tapestry

COACH | kate spade | STUART WEITZMAN

SPEAKERS' NOTES FOR CONFERENCE CALL

Moderator: Christina Colone
February 6, 2025
8:00 a.m. ET

Operator:

Good day, and welcome to this Tapestry Conference call. Today's call is being recorded.

At this time, for opening remarks and introductions, I would like to turn the call over to the Global Head of Investor Relations, Christina Colone.

Christina Colone:

Good morning. Thank you for joining us.

With me today to discuss our second quarter results, as well as our strategies and outlook, are Joanne Crevoiserat, Tapestry's Chief Executive Officer and Scott Roe, Tapestry's Chief Financial Officer and Chief Operating Officer.

Before we begin, we must point out that this conference call will involve certain forward-looking statements within the meaning of the private securities litigation reform act. This includes projections for our business in the current or future quarters or fiscal years. Forward-looking statements are not guarantees, and our actual results may differ materially from those expressed or implied in the forward-looking statements. Please refer to our annual report on Form 10-K, the press release we issued this morning, and our other filings with the Securities and Exchange Commission for a complete list of risks and other important factors that could impact our future results and performance.

Non-GAAP financial measures are included in our comments today and in our presentation slides. For a full reconciliation to corresponding GAAP financial information please visit our website, www.tapestry.com/investors, and then view the earnings release and the presentation posted today.

Now, let me outline the speakers and topics for this conference call. Joanne will begin with highlights for Tapestry and our brands. Scott will continue with our financial results, capital allocation priorities, and our outlook going forward. Following that, we will hold a question-and-answer session, where we will be joined by Todd Kahn, CEO & Brand President of Coach. After Q&A, Joanne will conclude with brief closing remarks.

I'd now like to turn it over to Joanne Crevoiserat, Tapestry's CEO.

Joanne Crevoiserat:

Good morning! Thank you, Christina, and welcome everyone.

As noted in our press release, our **strong second quarter results outperformed expectations**, showcasing our **commitment to disciplined brand building**. Our exceptional teams brought innovation and craftsmanship to consumers around the world this holiday season, driving **accelerated top and bottom-line growth** to achieve **record quarterly revenue and earnings per share**. From **this position of strength**, we increased our outlook for FY25, while making strategic investments to **extend our competitive advantages and fuel strong, durable growth and value creation into the future**.

[PAUSE]

Touching on the highlights of the quarter:

- **First, we <u>powered global growth</u>, with total revenue gains of 5% outpacing guidance, <u>fueled by 10% growth at Coach. By geography</u>, <u>all regions</u>**

exceeded expectations.

- **International** revenue rose 7% at constant currency, led by an increase of 42% in **Europe**, where our business is strong and our runway for growth is significant.
- In addition, we delivered a sales increase of 1% in the total APAC region**.**
    - In **Greater China specifically,** we returned to growth, with revenue rising 2%. **Importantly, we continue to bring compelling innovation, relevance, and value to consumers**, with a sharp focus on driving long-term growth in the region and with this important consumer cohort.
- And, in **North America**, revenue increased 4% compared to last year – while **gross and operating margin expanded** as we continue to drive a healthy business.

- **Second, we remained focused on building new and lasting relationships with consumers**.
    - During the quarter, we drove new customer acquisition growth, welcoming **approximately 2.7 million new customers** in North America alone. Over **half of these customers were Gen Z and Millennials**, **and they continued to transact at a higher AUR than the balance of our customer base**.
        - **Importantly, GenZ consumers at Coach have the highest retention rate of all cohorts – reinforcing the opportunity to build lifetime value with our target consumer base.**
    - At the same time, we **improved lapsed customer reactivation** in North America – highlighting our ability to successfully engage our existing customer base as we recruit new consumers to our brands.

- **Third, we delivered compelling omni-channel experiences,** underpinned by Tapestry's leading capabilities, which enable us to enhance the customer experience across all touch points with our brands.

    - **To this end, we maintained strength in Digital, which grew high-single-digits versus prior year and represented approximately one third of revenue at accretive margins**.
    - **Our global brick and mortar sales rose at a low-single digit rate in the quarter,** at strong and increasing profitability.

- **Fourth, we fueled fashion innovation and product excellence, as we remain focused on bringing creativity, quality, and compelling value to consumers around the world**.
    - **This is clearly on display at Coach, where we delivered strong, and broad-based growth in handbags, with AUR gains – underscoring the vibrancy of the brand and product offering.**
    - Our success is also reflected in our strong gross margin – as we achieved a record second quarter gross margin – with further opportunity for expansion long-term.
    - **Importantly, underpinning our innovation pipeline and margin gains is our agile supply chain** – **a key competitive advantage** – **which enables us to deliver craftsmanship globally,** and powers our growth.

[PAUSE]

- Overall, we generated **record earnings per share**, **which exceeded our expectations and increased over 20% compared to the prior year. Importantly, <u>our business is strong today, and well-positioned for the future</u>, as we remain committed to delivering consistent, long-term growth and shareholder value**.

[PAUSE]

Now moving to our results and strategies by brand.

<u>Coach had a breakout quarter</u>, as we continue to drive brand heat and bring this storied brand to a new generation of consumers.

- **Coach's success <u>is compounding</u> and it demonstrates the enduring power of its Expressive Luxury positioning.**
- **Our growth is credit to our talented global teams who are operating with excellence and intention to deliver innovation across product, marketing, and experiences, to cultivate emotional and lasting connections with consumers.**
- To this end, during the quarter**, we achieved 10% constant currency revenue gains** at exceptional margins, highlighted by 270 basis points of gross margin expansion and a 210 basis point lift in operating margin. **Importantly, <u>our strategies are working</u>, with three key areas underpinning our accelerated growth:**
    - **First, <u>new Gen Z customer acquisition</u>, resulting from our systematic understanding and engagement with our target consumer;**
    - **Second, strength in our <u>core leathergoods category</u> where we have authenticity and scale, and our innovation is winning;**
    - **Third, global <u>outperformance led by North America and Europe, and a return to growth in Greater China</u>**.

- **<u>These growth pillars will continue to drive our success in the future.</u>**

[PAUSE]

Now, touching on the strategic highlights of the second quarter in more detail:

- **<u>First, our results were driven by strong gains in leathergoods, where we have multiple platforms for growth</u>,** given the power of our iconic handbag families and the success of new product introductions.
    - The **Tabby** family once again outperformed, over-indexing with new and

younger consumers and doubling versus last year– **building strength on strength**. The **Tabby Shoulder Bag 26** continued to anchor the offering, with momentum in Core Tabby as well as new introductions, including the Times Square and Quilted Tabby.

- In addition, the recently launched **New York family** significantly outpaced expectations, featuring the **Brooklyn and Empire bags**. During the quarter, the Brooklyn Shoulder Bag 28 at $295 was a top recruitment driver, while the Soft Empire Carryall 40 at $695 outperformed. The New York family – a new foundation for the brand – continued to prove **incremental and compelling**, providing innovation that's clearly resonating with consumers globally.
- Further, our **Coach Originals** collection – featuring archival bags that celebrate the brand's legacy with a modern sensibility – drove growth, notably with GenZ consumers.
- And finally, **bag charms and straps** amplified our offerings particularly the viral Cherry Charm, cutting through for being emotional, highly giftable, and trend-right.

Importantly, our strategies are driving **strong brand heat** and desire among Gen Z consumers. In fact, Coach was again recognized by the **Lyst** – **climbing 10 places to become the world's fifth Hottest Brand, with the Brooklyn Bag leading as this quarter's Hottest Product. Additionally, the Coach cherry bag charm entered the list as the number four hottest product.**

- **Overall, Coach's growth in handbags and accessories continued to outpace the industry, which included mid-teens AUR gains globally, led by North America**. And, looking forward, we remain confident in the opportunity for further, sustainable growth given our brand strength and innovation pipeline, as well as the compelling value and craftsmanship we offer in the luxury market**.**

[PAUSE]

- **Next, we remained focused on <u>fueling lifestyle, with an emphasis on footwear,</u> where we are underpenetrated and have a ‘right to win’ by leveraging our brand strength to drive customer recruitment, frequency, and lifetime value with our target Timeless GenZ consumer.**
    - During the quarter we successfully launched the new **Highline sneaker**, which sold at $125 in both retail and outlet, and attracted new customers to the brand. This introduction in both retail and outlet channels builds on our ‘One Coach’ learning agenda, which we successfully piloted with Tabby.

[PAUSE]

- **<u>Turning to marketing…</u> we continued to <u>drive cultural relevance through emotional storytelling that amplifies our brand and product offering.</u>**
    - This holiday, we rolled out the next chapter of our **Unlock Your Courage** campaign.
    - And with each campaign, we’re learning - gaining deeper consumer insights that enhance our story telling and media execution. This capability enables us to deliver the right content, at the right time, on the right platform, ensuring that our messages are cutting through. This is key to driving sustainable customer acquisition – and it’s working globally at scale.
        - **To this end, during the quarter we continued to increase our top of funnel marketing investments, demonstrating the confidence we have in our brand and product offering. As a result, this helped to drive greater consumer engagement and outperformance versus the industry, particularly in our key markets of North America and China.**

- **In addition, we also cultivated enthusiasm for the brand through <u>unique and immersive retail experiences</u>.**
    - Our Coach Play concept stores – which engage consumers across their five senses – continue to outperform, with higher GenZ traffic, longer dwell times, and higher return frequency. We are taking these learnings and evaluating opportunities to bring the highest impact elements of these locations to our store fleet more broadly.

- **Overall, our holistic brand-building activities helped to drive increases in new customer acquisition** as we welcomed over 1.7 million new customers to Coach in North America **<u>– a strong increase versus prior year and a significant acceleration in trend</u>**. Of these new customers, nearly <u>60% were Gen Z and Millennials</u>, consistent with our strategy to recruit younger customers**. And at the same time, our retention rate with the GenZ cohort also increased – reinforcing that we're building lasting relationships with our consumers in support of durable growth.**

[PAUSE]

In closing, Coach – our largest brand – is *strong and differentiated*, and it continues to deliver outstanding results, highlighting the capabilities of Tapestry's growth engine. With consumer understanding at the center of all we do, our talented teams are delivering the blend of magic and logic that is the hallmark of the brand, and the foundation of our future. From this position of strength, I am confident our best days are still to come, with significant opportunity to drive continued, consistent, long-term growth.

[PAUSE]

Now, moving to Kate Spade…

While profit results met our expectations for the quarter, driven by gross margin expansion, revenue trends declined 10%. Most importantly, together with Eva Erdmann, Kate Spade's new CEO, **we are moving quickly and decisively, addressing what we know is not working and laying the groundwork for a return to sustainable, profitable growth.**

Since Eva's arrival in October, we've assessed the current state of the business and made progress **in building our roadmap for the future, informed by deeper consumer insights.**

- **<u>The takeaway of this work is clear: we need to re-build the brand with consumers to reignite growth. To do this, we must focus our execution and accelerate our investments – with clear priorities distorted to our largest opportunities: developing emotional storytelling to fuel customer acquisition, building handbag icons, and driving growth in North America, our home market.</u>**

<u>And we see the path forward as having two important stages:</u>

- First we will **streamline and solidify** our foundation, by editing for focus and investing to build brand heat.
- This will ultimately drive customer acquisition, which will allow us to **scale** from a healthy foundation, which is the prerequisite for sustainable topline growth.

- **While we are acting with urgency, we acknowledge the work to reset the brand is a multi-quarter journey. Having said that, we know the path to growth is within our control, and I am confident in the plan we've developed and the significant opportunity ahead for the brand.**

[PAUSE]

Now let me take you through our growth strategies and learnings in more detail, which includes results from the quarter:

First, <u>we are committed to fueling brand heat</u> through relevant marketing to drive consideration and accelerate customer acquisition**.**

- **During the quarter, we took a step forward in our brand-building efforts.**
    - And this began with **streamlining**. In the fall, we made the decision to reduce spending on our fall campaign based on consumer feedback during testing.
    - Instead we pivoted, working with speed and agility to create new, more compelling content, and in December, we launched **our Holiday campaign. This was a social-first campaign featuring Grammy-nominated singer/songwriter Madison Beer,** consistent with our strategy to distort our marketing investments into upper funnel campaigns with more relevant messages for our target consumer. Importantly, the tagline, "**To the One Who…"** was pulled through creative activations on social media and in our stores. **<u>Following the campaign, we saw a significant increase in purchase intent among GenZ consumers who engaged with the content, reinforcing the opportunity make incremental marketing investments to drive consideration and ultimately new customer acquisition.</u>**

- **As a result, we are extending our brand campaign** in the third quarter to sustain and amplify engagement with consumers. Importantly, our learnings will be used to inform our bigger picture efforts, as we build towards a larger purpose-driven, 360-degree campaign launch in the fall of 2025.

[PAUSE]

Next, we are focused on sharpening and elevating our handbag offering – improving our execution to drive more relevancy in our assortment.

- In support of this ambition, we leveraged our consumer survey work which illuminated the need to **streamline our offering** – clearing de-selection barriers through a tighter assortment and improved styling.
  - **By simplifying our product stories and focusing our merchandising efforts, we will ensure that the big ideas in leathergoods cut through, with more cohesion and relevancy. With this effort, we expect to reduce the number of handbag styles by over 15% by Fall.**

- At the same time, we will work to build blockbuster handbag families – informed by consumer understanding.
  - And we have learnings from holiday. We stood firmly behind the recently launched **Deco** collection in our stores and in our marketing. The Deco collection continues to over-index with new, younger consumers at strong AUR and margins, and we see further opportunity for this family going forward.

Importantly, we know in its rise 30 years ago, Kate Spade offered a pioneering proposition in the market, along with distinctive, iconic product. And this is our aim today: to build on what made us unique and successful historically, in a way that is modern and relevant to our consumer today.

[PAUSE]

Next, we are focused on maximizing omni-channel cohesiveness with one brand message across all consumer touchpoints. Importantly, we are taking steps to **reduce our promotional messaging across channels.** The results of the last quarter reinforce that emotion and newness are what's winning with consumers, while promotional activity is not. Therefore, decreasing our level of promotional activity will be a key building block of **solidifying** our brand and positioning it to **scale** in a healthy way, globally, over the long-term. **To this end, we expect our gross margin to continue to expand moving forward as we build for the future and connect with consumers on our brand values, beyond simply price.**

[PAUSE]

In closing we are focused on executing our strategic roadmap for durable growth, and we are accelerating our investments to do this. We acknowledge that our strategic actions will pressure the brand's near-term financial results, however, <u>**the strength of our portfolio allows us to do this while delivering enhanced growth overall.**</u> **Importantly, we have conviction that we are taking the right steps to reset the brand and unlock its full potential** – Kate Spade is a beloved, unique, and purpose-driven brand, and though there is significant work to do to enhance its relevancy and reconnect with consumers, **the strategy to deliver this outcome is well-understood and in our control. We are confident in the meaningful long-term runway for the brand, and the value creation opportunity it represents for Tapestry.**

[PAUSE]

Now, turning to Stuart Weitzman…

Financial results remained challenged in the quarter with net sales decreasing 16% versus prior year at constant currency, primarily reflecting softness in Greater China and in the North America Direct channels. In addition, global wholesale net sales declined, impacted, by shipment timing, while trends at POS remained strong – growing at over 20% – a key indicator of strategic progress. Overall, the Stuart Weitzman team remains focused on fueling brand relevancy, driving customer engagement, and delivering improved financial results long-term.

[PAUSE]

In closing, Tapestry delivered a standout holiday quarter. I want to thank our teams once again for their passion, creativity, and commitment to brand building, and for driving our strong results.

From this position of strength, we raised our outlook for the year with a sharp focus on the path forward: we will continue to fuel momentum at Coach, while taking action to reset the Kate Spade brand for long-term growth. We are confident that our bold growth agenda will support meaningful value creation, and we look forward to sharing the details of our long-term roadmap at an investor day this fall.

Our future is bright – and we have the ambition, discipline, and strategies to generate strong and durable growth, and shareholder returns for years to come.

[PAUSE]

I'll now turn it over to Scott.

Scott Roe:

Thanks, Joanne, and good morning, everyone.

Our second quarter results exceeded expectations, building on our track record of consistent execution as we unlocked accelerated growth. In the quarter, we delivered **record** quarterly revenue, gross margin, and earnings per share, while generating significant free cash flow.

[PAUSE]

Now, moving to the details of the quarter, beginning with revenue trends on a constant currency basis.

Sales increased 5% compared to the prior year and outperformed our guidance across all regions.

- These results reflect gains in Europe, North America and total APAC, with international revenue growing 7%. By region:
  - **Europe** revenue grew 42% above last year, with growth across all brands and channels driven by increased local consumer spend and strong new customer acquisition, notably with Gen Z.
  - In **Greater China**, revenue inflected to growth of 2%. Our sequential acceleration was driven by a return to growth in our brick-and-mortar channel, led by an improvement in traffic, while trends in Digital remained positive. Our differentiated results in China clearly demonstrate that our strategic initiatives and investments in the region are yielding returns, **positioning our brands and business for long-term sustainable growth.**
  - **And In Other Asia,** revenue rose 11% led by growth in Australia, New Zealand, South Korea, and Malaysia, while **Japan** sales declined 5%.
  - In **North America,** sales increased 4% compared to the prior year, led by double-digit growth at Coach. Importantly, total gross and operating margin rose versus last year as we supported long-term brand health.

Now, touching on revenue by channel for the quarter.

- **Our Direct-to-Consumer business grew 4% compared to the prior year**, which included a high-single digit increase in Digital revenue and a low-single digit increase in global brick and mortar sales.
- **And, Wholesale revenue grew in the quarter** in keeping with our expectations and strategy to find <u>targeted</u> opportunities to expand our brands' reach with consumers.

[PAUSE]

Moving down the P&L, we delivered a record second quarter **gross margin**, which was well ahead of plan and 280 basis points above prior year. This year-over-year expansion was driven by 260 basis points of operational outperformance as well as a benefit of approximately 20 basis points from lower freight expense. Our strong gross margin performance remains a core element of our value creation model, providing us with flexibility and fuel to accelerate investments and drive long-term growth.

Turning to SG&A… which rose 7%, led by higher marketing spend versus prior year and forecast, as we reinvested a portion of our profit outperformance into incremental brand-building activities via top of funnel activations.

Taken together, **operating margin** increased approximately 210 basis points in the quarter, driving profit growth ahead of expectations and 15% over the prior year.

And, our record second quarter **EPS of $2.00** grew 23% over prior year and exceeded our guidance by more than 30 cents. To provide context on this beat:

- Approximately $0.17 of the upside was due to operational outperformance;
- $0.08 was due to the net benefit of share repurchase activity;
- And $0.08 was related to a favorable tax rate versus plan.

[PAUSE]

Now, turning to our **shareholder return programs**…

- As previously announced, following the termination of the merger agreement with Capri in November, we took swift action to utilize our significant cash flow to execute a $**2 billion Accelerated Share Repurchase Program**, underscoring our outlook for growth and unwavering commitment to deliver shareholder value.

- Together with our **Dividend**, which is expected at $1.40 per share for the year, we are positioned to return over $2 billion or more than 100% of free cash flow to shareholders in FY25 **<u>– a testament to our strong organic business and robust</u>**

cash flow generation.

[PAUSE]

And now before turning to the details of our balance sheet and cash flows, I'd like to reiterate our **capital allocation priorities**, which are unchanged.

We have two foundational commitments.

- First, to continue to **invest in our brands and business** to support long-term, sustainable growth, and
- Second, to continue to return capital to shareholders via our **dividend.** As we've shared, we have a goal over time to increase the dividend at least in line with earnings to achieve our stated target payout ratio of 35% to 40%.

Beyond these foundational commitments, our robust cash flow generation provides us with balance sheet flexibility for value creation.

- This includes the opportunity **for share repurchase activity** which is on display this year. In addition, we have $800 million remaining on our previous share repurchase authorization for future buyback activity.
- Finally, utilizing our rigorous, four-lens framework, we consistently evaluate opportunities for **strategic portfolio management**. **Importantly, and as previously communicated, before moving forward with any acquisitions, we will ensure Coach remains strong and Kate Spade has returned to sustainable topline growth**.

These clear capital allocation priorities are underpinned by our **firm commitment to a solid investment grade rating** and maintaining our long-term gross leverage target of below 2.5x.

[PAUSE]

Now, turning to the details of our balance sheet and cash flows…

- We ended the quarter with $1 billion in **cash and investments** and **total borrowings** of $2.7 billion, representing **net debt** of $1.7 billion. This included $1.5 billion of senior notes raised during the quarter, at a blended interest rate of 5.3%, to help fund our ASR. At quarter-end, our gross debt to adjusted EBITDA was 1.6x.
- **Adjusted Free cash flow for the second quarter,** was an inflow of approximately $890 million, and **CapEx and implementation costs related to Cloud Computing** were $39 million.
- **And Inventory levels** at quarter-end were 14% above the prior year, as planned. As we move into the back half of our fiscal year, our inventory is current and well-positioned globally, and by brand, in support of our growth ambition. To this end, we continue to expect to end Q3 and the full year with inventory above prior year.

[PAUSE]

<u>Now, moving to our guidance for FY25 which is provided on a non-GAAP basis…</u>

<u>We are raising our Fiscal year 2025 revenue, operating margin, EPS, and cash flow outlook. Importantly, we continue to view our outlook as prudent and achievable,</u> as we remain clear-eyed about the realities of the external environment, balanced with the opportunities we see for our business.

For the fiscal year:

- We now expect **revenue** of over $6.85 billion, representing growth of approximately 3% versus prior year on a reported basis, including an expected currency headwind of over 50 basis points. Touching on sales details by region at constant currency…
    - We expect growth in **Europe** of in the area of 30%, where we are underpenetrated and have strong traction.
    - In **Other Asia**, we anticipate high-single-digit gains, while in **Japan**, we're forecasting a low-single digit decline.

- In **North America**, we expect revenue to be up slightly, as we continue to support a healthy business.
- And in **Greater China**, we expect low-single digit growth over prior year.

- In addition, our outlook now assumes **operating margin** expansion of approximately 100 basis points versus prior year.
  - We anticipate **gross margin** expansion to drive this increase, due to improvements in both AUR and AUC. Both freight and FX are still expected to have a negligible impact on gross margin changes for the full year.
  - On **SG&A**, we expect expenses to increase above the pace of revenue growth, driven primarily from increased marketing expense, including accelerated investments at Kate Spade. While we remain diligent with respect to overall expense control, we are making deliberate, growth-focused investments in our strategic priorities.

- Moving to below-the-line expectations for the year…
  - **Net interest expense** is expected to be approximately $35 million as compared to prior guidance of $20 million of net interest income. This change reflects the interest on our new bond issuance as well as a lower cash balance due to the execution of the ASR program. This outlook also incorporates the expectation to repay our April 2025 bonds totaling $303 million at maturity.
  - The **tax rate** is expected to be approximately 17% to 18%.
  - And, our **weighted average diluted share count** for the year is forecasted to be approximately 223 million shares as compared to prior guidance of approximately 238 million shares, reflecting the partial year net benefit of share repurchase activity, which includes the initial delivery of approximately 28 million shares received in November.

- Taken together, we are raising our **EPS** guidance to $4.85 to $4.90, representing 13% to 14% growth compared to last year, and ahead of our prior guide of $4.50 to $4.55.

  - This increase incorporates our Q2 operational outperformance of $0.17, a full year net benefit from share repurchase activity of $0.10, and a net tailwind of $0.08 from a favorable tax rate partially offset by a planned second half currency headwind.
  - To briefly touch on the topic of tariffs, this guidance embeds the expectation for an additional 10% tariff on goods imported from China into the U.S. beginning February 4th, which is expected to have an immaterial impact on Fiscal 2025 results given our limited manufacturing exposure to China. We continue to monitor the external landscape closely and are developing potential mitigating actions, as needed. To note, we do not have production in Canada or Mexico. Moving on…

- We now anticipate **adjusted free cash flow** of approximately $1.2 billion.

- Finally, we expect **CapEx and Cloud Computing Costs** to be in the area of $170 million.
  - We anticipate two-thirds of the spend to be related to store openings, renovations, and relocations, with the balance primarily related to our ongoing Digital and IT investments.

[PAUSE]

Touching on the shaping of the year…

- We expect **revenue** to increase in the area of 4% in the back half of the year on a constant currency basis. Including an expected FX headwind, we anticipate revenue growth in the area of 3% for the second half with fairly balanced topline growth between quarters.
- Turning to **operating margin**, we expect expansion versus prior year in the second half driven by gross margin improvement, while SG&A is expected to grow

modestly above the pace of reported sales gains, with a higher level of growth planned in Q3 relative to Q4, and this is based on the phasing of investments.

- And we expect our tax rate in Q3 to be below the full year average.
- **Taken together, <u>we expect second half EPS growth,</u> with Q3 EPS forecasted to approach $0.85.**

[PAUSE]

In closing…

- We delivered a record-breaking quarter, highlighted by accelerated **top and bottom-line growth led by Coach, our largest brand. And from this position of strength, we raised our outlook for the year.**
- Importantly, our **commitment to disciplined brand building** and our intense focus on fundamentals allows us to invest in our future growth drivers, leaning into the biggest opportunities where we will build strong gains and extend our competitive advantages, while returning over $2 billion in capital to shareholders in this fiscal year alone.
- **We are confident in our brands, our people, our strategy, and our outlook**, with steadfast focus on delivering **accelerated growth and enhanced shareholder value in FY25 and for years to come.**

I'd now like to open it up to your questions.

[Q&A SESSION]

[CLOSING REMARKS]