Ukraine war to sully clothes sales from Levi to Ralph Lauren

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Levi Strauss and Ralph Lauren are among U.S. apparel brands likely to be worst hit by Russia’s invasion of Ukraine which is again clogging supply chains in Europe where they derive at least a quarter of sales, Wall Street analysts say.

American clothes firms’ European businesses were just recovering from two years of pandemic restrictions. But war-related Western sanctions on Moscow, airspace bans and shipping route changes have put new squeezes on East-West supply chains.

"Cargo checks are now one of the biggest disruptions to shippers, making sure they are not breaking sanctions at ports in the EU (European Union) and the UK," said Jane Hali, CEO of investment research firm Jane Hali & Associates.

Analysts see particular exposure to Calvin Klein and Tommy Hilfiger owner PVH, Levi Strauss, Ralph Lauren, Michael Kors owner Capri Holdings and Nike, who get roughly 25%-40% of sales from Europe.

"Europe is definitely going to feel the brunt of the economic damage ... which will impact consumer sentiment and consumer wallets," CFRA Research analyst Zachary Warring said on the fallout for apparel retailers.

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Due to the war, Wedbush analysts have reduced yearly revenue growth estimates by anywhere from 100 to 400 basis points for Adidas AG. and at least eight U.S.-based companies including Skechers USA Inc and Farfetch Ltd.
The brokerage also downgraded ratings on PVH and Ralph Lauren's stock to "neutral" from "outperform," while reducing Nike's price target.

Adding to sales pressures, numerous brands have also halted operations in Russia altogether in protest or because of the newly-difficult operating environment. Chinese manufacturers had been sending more goods to Europe by rail across Russia.

Companies with a smaller European presence, such as Carter's Inc, Bath & Body Works Inc and Kate Spade-owner Tapestry Inc, are likely to be more insulated, analysts said, but the challenge remains sector-wide.

"We're afraid it won't just be retailers with high exposure to Europe but most of retail," CFRA's Warring said.