SPEAKERS' NOTES FOR CONFERENCE CALL

Moderator: Christina Colone
August 14, 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 fourth quarter and full year 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.

Fiscal 2025 was truly a breakout year for Tapestry.

- We delivered $7 billion in revenue, an operating margin of 20%, and $5.10 in adjusted EPS – all growing meaningfully versus prior year.
- Notably we also achieved key targets we set at our Investor Day three years ago: namely, to achieve over $5 in earnings, return more than $3 billion cumulatively to shareholders, and drive best-in-class total returns.

We delivered these results in the context of a rapidly evolving and uncertain macroeconomic landscape, reinforcing that our business – and our exceptional teams – are resilient, agile, and built for growth.

[PAUSE]

Our record results are more than numbers: our success showcases that <u>our strategies are working, and that our systemic approach to brand building is capturing a new generation of consumers around the world</u>.

[PAUSE]

Touching on the strategic highlights of the quarter and year:

- We **powered global growth**, delivering accelerated gains and **outpacing the industry** in our key regions of North America, China, and Europe.
- We did this by **building lasting customer relationships**, highlighted by strong new customer acquisition. During the year, **we acquired over 6.8 million new customers in North America alone** fueled by growth of GenZ and Millennial cohorts. **We are creating emotional connections and reaching new young consumers as they enter our category – key to driving lifetime value and healthy durable growth**.
- We also delivered **compelling omni-channel experiences** – engaging with consumers wherever they interact with our brands to drive Direct-to-consumer growth across channels. Our modern technology platform allows us to bring data-driven insights to our work, and in a world that is increasingly powered by digital, our human connections have never been more important. **Together, they are the foundation of our proven and profitable direct-to-consumer business model that is a core competitive advantage**.
- And finally, we brought **fashion innovation and product excellence** to customers throughout the year, fueling brand relevance and desire led by Coach, where our brand heat and momentum are strong and growing. This is evident in our continued gains in AUR and gross margin. **The creativity, craftsmanship, and value we offer to consumers at scale have been, and will continue to be, differentiators of our brands and business.**

[PAUSE]

As we look forward, <u>we have proven our ability to navigate a complex and dynamic external backdrop</u>.

And, we will continue to execute, leveraging the power of our <u>competitive and structural advantages</u>: our global scale, our compelling value proposition, and the strong fundamentals of our business.

[PAUSE]

Now moving to our results and strategies by brand, starting with Coach.

[PAUSE]

<u>**Coach is a storied 85-year-old brand – and this fiscal year was the strongest in history.**</u>

Our success is rooted in our brand-building capabilities: we've been intensely focused on understanding our target GenZ consumer and creating emotional connections that fuel brand desire, which have allowed us to <u>**reimagine a heritage brand for modern consumers. Coach is redefining what's possible when you blend consumer obsession with disciplined brand-building and creativity.**</u>

And this is translating into compounding and durable growth. **For the year, Coach delivered a 10% increase in revenue at strong margins, capped by 13% constant currency topline gains in the fourth quarter, with double-digit growth across our key markets: with North America up 16%, China up 22%, and Europe up 12%.** Our global growth – led by outperformance in our core leathergoods offering – highlights that **our unique Expressive Luxury positioning is resonating around the world.**

- **This is evident in our strong customer acquisition** results as we welcomed over 4.6 million new customers to Coach in North America this year - with **over one million** new customers in the fourth quarter, of which <u>**nearly 70% were Gen Z and Millennials**</u>. **Importantly, these customers are transacting at higher AUR and have a higher retention rate than the balance of our client base – demonstrating that these relationships are healthy and 'sticky.'**

Now, touching on our fourth quarter results in more detail:

First, we drove double-digit gains in leathergoods, with broad-based growth across our offering.

- The iconic **Tabby family** continues to outperform and resonate with new and younger consumers. Our core Tabby Shoulder Bag 26 continued to anchor the offering, while Chain Tabby and Quilted Tabby remain global successes.
- Additionally, our **New York family** once again significantly exceeded expectations, proving to be a new and durable growth driver for the brand. **Building on the strength of the New York platform in its first-year post-launch, we're continuing to expand the Brooklyn and Empire collections, while introducing new styles within the New York family** – driving innovation and relevancy with our target consumer.
- Further, we grew our archival-inspired **Coach Originals** collection with the Large **Kisslock Bag** at $695 – which in July once again sold out within minutes of launching online and within a day at stores – showcasing Coach's creativity and brand heat.
- And finally, our **bag charms and straps** also contributed to our momentum, providing consumers with further opportunities for personalization and customization, with the Cherry Bag Charm remaining a particular Gen-Z favorite as a way to enhance self-expression.

- **Overall, Coach's growth in handbags and accessories continued to outperform the industry, demonstrating our innovation pipeline and the compelling value and craftsmanship we offer in the luxury market.**
    - **With these advantages, we drove mid-teens handbag AUR growth** for the quarter, **led by North America.**
    - **Further, handbag units also rose in the quarter globally and in North America, despite lower promotional activity at the brand.**
    - **Looking forward, we expect gains in both AUR and units to drive our**

growth.

[PAUSE]

- **Next, we grew our footwear business, with a focus on sneakers, which drives lifetime value with our target Gen Z consumer.** In the quarter, sneakers grew mid-single digits led by the **High Line** and **Soho** sneaker families, which are driving momentum **and selling at one compelling price point across all channels –** another clear indicator that our 'One Coach' strategy is working.

[PAUSE]

- **Turning to marketing… we continued to drive cultural relevance through emotional storytelling that highlights our brand purpose and product offering.**
  - Coach's **"On Your Own Time,"** campaign featuring the Spring 2025 collection and starring global ambassadors Elle Fanning, Nazha, Koki, and Youngji Lee, **continued to drive brand momentum across markets.** Our sustained investment behind this campaign is in keeping with our strategy to deliver cut-through and continuous brand and product stories to consumers.
  - We also added a second purpose campaign during the quarter, "**Not Just for Walking,"** in support of our Soho sneaker launch. The campaign was inspired by our consumer insights– showcasing what consumers want from a sneaker today in the many facets of their lives.

- **And finally, we cultivated desire for Coach through unique, authentic and immersive retail experiences.**
  - **This is another example of how our teams are successfully turning insights into action**. Our data continues to highlight that Gen Z consumers like to shop in the real world and in person, with engaging experiences. As a result, we've brought new store concepts, pop-ups, and food and

beverage, to consumers across the globe – expanding into non-traditional formats and locations to delight consumers and build interest for the brand. In addition, the learnings from this work will enable us to move with greater impact as we expand our store footprint and deliver new brand experiences in the future.

[PAUSE]

In closing, Coach is driving standout results guided **by a clear brand vision: to be the world's most inclusive, genuine, and loved fashion brand**. Our FY25 results highlight that we are building strong brand and cultural relevance – fostering emotional connections driven by product innovation and the creativity of our talented global teams – **who are operating with excellence, focus, and intention. From these exceptional results and this position of strength, we are confident in the future for this powerful, iconic brand.**

[PAUSE]

Now, moving to Kate Spade…

Our actions to reset the brand for durable growth are underway. In the fourth quarter, performance was pressured, as expected: revenue decreased 13%, while bottom-line results reflected continued gross margin expansion as well as strategic reinvestment in brand marketing.

As we've shared, we are in the early stages of this turnaround and will be focused on key leading indicators of progress– informed by our experience at Coach. These include increasing unaided brand awareness and search interest, followed by an improvement in traffic and customer acquisition, which will ultimately compound to drive topline growth. **We are tracking these KPIs with consistency and rigor – leaning in where we see traction and pivoting if necessary – to ensure our success.**

Overall, we are deliberately resetting the brand and backing it with disciplined investments. While these actions will pressure revenue and profitability in FY26, they are essential to strengthening the brand's foundation and unlocking sustainable, profitable growth for the long term.

Now, let's touch on the quarter…

<u>Our first strategic priority is to fuel brand heat and relevancy,</u> by investing in marketing focused on our target Gen Z consumer.

- **And we took a step forward in the quarter with the launch of our Spring campaign** featuring influential Gen Z celebrities Ice Spice and Charli D'Amelio**. Initial reads were positive, with strong organic engagement and a lift in consideration** – consistent with our goal to **re-establish Kate Spade as a top-of-mind brand for our target consumer.**

<u>Our second key strategy is to strengthen our handbag offering</u> –simplifying and elevating our assortment – anchored in <u>blockbuster families</u>.

- During the quarter, we amplified the **Deco** collection in retail and the **Kayla** in outlet - which were featured as the heroes of our marketing campaign. As a result, **both families were the top selling bags in their respective channels**, **over-indexing with new, younger consumers at strong AUR**.
- And we are bringing more innovation to the assortment, while we streamline our offering - reducing handbag styles by over 30% by fall – allowing us to stand behind our big ideas with clarity and intention.
- **Importantly, we are bringing deeper consumer insights and methodical consumer testing to all aspects of this work to ensure greater relevancy throughout our assortment**.

[PAUSE]

Next, we are focused on maximizing omni-channel cohesiveness with a compelling, consistent brand message across all consumer touchpoints.

- **Alongside efforts to create more a compelling consumer journey, we remain focused on driving higher full price selling –** a building block to scale in a healthy way**.**

[PAUSE]

In closing, FY26 is a year of investment for Kate Spade. We are taking strategic and financial steps to reset Kate Spade for long-term growth – applying our brand building learnings from Coach and aggressively leaning into action to turn around the brand. **While a turnaround takes time, we are confident in our path forward and the brand's opportunity for healthy and profitable growth.**

[PAUSE]

Now, turning briefly to Stuart Weitzman… as previously announced, we completed the sale of the brand to Caleres on August 4th. This action was consistent with our commitment to be diligent stewards of our portfolio and disciplined allocators of capital. I want to thank the Stuart Weitzman teams for their work to support the brand and customers during this transition and wish them success as they build their next chapter of growth with Caleres.

[PAUSE]

- **In closing, Tapestry achieved a record year, as we are successfully connecting with a new generation of consumers around the world**. Importantly, we capped our ***future*****speed agenda, exceeding earnings targets with our strongest growth year – and momentum building in our business.**

- **And while the external backdrop is increasingly complex, our growth proves that our competitive advantages enable us to adapt and thrive in any environment.**

- **<u>Our foundation is strong and our focus is clear: our performance underpins our confidence that we have the strategy, capabilities, and team in place to scale and win, with a significant runway for growth and value creation.</u>**

- **I look forward to sharing our roadmap for continued growth at our investor day next month.**

[PAUSE]

I'll now turn it over to Scott.

Scott Roe:

Thanks, Joanne, and good morning, everyone.

Looking back at our results for the fiscal year, we exceeded our outlook. Additionally, we delivered our earnings and capital return targets set at our last investor day three years ago. This is a testament to our disciplined execution and financial agility – reinforcing our strong foundation and commitment to durable long-term value creation. In the year we:

- Delivered revenue growth of 5% with 10% growth at Coach,
- We increased gross margin by 210 basis points,
- And we grew earnings per share by 19% versus last year while accelerating investments into our brands.

[PAUSE]

Turning to the details of the fourth quarter.

I'll begin with a discussion of revenue trends <u>on a constant currency basis.</u>

Sales increased 8% compared to the prior year and outperformed our expectations.

- These results reflect gains in North America and internationally. By region:
- **North America** sales increased 8% compared to the prior year, led by 16% growth at Coach. Importantly, both gross and operating margin in the region rose versus last year.
- **In Europe,** revenue grew 10% above last year, driven by growth in our direct channels with increased local consumer spend and strong new customer acquisition, notably with Gen Z. We continue to see significant opportunities to grow in the region given our positioning, momentum, and low penetration in this large market.
- In **Greater China**, revenue growth accelerated ahead of our expectations, increasing 18% with growth across all channels, including notable strength in Digital. Our strong performance in China underscores that our strategic initiatives and investments are working, and our business remains well-positioned for long-term sustainable growth.
- In **Japan**, sales declined 11% amid a challenging consumer backdrop. **And in Other Asia,** revenue decreased 1% as growth in Australia, New Zealand, and South Korea was offset primarily by a decline in Malaysia.

Now, touching on revenue by channel for the quarter.

- **We grew in each channel while achieving strong and increasing profitability.**
- **Our Direct-to-Consumer business grew 6% compared to the prior year**, which included a mid-teens percentage increase in Digital revenue and a low-single digit increase in global brick and mortar sales.
- **In 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** fourth quarter **gross margin** of 76.3% -

140 basis points above prior year, driven by operational outperformance. Our strong gross margin is a core element of our value creation model, providing us with flexibility and fuel to drive sustainable growth. **As we have seen in the year, AUR growth is driving roughly two-thirds of our margin improvement, with the balance coming from AUC, and we see both levers contributing to operational gross margin gains into the future**.

Turning to SG&A… expenses rose 10% driven by an increase in marketing expense, which was 13% of sales in the quarter, while we drove 120 basis points of leverage in the balance of the business.

So, taken together, **operating margin** increased 30 basis points in the quarter, driving profit expansion of **10% over the prior year,** which was ahead of expectations.

And, our fourth quarter **EPS of $1.04 grew 12% over prior year** and exceeded our guidance.

[PAUSE]

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

In FY25, we returned $2.3 billion to shareholders – **a testament to our strong organic business and robust cash flow generation.**

- **This included $300 million in Dividend payments and $2 billion in an Accelerated Share Repurchase Program. This program is expected to result in an average purchase price of about $78 per share.**

[PAUSE]

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

<u>We have two foundational commitments</u>.

- First to **invest in our brands and business** to support long-term, sustainable growth, and
- Second, to return capital to shareholders via our **dividend,** with the goal over time to increase the dividend at least in line with earnings. Consistent with this, the Board authorized a 14% quarterly dividend increase, for an anticipated annual rate in FY26 of $1.60 per share.

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

- This includes the opportunity for **share repurchase activity, which was on display in FY25 and remains a value creation-driver going forward**.
- And finally, utilizing our rigorous, four-lens framework, we consistently evaluate opportunities for **strategic portfolio management**. **<u>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</u>**.

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 $1.1 billion in **cash and investments** and **total borrowings** of $2.4 billion, representing **net debt** of $1.3 billion. This incorporated the pay down of bonds totaling approximately $300 million in April. At year-end, our gross debt to adjusted EBITDA was a full turn below our leverage target at 1.4x.
- **Adjusted Free cash flow for year,** was an inflow of $1.35 billion, and **CapEx and**

Cloud Computing costs were $153 million.

- **Inventory** levels at quarter-end were 4% above prior year, excluding $92 million of Stuart Weitzman inventory reflected in 'Assets held for sale' on our balance sheet. This included the strategic pull-forward of receipts in-light of the current trade landscape. **Our inventory continues to be current and well-positioned globally, and by brand. For FY26, we expect inventory levels to be modestly down year-over-year on a reported basis.**

[PAUSE]

Now, before turning to our guidance, as you saw in our press release, we recorded a non-cash impairment charge of over $850 million related to Kate Spade. This was based upon the current business trends, the outsized impact of tariffs, which disproportionately affects Kate Spade as the vast majority of its business is in the U.S., and the incremental investments we're making in support of profitable long-term growth.

[PAUSE]

Now, moving to our guidance for FY26 which is provided on a non-GAAP basis…

To start, I'd like to give some context by disaggregating the topline momentum we're seeing in the business and our focus on supporting revenue growth, from the current dynamics impacting our profitability in the fiscal year.

- **<u>First, on sales – our trends into the first quarter are strong, and in fact have accelerated into the new year, led by Coach with stronger full price selling. We are building the brand for continued healthy gains well into the future. This is our priority and we're executing behind it.</u>**

- Having said that, we are facing <u>greater than previously expected profit headwinds from tariffs and duties,</u> with the earlier than expected ending of de minimis exemptions being a meaningful factor. In aggregate, the total expected impact on profitability this year from tariffs is $160 million, representing approximately 230 basis points of margin headwind. **We're taking thoughtful actions to mitigate these impacts, while continuing to deliver the compelling value, quality and innovation that is foundational to our brands.** We are leveraging our agile supply chain to optimize our global manufacturing footprint, minimizing our tariff exposure where possible. We are also working closely with our long-standing service providers to drive efficiencies**. I remain confident in our ability to address these headwinds fully over time given the strength of our business and the agility of our supply chain.**

<u>Overall, we view our guidance as prudent and achievable. All in, we expect to drive continued mid-single digit revenue growth on a pro-forma basis, deliver strong operating margins above prior year, and return over one billion dollars in capital to shareholders in the fiscal year</u>. And as we action our mitigation strategies on tariffs, we believe our longer-term earnings growth delivery will accelerate.

Now turning to the details. This guidance excludes Stuart Weitzman from FY26 expectations:

For the fiscal year:

- We expect **revenue** to approach $7.2 billion. This represents proforma revenue to grow at a mid-single digit rate on both a nominal and constant currency basis, with FX planned to be an 80-basis point tailwind.
  - Touching on sales details by region at constant currency on a proforma basis…
    - In **North America**, we expect revenue to increase mid-single digits
    - In addition, we expect growth in **Europe** of in the area of 20%
    - In **Greater China**, we expect to achieve high-single-digit growth over prior year
    - In **Japan**, we're forecasting a high-single digit decline
    - And, in **Other Asia**, we anticipate high-single-digit gains

- **And by brand, this guidance incorporates high-single digit growth at Coach at constant currency. At Kate Spade, we are embedding a high-single digit decline in revenue with sequential improvement planned in the second half of the year.**

- In addition, our outlook assumes **operating margin** expansion.
  - We anticipate **gross margin to decline in the area of 70 basis points.**
    - **This assumes operational gross margin expansion of 120 basis points due primarily to improvements in AUR, slightly offset by an FX headwind of 20 basis points. Further, we expect to realize a 60-basis point structural tailwind to gross margin from the disposition of Stuart Weitzman.**
    - **Offsetting these planned margin-drivers is a 230 basis points of headwind from incremental tariffs and duties,** which incorporates the timing of policy implementation, product sell-through, and mitigating actions underway. **For context, this is a headwind of $160 million in the fiscal year – which assumes we mitigate 30% of the annualized run-rate of $235 million.**

- **On SG&A, we expect expenses to be approximately even with prior year, resulting in at least 100 basis points of expense leverage**. This reflects our diligent expense control, partially offset by ongoing growth-focused investments in our strategic priorities. To this end, we expect marketing as a percentage of sales to increase around 80 basis points versus last year reaching over 11% of revenue. We will also realize a 20-basis point benefit to expenses from the sale of Stuart Weitzman. **All in, this means operational SG&A leverage is expected to be at least 160 basis points.**

- **For some texture on operating profit by brand:**
  - We anticipate Coach will maintain its operating margin, even with tariff pressure and continued brand investments

    - At Kate Spade, we expect a modest profit loss, given the outsized tariff impacts and brand investments as mentioned.

- Moving to below-the-line expectations for the year…
    - **Net interest expense** is expected to be approximately $65 million.
    - The **tax rate** is expected to be approximately 18%.
    - And, our **weighted average diluted share count** for the year is forecasted to be approximately 213 million shares **which includes the expectation for $800 million in share repurchases.**

- Taken together, we expect **EPS** to be $5.30 to $5.45, representing 4% to 7% growth compared to last year, including over $0.60 of tariff and duty headwinds.

Moving on…

- We anticipate **adjusted free cash flow** to approach $1.3 billion.

- And finally, we expect **CapEx and Cloud Computing Costs** to be in the area of $200 million.
    - We anticipate around 60% of the spend to be related to store openings, renovations, and relocations, with the balance primarily related to our ongoing IT and Digital investments.

[PAUSE]

Touching on the shaping for the year…

To start, given the dynamic nature of the rapidly shifting market, it's important to note we could experience volatility by quarter , notably within profit as the tariff and duty impacts work their way through the P&L…

Now to our current assumptions, we expect **proforma constant currency** revenue to increase high single digits in the first half and low-single digits in the back half.

  - **For Q1 specifically, as mentioned, we've started the year strong, with revenue trends accelerating at Coach. As a result, we are anticipating a low-double digit total sales gains in the quarter. This includes a 70-basis point tailwind from FX.**

- Turning to margin, as mentioned we expect gross margin pressure for the year due entirely to tariff and duty headwinds - primarily in the second half. **In Q1, we anticipate reported gross margins to increase by approximately 100 basis points.**

- SG&A is expected to leverage both the first and second halves, **while in Q1 specifically, we expect slight deleverage on higher marketing expense.**

- **We expect operating margin expansion in the first half, driven by a Q1 increase of roughly 80 basis points. In the second half, operating margins are planned in-line with prior year despite tariff and duty pressure.**

- **Taking a prudent approach to our guidance, we expect EPS growth for the year to be led by the first half, with Q1 forecasted to grow by more than 20% to approximately $1.25.**

In closing…

- We delivered another record-breaking quarter and year, highlighted by strong **top and bottom-line growth.**

- **We achieved over $5 in EPS and returned more than $3 billion to shareholders over the last three years – consistent with the targets we outlined at our last Investor Day. This showcases our differentiated and highly cash generative business model that has proven agile, resilient, and adaptive to change.**

- **Moving forward, we are confident in our brands, our people, and our strategy.**

- **Our fundamentals are strong and we have competitive and structural advantages that position us to drive durable growth and shareholder value in both the year ahead and for years to come.**

[PAUSE]

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

[Q&A SESSION]

[CLOSING REMARKS]