PVH CORP. /DE/
Form 10-Q
September 01, 2016

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 July 31, 2016

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, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o
(do not check if a smaller reporting company)

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 August 26, 2016 was 80,228,987.

PVH CORP.
INDEX

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 plans and results of operations will be affected by our ability to manage our growth and inventory, including our ability to realize benefits from acquisitions; (v) our operations and results could be affected by 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), the availability and cost of raw materials, 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), changes in available factory and shipping capacity, wage and shipping cost escalation, and 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; (vi) 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; (vii) 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; (viii) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands; (ix) our results could be adversely affected by the strengthening of the United States dollar against foreign currencies in which we transact significant levels of business; (x) 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 (xi) 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 II -- OTHER INFORMATION

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
Net sales	$1,845.4	$1,765.9	$3,663.1	$3,551.0
Royalty revenue	69.9	75.4	147.0	149.6
Advertising and other revenue	18.0	22.7	41.0	42.7
Total revenue	1,933.3	1,864.0	3,851.1	3,743.3
Cost of goods sold (exclusive of depreciation and amortization)	899.5	861.9	1,810.4	1,755.6
Gross profit	1,033.8	1,002.1	2,040.7	1,987.7
Selling, general and administrative expenses	874.7	850.5	1,739.9	1,665.4
Debt modification and extinguishment costs	15.8	—	15.8	—
Gain to write-up equity investment in joint venture to fair value	—	—	153.1	—
Equity in net (loss) income of unconsolidated affiliates	(0.3)	2.5	(0.5)	8.6
Income before interest and taxes	143.0	154.1	437.6	330.9
Interest expense	29.2	29.2	59.1	60.1
Interest income	1.1	1.2	2.0	2.3
Income before taxes	114.9	126.1	380.5	273.1
Income tax expense	24.4	23.9	58.4	56.8
Net income	90.5	102.2	322.1	216.3
Less: Net loss attributable to redeemable non-controlling interest	—	—	—	—
Net income attributable to PVH Corp.	$90.5	$102.2	$322.1	$216.3
Basic net income per common share attributable to PVH Corp.	$1.12	$1.24	$3.98	$2.62
Diluted net income per common share attributable to PVH Corp.	$1.11	$1.22	$3.95	$2.59
Dividends declared per common share	$0.0375	$0.0375	$0.1125	$0.1125

See accompanying notes.

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
Net income	$90.5	$102.2	$322.1	$216.3
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of tax benefit of $(0.1); $(0.4); $(0.1) and $(0.4)	(99.6)	(124.8)	84.7	(140.1)
Amortization of prior service credit related to pension and postretirement plans, net of tax benefit of $(0.1); $(0.1); $(0.1) and $(0.1)	(0.0)	(0.0)	(0.1)	(0.1)
Net unrealized and realized gain (loss) related to effective cash flow hedges, net of tax expense (benefit) of $2.1; $0.4; $(3.8) and $(0.5)	16.9	(6.3)	(38.0)	(23.2)
Net gain on net investment hedge, net of tax expense of $2.9, $0.0, $2.9 and $0.0	4.9	—	4.9	—
Total other comprehensive (loss) income	(77.8)	(131.1)	51.5	(163.4)
Comprehensive income (loss)	12.7	(28.9)	373.6	52.9
Less: Comprehensive loss attributable to redeemable non-controlling interest	—	—	—	—
Total comprehensive income (loss) attributable to PVH Corp.	$12.7	$(28.9)	$373.6	$52.9

See accompanying notes.

2

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

	July 31, 2016 UNAUDITED	January 31, 2016 AUDITED	August 2, 2015 UNAUDITED
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 741.7	$556.4	$ 466.7
Trade receivables, net of allowances for doubtful accounts of $15.4, $18.1 and $18.8	569.6	657.2	590.2
Other receivables	24.7	28.7	27.6
Inventories, net	1,412.1	1,322.3	1,402.6
Prepaid expenses	156.0	150.5	147.1
Other	34.9	89.4	81.5
Total Current Assets	2,939.0	2,804.5	2,715.7
Property, Plant and Equipment, net	736.0	744.6	708.9
Goodwill	3,536.1	3,219.3	3,220.2
Tradenames	2,818.0	2,802.6	2,806.4
Other Intangibles, net	934.0	843.8	894.2
Other Assets, including deferred taxes of $11.4, $12.2 and $15.7	216.7	259.0	286.7
Total Assets	$ 11,179.8	$10,673.8	$ 10,632.1
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$ 631.8	$636.1	$ 551.0
Accrued expenses	703.2	696.3	667.2
Deferred revenue	33.8	32.3	31.0
Short-term borrowings	19.4	25.9	8.1
Current portion of long-term debt	—	136.6	111.7
Total Current Liabilities	1,388.2	1,527.2	1,369.0
Long-Term Debt	3,358.2	3,031.7	3,236.8
Other Liabilities, including deferred taxes of $872.5, $836.4 and $889.4	1,629.8	1,562.6	1,616.5
Redeemable Non-Controlling Interest	0.1	—	—
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; 83,872,364; 83,545,818 and 83,479,689 shares issued	83.9	83.5	83.5
Additional paid in capital - common stock	2,844.8	2,822.5	2,797.1
Retained earnings	2,874.1	2,561.2	2,208.2
Accumulated other comprehensive loss	(652.7)	(704.2)	(579.9)
Less: 3,540,949; 2,057,850 and 843,305 shares of common stock held in treasury, at cost	(346.6)	(210.7)	(99.1)
Total Stockholders' Equity	4,803.5	4,552.3	4,409.8
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	$ 11,179.8	$10,673.8	$ 10,632.1

See accompanying notes.

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

	Twenty-Six Weeks Ended	
	July 31, 2016	August 2, 2015
OPERATING ACTIVITIES		
Net income	$322.1	$216.3
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	153.2	124.0
Equity in net loss (income) of unconsolidated affiliates	0.5	(8.6)
Deferred taxes	(3.8)	(0.8)
Stock-based compensation expense	19.5	20.4
Impairment of long-lived assets	—	1.6
Debt modification and extinguishment costs	15.8	—
Gain to write-up equity investment in joint venture to fair value	(153.1)	—
Changes in operating assets and liabilities:		
Trade receivables, net	97.7	106.0
Inventories, net	(55.6)	(164.6)
Accounts payable, accrued expenses and deferred revenue	(15.9)	(45.0)
Prepaid expenses	(0.8)	(16.4)
Other, net	29.1	90.1
Net cash provided by operating activities	408.7	323.0
INVESTING ACTIVITIES[1]		
Business acquisitions, net of cash acquired	(157.7)	—
Purchase of property, plant and equipment	(102.8)	(100.9)
Proceeds from sale of building	16.7	—
Contingent purchase price payments	(25.2)	(23.9)
Change in restricted cash	—	20.2
Investments in unconsolidated affiliates	(1.5)	(22.6)
Net cash used by investing activities	(270.5)	(127.2)
FINANCING ACTIVITIES[1]		
Net payments on short-term borrowings	(6.5)	(0.4)
Proceeds from 2016 facilities, net of related fees	571.1	—
Repayment of Term Loan B in connection with amendment to 2014 facilities	(582.0)	—
Repayment of 2016/2014 facilities	(201.2)	(165.7)
Proceeds from 3 5/8% senior notes, net of related fees	389.6	—
Net proceeds from settlement of awards under stock plans	10.3	5.3
Excess tax benefits from awards under stock plans	0.5	3.4
Cash dividends	(9.2)	(9.4)
Acquisition of treasury shares	(133.9)	(26.8)
Payments of capital lease obligations	(3.6)	(3.8)
Net cash provided (used) by financing activities	35.1	(197.4)
Effect of exchange rate changes on cash and cash equivalents	12.0	(11.0)

Increase (decrease) in cash and cash equivalents	185.3	(12.6)
Cash and cash equivalents at beginning of period	556.4	479.3
Cash and cash equivalents at end of period	$741.7	$466.7

(1) See Note 17 for information on Noncash Investing and Financing Transactions.

See accompanying notes.

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 and Olga, which are owned, and Speedo, which is licensed in perpetuity for North America and the Caribbean, as well as various other owned, licensed and private label brands. The Company designs and markets branded dress shirts, neckwear, sportswear, jeanswear, intimate apparel, swim products, handbags, 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 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, along with its minority interest partner, formed a joint venture in Ethiopia. The joint venture 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 31, 2016.

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 and twenty-six weeks ended July 31, 2016 and August 2, 2015 are not necessarily indicative of those for a full fiscal year due, in part, to seasonal factors. The data contained in these 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 totaled $57.4 million and $53.2 million in the thirteen weeks ended July 31, 2016 and August 2, 2015, respectively, and totaled $115.7 million and $110.7 million in the twenty-six weeks ended July 31, 2016 and August 2, 2015, respectively.

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 market. 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 market.

3. ACQUISITIONS

The Company acquired on April 13, 2016 the 55% of the ownership interests in TH Asia, Ltd. (“TH China”), its joint venture for Tommy Hilfiger in China, that it did not already own. Prior to April 13, 2016, the 45% interest in TH China owned by the Company was accounted for under the equity method of accounting. Following the acquisition of the 55% interest, the results of TH China’s operations were 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 licensed from a subsidiary of the Company 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 based on the fair value of TH China using future operating cash flow projections discounted at a rate of return that accounted for the relative risks of the estimated future cash flows and included an estimated discount for a lack of marketability.

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 $99.2 million (including $105.3 million of cash acquired), $110.6 million of other intangible assets and $261.6 million of goodwill. The goodwill of $261.6 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 as of April 13, 2016 included reacquired license rights of $72.0 million, order backlog of $26.2 million and customer relationships of $12.4 million, which are subject to amortization on a straight-line basis over 2.7 years, 0.8 years and 10.0 years, respectively. 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.

4. ASSETS HELD FOR SALE

During 2015, one of the Company’s European subsidiaries entered into an agreement to sell an owned building in Amsterdam, the Netherlands. The Company classified the building as held for sale beginning in the fourth quarter of 2015 and ceased recording depreciation on the building at that time. The building had a carrying value of $14.7 million as of January 31, 2016, which was determined to be lower than the fair value, less costs to sell, and was included in other current assets in the Company’s Consolidated Balance Sheet in the Calvin Klein International segment.

The Company completed the sale of the building on July 4, 2016 for proceeds of €15.0 million (approximately $16.7 million based on the exchange rate in effect on that date) and recorded a gain of $1.5 million, which represented the excess of the proceeds, less costs to sell, over the carrying value on that date. The gain was recorded in selling, general and administrative expenses in the Company’s Consolidated Income Statement during the second quarter of 2016 and was included in the Calvin Klein International segment.

5. REDEEMABLE NON-CONTROLLING INTEREST

On June 29, 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. The Company made an initial contribution of $0.2 million to PVH Ethiopia at formation and has consolidated the joint venture in its consolidated financial statements. PVH Ethiopia was formed to operate a manufacturing facility that will produce finished products for the Company for distribution primarily in the United States. The Company expects the manufacturing facility will begin operations in 2017.

The shareholders agreement entered into by the parties to the joint venture (the “Shareholders Agreement”) contains a put
option under which the non-controlling shareholder 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 the non-controlling shareholder 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 the non-controlling shareholder; or (iii) all of its shares in the event that the non-controlling shareholder 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 non-controlling interest as of the date of formation of the joint venture was $0.1 million. The carrying amount of the redeemable non-controlling interest 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. Such changes in the redemption amount of the redeemable non-controlling interest are recognized immediately as they occur, since it is probable that the non-controlling interest will become redeemable in the future based on the passage of time. Any adjustment to the redemption amount of the redeemable non-controlling interest is determined after attribution of net income of the redeemable non-controlling interest and will be recognized immediately in retained earnings of the Company. The carrying amount of the redeemable non-controlling interest as of July 31, 2016 was $0.1 million.

6. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Karl Lagerfeld
The Company acquired an economic interest of approximately 10% in the parent company of the Karl Lagerfeld brand (“Karl Lagerfeld”) during 2014 for $18.9 million. During the first quarter of 2016, a third party acquired a minority stake in Karl Lagerfeld, diluting the Company’s economic interest to approximately 8%. The Company has significant influence as defined under FASB guidance with respect to this investment, which is being accounted for under the equity method of accounting.
PVH Australia
The Company formed a joint venture, PVH Brands Australia Pty. Limited (“PVH Australia”), in 2013 in which the Company owns a 50% economic interest. The joint venture has licensed from a subsidiary of the Company since the first quarter of 2014 the rights to distribute and sell certain Calvin Klein brand products in Australia, New Zealand and other island nations in the South Pacific. As part of the transaction, the Company contributed to PVH Australia its subsidiaries that were operating the Calvin Klein Jeans businesses in Australia and New Zealand.

During the first quarter of 2015, the Company completed a transaction in which the Tommy Hilfiger and Van Heusen trademarks in Australia were licensed for certain product categories to subsidiaries of PVH Australia for use in Australia, New Zealand and, in the case of Tommy Hilfiger, other island nations in the South Pacific. The Tommy Hilfiger trademarks had previously been licensed to a third party and the Van Heusen trademarks had previously been licensed to the Company’s joint venture partner in PVH Australia. Additionally, subsidiaries of PVH Australia license other trademarks for certain product categories.

The Company made a net payment of $21.0 million to PVH Australia during the twenty-six weeks ended August 2, 2015, which represented its 50% share of the joint venture funding for the period. This investment is being accounted for under the equity method of accounting.

CK India

The Company acquired in 2013 a 51% economic interest in a Calvin Klein joint venture in India that has since been renamed 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. CK India was consolidated in the Company’s financial statements during 2013. During the first quarter of 2014, Arvind purchased the Company’s prior joint venture partners’ shares in CK India and, as a result of the entry into a shareholder agreement with different governing arrangements between the Company and Arvind, the Company no longer was deemed to hold a controlling interest in the joint venture. CK India was deconsolidated as a result and the Company began reporting its 51% interest as an equity method investment in the first quarter of 2014.

The Company made a payment of $1.6 million to CK India during the twenty-six weeks ended August 2, 2015 to contribute its 51% share of the joint venture funding for the period.

TH Brazil

The Company formed a joint venture, Tommy Hilfiger do Brasil S.A. (“TH Brazil”), in Brazil in 2012, in which the Company owns a 40% economic interest. 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 twenty-six weeks ended July 31, 2016 to contribute its 40% share of the joint venture funding for the period.

TH India

The Company acquired in 2011 a 50% economic interest in a company that has since been renamed Tommy Hilfiger Arvind Fashion Private Limited (“TH India”). TH India licenses from a Company subsidiary 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.

TH China

The Company formed TH China as a joint venture in 2010. This investment was accounted for under the equity method of accounting until April 13, 2016, on which date the Company acquired the 55% of the ownership interests in TH China that it did not already own. Please see Note 3, “Acquisitions,” for a further discussion.

Total Investments in Unconsolidated Affiliates

Included in other assets in the Company’s Consolidated Balance Sheets as of July 31, 2016, January 31, 2016 and August 2, 2015 is $94.6 million, $140.7 million (of which $52.9 million related to TH China) and $134.7 million (of which $47.4 million related to TH China), respectively, related to these investments in unconsolidated affiliates.

7. GOODWILL

The changes in the carrying amount of goodwill for the twenty-six weeks ended July 31, 2016, 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 31, 2016							
Goodwill, gross	$ 728.0	$ 841.5	$ 204.4	$ 1,208.4	$ 237.0	$ 11.9	$3,231.2
Accumulated impairment losses	—	—	—	—	—	(11.9)	(11.9)
Goodwill, net	728.0	841.5	204.4	1,208.4	237.0	—	3,219.3
Contingent purchase price payments to Mr. Calvin Klein	13.9	9.7	—	—	—	—	23.6
Acquisition of TH China	—	—	—	261.6	—	—	261.6
Currency translation	0.2	16.7	—	14.9	(0.2)	—	31.6
Balance as of July 31, 2016							
Goodwill, gross	742.1	867.9	204.4	1,484.9	236.8	11.9	3,548.0
Accumulated impairment losses	—	—	—	—	—	(11.9)	(11.9)
Goodwill, net	$ 742.1	$ 867.9	$ 204.4	$ 1,484.9	$ 236.8	$ —	$3,536.1

The Company is required to make contingent purchase price payments to Mr. Calvin Klein in connection with the Company’s acquisition in 2003 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 July 31, 2016 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