

RALPH LAUREN CORP
Form 10-K
May 23, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018

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

Commission File Number: 001-13057

RALPH LAUREN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 13-2622036
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

650 Madison Avenue, New York, New York 10022
(Address of principal executive offices) (Zip Code)

(212) 318-7000
(Registrant's telephone number, including area code)

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

Title of Each Class Name of Each Exchange on Which Registered
Class A Common Stock, \$.01 par value New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth

company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated
filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller
reporting
company
Emerging
growth
company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was \$4,868,476,408 as of September 29, 2017, the last business day of the registrant's most recently completed second fiscal quarter based on the closing price of the common stock on the New York Stock Exchange.

At May 18, 2018, 55,673,351 shares of the registrant's Class A common stock, \$.01 par value and 25,881,276 shares of the registrant's Class B common stock, \$.01 par value were outstanding.

Part III incorporates information from certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the fiscal year ended March 31, 2018.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- the loss of key personnel, including Mr. Ralph Lauren, or other changes in our executive and senior management team or to our operating structure, and our ability to effectively transfer knowledge during periods of transition;
- our ability to successfully implement our long-term growth strategy and achieve anticipated operating enhancements and cost reductions from our restructuring plans;
- the impact to our business resulting from investments and other costs incurred in connection with the execution of our long-term growth strategy, including restructuring-related charges, which may be dilutive to our earnings in the short term;
- our ability to continue to expand or grow our business internationally and the impact of related changes in our customer, channel, and geographic sales mix as a result;
- our ability to open new retail stores, concession shops, and digital commerce sites in an effort to expand our direct-to-consumer presence;
- the impact to our business resulting from changes in consumers' ability, willingness, or preferences to purchase premium lifestyle products that we offer for sale and our ability to forecast consumer demand, which could result in either a build-up or shortage of inventory;
- our ability to continue to maintain our brand image and reputation and protect our trademarks;
- our ability to effectively manage inventory levels and the increasing pressure on our margins in a highly promotional retail environment;
- the impact to our business resulting from potential costs and obligations related to the early closure of our stores or termination of our long-term, non-cancellable leases;
- the impact of economic, political, and other conditions on us, our customers, suppliers, vendors, and lenders;
- our ability to secure our facilities and systems and those of our third-party service providers from, among other things, cybersecurity breaches, acts of vandalism, computer viruses, or similar Internet or email events;
- our efforts to successfully enhance, upgrade, and/or transition our global information technology systems and digital commerce platform;
- a variety of legal, regulatory, tax, political, and economic risks, including risks related to the importation and exportation of products, tariffs, and other trade barriers which our operations are currently subject to, or may become subject to as a result of potential changes in legislation, and other risks associated with our international operations, such as compliance with the Foreign Corrupt Practices Act or violations of other anti-bribery and corruption laws prohibiting improper payments, and the burdens of complying with a variety of foreign laws and regulations, including tax laws, trade and labor restrictions, and related laws that may reduce the flexibility of our business;
- changes in our tax obligations and effective tax rate due to a variety of other factors, including potential additional changes in U.S. or foreign tax laws and regulations, accounting rules, or the mix and level of earnings by jurisdiction in future periods that are not currently known or anticipated;
- the impact to our business resulting from the recently enacted U.S. tax legislation commonly referred to as the Tax Cuts and Jobs Act, including related changes to our tax obligations and effective tax rate in future periods, as well as the enactment-related charges that were recorded during Fiscal 2018 on a provisional basis based on a reasonable

estimate and are subject to change, all of which could differ materially from our current expectations and/or investors' expectations;

the impact to our business resulting from the United Kingdom's decision to exit the European Union and the uncertainty surrounding the terms and conditions of such a withdrawal, as well as the related impact to global stock markets and currency exchange rates;

the impact to our business resulting from increases in the costs of raw materials, transportation, and labor;

our exposure to currency exchange rate fluctuations from both a transactional and translational perspective;

the potential impact to our business resulting from the financial difficulties of certain of our large wholesale customers, which may result in consolidations, liquidations, restructurings, and other ownership changes in the retail industry, as well as other changes in the competitive marketplace, including the introduction of new products or pricing changes by our competitors;

the potential impact on our operations and on our suppliers and customers resulting from natural or man-made disasters;

the impact to our business of events of unrest and instability that are currently taking place in certain parts of the world, as well as from any terrorist action, retaliation, and the threat of further action or retaliation;

our ability to maintain our credit profile and ratings within the financial community;

our ability to access sources of liquidity to provide for our cash needs, including our debt obligations, tax obligations, payment of dividends, capital expenditures, and potential repurchases of our Class A common stock, as well as the ability of our customers, suppliers, vendors, and lenders to access sources of liquidity to provide for their own cash needs;

the potential impact to the trading prices of our securities if our Class A common stock share repurchase activity and/or cash dividend payments differ from investors' expectations;

our intention to introduce new products or enter into or renew alliances;

changes in the business of, and our relationships with, major department store customers and licensing partners; and

our ability to make certain strategic acquisitions and successfully integrate the acquired businesses into our existing operations.

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

WEBSITE ACCESS TO COMPANY REPORTS AND OTHER INFORMATION

Our investor website is <http://investor.ralphlauren.com>. We were incorporated in June 1997 under the laws of the State of Delaware. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 are available at our investor website under the caption "SEC Filings" promptly after we electronically file such materials with or furnish such materials to the SEC. Information relating to corporate governance at Ralph Lauren Corporation, including our Corporate Governance Policies, our Code of Business Conduct and Ethics for all directors, officers, and employees, our Code of Ethics for Principal Executive Officers and Senior Financial Officers, and information concerning our directors, Committees of the Board of Directors, including Committee charters, and transactions involving Ralph Lauren Corporation securities by directors and executive officers are available at our website under the captions "Corporate Governance" and "SEC Filings." Paper copies of these filings and corporate governance documents are available to stockholders without charge by written request to Investor Relations, Ralph Lauren Corporation, 625 Madison Avenue, New York, New York 10022.

In this Form 10-K, references to "Ralph Lauren," "ourselves," "we," "our," "us," and the "Company" refer to Ralph Lauren Corporation and its subsidiaries, unless the context indicates otherwise. Due to the collaborative and ongoing nature of our relationships with our licensees, such licensees are sometimes referred to in this Form 10-K as "licensing alliances." Our fiscal year ends on the Saturday closest to March 31. All references to "Fiscal 2019" represent the 52-week fiscal year ending March 30, 2019. All references to "Fiscal 2018" represent the 52-week fiscal year ended March 31, 2018. All references to "Fiscal 2017" represent the 52-week fiscal year ended April 1, 2017. All references to "Fiscal 2016" represent the 53-week fiscal year ended April 2, 2016.

PART I

Item 1. Business.

General

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

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

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

Our global reach is extensive, with merchandise available through our wholesale distribution channels at over 12,000 doors worldwide, the majority in specialty stores, as well as through the digital commerce sites of many of our wholesale customers. We also sell directly to customers throughout the world via our 472 retail stores and 632 concession-based shop-within-shops, as well as through our own digital commerce sites and those of various third-party digital partners. In addition to our directly-operated stores and shops, our international licensing partners operate 88 Ralph Lauren stores, 54 Ralph Lauren concession shops, and 136 Club Monaco stores and shops.

We continue to invest in our business. Over the past five fiscal years, we have invested approximately \$1.723 billion for capital improvements, acquisitions, and ventures, primarily funded through strong operating cash flow. We also continue to return value to our shareholders through our common stock share repurchases and payment of quarterly cash dividends. Over the past five fiscal years, the cost of shares of Class A common stock repurchased pursuant to our common stock repurchase program was approximately \$1.727 billion and dividends paid amounted to approximately \$805 million.

We have been controlled by the Lauren family since the founding of our Company. As of March 31, 2018, Mr. R. Lauren, or entities controlled by the Lauren family, held approximately 82% of the voting power of the Company's outstanding common stock.

Objectives and Opportunities

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

We have developed a long-term growth strategy with the objective of delivering sustainable, profitable growth and long-term value creation for shareholders. Our strategy includes the following key strategic initiatives:

- Elevating our brand through improved quality of sales, distribution, and product;
- Evolving product, marketing, and shopping experience to increase reach and appeal with new consumers;
- Expanding our digital and international presence; and
- Working in new ways to drive productivity and agility.

Recent Developments

U.S. Tax Reform

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

During Fiscal 2018, we recorded net charges of \$221.4 million within our income tax provision in connection with the TCJA, of which \$209.3 million related to the mandatory transition tax, which we expect to pay over an eight-year period. These charges, which were recorded on a provisional basis as permitted by SEC Staff Accounting Bulletin No. 118 ("SAB 118"), negatively impacted our effective tax rate by 4,520 basis points and lowered our diluted earnings per share by \$2.68 during Fiscal 2018. The provisional amounts were based on our present interpretations of the TCJA, current available information, and assumptions about future events, and are subject to further refinement as additional information becomes available and further analyses are completed.

Despite these enactment-related charges, we expect the TCJA will ultimately benefit our results of operations and financial condition in future periods, primarily due to the lower U.S. federal statutory income tax rate.

Additionally, we reevaluated our permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. In connection with this decision, we repatriated \$252.0 million of cash to the U.S. from certain of our foreign subsidiaries during the fourth quarter of Fiscal 2018, and we repatriated an additional \$400.0 million during the first quarter of Fiscal 2019.

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

Change in Chief Executive Officer

Effective May 2017, Mr. Stefan Larsson departed as the Company's President and Chief Executive Officer and as a member of our Board of Directors. In connection with Mr. Larsson's departure, we recorded cumulative other charges of \$17.0 million, of which \$5.6 million and \$11.4 million were recorded during Fiscal 2018 and Fiscal 2017, respectively. We do not expect to incur additional charges related to Mr. Larsson's departure. See Note 9 to our accompanying consolidated financial statements for further discussion of the charges recorded in connection with Mr. Larsson's departure.

Subsequent to Mr. Larsson's departure, Mr. Patrice Louvet was appointed as the Company's new President and Chief Executive Officer and as a member of our Board of Directors, effective July 2017.

Way Forward Plan

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

On March 30, 2017, our Board of Directors approved the following additional restructuring-related activities associated with the Way Forward Plan: (i) the restructuring of our in-house global digital commerce platform which was in development and shifting to a more cost-effective, flexible platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of our Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Way Forward Plan. These actions, which are expected to result in additional expense savings of approximately \$140 million, are an important part of our efforts to achieve our stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities were largely completed during Fiscal 2018 and resulted in a further reduction in workforce and the closure of certain corporate office and store locations. The remaining activities, which are primarily lease-related, are expected to be completed during Fiscal 2019.

In connection with the Way Forward Plan, we currently expect to incur total estimated charges of approximately \$770 million, comprised of cash-related restructuring charges of approximately \$450 million and non-cash charges of approximately \$320 million. Cumulative charges incurred since inception were \$669.2 million, of which \$102.8 million and \$566.4 million were incurred during Fiscal 2018 and Fiscal 2017, respectively, and we expect to incur the remaining charges of approximately \$100 million during Fiscal 2019. In addition to these charges, we also incurred an additional non-cash charge of \$155.2 million during Fiscal 2017 associated with the destruction of inventory out of current liquidation channels in line with our Way Forward Plan. See Notes 8 and 9 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Way Forward Plan.

Our Brands and Products

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

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

Apparel — Our apparel products include extensive collections of men's, women's, and children's clothing, which are sold under various brand names, including Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Golf Ralph Lauren, Ralph Lauren Golf, RLX Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others;

Accessories — Our range of accessories encompasses men's, women's, and children's, including footwear, eyewear, watches, fashion and fine jewelry, scarves, hats, gloves, umbrellas, and leather goods, including handbags, luggage, small leather goods, and belts, which are sold under the Ralph Lauren Collection, Ralph Lauren Purple Label, Double RL, Polo Ralph Lauren, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco;

Home — Our coordinated home products include bedding and bath products, furniture, fabric and wallpaper, lighting, tabletop, floorcovering, and giftware;

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Fragrance — Our fragrance offerings capture the essence of Ralph Lauren's men's and women's brands with numerous labels, designed to appeal to a variety of audiences. Women's fragrance products are sold under our Ralph Lauren Collection, Woman by Ralph Lauren, Romance Collection, Ralph Collection, and Big Pony Women's brands. Men's fragrance products are sold under our Polo Blue, Safari, Purple Label, Polo Red, Polo Green, Polo Black, Polo Supreme, Polo Sport, and Big Pony Men's brands; and

Restaurants — Our restaurants translate Ralph Lauren's distinctive vision into places to gather with family and friends to enjoy fine food. Our restaurant concepts include The Polo Bar in New York City, RL Restaurant located in Chicago, Ralph's located in Paris, and our Ralph's Coffee concept, with locations in London and Hong Kong.

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

1. Ralph Lauren Luxury — Our Luxury group includes:

Ralph Lauren Collection and Ralph Lauren Purple Label. The runway sets the stage for each season's Ralph Lauren Collection designs, which includes handmade evening gowns with exquisite detail and refined, hand-tailored suitings. For men, Ralph Lauren Purple Label offers refined suitings, custom tailored made-to-measure suits, and sophisticated sportswear, as well as benchmarked footwear and made-to-order dress furnishings, accessories, and luggage. Ralph Lauren Collection and Ralph Lauren Purple Label are available in Ralph Lauren stores around the world, an exclusive selection of the finest specialty stores, and online at our Ralph Lauren digital commerce sites, including RalphLauren.com.

Double RL. Founded in 1993 and named after Ralph Lauren and his wife Ricky's "RRL" ranch in Colorado, Double RL offers a mix of selvedge denim, vintage apparel, sportswear, and accessories, with roots in workwear and military gear. Double RL is available at Double RL stores, at select Ralph Lauren stores, and an exclusive selection of the finest specialty stores around the world, as well as online at our Ralph Lauren digital commerce sites, including RalphLauren.com.

Ralph Lauren Home. Ralph Lauren Home presents home furnishings and accessories that reflect the style and craftsmanship synonymous with the name Ralph Lauren. Ralph Lauren Home includes furniture, bed and bath linens, china, crystal, silver, decorative accessories and gifts, as well as lighting, fabric, wallcovering, and floorcovering. Ralph Lauren Home offers exclusive luxury goods at select Ralph Lauren stores, home specialty stores, trade showrooms, and online at our Ralph Lauren digital commerce sites, including RalphLauren.com. The complete world of Ralph Lauren Home can be explored online at RalphLaurenHome.com.

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

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

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

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

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

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

3. Lauren Ralph Lauren — Our Lauren group includes:

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

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

Chaps — Launched in 1978 and celebrating its 40th anniversary, Chaps presents a vision of timeless, all-American style for men, women, children and home. The complete lifestyle collection offers casual sportswear, workday essentials, tailored clothing, and occasion dresses. Chaps effortless and spirited style is available in over 2,000 doors across the U.S., Canada, Mexico, and China.

Club Monaco — Founded in 1985, Club Monaco is a celebration of the individual. It designs and markets its own clothing and accessories for a new generation of women and men who value versatile, thoughtful design that can take them through every moment of life. Club Monaco apparel and accessories are available at Club Monaco stores and select department stores in North America and around the world, as well as online at ClubMonaco.com and ClubMonaco.ca.

Our Segments

We organize our business into the following three reportable segments:

North America — Our North America segment, representing approximately 52% of our Fiscal 2018 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, our wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. Our retail business in North America is comprised of our Ralph Lauren stores, our factory stores, and our digital commerce site, www.RalphLauren.com.

Europe — Our Europe segment, representing approximately 26% of our Fiscal 2018 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, our wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. Our retail business in Europe is comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our various digital commerce sites.

Asia — Our Asia segment, representing approximately 15% of our Fiscal 2018 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Asia, Australia, and New

Zealand. Our retail business in Asia is comprised of our Ralph Lauren stores, our factory stores, and our

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concession-based shop-within-shops. In addition, we sell our products online through various third-party digital partner commerce sites. In Asia, our wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

No operating segments were aggregated to form our reportable segments. In addition to these reportable segments, we also have other non-reportable segments, representing approximately 7% of our Fiscal 2018 net revenues, which primarily consist of (i) sales of Club Monaco branded products made through our retail businesses in the U.S., Canada, and Europe, and our licensing alliances in Europe and Asia, (ii) sales of Ralph Lauren branded products made through our wholesale business in Latin America, and (iii) royalty revenues earned through our global licensing alliances, excluding Club Monaco.

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

Approximately 45% of our Fiscal 2018 net revenues were earned outside of the U.S. See Note 19 to the accompanying consolidated financial statements for a summary of net revenues and operating income by segment, as well as net revenues and long-lived assets by geographic location.

Our Wholesale Business

Our wholesale business sells our products globally to leading upscale and certain mid-tier department stores, specialty stores, and golf and pro shops. We have continued to focus on elevating our brand by improving in-store product assortment and presentation, as well as full-price sell-throughs to consumers. As of the end of Fiscal 2018, our wholesale products were sold through over 12,000 doors worldwide, with the majority in specialty stores. Our products are also increasingly being sold through the digital commerce sites of many of our wholesale customers. The primary product offerings sold through our wholesale channels of distribution include apparel, accessories, and home furnishings. Our luxury brands, including Ralph Lauren Collection and Ralph Lauren Purple Label, are distributed worldwide through a limited number of premier fashion retailers. In North America, our wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. In Europe, our wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. In Asia, our wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops. We also distribute our wholesale products to certain licensed stores operated by our partners in Latin America, Asia, Europe, and the Middle East.

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

Worldwide Wholesale Distribution Channels

The following table presents by segment the number of wholesale doors in our primary channels of distribution as of March 31, 2018 and April 1, 2017:

	March 31, 2018	April 1, 2017
North America	6,848	7,018
Europe	4,928	5,690
Asia	341	187
Other non-reportable segments	109	171
Total	12,226	13,066

We have three key wholesale customers that generate significant sales volume. During Fiscal 2018, sales to our largest wholesale customer, Macy's, Inc. ("Macy's"), accounted for approximately 8% of our total net revenues. Further, during Fiscal 2018, sales to our three largest wholesale customers, including Macy's, accounted for approximately 19% of our total net revenues, as compared to approximately 21% during Fiscal 2017. Substantially all sales to our three largest wholesale customers related to our North America segment.

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

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

The following table presents by segment the number of shop-within-shops in our primary channels of distribution as of March 31, 2018 and April 1, 2017:

	March 31, 2018	April 1, 2017
North America	16,276	18,979