem some or all of these notes at any time prior to April 15, 2024 by paying a "make whole" premium plus any accrued and unpaid interest. In addition, the Company may redeem some or all of these notes on or after April 15, 2024 at their principal amount plus any accrued and unpaid interest.

Substantially all of the Company's assets have been pledged as collateral to secure the Company's obligations under its senior secured credit facilities, the 7 3/4% debentures due 2023 and contingent purchase price payments to Mr. Calvin Klein as discussed in Note 7, "Goodwill."

10. INCOME TAXES

The effective income tax rates for the thirteen weeks ended April 30, 2017 and May 1, 2016 were 17.0% and 12.8%, respectively.
The effective income tax rate for the thirteen weeks ended April 30, 2017 was lower than the United States statutory rate due to the benefit of overall lower tax rates in certain international jurisdictions where the Company files tax returns.
The effective income tax rate for the thirteen weeks ended May 1, 2016 was lower than the United States statutory rate due to the benefit of overall lower tax rates in certain international jurisdictions where the Company files tax returns. Also contributing to the lower effective income tax rate in the thirteen weeks ended May 1, 2016 was the benefit of certain discrete items, including the lower tax rate applicable to the pre-tax gain recorded to write-up the Company's equity investment in TH China to fair value prior to the acquisition closing.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Cash Flow Hedges

The Company has exposure to changes in foreign currency exchange rates related to anticipated cash flows associated with certain international inventory purchases. The Company periodically uses foreign currency forward exchange contracts to hedge against a portion of this exposure.

The Company also has exposure to interest rate volatility related to its term loans under the 2016 facilities. The Company has entered into interest rate swap agreements to hedge against a portion of this exposure. Please see Note 9, "Debt," for a further discussion of the Company's facilities and these agreements.

The Company records the foreign currency forward exchange contracts and interest rate contracts at fair value in its Consolidated Balance Sheets, and does not net the related assets and liabilities. Changes in fair value of the foreign currency forward exchange contracts associated with certain international inventory purchases and the interest rate contracts that are designated as effective hedging instruments (collectively referred to as “cash flow hedges”) are recorded in equity as a component of accumulated other comprehensive loss (“AOCL”). The cash flows from such hedges are presented in the same category in the Company’s Consolidated Statements of Cash Flows as the items being hedged. No amounts were excluded from effectiveness testing. There was no ineffective portion of cash flow hedges during the thirteen weeks ended April 30, 2017 and May 1, 2016.

Net Investment Hedge

The Company has exposure to changes in foreign currency exchange rates related to the value of its investments in foreign subsidiaries denominated in a currency other than the United States dollar. To hedge against a portion of this exposure, during the second quarter of 2016, the Company designated the carrying amount of its €350.0 million euro-denominated principal amount of 3 5/8% senior notes due 2024 (the “foreign currency borrowings”) that it had issued in the United States as a net investment hedge of its investments in certain of its foreign subsidiaries that use the euro as their functional currency. Please see Note 9, “Debt,” for a further discussion of the Company’s foreign currency borrowings.

The Company records the foreign currency borrowings at carrying value in its Consolidated Balance Sheets. The carrying value of the foreign currency borrowings is remeasured at the end of each reporting period to reflect changes in the foreign currency exchange spot rate. Since the foreign currency borrowings are designated as a net investment hedge, such remeasurement is recorded in equity as a component of AOCL. The fair value and the carrying value of the foreign currency borrowings designated as a net investment hedge were $398.8 million and $376.3 million, respectively, as of April 30, 2017 and $384.1 million and $367.5 million, respectively, as of January 29, 2017. The Company evaluates the effectiveness of its net investment hedge as of the beginning of each quarter. No amounts were excluded from effectiveness testing. There was no ineffective portion of the net investment hedge during the thirteen weeks ended April 30, 2017.

Undesignated Contracts

The Company records immediately in earnings changes in the fair value of hedges that are not designated as effective hedging instruments (“undesignated contracts”), including all of the foreign currency forward exchange contracts related to intercompany transactions and intercompany loans that are not of a long-term investment nature. Any gains and losses that are immediately recognized in earnings on such contracts are largely offset by the remeasurement of the underlying intercompany balances.

In addition, the Company has exposure to changes in foreign currency exchange rates related to the translation of the earnings of its subsidiaries denominated in a currency other than the United States dollar. To hedge against a portion of this exposure, beginning in the second quarter of 2016, the Company entered into several foreign currency option contracts. These contracts represent the Company’s purchase of euro put/United States dollar call options and Chinese yuan renminbi put/United States dollar call options.

The Company’s foreign currency option contracts are also undesignated contracts. As such, the changes in the fair value of these foreign currency option contracts are recognized immediately in earnings. This mitigates the effect of a strengthening United States dollar against the euro and Chinese yuan renminbi on the reporting of the Company’s euro-denominated and Chinese yuan renminbi-denominated earnings, respectively.

The Company does not use derivative or non-derivative financial instruments for trading or speculative purposes.

The following table summarizes the fair value and presentation of the Company's derivative financial instruments in its Consolidated Balance Sheets:

(In millions)	Assets (Classified in Other Current Assets and Other Assets)			Liabilities (Classified in Accrued Expenses and Other Liabilities)		
	4/30/17	1/29/17	5/1/16	4/30/17	1/29/17	5/1/16
Contracts designated as cash flow hedges:						
Foreign currency forward exchange contracts (inventory purchases)	$ 18.7	$ 25.1	$ 1.0	$ 7.1	$ 2.6	$ 34.0
Interest rate contracts	—	—	—	4.0	7.1	18.4
Total contracts designated as cash flow hedges	18.7	25.1	1.0	11.1	9.7	52.4
Undesignated contracts:						
Foreign currency forward exchange contracts	0.6	0.8	0.3	0.9	0.0	0.6
Foreign currency option contracts	1.7	3.2	—	—	—	—
Total undesignated contracts	2.3	4.0	0.3	0.9	0.0	0.6
Total	$ 21.0	$ 29.1	$ 1.3	$ 12.0	$ 9.7	$ 53.0

At April 30, 2017, the notional amount outstanding of foreign currency forward exchange contracts and foreign currency option contracts was $1,032.4 million and $150.0 million, respectively. Such contracts expire principally between May 2017 and September 2018.

The following table summarizes the effect of the Company's hedges designated as cash flow and net investment hedging instruments:

(In millions)	(Loss) Gain Recognized in Other Comprehensive Income		Gain (Loss) Reclassified from AOCL into Income (Expense) Location	Amount	
Thirteen Weeks Ended	4/30/17	5/1/16		4/30/17	5/1/16
Foreign currency forward exchange contracts (inventory purchases)	$(7.8)	$(58.4)	Cost of goods sold	$4.4	$4.7
Interest rate contracts	0.8	(0.1)	Interest expense	(2.3)	(2.4)
Foreign currency borrowings (net investment hedge)	(8.6)	—	N/A	—	—
Total	$(15.6)	$(58.5)		$2.1	$2.3

A net gain in AOCL on foreign currency forward exchange contracts at April 30, 2017 of $19.8 million is estimated to be reclassified in the next 12 months in the Company's Consolidated Income Statement to costs of goods sold as the underlying inventory hedged by such forward exchange contracts is sold. In addition, a net loss in AOCL for interest rate contracts at April 30, 2017 of $4.0 million is estimated to be reclassified to interest expense within the next 12 months. Amounts recognized in AOCL for foreign currency borrowings would be recognized in earnings only upon the sale or liquidation of the hedged net investment.

The following table summarizes the effect of the Company's undesignated contracts recognized in selling, general and administrative expenses in its Consolidated Income Statements:

(In millions)	Gain (Loss) Recognized in Income (Expense)

Thirteen Weeks Ended	4/30/17	5/1/16
Foreign currency forward exchange contracts	$ 0	