UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended December 28, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 1-16153

Tapestry, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**52-2242751**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10 Hudson Yards, New York, NY 10001
(Address of principal executive offices); (Zip Code)

(212) 946-8400
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Stock, par value $.01 per share	TPR	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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	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 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On January 24, 2020, the Registrant had 276,028,807 outstanding shares of common stock, which is the Registrant's only class of common stock.

TAPESTRY, INC.
INDEX

In this Form 10-Q, references to "we," "our," "us," "Tapestry" and the "Company" refer to Tapestry, Inc., including consolidated subsidiaries. References to "Coach," "Kate Spade," "kate spade new york" or "Stuart Weitzman" refer only to the referenced brand.

SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This document, and the documents incorporated by reference in this document, in our press releases and in oral statements made from time to time by us or on our behalf, contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are based on management's current expectations, that involve risks and uncertainties that could cause our actual results to differ materially from our current expectations. These forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "may," "will," "should," "expect," "confidence," "trends," "intend," "estimate," "on track," "are positioned to," "on course," "opportunity," "continue," "project," "guidance," "target," "forecast," "anticipated," "plan," "potential," the negative of these terms or comparable terms. The Company's actual results could differ materially from the results contemplated by these forward-looking statements and are subject to a number of risks, uncertainties, estimates and assumptions that may cause actual results to differ materially from current expectations due to a number of important factors, including but not limited to: (i) our ability to achieve intended benefits, cost savings and synergies from acquisitions; (ii) our ability to upgrade our information technology systems precisely and efficiently; (iii) the risks associated with potential changes to international trade agreements and the imposition of additional duties on importing our products; (iv) our exposure to international risks, including currency fluctuations and changes in economic or political conditions in the markets where we sell or source our products; (v) the effect of existing and new competition in the marketplace; (vi) our ability to retain the value of our brands and to respond to changing fashion and retail trends in a timely manner; (vii) our ability to control costs; (viii) the effect of seasonal and quarterly fluctuations on our sales or operating results; (ix) our ability to protect against infringement of our trademarks and other proprietary rights; (x) the risk of cyber security threats and privacy or data security breaches; (xi) the impact of tax legislation; (xii) the impact of the coronavirus outbreak on our financial results; and (xiii) such other risk factors as set forth in Part II, Item 1A. "Risk Factors" and elsewhere in this report and in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2019. The Company assumes no obligation to revise or update any such forward-looking statements for any reason, except as required by law.

WHERE YOU CAN FIND MORE INFORMATION

Tapestry's quarterly financial results and other important information are available by calling the Investor Relations Department at (212) 629-2618.

Tapestry maintains its website at www.tapestry.com where investors and other interested parties may obtain, free of charge, press releases and other information as well as gain access to our periodic filings with the SEC.

TAPESTRY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 28, 2019	June 29, 2019
	(millions)	
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 896.9**	$ 969.2
Short-term investments	**269.8**	264.6
Trade accounts receivable, less allowances of $3.8 and $4.4, respectively	**363.5**	298.1
Inventories	**748.3**	778.3
Prepaid expenses	**65.2**	99.8
Income tax receivable	**43.3**	55.8
Other current assets	**124.4**	91.0
Total current assets	**2,511.4**	2,556.8
Property and equipment, net	**886.3**	938.8
Operating lease right-of-use assets	**1,996.5**	—
Goodwill	**1,511.3**	1,516.2
Intangible assets	**1,649.8**	1,711.9
Deferred income taxes	**36.1**	19.4
Other assets	**108.7**	134.2
Total assets	**$ 8,700.1**	$ 6,877.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 252.4**	$ 243.6
Accrued liabilities	**670.1**	673.6
Current portion of operating lease liabilities	**329.8**	—
Current debt	**—**	0.8
Total current liabilities	**1,252.3**	918.0
Long-term debt	**1,598.0**	1,601.9
Long-term operating lease liabilities	**1,901.2**	—
Deferred income taxes	**230.5**	234.1
Long-term income taxes payable	**150.0**	155.9
Other liabilities	**245.7**	454.0
Total liabilities	**5,377.7**	3,363.9
See Note 15 on commitments and contingencies		
Stockholders' Equity:		
Preferred stock: (authorized 25.0 million shares; $0.01 par value per share) none issued	**—**	—
Common stock: (authorized 1.0 billion shares; $0.01 par value per share) issued and outstanding - 276.0 million and 286.8 million shares, respectively	**2.8**	2.9
Additional paid-in-capital	**3,333.3**	3,302.1
Retained earnings (accumulated deficit)	**71.3**	291.6
Accumulated other comprehensive income (loss)	**(85.0)**	(83.2)
Total stockholders' equity	**3,322.4**	3,513.4
Total liabilities and stockholders' equity	**$ 8,700.1**	$ 6,877.3

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	December 28, 2019	December 29, 2018	**December 28, 2019**	December 29, 2018
	(millions, except per share data) (unaudited)		(millions, except per share data) (unaudited)	
Net sales	**$ 1,816.0**	$ 1,800.8	**$ 3,173.9**	$ 3,182.0
Cost of sales	**606.3**	597.3	**1,049.7**	1,043.4
Gross profit	**1,209.7**	1,203.5	**2,124.2**	2,138.6
Selling, general and administrative expenses	**846.6**	827.0	**1,709.5**	1,599.8
Operating income	**363.1**	376.5	**414.7**	538.8
Interest expense, net	**14.0**	13.2	**26.3**	26.3
Other expense (income)	**(5.9)**	(4.2)	**6.8**	0.4
Income before provision for income taxes	**355.0**	367.5	**381.6**	512.1
Provision for income taxes	**56.2**	112.7	**62.8**	135.0
Net income	**$ 298.8**	$ 254.8	**$ 318.8**	$ 377.1
Net income per share:				
Basic	**$ 1.08**	$ 0.88	**$ 1.14**	$ 1.30
Diluted	**$ 1.08**	$ 0.88	**$ 1.13**	$ 1.29
Shares used in computing net income per share:				
Basic	**276.0**	289.9	**280.8**	289.3
Diluted	**276.7**	291.0	**281.8**	291.4
Cash dividends declared per common share	**$ 0.3375**	$ 0.3375	**$ 0.6750**	$ 0.6750

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended		Six Months Ended	
	December 28, 2019	December 29, 2018	**December 28, 2019**	December 29, 2018
	(millions) **(unaudited)**		**(millions)** **(unaudited)**	
Net income	**$ 298.8**	$ 254.8	**$ 318.8**	$ 377.1
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on cash flow hedging derivatives, net	**2.6**	(3.2)	**5.3**	1.3
Unrealized gains (losses) on available-for-sale investments, net	**—**	0.1	**—**	0.1
Foreign currency translation adjustments	**8.4**	(0.3)	**(5.4)**	(10.1)
Other	**—**	—	**(1.7)**	—
Other comprehensive income (loss), net of tax	**11.0**	(3.4)	**(1.8)**	(8.7)
Comprehensive income	**$ 309.8**	$ 251.4	**$ 317.0**	$ 368.4

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	December 28, 2019	December 29, 2018
	(millions)	
	(unaudited)	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income	**$ 318.8**	$ 377.1
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**125.0**	126.3
Provision for bad debt	**4.2**	3.2
Share-based compensation	**33.8**	43.1
Organization-related and integration activities	**15.3**	6.2
Impairment charges	**75.6**	—
Changes to lease related balances, net	**9.4**	—
Deferred income taxes	**(5.8)**	31.0
Other non-cash charges, net	**2.3**	(3.8)
Changes in operating assets and liabilities:		
Trade accounts receivable	**(78.7)**	(34.2)
Inventories	**19.5**	(42.1)
Accounts payable	**19.3**	12.6
Accrued liabilities	**63.3**	95.5
Other liabilities	**(12.6)**	40.3
Other assets	**(27.7)**	(55.9)
Net cash provided by (used in) operating activities	**561.7**	599.3
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	**—**	(37.7)
Purchases of investments	**(157.0)**	(286.2)
Proceeds from maturities and sales of investments	**151.3**	34.8
Purchases of property and equipment	**(122.2)**	(116.4)
Net cash used in investing activities	**(127.9)**	(405.5)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend payments	**(194.0)**	(194.9)
Repurchase of common stock	**(300.0)**	—
Proceeds from share-based awards	**1.7**	30.8
Taxes paid to net settle share-based awards	**(13.8)**	(23.7)
Payments of finance lease liabilities	**(0.4)**	(0.3)
Net cash used in financing activities	**(506.5)**	(188.1)
Effect of exchange rate changes on cash and cash equivalents	**0.4**	(12.1)
Net decrease in cash and cash equivalents	**(72.3)**	(6.4)
Cash and cash equivalents at beginning of period	**969.2**	1,243.4
Cash and cash equivalents at end of period	**$ 896.9**	$ 1,237.0
Supplemental information:		
Cash paid for income taxes, net	**$ 54.8**	$ 102.3
Cash paid for interest	**$ 18.9**	$ 32.3
Noncash investing activity - property and equipment obligations	**$ 34.2**	$ 42.1

See accompanying Notes.

1. NATURE OF OPERATIONS

Tapestry, Inc. (the "Company") is a leading New York-based house of modern luxury accessories and lifestyle brands. Tapestry owns the Coach, Kate Spade and Stuart Weitzman brands. The Company’s primary product offerings, manufactured by third-party suppliers, include women’s and men’s bags, small leather goods, footwear, ready-to-wear including outerwear, watches, weekend and travel accessories, scarves, eyewear, fragrance, jewelry and other lifestyle products.

The Coach segment includes global sales of Coach products to customers through Coach operated stores, including the Internet and concession shop-in-shops, and sales to wholesale customers and through independent third party distributors.

The Kate Spade segment includes global sales primarily of kate spade new york brand products to customers through Kate Spade operated stores, including the Internet, sales to wholesale customers, through concession shop-in-shops and through independent third party distributors.

The Stuart Weitzman segment includes global sales of Stuart Weitzman brand products primarily through Stuart Weitzman operated stores, including the Internet, sales to wholesale customers and through numerous independent third party distributors.

2. BASIS OF PRESENTATION AND ORGANIZATION

Interim Financial Statements

These unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and are unaudited. In the opinion of management, such condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial position, results of operations, comprehensive income (loss) and cash flows of the Company for the interim periods presented. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading. This report should be read in conjunction with the audited consolidated financial statements and notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended June 29, 2019 ("fiscal 2019") and other filings filed with the SEC.

The results of operations, cash flows and comprehensive income for thesix months December 28, 2019 are not necessarily indicative of results to be expected for the entire fiscal year, which will end on June 27, 2020 ("fiscal 2020").

During the fiscal year ended June 29, 2019, the Company acquired designated assets of its Stuart Weitzman distributor in Southern China and Australia and of its Kate Spade distributor in Australia, Malaysia and Singapore. The results of operations of each acquired entity have been included in the condensed consolidated financial statements since the respective date of each acquisition.

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30. Fiscal2020 will be a 52-week period. Fiscal2019 ended on June 29, 2019 and was also a 52-week period. Thesecond quarter of fiscal 2020 ended on December 28, 2019 and the second quarter of fiscal 2019 ended on December 29, 2018, both of which were 13-week periods.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and footnotes thereto. Actual results could differ from estimates in amounts that may be material to the financial statements.

Significant estimates inherent in the preparation of the condensed consolidated financial statements include reserves for the realizability of inventory; customer returns, end-of-season markdowns and operational chargebacks; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes (including the impacts of tax legislation) and related uncertain tax positions; accounting for business combinations; the valuation of stock-based compensation awards and related expected forfeiture rates; reserves for restructuring; and reserves for litigation and other contingencies, amongst others.

Share Repurchases

The Company accounts for share repurchases by allocating the repurchase price to common stock and retained earnings. As a result, all repurchased shares are authorized but unissued shares. Under Maryland law, the Company's state of incorporation, there are no treasury shares. The Company accrues for the shares purchased under the share repurchase plan based on the trade date. Purchases of the Company's common stock are executed through open market purchases, including through a purchase agreement under Rule 10b5-1. The Company may terminate or limit the share repurchase program at any time.

Principles of Consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and all 100% owned and controlled subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Reclassifications

Certain reclassifications have been made to the prior periods' financial information in order to conform to the current period's presentation. Beginning in fiscal 2020, the Company presented the impact of foreign currency gains and losses within Other expense (income) within its Condensed Consolidated Statements of Operations. Accordingly, foreign currency gains and losses that were reported within Selling, general and administrative expenses ("SG&A") in fiscal 2019 are now reflected within Other expense (income).

3. RECENT ACCOUNTING PROUNOUNCEMENTS

Recently Adopted Accounting Pronouncements

During the first quarter of fiscal 2020, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, "*Leases* (Topic 842)" ("ASU 2016-02") and related ASUs. This ASU requires recognition of lease assets and lease liabilities on the balance sheet for all leases other than short-term leases. The Company elected the package of practical expedients intended to ease transition whereby the Company need not reassess as of the adoption date (1) whether contracts are or contain leases, (2) the lease classification for any existing leases and (3) initial direct costs for any existing leases. The Company also elected the practical expedient to combine non-lease components and lease components for real estate leases. The Company applied the provisions of ASU No. 2018-11, "*Leases (Topic 842): Targeted Improvements*" ("ASU 2018-11"), allowing it to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating the comparative prior year periods.

The effects of the adoption on selected line items within the Company's Condensed Consolidated Balance Sheet as of June 30, 2019 were as follows:

	June 29, 2019 As Reported under ASC 840	ASC 842 Adjustments	June 30, 2019 As Reported under ASC 842
		(millions)	
Current Assets:			
Prepaid expenses[(1)]	$ 99.8	$ (37.8)	$ 62.0
Other current assets[(1)]	91.0	(2.3)	88.7
Long-term Assets:			
Operating lease right-of-use assets[(1)]	—	2,133.7	2,133.7
Intangible assets[(1)]	1,711.9	(58.5)	1,653.4
Deferred income tax assets[(3)]	19.4	1.7	21.1
Other assets[(1)]	134.2	(27.4)	106.8
Current Liabilities:			
Accrued liabilities[(1)(3)]	673.6	(39.2)	634.4
Operating lease liabilities[(2)]	—	362.3	362.3
Current debt	0.8	(0.8)	—
Long-term Liabilities:			
Long-term debt	1,601.9	(5.3)	1,596.6
Operating lease liabilities[(2)]	—	1,961.6	1,961.6
Deferred income tax liabilities[(3)]	234.1	(13.1)	221.0
Other liabilities[(1)(3)]	454.0	(207.2)	246.8
Stockholder's Equity:			
Retained earnings (accumulated deficit)[(3)]	291.6	(48.9)	242.7

---

(1) Upon adoption, the Company recognized operating lease right-of-use ("ROU") assets on the Condensed Consolidated Balance Sheet. In conjunction with this recognition, the Company reclassified amounts to lease right-of-use assets including: prepaid rent from prepaid expenses; key money and lease right intangibles from current and long-term other assets; deferred rent, lease incentives, unfavorable lease right liability and other accrued rent from current and long-term other liabilities. In addition, upon adoption in the first quarter of fiscal 2020, the Company recognized initial ROU asset balances of $2.13 billion on its Condensed Consolidated Balance Sheet.

(2) Upon adoption, the Company recognized lease liabilities of $2.32 billion on the Condensed Consolidated Balance Sheet, which were recorded with Current and Long-term lease liabilities.

(3) Upon adoption, the Company recognized a cumulative adjustment of $63.7 million, net of tax, decreasing the opening balance of Retained earnings, related to right-of-use asset impairment charges for certain of the Company's stores where it was previously determined that the carrying value of assets was not recoverable. This adjustment was partially offset by ($14.8) million, net of tax, of increases to retained earnings to recognize deferred gains resulting from real estate transactions.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820)*" ("ASU 2018-13"), which is intended to improve the effectiveness of fair value disclosures. The ASU removes or modifies certain disclosure requirements related to fair value information, as well as adds new disclosure requirements for Level 3 fair value measurements. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2021. Early adoption is permitted. The Company is currently in the process of evaluating the impact that adopting ASU 2018-13 will have on its condensed consolidated financial statements and notes thereto, however, does not expect a material impact resulting from this guidance.

In August 2018, the FASB issued ASU No. 2018-15, "*Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*" ("ASU 2018-15"), which is intended to clarify the accounting for implementation costs of cloud computing arrangements which are deemed to be a service contract rather than a software license. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2021. Early adoption is permitted. The Company is currently in the process of evaluating the impact that adopting ASU 2018-15 will have on its condensed consolidated financial statements and notes thereto.

In June 2016, the FASB issued ASU No. 2016-13, "*Measurement of Credit Losses on Financial Instruments*" ("ASU 2016-13"), which requires companies to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The FASB has subsequently issued updates to the standard to provide additional clarification on specific topics. The requirement of the new standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2021. Early adoption is permitted. The Company is currently in the process of evaluating the impact that adopting ASU 2016-13 will have on its condensed consolidated financial statements and notes thereto.

4. REVENUE

The Company recognizes revenue primarily from sales of the products of its brands through retail and wholesale channels, including the Internet. The Company also generates revenue from royalties related to licensing its trademarks, as well as sales in ancillary channels. In all cases, revenue is recognized upon the transfer of control of the promised products or services to the customer, which may be at a point in time or over time. Control is transferred when the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the products or services. The amount of revenue recognized is the amount of consideration to which the Company expects to be entitled, including estimation of sale terms that may create variability in the consideration. Revenue subject to variability is constrained to an amount which will not result in a significant reversal in future periods when the contingency that creates variability is resolved.

The Company recognizes revenue in its retail stores, including concession shop-in-shops, at the point-of-sale when the customer obtains physical possession of the products. Internet revenue from sales of products ordered through the Company's e-commerce sites is recognized upon delivery and receipt of the shipment by its customers and includes shipping and handling charges paid by customers. Retail and Internet revenues are recorded net of estimated returns, which are estimated by developing an expected value based on historical experience. Payment is due at the point of sale.

Gift cards issued by the Company are recorded as a liability until redeemed by the customer, at which point revenue is recognized. The Company also uses historical information to estimate the amount of gift card balances that will never be redeemed and recognizes that amount as revenue over time in proportion to actual customer redemptions if the Company does not have a legal obligation to remit unredeemed gift cards to any jurisdiction as unclaimed property.

The Company recognizes revenue within the wholesale channel at the time title passes and risk of loss is transferred to customers, which is generally at the point of shipment of products but may occur upon receipt of the shipment by the customer in certain cases. Payment is generally due 30 to 90 days after shipment. Wholesale revenue is recorded net of estimates for returns, discounts, end-of-season markdowns, cooperative advertising allowances and other consideration provided to the customer. Discounts are based on contract terms with the customer, while cooperative advertising allowances and other consideration may be based on contract terms or negotiated on a case-by-case basis. Returns and markdowns generally require approval from the Company and are estimated based on historical trends, current season results and inventory positions at the wholesale locations, current market and economic conditions as well as, in select cases, contractual terms. The Company's historical estimates of these variable amounts have not differed materially from actual results.

The Company recognizes licensing revenue over time during the contract period in which licensees are granted access to the Company's trademarks. These arrangements require licensees to pay a sales-based royalty and may include a contractually guaranteed minimum royalty amount. Revenue for contractually guaranteed minimum royalty amounts is recognized ratably over the license year and any excess sales-based royalties are recognized as earned once the minimum royalty threshold is achieved. Payments from the customer are generally due quarterly in an amount based on the licensee's sales of goods bearing the licensed trademarks during the period, which may differ from the amount of revenue recorded during the period thereby generating a contract asset or liability. Contract assets and liabilities and contract costs related to the licensing arrangements are immaterial as the licensing business represents approximately 1% of total net sales in the six months ended December 28, 2019.

The Company has elected a practical expedient not to disclose the remaining performance obligations that are unsatisfied as of the end of the period related to contracts with an original duration of one year or less or variable consideration related to sales-based royalty arrangements. There are no other contracts with transaction price allocated to remaining performance obligations other than future minimum royalties as discussed above, which are not material.

Other practical expedients elected by the Company include (i) assuming no significant financing component exists for any contract with a duration of one year or less, (ii) accounting for shipping and handling as a fulfillment activity within SG&A expense regardless of the timing of the shipment in relation to the transfer of control and (iii) excluding sales and value added tax from the transaction price.

Disaggregated Net Sales

The following table disaggregates the Company's net sales into geographies that depict how economic factors may impact the revenues and cash flows for the periods presented. Each geography presented includes net sales related to the Company's directly operated channels, global travel retail business and to wholesale customers, including distributors, in locations within the specified geographic area.

	North America	Greater China[(1)]	Other Asia[(2)]	Other[(3)]	Total
			(millions)		
Three Months Ended December 28, 2019					
Coach	**$ 780.0**	**$ 188.1**	**$ 229.4**	**$ 72.4**	**$ 1,269.9**
Kate Spade	**348.5**	**13.6**	**41.9**	**26.4**	**430.4**
Stuart Weitzman	**62.3**	**32.7**	**6.5**	**14.2**	**115.7**
Total	**$ 1,190.8**	**$ 234.4**	**$ 277.8**	**$ 113.0**	**$ 1,816.0**
Three Months Ended December 29, 2018					
Coach	$ 759.5	$ 202.4	$ 224.2	$ 62.5	$ 1,248.6
Kate Spade	349.6	12.6	40.0	26.2	428.4
Stuart Weitzman	75.8	24.2	6.3	17.5	123.8
Total	$ 1,184.9	$ 239.2	$ 270.5	$ 106.2	$ 1,800.8
Six Months Ended December 28, 2019					
Coach	**$ 1,323.7**	**$ 347.3**	**$ 428.2**	**$ 136.6**	**$ 2,235.8**
Kate Spade	**580.4**	**25.9**	**84.1**	**45.5**	**735.9**
Stuart Weitzman	**109.0**	**52.1**	**11.9**	**29.2**	**202.2**
Total	**$ 2,013.1**	**$ 425.3**	**$ 524.2**	**$ 211.3**	**$ 3,173.9**
Six Months Ended December 29, 2018					
Coach	$ 1,304.1	$ 363.5	$ 415.1	$ 126.6	$ 2,209.3
Kate Spade	607.2	23.8	75.1	47.7	753.8
Stuart Weitzman	124.6	39.1	12.2	43.0	218.9
Total	$ 2,035.9	$ 426.4	$ 502.4	$ 217.3	$ 3,182.0

(1) Greater China includes mainland China, Hong Kong SAR, Macao SAR and Taiwan.

(2) Other Asia includes Japan, Australia, New Zealand, South Korea, Thailand and other countries within Asia.

(3) Other sales primarily represents sales in Europe, the Middle East and royalties related to licensing.

Deferred Revenue

Deferred revenue results from cash payments received or receivable from customers prior to the transfer of the promised goods or services, and is primarily related to unredeemed gift cards, net of breakage which has been recognized. Additional deferred revenue may result from sales-based royalty payments received or receivable which exceed the revenue recognized during the contractual period. The balance of such amounts as of December 28, 2019 and June 29, 2019 was $32.7 million and $27.5 million, respectively, which were primarily recorded within Accrued liabilities on the Company's Condensed Consolidated Balance Sheets and are generally expected to be recognized as revenue within a year. For the six months ended December 28, 2019, net sales of $8.3 million were recognized from amounts recorded as deferred revenue as of June 29, 2019. For the six months ended December 29, 2018, net sales of $11.9 million were recognized from amounts recorded as deferred revenue as of June 30, 2018.

5. INTEGRATION

During the three and six months ended December 28, 2019, the Company incurred integration costs of $3.9 million and $8.2 million. The charges recorded in Cost of sales for the three and six months ended December 28, 2019 were $1.5 million and $5.6 million. Of the amount recorded to Cost of sales, $1.5 million and $4.3 million was recorded in the Stuart Weitzman segment, $0.0 million and $1.2 million was recorded in the Kate Spade segment and $0.0 million and $0.1 million was recorded in the Coach segment, respectively. The charges recorded to SG&A expenses for the three and six months ended December 28, 2019 were $2.4 million and $2.6 million, respectively. Of the amount recorded to SG&A expenses, $1.8 million and $4.0 million was recorded within Corporate, $0.3 million and a reduction of expense of $2.1 million was recorded in the Stuart Weitzman segment, $0.7 million and $0.8 million was recorded in the Kate Spade segment and a reduction of expense of $0.4 million and $0.1 million was recorded in the Coach segment, respectively. Of the total costs of $3.9 million, $1.1 million were non-cash charges related to inventory-related charges, organization-related costs and purchase accounting adjustments. Of the total costs of $8.2 million, $3.9 million were non-cash charges related to inventory-related charges, organization-related costs and purchase accounting adjustments.

The Company estimates that it will incur approximately $5-10 million in pre-tax charges, of which the majority are expected to be cash charges, for the remainder of fiscal 2020.

During the three and six months ended December 29, 2018, the Company incurred integration costs of $15.2 million and $34.7 million, respectively. The charges recorded in Cost of sales for the three and six months ended December 29, 2018 were $3.5 million and $4.1 million, respectively. Of the amount recorded to Cost of sales, $0.0 million and $2.0 million was recorded in the Coach segment, $2.5 million and $1.1 million was recorded in the Kate Spade segment and $1.0 million and $1.0 million was recorded in the Stuart Weitzman segment, respectively. The charges recorded in SG&A expenses for the three and six months ended December 29, 2018 were $11.7 million and $30.6 million, respectively. Of the amount recorded to SG&A expenses, $0.6 million and $12.1 million was recorded in the Stuart Weitzman segment, $7.4 million and $11.4 million was recorded within Corporate and $3.7 million and $7.1 million was recorded in the Kate Spade segment, respectively. Of the total costs of $15.2 million, $4.8 million were non-cash charges related to purchase accounting adjustments and asset write-offs. Of the total costs of $34.7 million, $6.2 million were non-cash charges related to purchase accounting adjustments, organization-related costs and asset write-offs.

Refer to Note 6, "Acquisitions," for more information.

A summary of the integration charges is as follows:

	Three Months Ended		Six Months Ended	
	December 28, 2019	December 29, 2018	**December 28, 2019**	December 29, 2018
	(millions)			
Purchase accounting adjustments[1]	**$ 0.2**	$ 3.4	**$ 0.8**	$ 5.4
Acquisition costs[2]	**—**	0.7	**—**	0.7
Inventory-related charges[3]	**1.3**	—	**4.9**	(1.4)
Contractual payments[4]	**—**	0.1	**—**	7.2
Other[5]	**2.4**	11.0	**2.5**	22.8
Total	**$ 3.9**	$ 15.2	**$ 8.2**	$ 34.7

(1) Purchase accounting adjustments primarily relate to the short-term impact of the amortization of fair value adjustments.

(2) Acquisition costs were primarily related to deal fees associated with acquisitions.

(3) Inventory-related charges primarily relate to inventory reserves.

(4) Contractual payments primarily relate to contract termination charges for the three and six months ended December 29, 2018.

(5) Other primarily relates to share-based compensation, severance charges, professional fees and asset write-offs.

6. ACQUISITIONS

Fiscal 2019 Acquisitions

Distributor Acquisitions

During the fiscal year ended June 29, 2019, the Company acquired designated assets of its Stuart Weitzman distributor in Southern China and Australia and of its Kate Spade distributor in Australia, Malaysia and Singapore.

The aggregate purchase consideration for the acquisitions was $47.8 million, $44.0 million of which was cash consideration and the remaining is related to non-cash consideration. Of the $44.0 million of cash consideration, $43.5 million was paid during fiscal 2019 and the remaining will be paid in the future. Of the total purchase consideration of $47.8 million, $21.8 million of net assets were recorded at their fair values. The excess of the purchase consideration over the fair value of the net assets acquired was recorded as non-tax deductible goodwill in the amount of $26.0 million, of which $13.3 million was assigned to the Stuart Weitzman segment and $12.7 million was assigned to the Kate Spade segment.

The purchase price allocation for these assets acquired and liabilities assumed is completed, however may be subject to change as additional information is obtained during the acquisition measurement period for the respective acquisitions. The pro forma results are not presented for these acquisitions as they are immaterial.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The change in the carrying amount of the Company's goodwill by segment is as follows:

	Coach	Kate Spade	Stuart Weitzman	Total
		(millions)		
Balance at June 29, 2019	$ 661.8	$ 640.4	$ 214.0	$ 1,516.2
Foreign exchange impact	**(3.5)**	**(0.3)**	**(1.1)**	**(4.9)**
Balance at December 28, 2019	**$ 658.3**	**$ 640.1**	**$ 212.9**	**$ 1,511.3**

Intangible Assets

Intangible assets consist of the following:

	December 28, 2019			June 29, 2019		
	Gross Carrying Amount	**Accum. Amort.**	**Net**	Gross Carrying Amount	Accum. Amort.	Net
			(millions)			
Intangible assets subject to amortization:						
Customer relationships	**$ 100.5**	**$ (27.5)**	**$ 73.0**	$ 100.6	$ (24.0)	$ 76.6
Favorable lease rights[1]	**—**	**—**	**—**	93.1	(34.6)	58.5
Total intangible assets subject to amortization	**100.5**	**(27.5)**	**73.0**	193.7	(58.6)	135.1
Intangible assets not subject to amortization:						
Trademarks and trade names	**1,576.8**	**—**	**1,576.8**	1,576.8	—	1,576.8
Total intangible assets	**$ 1,677.3**	**$ (27.5)**	**$ 1,649.8**	$ 1,770.5	$ (58.6)	$ 1,711.9

(1) Refer to Note 3, "Recent Accounting Pronouncements," for further information.

As of December 28, 2019, the expected amortization expense for intangible assets is as follows:

		Amortization Expense
		(millions)
Remainder of fiscal 2020	$	3.1
Fiscal 2021		6.5
Fiscal 2022		6.5
Fiscal 2023		6.5
Fiscal 2024		6.5
Fiscal 2025		6.5
Fiscal 2026 and thereafter		37.4
Total	**$**	**73.0**

The expected amortization expense above reflects remaining useful lives ranging from approximately 10.3 to 12.5 years for customer relationships.

8. STOCKHOLDERS' EQUITY

A reconciliation of stockholders' equity is presented below:

	Shares of Common Stock	Common Stock	Additional Paid-in-Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(millions, except per share data)					
Balance at June 30, 2018	288.0	$ 2.9	$ 3,205.5	$ 119.0	$ (82.8)	$ 3,244.6
Net income	—	—	—	122.3	—	122.3
Other comprehensive income (loss)	—	—	—	—	(5.3)	(5.3)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	1.8	—	3.2	—	—	3.2
Share-based compensation	—	—	22.4	—	—	22.4
Dividends declared ($0.3375 per share)	—	—	—	(97.8)	—	(97.8)
Cumulative adjustment from adoption of new accounting standard (see Note 3)	—	—	—	20.2	—	20.2
Balance at September 29, 2018	289.8	$ 2.9	$ 3,231.1	$ 163.7	$ (88.1)	$ 3,309.6
Net income	—	—	—	254.8	—	254.8
Other comprehensive income (loss)	—	—	—	—	(3.4)	(3.4)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	0.2	—	3.7	—	—	3.7
Share-based compensation	—	—	21.5	—	—	21.5
Dividends declared ($0.3375 per share)	—	—	—	(97.8)	—	(97.8)
Balance at December 29, 2018	290.0	$ 2.9	$ 3,256.3	$ 320.7	$ (91.5)	$ 3,488.4

	Shares of Common Stock	Common Stock	Additional Paid-in-Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(millions, except per share data)					
Balance at June 29, 2019	286.8	$ 2.9	$ 3,302.1	$ 291.6	$ (83.2)	$ 3,513.4
Net income	—	—	—	20.0	—	20.0
Other comprehensive income (loss)	—	—	—	—	(12.8)	(12.8)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	1.0	—	(14.5)	—	—	(14.5)
Share-based compensation	—	—	26.8	—	—	26.8
Repurchase of common stock	(11.9)	(0.1)	—	(299.9)	—	(300.0)
Dividends declared ($0.3375 per share)	—	—	—	(97.1)	—	(97.1)
Cumulative adjustment from adoption of new accounting standard	—	—	—	(48.9)	—	(48.9)
Balance at September 28, 2019	275.9	$ 2.8	$ 3,314.4	$ (134.3)	$ (96.0)	$ 3,086.9
Net income	—	—	—	298.8	—	298.8
Other comprehensive income (loss)	—	—	—	—	11.0	11.0
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	0.1	—	2.1	—	—	2.1
Share-based compensation	—	—	16.8	—	—	16.8
Additional paid-in-capital as part of purchase consideration	—	—	—	—	—	—
Dividends declared ($0.3375 per share)	—	—	—	(93.2)	—	(93.2)
Balance at December 28, 2019	276.0	$ 2.8	$ 3,333.3	$ 71.3	$ (85.0)	$ 3,322.4

The components of accumulated other comprehensive income (loss) ("AOCI"), as of the dates indicated, are as follows:

	Unrealized Gains (Losses) on Cash Flow Hedging Derivatives[(1)]	Unrealized Gains (Losses) on Available-for-Sale Investments	Cumulative Translation Adjustment	Other[(2)]	Total
			(millions)		
Balances at June 30, 2018	$ 1.4	$ —	$ (85.3)	$ 1.1	$ (82.8)
Other comprehensive income (loss) before reclassifications	1.4	0.1	(10.1)	—	(8.6)
Less: amounts reclassified from accumulated other comprehensive income to earnings	0.1	—	—	—	0.1
Net current-period other comprehensive income (loss)	1.3	0.1	(10.1)	—	(8.7)
Balances at December 29, 2018	$ 2.7	$ 0.1	$ (95.4)	$ 1.1	$ (91.5)
Balances at June 29, 2019	**$ (4.5)**	**$ (0.5)**	**$ (79.9)**	**$ 1.7**	**$ (83.2)**
Other comprehensive income (loss) before reclassifications	**3.7**	**—**	**(5.4)**	**—**	**(1.7)**
Less: amounts reclassified from accumulated other comprehensive income to earnings	**(1.6)**	**—**	**—**	**1.7**	**0.1**
Net current-period other comprehensive income (loss)	**5.3**	**—**	**(5.4)**	**(1.7)**	**(1.8)**
Balances at December 28, 2019	**$ 0.8**	**$ (0.5)**	**$ (85.3)**	**$ —**	**$ (85.0)**

(1) The ending balances of AOCI related to cash flow hedges are net of tax of$0.4 million and ($1.5) million as of December 28, 2019 and December 29, 2018, respectively. The amounts reclassified from AOCI are net of tax of $0.5 million and ($0.3) million as of December 28, 2019 and December 29, 2018, respectively.

(2) Other represents the accumulated loss on the Company's minimum pension liability adjustment. The balance atDecember 29, 2018 is net of tax of $0.6 million. There was no remaining balance at December 28, 2019.

9. LEASES

The Company leases retail space, office space, warehouse facilities, distribution centers, storage space, machinery, equipment and certain other items under operating leases. The Company's leases have initial terms ranging from 1 to 20 years and may have renewal or early termination options ranging from 1 to 10 years. These leases may also include rent escalation clauses or lease incentives in the form of construction allowances and rent reduction. In determining the lease term used in the lease ROU asset and lease liability calculations, the Company considers various factors such as market conditions and the terms of any renewal or termination options that may exist. When deemed reasonably certain, the renewal and termination options are included in the determination of the lease term and calculation of the lease ROU asset and lease liability. The Company is typically required to make fixed minimum rent payments, variable rent payments primarily based on performance (i.e., percentage-of-sales-based payments), or a combination thereof, directly related to its ROU asset. The Company is also often required, by the lease, to pay for certain other costs including real estate taxes, insurance, common area maintenance fees, and/or certain other costs, which may be fixed or variable, depending upon the terms of the respective lease agreement. To the extent these payments are fixed, the Company has included them in calculating the lease ROU assets and lease liabilities.

The Company calculates lease ROU assets and lease liabilities as the present value of fixed lease payments over the reasonably certain lease term beginning at the commencement date. ASU 2016-02 requires the use of the implicit rate to determine the present value of lease payments. As the rate implicit in the Company's leases is not readily determinable, the Company uses its incremental borrowing rate based on the information available at the lease commencement date, including the lease term, currency, country, Company specific risk premium and adjustments for collateral.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases and impaired operating leases, the ROU asset is depreciated on a straight-line basis over the remaining lease term, along with recognition of interest expense associated with accretion of the lease liability. For leases with a lease term of 12 months or less ("short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the Condensed Consolidated Balance Sheets. Variable lease cost for both operating and finance leases, if any, is recognized as incurred.

The Company acts as sublessor in certain leasing arrangements, primarily related to a sublease of a portion the Company's leased headquarters space as well as certain retail locations. Fixed sublease payments received are recognized on a straight-line basis over the sublease term.

ROU assets, along with any other related long-lived assets, are periodically evaluated for impairment.

The following table summarizes the ROU assets and lease liabilities recorded onthe Company's Condensed Consolidated Balance Sheet as of December 28, 2019:

	December 28, 2019 (millions)	Location Recorded on Balance Sheet
Assets:		
Operating leases	$ 1,996.5	Operating lease right-of-use assets
Finance leases	3.6	Property and equipment, net
Total lease assets	$ 2,000.1	
Liabilities:		
Operating leases:		
Current lease liabilities	$ 329.8	Current lease liabilities
Long-term lease liabilities	1,901.2	Long-term lease liabilities
Total operating lease liabilities	$ 2,231.0	
Finance leases:		
Current lease liabilities	$ 0.8	Accrued liabilities
Long-term lease liabilities	4.9	Other liabilities
Total finance lease liabilities	$ 5.7	
Total lease liabilities	$ 2,236.7	

The following table summarizes the composition of net lease costs, primarily recorded within SG&A expenses on the Company's Condensed Consolidated Statement of Operations for the three and six months ended December 28, 2019:

	Three Months Ended	Six Month Ended
	December 28, 2019	
	(millions)	
Finance lease cost:		
Amortization of right-of-use assets	$ 0.2	$ 0.4
Interest on lease liabilities[1]	0.1	0.3
Total finance lease cost	0.3	0.7
Operating lease cost	105.5	217.3
Short-term lease cost	1.9	3.6
Variable lease cost	61.1	112.1
Operating lease right-of-use impairment	—	35.8
Less: sublease income	(5.3)	(10.7)
Total net lease cost	$ 163.5	$ 358.8

(1) Interest on lease liabilities is recorded within Interest expense, net on the Company's Condensed Consolidated Statement of Operations.

The following table summarizes certain cash flow information related to the Company's leases for the six months ended December 28, 2019:

	Six Months Ended
	December 28, 2019
	(millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 206.6
Operating cash flows from finance leases	0.3
Financing cash flows from finance leases	0.4
Non-cash transactions:	
Right-of-use assets obtained in exchange for operating lease liabilities	86.1
Right-of-use assets obtained in exchange for finance lease liabilities	—

The following table provides a maturity analysis of the Company's lease liabilities recorded on the Condensed Consolidated Balance Sheet as ofDecember 28, 2019:

	December 28, 2019		
	Operating Leases	Finance Leases	Total
	(millions)		
Remainder of Fiscal 2020	$ 193.6	$ 0.7	$ 194.3
Fiscal 2021	398.5	1.4	399.9
Fiscal 2022	357.7	1.4	359.1
Fiscal 2023	312.3	1.4	313.7
Fiscal 2024	263.9	1.4	265.3
Fiscal 2025 and thereafter	1,156.2	1.3	1,157.5
Total lease payments	2,682.2	7.6	2,689.8
Less: imputed interest	451.2	1.9	453.1
Total lease liabilities	$ 2,231.0	$ 5.7	$ 2,236.7

The future minimum fixed sublease receipts under non-cancelable operating lease agreements as ofDecember 28, 2019 are as follows:

	December 28, 2019
	(millions)
Remainder of Fiscal 2020	$ 10.6
Fiscal 2021	21.1
Fiscal 2022	20.1
Fiscal 2023	16.0
Fiscal 2024	15.5
Fiscal 2025 and thereafter	187.5
Total sublease income	$ 270.8

The following table summarizes the weighted-average remaining lease terms and weighted-average discount rates related to the Company's operating leases and finance leases recorded on the Condensed Consolidated Balance Sheet as of December 28, 2019:

	December 28, 2019
Weighted average remaining lease term (years):	
Operating leases	8.81
Finance leases	5.42
Weighted average discount rate:	
Operating leases	3.6%
Finance leases	11.3%

Additionally, the Company had approximately $25 million of future payment obligations related to executed lease agreements for which the related lease has not yet commenced as of December 28, 2019.

As reported under the previous accounting standard, the following table provides a summary of future minimum rental payments under non-cancelable operating leases, as of June 29, 2019:

	June 29, 2019
	(millions)
2020	$ 399.0
2021	341.5
2022	308.2
2023	270.4
2024	226.5
Subsequent to 2024	1,065.7
Total minimum future rental payments	$ 2,611.3

10. EARNINGS PER SHARE

Basic net income per share is calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted net income per share is calculated similarly but includes potential dilution from the exercise of stock options and restricted stock units and any other potentially dilutive instruments, only in the periods in which such effects are dilutive under the treasury stock method.

The following is a reconciliation of the weighted-average shares outstanding and calculation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	December 28, 2019	December 29, 2018	**December 28, 2019**	December 29, 2018
	(millions, except per share data)			
Net income	**$ 298.8**	$ 254.8	**$ 318.8**	$ 377.1
Weighted-average basic shares	**276.0**	289.9	**280.8**	289.3
Dilutive securities:				
Effect of dilutive securities	**0.7**	1.1	**1.0**	2.1
Weighted-average diluted shares	**276.7**	291.0	**281.8**	291.4
Net income per share:				
Basic	**$ 1.08**	$ 0.88	**$ 1.14**	$ 1.30
Diluted	**$ 1.08**	$ 0.88	**$ 1.13**	$ 1.29

Earnings per share amounts have been calculated based on unrounded numbers. Options to purchase shares of the Company's common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding restricted stock unit awards that are issuable only upon the achievement of certain performance goals. Performance-based restricted stock unit awards are included in the computation of diluted shares only to the extent that the underlying performance conditions (and any applicable market condition modifiers) (i) are satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive under the treasury stock method. As of December 28, 2019 and December 29, 2018, there were 13.1 million and 7.8 million, respectively, of additional shares issuable upon exercise of anti-dilutive options and contingent vesting of performance-based restricted stock unit awards, which were excluded from the diluted share calculations.

11. SHARE-BASED COMPENSATION

The following table shows the share-based compensation expense and the related tax benefits recognized in the Company's Condensed Consolidated Statements of Operations for the periods indicated:

	Three Months Ended		Six Months Ended	
	December 28, 2019	December 29, 2018	**December 28, 2019**	December 29, 2018
	(millions)			
Share-based compensation expense[(1)]	**$ 16.8**	$ 21.5	**$ 43.6**	$ 43.9
Income tax benefit related to share-based compensation expense	**3.5**	4.0	**8.9**	8.2

(1) During the three and six months ended December 28, 2019, the Company incurred $0.1 million and $9.8 million of share-based compensation expense related to its organization-related and integration activities, respectively. During the three and six months ended December 29, 2018, the Company incurred $0.4 million and $0.8 million of share-based compensation expense related to integration activities, respectively.

Stock Options

A summary of stock option activity during thesix months ended December 28, 2019 is as follows:

	Number of Options Outstanding
	(millions)
Outstanding at June 29, 2019	12.4
Granted	**5.4**
Exercised	**—**
Forfeited or expired	**(0.4)**
Outstanding at December 28, 2019	**17.4**

The weighted-average grant-date fair value of options granted during thesix months ended December 28, 2019 and December 29, 2018 was $3.83 and $9.77, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions:

	December 28, 2019	December 29, 2018
Expected term (years)	**5.1**	5.0
Expected volatility	**37.6%**	30.3%
Risk-free interest rate	**1.5%**	3.1%
Dividend yield	**6.4%**	3.1%

Service-based Restricted Stock Unit Awards ("RSUs")

A summary of service-based RSU activity during the six months ended December 28, 2019 is as follows:

	Number of Non-vested RSUs
	(millions)
Non-vested at June 29, 2019	3.3
Granted	**3.8**
Vested	**(1.3)**
Forfeited	**(0.3)**
Non-vested at December 28, 2019	**5.5**

The weighted-average grant-date fair value of share awards granted during the six months ended December 28, 2019 and December 29, 2018 was $21.45 and $50.85, respectively.

Performance-based Restricted Stock Unit Awards ("PRSUs")

A summary of PRSU activity during the six months ended December 28, 2019 is as follows:

	Number of Non-vested PRSUs
	(millions)
Non-vested at June 29, 2019	0.9
Granted	**0.6**
Change due to performance condition achievement	**—**
Vested	**(0.3)**
Forfeited	**—**
Non-vested at December 28, 2019	**1.2**

The PRSU awards included in the non-vested amount are based on certain Company-specific financial metrics. The effect of the change due to performance condition on the non-vested amount is recognized at the conclusion of the performance period, which may differ from the date on which the award vests.

The weighted-average grant-date fair value per share of PRSU awards granted during the six months ended December 28, 2019 and December 29, 2018 was $21.65 and $50.89, respectively.

12. DEBT

The following table summarizes the components of the Company's outstanding debt:

	December 28, 2019	June 29, 2019
	(millions)	
Current debt:		
Capital lease obligations	$ —	$ 0.8
Total current debt	$ —	$ 0.8
Long-term debt:		
4.250% Senior Notes due 2025	$ 600.0	$ 600.0
3.000% Senior Notes due 2022	400.0	400.0
4.125% Senior Notes due 2027	600.0	600.0
Note Payable	11.4	11.4
Capital lease obligations(1)	—	5.3
Total long-term debt	1,611.4	1,616.7
Less: Unamortized discount and debt issuance costs on Senior Notes	(13.4)	(14.8)
Total long-term debt, net	$ 1,598.0	$ 1,601.9

(1) Refer to Note 3, "Recent Accounting Pronouncements," for further information.

During the three and six months ended December 28, 2019, the Company recognized interest expense related to its debt of$16.7 million and $33.5 million, respectively. During the three and six months ended December 29, 2018, the Company recognized interest expense related to its debt of$16.6 million and $33.4 million, respectively.

Revolving Credit Facility

On October 24, 2019, the Company entered into a definitive credit agreement whereby Bank of America, N.A., as administrative agent, the other agents party thereto, and a syndicate of banks and financial institutions have made available to the Company a $900.0 million revolving credit facility, including sub-facilities for letters of credit, with a maturity date of October 24, 2024 (the "Revolving Credit Facility"). The Revolving Credit Facility refinanced and replaced the Company's unsecured revolving facility dated May 30, 2017. The Revolving Credit Facility may be used to finance the working capital needs, capital expenditures, permitted investments, share purchases, dividends and other general corporate purposes of the Company and its subsidiaries (which may include commercial paper back-up). Letters of credit and swing line loans may be issued under the Revolving Credit Facility as described below. There were no outstanding borrowings on the Revolving Credit Facility as of December 28, 2019.

Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to, at the Borrowers' option, either (a) an alternate base rate (which is a rate equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% or (iii) the Adjusted LIBO Rate for a one month Interest Period on such day plus 1%) or (b) a rate based on the rates applicable for deposits in the interbank market for U.S. Dollars or the applicable currency in which the loans are made plus, in each case, an applicable margin. The applicable margin will be determined by reference to a grid, as defined in the Credit Agreement, based on the ratio of (a) consolidated debt plus operating lease liability to (b) consolidated EBITDAR. Additionally, the Company pays a commitment fee at a rate determined by the reference to the aforementioned pricing grid.

4.250% Senior Notes due 2025

On March 2, 2015, the Company issued $600.0 million aggregate principal amount of 4.250% senior unsecured notes due April 1, 2025 at 99.445% of par (the "2025 Senior Notes"). Interest is payable semi-annually on April 1 and October 1 beginning October 1, 2015. Prior to January 1, 2025 (90 days prior to the scheduled maturity date), the Company may redeem the 2025 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2025 Senior Notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable in respect of the 2025 Senior Notes calculated as if the maturity date of the 2025 Senior Notes was January 1, 2025 (not including any portion of payments of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate (as defined in the indenture for the 2025 Senior Notes) plus 35 basis points, plus, in the case of each of (1) and (2), accrued and unpaid interest to the redemption date. On and after January 1, 2025 (90 days prior to the scheduled maturity date), the Company may redeem the 2025 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to 100% of the principal amount of the 2025 Senior Notes to be redeemed, plus accrued and unpaid interest to the redemption date.

3.000% Senior Notes due 2022

On June 20, 2017, the Company issued $400.0 million aggregate principal amount of 3.000% senior unsecured notes due July 15, 2022 at 99.505% of par (the "2022 Senior Notes"). Interest is payable semi-annually on January 15 and July 15 beginning January 15, 2018. Prior to June 15, 2022 (one month prior to the scheduled maturity date), the Company may redeem the 2022 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2022 Senior Notes to be redeemed or (2) as determined by a Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable in respect of the 2022 Senior Notes calculated as if the maturity date of the 2022 Senior Notes was June 15, 2022 (not including any portion of payments of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined in the Prospectus Supplement) plus 25 basis points, plus, in the case of each of (1) and (2), accrued and unpaid interest to the redemption date.

4.125% Senior Notes due 2027

On June 20, 2017, the Company issued $600.0 million aggregate principal amount of 4.125% senior unsecured notes due July 15, 2027 at 99.858% of par (the "2027 Senior Notes"). Interest is payable semi-annually on January 15 and July 15 beginning January 15, 2018. Prior to April 15, 2027 (the date that is three months prior to the scheduled maturity date), the Company may redeem the 2027 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2027 Senior Notes to be redeemed or (2) as determined by a Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable in respect of the 2027 Senior Notes calculated as if the maturity date of the 2027 Senior Notes was April 15, 2027 (not including any portion of payments of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined in the Prospectus Supplement) plus 30 basis points, plus, in the case of each of (1) and (2), accrued and unpaid interest to the redemption date.

At December 28, 2019, the fair value of the 2025, 2022 and 2027 Senior Notes was approximately $634.0 million, $405.8 million, and $615.5 million, respectively, based on external pricing data, including available quoted market prices of these instruments, and consideration of comparable debt instruments with similar interest rates and trading frequency, among other factors, and is classified as a Level 2 measurement within the fair value hierarchy. At June 29, 2019, the fair value of the 2025, 2022 and 2027 Senior Notes was approximately $629.6 million, $398.6 million and $605.5 million, respectively.

Note Payable

As a result of taking operational control of the Kate Spade Joint Ventures in China, the Company has an outstanding Note Payable of $11.4 million as of December 28, 2019 and June 29, 2019, to the other partner of the Kate Spade Joint Ventures, to be paid in fiscal 2021.

13. FAIR VALUE MEASUREMENTS

The Company categorizes its assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. The three levels of the hierarchy are defined as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1. Level 2 inputs include quoted prices for identical assets or liabilities in non-active markets, quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs reflecting management's own assumptions about the input used in pricing the asset or liability. The Company does not have any Level 3 investments.

The following table shows the fair value measurements of the Company's financial assets and liabilities at December 28, 2019 and June 29, 2019:

	Level 1		Level 2	
	December 28, 2019	June 29, 2019	**December 28, 2019**	June 29, 2019
	(millions)			
Assets:				
Cash equivalents[1]	**$ 251.7**	$ 454.3	**$ 0.3**	$ 0.4
Short-term investments:				
Time deposits[2]	**—**	—	**0.6**	0.6
Commercial paper[2]	**—**	—	**—**	17.9
Government securities - U.S.[2]	**102.9**	102.6	**—**	—
Corporate debt securities - U.S.[2]	**—**	—	**109.8**	95.8
Corporate debt securities - non U.S.[2]	**—**	—	**43.7**	37.3
Other	**—**	—	**12.8**	10.4
Long-term investments:				
Other	**—**	—	**0.1**	0.1
Derivative assets:				
Inventory-related instruments[3]	**—**	—	**4.4**	1.1
Intercompany loan and payable hedges[3]	**—**	—	**0.3**	—
Liabilities:				
Derivative liabilities:				
Inventory-related instruments[3]	**—**	—	**3.4**	4.9
Intercompany loan and payable hedges[3]	**—**	—	**0.5**	0.1

(1) Cash equivalents consist of money market funds and time deposits with maturities of three months or less at the date of purchase. Due to their short-term maturity, management believes that their carrying value approximates fair value.

(2) Short-term investments are recorded at fair value, which approximates their carrying value, and are primarily based upon quoted vendor or broker priced securities in active markets.

(3) The fair value of these hedges is primarily based on the forward curves of the specific indices upon which settlement is based and includes an adjustment for the counterparty's or Company's credit risk.

Refer to Note 12, "Debt," for the fair value of the Company's outstanding debt instruments.

Non-Financial Assets and Liabilities

The Company's non-financial instruments, which primarily consist of goodwill, intangible assets and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial instruments are assessed for impairment and, if applicable, written-down to and recorded at fair value, considering market participant assumptions.

When the Company evaluates its long-lived assets for impairment, the assessment is performed for the related asset group that represents the lowest level for which identifiable cash flows are independent of the cash flows of other assets. This determination requires a significant amount of judgment, and is dependent on the Company's overall operating strategy. The Company historically grouped select flagship locations with other stores located within the geographic area surrounding the flagship store as the Company believed the assets of the related group benefited from the Company's investments in the flagship location. Beginning in fiscal 2020, the Company began to (i) evaluate select flagship store closures across all brands, (ii) be more selective about new store openings as it focuses on store productivity and (iii) invest more significantly in growing its digital business and capabilities. Following this shift in strategy, during the quarter ended September 28, 2019, the Company determined for these certain flagship locations that the individual store represents the lowest level of independent identifiable cash flows.

As a result, the Company identified impairment indicators at certain flagship store locations and recorded lease ROU assets and property and equipment asset impairment charges. The fair value of these assets were determined based on Level 3 measurements. Inputs to these fair value measurements included estimates of the amounts and the timing of the stores' net future discounted cash flows based on historical experience, current trends and market conditions. The Company recorded $39.8 million of impairment charges during the first quarter of fiscal 2020 to reduce the carrying amount of certain store assets within property and equipment, net to their fair values of $10.1 million as of September 28, 2019. The Company recorded $35.8 million of impairment charges during the first quarter of fiscal 2020 to reduce the carrying amount of certain operating lease right-of-use assets to their fair values of $119.3 million as of September 28, 2019.

14. INVESTMENTS

The following table summarizes the Company’s U.S. dollar-denominated investments, recorded within the Company's Condensed Consolidated Balance Sheets as of December 28, 2019 and June 29, 2019:

	December 28, 2019			June 29, 2019		
	Short-term	Long-term	Total	Short-term	Long-term	Total
	(millions)					
Available-for-sale investments:						
Commercial paper(1)	$ —	$ —	$ —	$ 17.9	$ —	$ 17.9
Government securities - U.S.(2)	**102.9**	—	**102.9**	102.6	—	102.6
Corporate debt securities - U.S.(2)	**109.8**	—	**109.8**	95.8	—	95.8
Corporate debt securities - non-U.S.(2)	**43.7**	—	**43.7**	37.3	—	37.3
Available-for-sale investments, total	**$ 256.4**	$ —	**$ 256.4**	$ 253.6	$ —	$ 253.6
Other:						
Time deposits(1)	**0.6**	—	**0.6**	0.6	—	0.6
Other	**12.8**	**0.1**	**12.9**	10.4	0.1	10.5
Total Investments	**$ 269.8**	**$ 0.1**	**$ 269.9**	$ 264.6	$ 0.1	$ 264.7

(1) These securities have original maturities greater than three months and are recorded at fair value.

(2) These securities as of December 28, 2019 have maturity dates between calendar years 2019 and 2020 and are recorded at fair value.

There were no material gross unrealized gains or losses on available-for-sale investments as of the periods ended December 28, 2019 and June 29, 2019.

15. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company had standby letters of credit, surety bonds and bank guarantees totaling $34.1 million and $34.5 million outstanding at December 28, 2019 and June 29, 2019, respectively. The agreements, which expire at various dates through calendar 2039, primarily collateralize the Company's obligation to third parties for duty, leases, insurance claims and materials used in product manufacturing. The Company pays certain fees with respect to these instruments that are issued.

Other

The Company had other contractual cash obligations as of December 28, 2019 related to debt repayments. Refer to Note 12, "Debt," for further information.

In the ordinary course of business, the Company is a party to several pending legal proceedings and claims. Although the outcome of such items cannot be determined with certainty, the Company's Chief Legal Officer and management are of the opinion that the final outcome will not have a material effect on the Company's cash flow, results of operations or financial position.

16. SEGMENT INFORMATION

The Company has three reportable segments:

- *Coach* - Includes global sales of Coach brand products to customers through Coach operated stores, including the Internet and concession shop-in-shops, sales to wholesale customers and through independent third party distributors.
- *Kate Spade* - Includes global sales primarily of kate spade new york brand products to customers through Kate Spade operated stores, including the Internet, sales to wholesale customers, through concession shop-in-shops and through independent third party distributors.
- *Stuart Weitzman* - Includes global sales of Stuart Weitzman brand products to customers primarily through Stuart Weitzman operated stores, including the Internet, sales to wholesale customers and through numerous independent third party distributors.

In deciding how to allocate resources and assess performance, the Company's chief operating decision maker regularly evaluates the sales and operating income of these segments. Operating income is the gross margin of the segment less direct expenses of the segment.

The following table summarizes segment performance for the three and six months ended December 28, 2019 and December 29, 2018:

	Coach	Kate Spade	Stuart Weitzman	Corporate[1]	Total
			(millions)		
Three Months Ended December 28, 2019					
Net sales	**$ 1,269.9**	**$ 430.4**	**$ 115.7**	**$ —**	**$ 1,816.0**
Gross profit	**877.3**	**262.4**	**70.0**	**—**	**1,209.7**
Operating income (loss)	**382.8**	**67.9**	**9.6**	**(97.2)**	**363.1**
Income (loss) before provision for income taxes	**382.8**	**67.9**	**9.6**	**(105.3)**	**355.0**
Depreciation and amortization expense[2]	**29.0**	**14.7**	**4.2**	**13.0**	**60.9**
Additions to long-lived assets[3]	**20.1**	**18.3**	**5.1**	**6.8**	**50.3**
Three Months Ended December 29, 2018					
Net sales	$ 1,248.6	$ 428.4	$ 123.8	$ —	$ 1,800.8
Gross profit	860.1	272.4	71.0	—	1,203.5
Operating income (loss)	374.4	88.3	9.9	(96.1)	376.5
Income (loss) before provision for income taxes	374.4	88.3	9.9	(105.1)	367.5
Depreciation and amortization expense[2]	33.6	16.0	3.9	12.6	66.1
Additions to long-lived assets[3]	16.0	18.9	2.2	24.1	61.2
Six Months Ended December 28, 2019					
Net sales	**$ 2,235.8**	**$ 735.9**	**$ 202.2**	**$ —**	**$ 3,173.9**
Gross profit	**1,554.9**	**453.9**	**115.4**	**—**	**2,124.2**
Operating income (loss)	**582.3**	**60.7**	**(9.7)**	**(218.6)**	**414.7**
Income (loss) before provision for income taxes	**582.3**	**60.7**	**(9.7)**	**(251.7)**	**381.6**
Depreciation and amortization expense[2]	**79.1**	**42.0**	**17.7**	**26.2**	**165.0**
Additions to long-lived assets[3]	**44.7**	**35.3**	**10.3**	**31.9**	**122.2**
Six Months Ended December 29, 2018					
Net sales	$ 2,209.3	$ 753.8	$ 218.9	$ —	$ 3,182.0
Gross profit	1,539.8	480.1	118.7	—	2,138.6
Operating income (loss)	609.5	133.0	(7.8)	(195.9)	538.8
Income (loss) before provision for income taxes	609.5	133.0	(7.8)	(222.6)	512.1
Depreciation and amortization expense[2]	67.1	28.6	8.1	23.7	127.5
Additions to long-lived assets[3]	33.3	38.6	3.8	40.7	116.4

(1) Corporate, which is not a reportable segment, represents certain costs that are not directly attributable to a brand. These costs primarily include administration and certain information systems expense.

(2) Depreciation and amortization expense includes $0.1 million and $0.2 million of integration costs recorded within the Kate Spade segment for the three and six months ended December 28, 2019 and $0.8 million and $1.2 million for the three and six months ended December 29, 2018, respectively. Depreciation and amortization expense includes impairment charges of $19.5 million for Coach, $12.0 million for Kate Spade and $8.3 million for Stuart Weitzman for the six months ended December 28, 2019. Refer to Note 13, "Fair Value Measurements," for further information. Depreciation and amortization expense for the segments includes an allocation of expense related to assets which support multiple segments.

(3) Additions to long-lived assets for the reportable segments primarily includes store assets as well as assets that support a specific brand. Corporate additions include all other assets which include a combination of Corporate assets, as well as assets that may support all segments. As such, depreciation expense for these assets may be subsequently allocated to a reportable segment.

17. SUBSEQUENT EVENT

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. The spread of this virus has caused business disruption beginning in January 2020, including traffic declines and the closure of the majority of stores on mainland China. While the business disruption is currently expected to be temporary, there is uncertainty around the duration of these disruptions or the possibility of other effects on the business. However, the disruption is expected to have a material adverse impact on the Company's business, financial condition, and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read together with the Company's condensed consolidated financial statements and notes to those financial statements included elsewhere in this document. When used herein, the terms "the Company," "Tapestry," "we," "us" and "our" refer to Tapestry, Inc., including consolidated subsidiaries. References to "Coach," "Stuart Weitzman," "Kate Spade" or "kate spade new york" refer only to the referenced brand.

EXECUTIVE OVERVIEW

Tapestry is a leading New York-based house of modern luxury accessories and lifestyle brands. Tapestry is powered by optimism, innovation and inclusivity. Our brands are approachable and inviting and create joy every day for people around the world. Defined by quality, craftsmanship and creativity, our house of brands gives global audiences the opportunity for exploration and self-expression. Tapestry is comprised of the Coach, Kate Spade and Stuart Weitzman brands, all of which have been part of the American landscape for over 25 years.

The Company has three reportable segments:

- *Coach* - Includes global sales of Coach products to customers through Coach operated stores, including the Internet and concession shop-in-shops, and sales to wholesale customers and through independent third party distributors.
- *Kate Spade* - Includes global sales primarily of kate spade new york brand products to customers through Kate Spade operated stores, including the Internet, sales to wholesale customers, through concession shop-in-shops and through independent third party distributors.
- *Stuart Weitzman* - Includes global sales of Stuart Weitzman brand products primarily to customers through Stuart Weitzman operated stores, including the Internet, sales to wholesale customers and through numerous independent third party distributors.

Each of our brands is unique and independent, while sharing a commitment to innovation and authenticity defined by distinctive products and differentiated customer experiences across channels and geographies. Our success does not depend solely on the performance of a single channel, geographic area or brand.

Fiscal 2020 Strategic Initiatives

The company continues to focus on execution in fiscal 2020. Specifically, in fiscal 2020, the Company intends to:

- Ignite brand growth driven by innovation
- Drive global growth, with a focus on maximizing opportunities with the Chinese consumer
- Invest in our digital and data analytic capabilities
- Harness the benefit of the multi-brand structure

Recent Developments

ERP Implementation

During fiscal 2018, the Company implemented a global consolidation system which provides a common platform for financial reporting, a point-of-sale system for Coach in North America as well as a human resource information system for Corporate, Coach and Stuart Weitzman employees. During the second quarter of fiscal 2019, the Company deployed global finance and accounting systems for Corporate, Coach and Stuart Weitzman. During the third quarter of fiscal 2019, the Company deployed global finance, accounting, supply chain and human resource information systems for Kate Spade. During the first quarter of fiscal 2020, the Company deployed the final major phase of its ERP Implementation, specifically, the supply chain functions for Coach and Stuart Weitzman.

Stuart Weitzman Production Challenges

During fiscal 2018, Stuart Weitzman results were negatively impacted by supply chain operational challenges including production delays, as the brand was not prepared for the level of complexity and new development as it transitioned to a new creative vision. The trailing impacts of these operational challenges continued to negatively impact Stuart Weitzman results in fiscal 2019 and in fiscal 2020, including, but not limited to, a reduction in wholesale demand at Stuart Weitzman. The Company continues to address these challenges through investment in talent, operational process improvements, and a focus on the fashion sensibility of the core design aesthetic.

Integration

During fiscal 2019, the Company acquired certain distributors for the Kate Spade and Stuart Weitzman brands. The operating results of the respective entities have been consolidated in the Company's operating results commencing on the date of each acquisition. As a result of these acquisitions, the Company incurred charges related to the integration of the businesses. These charges are primarily associated with organization-related costs, professional fees, one-time write-off of inventory and limited life purchase accounting adjustments. The Company currently estimates that it will incur approximately $5-10 million in pre-tax charges, of which the majority are expected to be cash charges, for the remainder of fiscal 2020.

Refer to Note 5, "Integration," Note 6, "Acquisitions," and the "GAAP to Non-GAAP Reconciliation," herein, for further information.

Change in Chief Executive Officer

On September 4, 2019, the Company announced that Victor Luis departed as the Company’s Chief Executive Officer and resigned from the Board of Directors, effective as of September 3, 2019. On September 4, 2019, the Company named Jide Zeitlin, Chairman of the Board of Directors, as the Company’s Chief Executive Officer. In connection with Mr. Luis’s departure, the Company and Mr. Luis entered into a separation and mutual release agreement.

Impairment

During the first quarter of fiscal 2020, the Company recorded $75.6 million of impairment charges related to store assets, including the lease assets recorded in connection with the adoption of the new lease accounting standard. Refer to Note 13, "Fair Value Measurements," and Note 16, "Segment Information," for further information.

Current Trends and Outlook

The environment in which we operate is subject to a number of different factors driving global consumer spending. Consumer preferences, macroeconomic conditions, foreign currency fluctuations and geopolitical events continue to impact overall levels of consumer travel and spending on discretionary items, with inconsistent patterns across channels and geographies.

Global consumer retail traffic trends, specifically for our brick & mortar channel, remain under pressure. This, along with other factors, has led to a more promotional environment in the fragmented retail industry due to increased competition and a desire to offset traffic declines with increased levels of conversion. Further declines in traffic could result in impairment charges if expected future cash flows of the related asset group do not exceed the carrying value.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. This virus has caused business disruption beginning in January 2020, including traffic declines and the closure of the majority of stores on mainland China. While the business disruption is currently expected to be temporary, there is uncertainty around the duration of these disruptions or the possibility of other effects on the business. The Company estimates that this disruption will negatively impact its results for the second half of fiscal 2020 by approximately $200-250 million in net sales and $0.35-$0.45 in net income per diluted share, given current trends in China. If the situation further deteriorates, or the outbreak affects demand outside of the country, this impact could be worse.

Several organizations that monitor the world’s economy, including the International Monetary Fund, observed that global expansion has declined significantly in the last year and remains weak. These organizations expect only modest growth globally due to continued softening of the growth rates in the United States and China, as well as challenging economic growth across certain other markets. Furthermore, though there are early signs of stabilization, there are certain risk factors noted that may further pressure the economic growth levels currently anticipated. As a result, the current global outlook remains uncertain. It is still too early to understand what kind of sustained impact these trends or changes in trade agreements and tax legislations will have on consumer discretionary spending.

Risk of volatility or a worsening of the macroeconomic environment remains, including currency devaluation, due to political uncertainty and potential changes to international trade agreements. During fiscal 2020, Hong Kong SAR, China has been the subject of worsening political unrest, as demonstrated through ongoing public demonstrations and protests, which has impacted and is expected to continue to impact our business. Furthermore, during fiscal 2019 and continuing into fiscal 2020, the Trump Administration and China have both imposed new tariffs on the importation of certain product categories into the respective country. We expect these changes to have a modest impact on gross margin in fiscal 2020. Continued increases in trade tensions could impact the Company's ability to grow its business with the Chinese consumer globally.

Beginning in the second quarter of fiscal 2019, the Company noted volatility in the spending patterns of certain North American customers, believed to be resellers, in advance of changes in Chinese e-commerce laws effective January 1, 2019. The volatility experienced since that time may continue in the near-term. The Company also observed an acceleration in local customer demand in mainland China which has helped to partially offset this trend.

Additional macroeconomic impacts include but are not limited to the United Kingdom ("U.K.") voting to leave the European Union ("E.U."), commonly known as "Brexit." On March 29, 2017, the U.K. triggered Article 50 of the Lisbon Treaty formally starting a 2 year negotiation period with the E.U., which was subsequently extended to January 31, 2020. The U.K. officially terminated its membership of the E.U. on January 31, 2020 under the terms of a withdrawal agreement concluded between the U.K. and E.U. and has now entered into a transition phase until December 31, 2020. During the transition phase, the U.K. will generally continue operating as if it were still a member of the E.U. Trade talks between the E.U. and U.K., to determine their future relationship, are expected to commence imminently. If a trade deal is not reached by December 31, 2020, absent an extension to the transition period, the U.K. can expect checks and tariffs on products going to and coming from the E.U. beginning on January 1, 2021.

We will continue to monitor these trends and evaluate and adjust our operating strategies and cost management opportunities to mitigate the related impact on our results of operations, while remaining focused on the long-term growth of our business and protecting the value of our brands.

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part II, Item 1A. "Risk Factors" herein and Part I, Item 1A. "Risk Factors" disclosed in our Annual Report on Form 10-K for the fiscal year ended June 29, 2019.

SECOND QUARTER FISCAL 2020 COMPARED TO SECOND QUARTER FISCAL 2019

The following table summarizes results of operations for the second quarter of fiscal 2020 compared to the second quarter of fiscal 2019. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Three Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 1,816.0**	**100.0 %**	$ 1,800.8	100.0 %	$ 15.2	0.8 %
Gross profit	**1,209.7**	**66.6**	1,203.5	66.8	6.2	0.5
SG&A expenses	**846.6**	**46.6**	827.0	45.9	19.6	2.4
Operating income	**363.1**	**20.0**	376.5	20.9	(13.4)	(3.6)
Interest expense, net	**14.0**	**0.8**	13.2	0.7	0.8	5.8
Other expense (income)	**(5.9)**	**(0.3)**	(4.2)	(0.2)	(1.7)	(39.2)
Provision for income taxes	**56.2**	**3.1**	112.7	6.3	(56.5)	(50.1)
Net income	**298.8**	**16.5**	254.8	14.1	44.0	17.2
Net income per share:						
Basic	**$ 1.08**		$ 0.88		$ 0.20	23.2 %
Diluted	**$ 1.08**		$ 0.88		$ 0.20	23.3 %

GAAP to Non-GAAP Reconciliation

The Company's reported results are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The reported results during the second quarter of fiscal 2020 and fiscal 2019 reflect the costs attributable to the ERP system implementation efforts, organization-related, integration and acquisition costs and impairment charges, as noted in the following tables. Refer to "Non-GAAP Measures" herein for further discussion on the Non-GAAP measures.

Second Quarter Fiscal 2020 Items

	Three Months Ended December 28, 2019			
	GAAP Basis (As Reported)	ERP Implementation	Organization-related & Integration costs	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)			
Coach	877.3	—	—	877.3
Kate Spade	262.4	—	—	262.4
Stuart Weitzman	70.0	—	(1.5)	71.5
Gross profit[(1)]	$ 1,209.7	$ —	$ (1.5)	$ 1,211.2
Coach	494.5	—	(0.4)	494.9
Kate Spade	194.5	—	0.7	193.8
Stuart Weitzman	60.4	—	0.3	60.1
Corporate	97.2	6.3	1.8	89.1
SG&A expenses	$ 846.6	$ 6.3	$ 2.4	$ 837.9
Coach	382.8	—	0.4	382.4
Kate Spade	67.9	—	(0.7)	68.6
Stuart Weitzman	9.6	—	(1.8)	11.4
Corporate	(97.2)	(6.3)	(1.8)	(89.1)
Operating income (loss)	$ 363.1	$ (6.3)	$ (3.9)	$ 373.3
Provision for income taxes	56.2	(1.5)	(4.0)	61.7
Net income	$ 298.8	$ (4.8)	$ 0.1	$ 303.5
Net income per diluted common share	$ 1.08	$ (0.02)	$ —	$ 1.10

[(1)]Adjustments within Gross profit are recorded within Cost of sales.

In the second quarter of fiscal 2020 the Company incurred charges as follows:

- *ERP Implementation* - Total charges represent technology implementation costs. Refer to the "Executive Overview" herein for further information.
- *Organization-related and Integration costs* - Total charges represent integration costs related to inventory and professional fees. Refer to the "Executive Overview" herein and Note 5, "Integration," for more information regarding integration costs.

These actions taken together increased the Company's SG&A expenses by $8.7 million, Cost of sales by $1.5 million and reduced Provision for income taxes by $5.5 million, negatively impacting Net income by $4.7 million or $0.02 per diluted share.

Second Quarter Fiscal 2019 Items

	Three Months Ended December 29, 2018				
	GAAP Basis (As Reported)	ERP Implementation	Integration & Acquisition	Impact of Tax Legislation	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Cost of sales					
Coach	860.1	—	—	—	860.1
Kate Spade	272.4	—	(2.5)	—	274.9
Stuart Weitzman	71.0	—	(1.0)	—	72.0
Gross profit[1]	$ 1,203.5	$ —	$ (3.5)	$ —	$ 1,207.0
SG&A expenses					
Coach	485.7	—	—	—	485.7
Kate Spade	184.1	—	3.7	—	180.4
Stuart Weitzman	61.1	—	0.6	—	60.5
Corporate	96.1	6.4	7.4	—	82.3
SG&A expenses	$ 827.0	$ 6.4	$ 11.7	$ —	$ 808.9
Operating income (loss)					
Coach	374.4	—	—	—	374.4
Kate Spade	88.3	—	(6.2)	—	94.5
Stuart Weitzman	9.9	—	(1.6)	—	11.5
Corporate	(96.1)	(6.4)	(7.4)	—	(82.3)
Operating income (loss)	$ 376.5	$ (6.4)	$ (15.2)	$ —	$ 398.1
Provision for income taxes	112.7	(1.6)	1.1	34.1	79.1
Net income	$ 254.8	$ (4.8)	$ (16.3)	$ (34.1)	$ 310.0
Net income per diluted common share	$ 0.88	$ (0.01)	$ (0.06)	$ (0.12)	$ 1.07

[1]Adjustments within Gross profit are recorded within Cost of sales.

In the second quarter of fiscal 2019, the Company incurred the following:

- *ERP Implementation* - Total charges represent technology implementation costs. Refer to the "Executive Overview" herein for further information.
- *Integration & Acquisition* - Total charges represent integration and acquisition costs related to organizational costs as a result of integration, professional fees and limited life purchase accounting adjustments.

  Refer to the "Executive Overview" herein and Note 5, "Integration," for more information.
- *Impact of Tax Legislation* - Total charges primarily relate to the impact of the transition tax.

These actions taken together increased the Company's Provision for income taxes by $33.6 million, SG&A expenses by $18.1 million and Cost of sales by $3.5 million, negatively impacting Net income by $55.2 million or $0.19 per diluted share.

Tapestry, Inc. Summary – Second Quarter of Fiscal 2020

Currency Fluctuation Effects

The change in net sales and gross margin for the second quarter of fiscal 2020 compared to the second quarter of fiscal 2019 has been presented both including and excluding currency fluctuation effects.

Net Sales

Net sales in the second quarter of fiscal 2020 increased 0.8% or $15.2 million to $1.82 billion. Excluding the effects of foreign currency, net sales increased by 0.9% or $15.8 million. Excluding the effects of foreign currency, the net sales increase was driven by Coach and Kate Spade, partially offset by a decrease in Stuart Weitzman.

Gross Profit

Gross profit increased 0.5% or $6.2 million to $1.21 billion in the second quarter of fiscal 2020 from $1.20 billion in the second quarter of fiscal 2019. Gross margin for the second quarter of fiscal 2020 was 66.6% as compared to 66.8% in the second quarter of fiscal 2019. Excluding non-GAAP charges of $1.5 million and $3.5 million in the second quarter of fiscal 2020 and fiscal 2019, respectively, as discussed in the "GAAP to non-GAAP Reconciliation" herein, gross profit increased 0.4% or $4.2 million to $1.21 billion in the second quarter of fiscal 2020, and gross margin decreased 30 basis points to 66.7% compared to 67.0% in the second quarter of fiscal 2019. This increase in gross profit was driven by an increase in Coach of $17.2 million, partially offset by a decrease in Kate Spade of $12.5 million and in Stuart Weitzman of $0.5 million.

Selling, General and Administrative Expenses

The Company includes inbound product-related transportation costs from our service providers within Cost of sales. The Company, similar to some companies, includes certain transportation-related costs due to our distribution network in SG&A expenses rather than in Cost of sales; for this reason, our gross margins may not be comparable to that of entities that include all costs related to their distribution network in Cost of sales.

SG&A expenses increased 2.4% or $19.6 million to $846.6 million in the second quarter of fiscal 2020 as compared to $827.0 million in the second quarter of fiscal 2019. As a percentage of net sales, SG&A expenses increased to 46.6% during the second quarter of fiscal 2020 as compared to 45.9% during the second quarter of fiscal 2019. Excluding non-GAAP charges of $8.7 million and $18.1 million in the second quarter of fiscal 2020 and fiscal 2019, respectively, SG&A expenses increased 3.6% or $29.0 million to $837.9 million from the second quarter of fiscal 2019; and SG&A expenses as a percentage of net sales increased to 46.1% in the second quarter of fiscal 2020 from 44.9% in the second quarter of fiscal 2019. This increase was primarily due to increases in Kate Spade of $13.4 million, Coach of $9.2 million and Corporate expenses of $6.8 million, partially offset by a decrease in Stuart Weitzman of $0.4 million.

Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, increased 1.2% or $1.1 million to $97.2 million in the second quarter of fiscal 2020 as compared to $96.1 million in the second quarter of fiscal 2019. Excluding non-GAAP charges of $8.1 million and $13.8 million in the second quarter of fiscal 2020 and fiscal 2019, respectively, SG&A expenses increased 8.3% or $6.8 million to $89.1 million in the second quarter of fiscal 2020 as compared to $82.3 million in the second quarter of fiscal 2019. This increase in SG&A expenses was primarily driven by higher compensation costs.

Operating Income

Operating income decreased 3.6% or $13.4 million to $363.1 million in the second quarter of fiscal 2020 as compared to $376.5 million in the second quarter of fiscal 2019. Operating margin was 20.0% in the second quarter of fiscal 2020 as compared to 20.9% in the second quarter of fiscal 2019. Excluding non-GAAP charges of $10.2 million and $21.6 million in the second quarter of fiscal 2020 and fiscal 2019, respectively, operating income decreased 6.2% or $24.8 million to $373.3 million from $398.1 million in the second quarter of fiscal 2019; and operating margin decreased 150 basis points to 20.6% in the second quarter of fiscal 2020 as compared to 22.1% in the second quarter of fiscal 2019. The decrease in operating income was primarily driven by decreases within Kate Spade of $25.9 million, an increase in Corporate expenses of $6.8 million and a decrease in Stuart Weitzman of $0.1 million, partially offset by increases within Coach of $8.0 million.

Interest Expense, net

Interest expense, net increased 5.8% or $0.8 million to $14.0 million in the second quarter of fiscal 2020 as compared to $13.2 million in the second quarter of fiscal 2019.

Other Expense (Income)

Other income increased $1.7 million to $5.9 million in the second quarter of fiscal 2020 as compared to income of $4.2 million in the second quarter of fiscal 2019. The increase in other income is related to an increase in foreign exchange gains.

Provision for Income Taxes

The effective tax rate was 15.8% in the second quarter of fiscal 2020 as compared to 30.7% in the second quarter of fiscal 2019. Excluding non-GAAP charges, the effective tax rate was 16.9% in the second quarter of 2020 as compared to 20.3% in the second quarter of fiscal 2019. The decrease in our effective tax rate was primarily attributable to the geographic mix of earnings.

Net Income

Net income increased 17.2% or $44.0 million to $298.8 million in the second quarter of fiscal 2020 as compared to $254.8 million in the second quarter of fiscal 2019. Excluding non-GAAP charges, net income decreased 2.1% or $6.5 million to $303.5 million in the second quarter of fiscal 2020 as compared to $310.0 million in the second quarter of fiscal 2019. This decrease was primarily due to lower operating income, partially offset by reduced provision for income taxes.

Net Income per Share

Net income per diluted share increased to $1.08 in the second quarter of fiscal 2020 as compared to $0.88 in the second quarter of fiscal 2019. Excluding non-GAAP charges, net income per diluted share increased 3.0% or $0.03 to $1.10 in the second quarter of fiscal 2020 from $1.07 in the second quarter of fiscal 2019. This increase was primarily due to lower shares outstanding as a result of to share repurchases.

Segment Performance - Second Quarter of Fiscal 2020

The following tables summarize results of operations by reportable segment for the second quarter of fiscal 2020 compared to the second quarter of fiscal 2019. All percentages shown in the tables below and the discussion that follows have been calculated using unrounded numbers.

Coach

	Three Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 1,269.9**	**100.0%**	$ 1,248.6	100.0%	$ 21.3	1.7%
Gross profit	**877.3**	**69.1**	860.1	68.9	17.2	2.0
SG&A expenses	**494.5**	**38.9**	485.7	38.9	8.8	1.8
Operating income (loss)	**382.8**	**30.1**	374.4	30.0	8.4	2.3

Coach Net Sales increased 1.7% or $21.3 million to $1.27 billion in the second quarter of fiscal 2020. Coach net sales for the second quarter of fiscal 2020 was not materially impacted by foreign currency. Comparable store sales increased by $17.4 million or approximately 2% as compared to the second quarter of fiscal 2019, including a benefit of approximately 2% driven by an increase in global e-commerce. The increase in comparable store sales was primarily led by increases in North America, mainland China and Europe. This was partially offset by a decrease in Hong Kong SAR, China as comparable store sales were negatively impacted by approximately 100 basis points due to protests in the region. Non-comparable store sales were $2.8 million higher than the second quarter of fiscal 2019 primarily due to increases in North America.

Coach Gross Profit increased 2.0% or $17.2 million to $877.3 million in the second quarter of fiscal 2020 from $860.1 million in the second quarter of fiscal 2019. Gross margin increased 20 basis points to 69.1% in the second quarter of fiscal 2020 from 68.9% in the second quarter of fiscal 2019. Excluding the impact of foreign currency in both periods, gross margin increased 50 basis points. The increase was primarily due to the impact of improved product costing and lower promotional activity, partially offset by unfavorable geographic mix.

Coach SG&A Expenses increased 1.8% or $8.8 million to $494.5 million in the second quarter of fiscal 2020 as compared to $485.7 million in the second quarter of fiscal 2019. SG&A expenses as a percentage of net sales remained flat at 38.9% during the second quarter of fiscal 2020 and fiscal 2019. Excluding non-GAAP adjustments of $0.4 million in the second quarter of fiscal 2020, SG&A expenses increased 1.9% or $9.2 million to $494.9 million during the second quarter of fiscal 2020; and SG&A expenses as a percentage of net sales increased to 39.0% in the second quarter of fiscal 2020 from 38.9% in the second quarter of fiscal 2019. The increase of $9.2 million was driven by higher variable selling costs due to sales growth as well as a shift in marketing expenses from the first quarter.

Coach Operating Income increased 2.3% or $8.4 million to $382.8 million in the second quarter of fiscal 2020, resulting in an operating margin of 30.1%, as compared to $374.4 million and 30.0%, respectively, in the second quarter of fiscal 2019. Excluding non-GAAP charges, Coach operating income increased 2.1% or $8.0 million to $382.4 million from $374.4 million in the second quarter of fiscal 2019; and operating margin was 30.1% in the second quarter of fiscal 2020 as compared to 30.0% in the second quarter of fiscal 2019. The increase in operating income was primarily due to higher gross profit, partially offset by higher SG&A expenses.

Kate Spade

	Three Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 430.4**	**100.0%**	$ 428.4	100.0%	$ 2.0	0.5 %
Gross profit	**262.4**	**61.0**	272.4	63.6	(10.0)	(3.7)
SG&A expenses	**194.5**	**45.2**	184.1	43.0	10.4	5.7
Operating income (loss)	**67.9**	**15.8**	88.3	20.6	(20.4)	(23.1)

Kate Spade Net Sales increased 0.5% or $2.0 million to $430.4 million in the second quarter of fiscal 2020. Excluding the favorable impact of foreign currency, net sales increased 0.3% or $1.4 million. The increase is primarily due to an increase in non-comparable sales of $10.4 million mainly due to new store openings. Wholesale sales also increased $6.5 million driven by disposition sales in a plan to work through excess inventory. This was partially offset by a decrease in comparable store sales of $13.3 million or approximately 4% as compared to the second quarter of fiscal 2019, including a benefit of approximately 3% in global e-commerce. The decline in comparable store sales is primarily attributable to lower traffic in retail stores.

Kate Spade Gross Profit decreased 3.7% or $10.0 million to $262.4 million in the second quarter of fiscal 2020 from $272.4 million in the second quarter of fiscal 2019. Gross margin decreased 260 basis points to 61.0% in the second quarter of fiscal 2020 from 63.6% in the second quarter of fiscal 2019. Excluding non-GAAP adjustments of $2.5 million in the second quarter of fiscal 2019, gross profit decreased 4.6% or $12.5 million to $262.4 million from $274.9 million in the second quarter of fiscal 2019, and gross margin decreased 320 basis points to 61.0% from 64.2% in the second quarter of fiscal 2019. The decrease in gross margin is primarily due to promotional activity and channel mix.

Kate Spade SG&A Expenses increased 5.7% or $10.4 million to $194.5 million in the second quarter of fiscal 2020 as compared to $184.1 million in the second quarter of fiscal 2019. As a percentage of net sales, SG&A expenses increased to 45.2% during the second quarter of fiscal 2020 as compared to 43.0% during the second quarter of fiscal 2019. Excluding non-GAAP charges of $0.7 million and $3.7 million in the second quarter of fiscal 2020 and fiscal 2019, respectively, SG&A expenses increased 7.4% or $13.4 million to $193.8 million during the second quarter of fiscal 2020; and SG&A expenses as a percentage of net sales increased to 45.0% in the second quarter of fiscal 2020 from 42.1% in the second quarter of fiscal 2019. The increase of $13.4 million was due to new store openings and increased marketing expenses, partially due to the timing of marketing in fiscal 2019.

Kate Spade Operating Income decreased 23.1% or $20.4 million to operating income of $67.9 million in the second quarter of fiscal 2020, resulting in an operating margin of 15.8%, as compared to an operating income of $88.3 million and operating margin of 20.6% in the second quarter of fiscal 2019. Excluding non-GAAP charges, Kate Spade operating income decreased 27.5% or $25.9 million to $68.6 million from $94.5 million in the second quarter of fiscal 2019; and operating margin was 15.9% in the second quarter of fiscal 2020 as compared to 22.1% in the second quarter of fiscal 2019. The decrease in operating income was due to higher SG&A expenses and lower gross profit.

Stuart Weitzman

	Three Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 115.7**	**100.0%**	$ 123.8	100.0%	$ (8.1)	(6.6)%
Gross profit	**70.0**	**60.5**	71.0	57.3	(1.0)	(1.4)
SG&A expenses	**60.4**	**52.3**	61.1	49.3	(0.7)	(0.9)
Operating income (loss)	**9.6**	**8.2**	9.9	8.0	(0.3)	(3.9)

Stuart Weitzman Net Sales decreased 6.6% or $8.1 million to $115.7 million in the second quarter of fiscal 2020. Excluding the unfavorable impact of foreign currency, net sales decreased 5.6% or $7.0 million. This decrease was primarily due to a decline in wholesale sales of $13.4 million primarily due a decline in demand. This is partially offset by an increase of $7.0 million in the retail business, primarily attributable to new store openings and the direct ownership of the business in Australia.

Stuart Weitzman Gross Profit decreased 1.4% or $1.0 million to $70.0 million during the second quarter of fiscal 2020 from $71.0 million in the second quarter of fiscal 2019. Gross margin increased 320 basis points to 60.5% in the second quarter of fiscal 2020 from 57.3% in the second quarter of fiscal 2019. Excluding non-GAAP charges of $1.5 million and $1.0 million in the second quarter of fiscal 2020 and fiscal 2019, respectively, Stuart Weitzman gross profit decreased 0.5% or $0.5 million to $71.5 million from $72.0 million in the second quarter of fiscal 2019, and gross margin increased 370 basis points to 61.8% from 58.1% in the second quarter of fiscal 2019. Excluding the impact of foreign currency, gross margin increased 230 basis points primarily due to favorable channel mix.

Stuart Weitzman SG&A Expenses decreased 0.9% or $0.7 million to $60.4 million in the second quarter of fiscal 2020 as compared to $61.1 million in the second quarter of fiscal 2019. As a percentage of net sales, SG&A expenses increased to 52.3% during the second quarter of fiscal 2020 as compared to 49.3% during the second quarter of fiscal 2019. Excluding non-GAAP charges of $0.3 million and $0.6 million in the second quarter of fiscal 2020 and fiscal 2019, respectively, SG&A expenses decreased 0.5% or $0.4 million to $60.1 million during the second quarter of fiscal 2020 from $60.5 million during the second quarter of fiscal 2019; and SG&A expenses as a percentage of net sales increased to 52.0% in the second quarter of fiscal 2020 from 48.8% in the second quarter of fiscal 2019.

Stuart Weitzman Operating Income decreased 3.9% or $0.3 million to $9.6 million in the second quarter of fiscal 2020, resulting in an operating margin of 8.2%, as compared to an operating income of$9.9 million and operating margin of 8.0% in the second quarter of fiscal 2019. Excluding non-GAAP charges, Stuart Weitzman operating income decreased 0.5% or $0.1 million to $11.4 million from operating income of$11.5 million in the second quarter of fiscal 2019; and operating margin was 9.8% in the second quarter of fiscal 2020 as compared to 9.2% in the second quarter of fiscal 2019. This decrease was primarily due to lower gross profit, partially offset by lower SG&A expenses.

FIRST SIX MONTHS FISCAL 2020 COMPARED TO FIRST SIX MONTHS FISCAL 2019

The following table summarizes results of operations for the first six months of fiscal 2020 compared to the first six months of fiscal 2019. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Six Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 3,173.9**	**100.0%**	$ 3,182.0	100.0%	$ (8.1)	(0.3)%
Gross profit	**2,124.2**	**66.9**	2,138.6	67.2	(14.4)	(0.7)
SG&A expenses	**1,709.5**	**53.9**	1,599.8	50.3	109.7	6.9
Operating income	**414.7**	**13.1**	538.8	16.9	(124.1)	(23.0)
Interest expense, net	**26.3**	**0.8**	26.3	0.8	—	0.1
Other expense (income)	**6.8**	**0.2**	0.4	NM	6.4	NM
Provision for income taxes	**62.8**	**2.0**	135.0	4.2	(72.2)	(53.5)
Net income	**318.8**	**10.0**	377.1	11.9	(58.3)	(15.5)
Net income per share:						
Basic	**$ 1.14**		$ 1.30		$ (0.16)	(12.9)%
Diluted	**$ 1.13**		$ 1.29		$ (0.16)	(12.6)%

NM - Not meaningful

GAAP to Non-GAAP Reconciliation

The Company’s reported results are presented in accordance with GAAP. The reported results during the first six months of fiscal 2020 and fiscal 2019 reflect the impact of the costs attributable to the ERP system implementation efforts, organization-related, integration and acquisition costs, impairment charges and the impact of the new tax legislation, as noted in the following tables. Refer to "Non-GAAP Measures" herein for further discussion on the Non-GAAP Measures.

First Six Months of Fiscal 2020 Items

	Six Months Ended December 28, 2019				
	GAAP Basis (As Reported)	ERP Implementation	Organization-related & Integration costs	Impairment	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Cost of sales					
Coach	1,554.9	—	(0.1)	—	1,555.0
Kate Spade	453.9	—	(1.2)	—	455.1
Stuart Weitzman	115.4	—	(4.3)	—	119.7
Gross profit[(1)]	$ 2,124.2	$ —	$ (5.6)	$ —	$ 2,129.8
SG&A expenses					
Coach	972.6	—	(0.1)	41.5	931.2
Kate Spade	393.2	—	0.8	25.2	367.2
Stuart Weitzman	125.1	—	(2.1)	8.9	118.3
Corporate	218.6	20.8	24.5	—	173.3
SG&A expenses	$ 1,709.5	$ 20.8	$ 23.1	$ 75.6	$ 1,590.0
Operating income (loss)					
Coach	582.3	—	—	(41.5)	623.8
Kate Spade	60.7	—	(2.0)	(25.2)	87.9
Stuart Weitzman	(9.7)	—	(2.2)	(8.9)	1.4
Corporate	(218.6)	(20.8)	(24.5)	—	(173.3)
Operating income (loss)	$ 414.7	$ (20.8)	$ (28.7)	$ (75.6)	$ 539.8
Provision for income taxes	62.8	(5.0)	(9.4)	(12.1)	89.3
Net income	$ 318.8	$ (15.8)	$ (19.3)	$ (63.5)	$ 417.4
Net income per diluted common share	$ 1.13	$ (0.06)	$ (0.07)	$ (0.22)	$ 1.48

[(1)]Adjustments within Gross profit are recorded within Cost of sales.

In the first six months of fiscal 2020 the Company incurred charges as follows:

- *ERP Implementation* - Total charges represent technology implementation costs. Refer to the "Executive Overview" herein for further information.
- *Organization-related and Integration costs* - Total charges represent organization-related costs as a result of the departure of the Company's CEO in September 2019 and integration costs related to inventory, professional fees and share-based compensation. Refer to the "Executive Overview" herein for information regarding CEO departure and Note 5, "Integration," for more information regarding integration costs.
- *Impairment* - Total charges are primarily due to impairment charges on property and equipment assets and lease ROU assets. Refer to the Note 13, "Fair Value Measurements," for further information.

These actions taken together increased the Company's Cost of sales by $5.6 million, increased SG&A expenses by $119.5 million and decreased Provision for income taxes by $26.5 million, negatively impacting Net income by $98.6 million or $0.35 per diluted share.

First Six Months of Fiscal 2019 Items

	Six Months Ended December 29, 2018				
	GAAP Basis (As Reported)	ERP Implementation	Integration & Acquisition	Impact of Tax Legislation	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Cost of sales					
Coach	1,539.8	—	(2.0)	—	1,541.8
Kate Spade	480.1	—	(1.1)	—	481.2
Stuart Weitzman	118.7	—	(1.0)	—	119.7
Gross profit[(1)]	$ 2,138.6	$ —	$ (4.1)	$ —	$ 2,142.7
SG&A expenses					
Coach	930.3	—	—	—	930.3
Kate Spade	347.1	—	7.1	—	340.0
Stuart Weitzman	126.5	—	12.1	—	114.4
Corporate	195.9	10.4	11.4	—	174.1
SG&A expenses	$ 1,599.8	$ 10.4	$ 30.6	$ —	$ 1,558.8
Operating income (loss)					
Coach	609.5	—	(2.0)	—	611.5
Kate Spade	133.0	—	(8.2)	—	141.2
Stuart Weitzman	(7.8)	—	(13.1)	—	5.3
Corporate	(195.9)	(10.4)	(11.4)	—	(174.1)
Operating income (loss)	$ 538.8	$ (10.4)	$ (34.7)	$ —	$ 583.9
Provision for income taxes	135.0	(2.6)	(2.1)	34.1	105.6
Net income	$ 377.1	$ (7.8)	$ (32.6)	$ (34.1)	$ 451.6
Net income per diluted common share	$ 1.29	$ (0.03)	$ (0.11)	$ (0.12)	$ 1.55

(1)Adjustments within Gross profit are recorded within Cost of sales.

In the first six months of fiscal 2019, the Company incurred charges as follows:

- *ERP Implementation* - Total charges primarily relate to technology implementation costs. Refer to the "Executive Overview" herein for further information.
- *Integration & Acquisitions Costs* - Total charges represent integration and acquisition costs related to contract termination charges, organizational costs as a result of integration, professional fees and limited life purchase accounting adjustments.
- *Impact of Tax Legislation* - Total charges primarily relate to the net impact of the transition tax and re-measurement of deferred tax balances.

These actions taken together increased the Company's SG&A expenses by $41.0 million, Provision for income taxes by $29.4 million and Cost of Sales by $4.1 million, negatively impacting Net income by $74.5 million or $0.26 per diluted share.

Tapestry, Inc. Summary – First Six Months of Fiscal 2020

Currency Fluctuation Effects

The change in net sales and gross margin for the firstsix months of fiscal 2020 compared to fiscal 2019 has been presented both including and excluding currency fluctuation effects.

Net Sales

Net sales in the first six months of fiscal 2020 decreased 0.3% or $8.1 million to $3.17 billion. Excluding the effects of foreign currency, net sales decreased by 0.1% or $4.0 million. Excluding the effects of foreign currency, the net sales decrease was driven by Kate Spade and Stuart Weitzman, partially offset by an increase in Coach.

Gross Profit

Gross profit decreased 0.7% or $14.4 million to $2.12 billion during the first six months of fiscal 2020 from $2.14 billion in the first six months of fiscal 2019. Gross margin for the first six months of fiscal 2020 was 66.9% as compared to 67.2% in the first six months of fiscal 2019. Excluding non-GAAP charges of $5.6 million and $4.1 million in the first six months of fiscal 2020 and 2019, respectively, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, gross profit decreased 0.6% or $12.9 million to $2.13 billion in the first six months of fiscal 2020, and gross margin decreased 20 basis points to 67.1% from 67.3% in the first six months of fiscal 2019. This decrease in gross profit is primarily driven by a decrease in Kate Spade of $26.1 million, partially offset by an increase of $13.2 million in Coach.

Selling, General and Administrative Expenses

SG&A expenses increased 6.9% or $109.7 million to $1.71 billion in the first six months of fiscal 2020 as compared to $1.60 billion in the first six months of fiscal 2019. As a percentage of net sales, SG&A expenses increased to 53.9% during the first six months of fiscal 2020 as compared to 50.3% during the first six months of fiscal 2019. Excluding non-GAAP charges of $119.5 million and $41.0 million in the first six months of fiscal 2020 and 2019, respectively, SG&A expenses increased 2.0% or $31.2 million from the first six months of fiscal 2019. This increase is primarily due to increases in Kate Spade of $27.2 million, Stuart Weitzman of $3.9 million and Coach of $0.9 million, partially offset by a decrease in Corporate of $0.8 million. Excluding non-GAAP charges, SG&A expenses as a percentage of net sales increased to 50.1% in the first six months of fiscal 2020 from 49.0% in the first six months of fiscal 2019.

Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, increased 11.6% or $22.7 million to $218.6 million in the first six months of fiscal 2020 as compared to $195.9 million in the first six months of fiscal 2019. Excluding non-GAAP charges of $45.3 million and $21.8 million in the first six months of fiscal 2020 and 2019, respectively, SG&A expenses decreased by 0.5% or $0.8 million in the first six months of fiscal 2020 as compared to the first six months of fiscal 2019.

Operating Income

Operating income decreased 23.0% or $124.1 million to $414.7 million in the first six months of fiscal 2020 as compared to $538.8 million in the first six months of fiscal 2019. Operating margin was 13.1% in the first six months of fiscal 2020 as compared to 16.9% in the first six months of fiscal 2019. Excluding non-GAAP charges of $125.1 million and $45.1 million in the first six months of fiscal 2020 and fiscal 2019, respectively, operating income decreased 7.5% or $44.1 million to $539.8 million from $583.9 million in the first six months of fiscal 2019; and operating margin was 17.0% in the first six months of fiscal 2020 as compared to 18.3% in the first six months of fiscal 2019. The decrease in operating income is driven by a decrease in Kate Spade operating income of $53.3 million and Stuart Weitzman of $3.9 million, offset by growth in Coach of $12.3 million and a decrease in Corporate expenses of $0.8 million.

Interest Expense, net

Interest expense, net remained flat at $26.3 million in the first six months of fiscal 2020 as compared to the first six months of fiscal 2019.

Provision for Income Taxes

The effective tax rate was 16.5% in the first six months of fiscal 2020 as compared to 26.4% in the first six months of fiscal 2019. Excluding non-GAAP charges, the effective tax rate was 17.6% in the first six months of fiscal 2020 as compared to 19.0% in the first six months of fiscal 2019. The decrease in the effective tax rate was primarily attributable to the geographic mix of earnings, partially offset by excess tax shortfall related to the vesting of equity compensation awards during the period.

Net Income

Net income decreased 15.5% or $58.3 million to $318.8 million in the first six months of fiscal 2020 as compared to $377.1 million in the first six months of fiscal 2019. Excluding non-GAAP charges, net income decreased 7.6% or $34.2 million to $417.4 million in the first six months of fiscal 2020 as compared to $451.6 million in the first six months of fiscal 2019. This decrease was primarily due to lower operating income, partially offset by reduced provision for income taxes.

Net Income per Share

Net income per diluted share decreased to $1.13 in the first six months of fiscal 2020 as compared to $1.29 in the first six months of fiscal 2019. Excluding non-GAAP charges, net income per diluted share decreased 4.4% to $1.48 in the first six months of fiscal 2020 from $1.55 in the first six months of fiscal 2019, primarily due to lower net income.

Segment Performance - First Six Months of Fiscal 2020

The following tables summarize results of operations by reportable segment for the first six months of fiscal 2020 compared to the first six months of fiscal 2019. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

Coach

	Six Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 2,235.8**	**100.0%**	$ 2,209.3	100.0%	$ 26.5	1.2 %
Gross profit	**1,554.9**	**69.5**	1,539.8	69.7	15.1	1.0
SG&A expenses	**972.6**	**43.5**	930.3	42.1	42.3	4.5
Operating income (loss)	**582.3**	**26.0**	609.5	27.6	(27.2)	(4.5)

Coach Net Sales increased 1.2% or $26.5 million to $2.24 billion in the first six months of fiscal 2020. Excluding the unfavorable impact of foreign currency, net sales increased 1.3% or $29.4 million. Comparable store sales for Coach increased $27.3 million or approximately 1% as compared to the first six months of fiscal 2019, including a benefit of approximately 2% driven by an increase in global e-commerce. The increase in comparable store sales is primarily due to increases in North America, Other Asia, including Japan, mainland China and Europe driven by conversion and traffic. This was partially offset by a decrease in Hong Kong SAR, China as comparable store sales were negatively impacted by approximately 100 basis points due to protests in the region. Non-comparable store sales increased by $6.7 million, primarily driven North America. These increases were partially offset by a decline of $4.1 million in wholesale sales.

Coach Gross Profit increased 1.0% or $15.1 million to $1.55 billion in the first six months of fiscal 2020 from $1.54 billion in the first six months of fiscal 2019. Gross margin decreased 20 basis points to 69.5% in the first six months of fiscal 2020 from 69.7% in the first six months of fiscal 2019. Excluding non-GAAP adjustments of $0.1 million in the first six months of fiscal 2020 and $2.0 million in the first six months of fiscal 2019, Coach gross profit increased 0.9% or $13.2 million to $1.56 billion. Gross margin decreased 20 basis points to 69.6% in the first six months of fiscal 2020 from 69.8% in the first six months of fiscal 2019 on a non-GAAP basis. Excluding the impact of foreign currency in both periods, gross margin increased 10 basis points.

Coach SG&A Expenses increased 4.5% or $42.3 million to $972.6 million in the first six months of fiscal 2020 as compared to $930.3 million in the first six months of fiscal 2019. As a percentage of net sales, SG&A expenses increased to 43.5% during the first six months of fiscal 2020 as compared to 42.1% during the first six months of fiscal 2019. Excluding non-GAAP charges of $41.4 million in the first six months of fiscal 2020, SG&A expenses increased 0.1% or $0.9 million to $931.2 million in the first six months of fiscal 2020; and SG&A expenses as a percentage of net sales decreased to 41.7% in the first six months of fiscal 2020 from 42.1% in the first six months of fiscal 2019.

Coach Operating Income decreased 4.5% or $27.2 million to $582.3 million in the first six months of fiscal 2020, resulting in an operating margin of 26.0%, as compared to $609.5 million and 27.6%, respectively, in the first six months of fiscal 2019. Excluding non-GAAP charges, Coach operating income increased 2.0% or $12.3 million to $623.8 million from $611.5 million in the first six months of fiscal 2019; and operating margin was 27.9% in the first six months of fiscal 2020 as compared to 27.7% in the first six months of fiscal 2019. The increase in operating income was due to an increase in gross profit, partially offset by higher SG&A expenses.

Kate Spade

	Six Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 735.9**	**100.0%**	$ 753.8	100.0%	$ (17.9)	(2.4)%
Gross profit	**453.9**	**61.7**	480.1	63.7	(26.2)	(5.5)
SG&A expenses	**393.2**	**53.4**	347.1	46.0	46.1	13.3
Operating income (loss)	**60.7**	**8.2**	133.0	17.7	(72.3)	(54.4)

Kate Spade Net Sales decreased 2.4% or $17.9 million to $735.9 million in the first six months of fiscal 2020. Excluding the favorable impact of foreign currency, net sales decreased 2.5% or $19.0 million. Comparable store sales decreased $54.1 million or approximately 9% as compared to the first six months of fiscal 2019, including a benefit of approximately 1% driven by an increase in global e-commerce. The decrease is mainly attributed to a decline in traffic in North America. This was partially offset by an increase in non-comparable store sales of $25.9 million primarily due to sales from new store openings. Additionally, there was a $10.9 million increase in wholesale sales driven by disposition sales in a plan to work through excess inventory.

Kate Spade Gross Profit decreased 5.5% or $26.2 million to $453.9 million in the first six months of fiscal 2020 from $480.1 million in the first six months of fiscal 2019. Gross margin decreased 200 basis points to 61.7% in the first six months of fiscal 2020 from 63.7% in the first six months of fiscal 2019. Excluding non-GAAP charges of $1.2 million and $1.1 million in the first six months of fiscal 2020 and of fiscal 2019, respectively, Kate Spade gross profit decreased 5.4% or $26.1 million to $455.1 million in the first six months of fiscal 2020 from $481.2 million in the first six months of fiscal 2019. Gross margin decreased 200 basis points to 61.8% from 63.8% in the first six months of fiscal 2019. The gross margin decrease of 200 basis points was primarily due to channel mix and promotional activity.

Kate Spade SG&A Expenses increased 13.3% or $46.1 million to $393.2 million in the first six months of fiscal 2020 from $347.1 million in the first six months of fiscal 2019. As a percentage of net sales, SG&A expenses increased to 53.4% during the first six months of fiscal 2020 as compared to 46.0% during the first six months of fiscal 2019. Excluding non-GAAP charges of $26.0 million and $7.1 million in the first six months of fiscal 2020 and 2019, respectively, SG&A expenses increased 8.0% or $27.2 million to $367.2 million in the first six months of fiscal 2020; and SG&A expenses as a percentage of net sales increased to 49.9% in the first six months of fiscal 2020 from 45.1% in the first six months of fiscal 2019. This increase was due to new store openings and increased marketing expenses, partially due to the timing of marketing in fiscal 2019.

Kate Spade Operating Income decreased 54.4% or $72.3 million to $60.7 million in the first six months of fiscal 2020, resulting in an operating margin of 8.2%, as compared to an operating income of $133.0 million and 17.7%, respectively, in the first six months of fiscal 2019. Excluding non-GAAP charges, Kate Spade operating income decreased 37.8% or $53.3 million to $87.9 million from $141.2 million in the first six months of fiscal 2019; and operating margin was 11.9% in the first six months of fiscal 2020 as compared to 18.7% in the first six months of fiscal 2019. The decrease in operating income was due to higher SG&A expenses and a decrease in gross profit.

Stuart Weitzman

	Six Months Ended					
	December 28, 2019		December 29, 2018		Variance	
	(millions)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 202.2**	**100.0 %**	$ 218.9	100.0 %	$ (16.7)	(7.7)%
Gross profit	**115.4**	**57.1**	118.7	54.2	(3.3)	(2.7)
SG&A expenses	**125.1**	**61.9**	126.5	57.8	(1.4)	(1.1)
Operating income (loss)	**(9.7)**	**(4.8)**	(7.8)	(3.6)	(1.9)	(24.5)

Stuart Weitzman Net Sales decreased 7.7% or $16.7 million to $202.2 million in the first six months of fiscal 2020. Excluding the unfavorable impact of foreign currency, net sales decreased 6.6% or $14.5 million. This decrease was primarily due to lower sales in the wholesale business of $32.9 million. This decrease was partially offset by growth in the retail business of $19.0 million primarily attributable to new store openings and the direct ownership of the business in Australia.

Stuart Weitzman Gross Profit decreased 2.7% or $3.3 million to $115.4 million during the first six months of fiscal 2020 from $118.7 million in the first six months of fiscal 2019. Gross margin increased 290 basis points to 57.1% in the first six months of fiscal 2020 from 54.2% in the first six months of fiscal 2019. Excluding non-GAAP charges of $4.3 million and $1.0 million in the first six months of fiscal 2020 and fiscal 2019, respectively, Stuart Weitzman gross profit remained flat at $119.7 million in the first six months of fiscal 2020, and gross margin increased 460 basis points to 59.2% from 54.6% in the first six months of fiscal 2020. Excluding the impact of foreign currency, gross margin increased 320 basis points primarily due to favorable channel mix.

Stuart Weitzman SG&A Expenses decreased 1.1% or $1.4 million to $125.1 million in the first six months of fiscal 2020 as compared to $126.5 million in the first six months of fiscal 2019. As a percentage of net sales, SG&A expenses increased to 61.9% during the first six months of fiscal 2020 as compared to 57.8% during the first six months of fiscal 2019. Excluding non-GAAP charges of $6.8 million and $12.1 million in the first six months of fiscal 2020 and 2019, respectively, SG&A expenses increased 3.4% or $3.9 million to $118.3 million in the first six months of fiscal 2020; and SG&A expenses as a percentage of net sales increased to 58.5% in the first six months of fiscal 2020 from 52.3% in the first six months of fiscal 2019. This increase is primarily due to new store openings and the direct ownership of the businesses in Greater China and Australia, partially offset by lower wholesale selling costs, compensation, and marketing expenses.

Stuart Weitzman Operating Loss increased 24.5% or $1.9 million to an operating loss of $9.7 million in the first six months of fiscal 2020, resulting in an operating margin of (4.8)%, as compared to an operating loss of $7.8 million and an operating margin of (3.6)% in first six months of fiscal 2019. Excluding non-GAAP charges, Stuart Weitzman operating income decreased $3.9 million to an operating income of $1.4 million from operating income of $5.3 million in the first six months of fiscal 2019; and operating margin was 0.7% in the first six months of fiscal 2020 as compared to 2.4% in the first six months of fiscal 2019. The decrease was due to higher SG&A expenses.

NON-GAAP MEASURES

The Company’s reported results are presented in accordance with GAAP. The reported gross profit, SG&A expenses, operating income, provision for income taxes, net income and earnings per diluted share in the second quarter of fiscal 2020 and fiscal 2019 reflect certain items, including the impact of Tax Legislation in fiscal 2019, the impact of ERP Implementation, Organization-related and Integration and Acquisition costs in fiscal 2020 and fiscal 2019 and Impairment charges in fiscal 2020. As a supplement to the Company's reported results, these metrics are also reported on a non-GAAP basis to exclude the impact of these items, along with a reconciliation to the most directly comparable GAAP measures.

Comparable store sales reflects sales performance at stores that have been open for at least 12 months, and includes sales from the Internet. The Company excludes new stores, including newly acquired locations, from the comparable store base for the first twelve months of operation. The Company excludes closed stores from the calculation. Comparable store sales have not been adjusted for store expansions.

These non-GAAP performance measures were used by management to conduct and evaluate its business during its regular review of operating results for the periods affected. Management and the Company’s Board utilized these non-GAAP measures to make decisions about the uses of Company resources, analyze performance between periods, develop internal projections and measure management performance. The Company’s internal management reporting excluded these items. In addition, the Human Resources Committee of the Company’s Board uses these non-GAAP measures when setting and assessing achievement of incentive compensation goals.

The Company operates on a global basis and reports financial results in U.S. dollars in accordance with GAAP. Fluctuations in foreign currency exchange rates can affect the amounts reported by the Company in U.S. dollars with respect to its foreign revenues and profit. Accordingly, certain material increases and decreases in operating results for the Company and its segments have been presented both including and excluding currency fluctuation effects. These effects occur from translating foreign-denominated amounts into U.S. dollars and comparing to the same period in the prior fiscal year. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. The Company calculates constant currency revenue results by translating current period revenue in local currency using the prior year period's currency conversion rate.

We believe these non-GAAP measures are useful to investors and others in evaluating the Company’s ongoing operating and financial results in a manner that is consistent with management's evaluation of business performance and understanding how such results compare with the Company’s historical performance. Additionally, we believe presenting certain increases and decreases in constant currency provides a framework for assessing the performance of the Company's business outside the United States and helps investors and analysts understand the effect of significant year-over-year currency fluctuations. We believe excluding these items assists investors and others in developing expectations of future performance.

By providing the non-GAAP measures, as a supplement to GAAP information, we believe we are enhancing investors’ understanding of our business and our results of operations. The non-GAAP financial measures are limited in their usefulness and should be considered in addition to, and not in lieu of, GAAP financial measures. Further, these non-GAAP measures may be unique to the Company, as they may be different from non-GAAP measures used by other companies.

For a detailed discussion on these non-GAAP measures, see Item 2. "Management’s Discussion and Analysis of Financial Condition and Results of Operations."

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Six Months Ended		
	December 28, 2019	December 29, 2018	Change
	(millions)		
Net cash provided by (used in) operating activities	**$ 561.7**	$ 599.3	$ (37.6)
Net cash used in investing activities	**(127.9)**	(405.5)	277.6
Net cash used in financing activities	**(506.5)**	(188.1)	(318.4)
Effect of exchange rate changes on cash and cash equivalents	**0.4**	(12.1)	12.5
Net decrease in cash and cash equivalents	**$ (72.3)**	$ (6.4)	$ (65.9)

The Company's cash and cash equivalents decreased by $72.3 million in the first six months of fiscal 2020 as compared to a decrease of $6.4 million in the first six months of fiscal 2019, as discussed below.

Net cash provided by (used in) operating activities

Net cash provided by operating activities decreased $37.6 million due to lower net income of $58.3 million and changes in operating assets and liabilities of $33.1 million, partially offset by higher non-cash adjustments of $53.8 million.

The $33.1 million decrease in changes in operating asset and liability balances were primarily driven by the following:

- Other liabilities were a use of cash of $12.6 million in the first six months of fiscal 2020 compared to a source of cash of $40.3 million in the first six months of fiscal 2019, primarily related to the timing of tax payments.
- Accounts receivable were a use of cash of $78.7 million in the first six months of fiscal 2020 compared to a use of cash of $34.2 million in the first six months of fiscal 2019, primarily driven by an increase in sales at Coach.
- Accrued liabilities were a source of cash of $63.3 million in the first six months of fiscal 2020 as compared to a source of cash of $95.5 million in the first six months of fiscal 2019, primarily driven by the timing of payments to vendors.
- Inventories were a source of cash of $19.5 million in the first six months of fiscal 2020 compared to a use of cash of $42.1 million in the first six months of fiscal 2019, primarily driven by a lower inventory on-hand due to higher sales at Coach and decreased inventory purchases for Kate Spade.
- Other assets were a use of cash of $27.7 million in the first six months of fiscal 2020 compared to a use of cash of $55.9 million in the first six months of fiscal 2019, primarily related to the timing of tax related payments.

Net cash used in investing activities

Net cash used in investing activities in the first six months of fiscal 2020 was $127.9 million as compared to a use of cash of $405.5 million in the first six months of fiscal 2019, resulting in a $277.6 million increase in net cash used in investing activities.

The $127.9 million use of cash in the first six months of fiscal 2020 is primarily due to capital expenditures of $122.2 million.

The $405.5 million use of cash in the first six months of fiscal 2019 is primarily due net cash used for purchases, maturities and sales of investments of $251.4 million in the first six months of fiscal 2019 and capital expenditures of $116.4 million.

Net cash used in financing activities

Net cash used in financing activities was $506.5 million in the first six months of fiscal 2020 as compared to a use of cash of $188.1 million in the first six months of fiscal 2019, resulting in a net decrease in cash of $318.4 million.

The $506.5 million of cash used in the first six months of fiscal 2020 was primarily due to repurchases of common stock of 300.0 million and dividend payments of $194.0 million.

The $188.1 million use of cash in the first six months of fiscal 2019 was primarily due to dividend payments of $194.9 million.

Working Capital and Capital Expenditures

As of December 28, 2019, in addition to our cash flows from operations, our sources of liquidity and capital resources were comprised of the following:

	Sources of Liquidity	Outstanding Indebtedness	Total Available Liquidity[(1)]
		(millions)	
Cash and cash equivalents[(1)]	**$ 896.9**	**$ —**	**$ 896.9**
Short-term investments[(1)]	**269.8**	**—**	**269.8**
Revolving Credit Facility[(2)]	**900.0**	**—**	**900.0**
3.000% Senior Notes due 2022[(3)]	**400.0**	**400.0**	**—**
4.250% Senior Notes due 2025[(3)]	**600.0**	**600.0**	**—**
4.125% Senior Notes due 2027[(3)]	**600.0**	**600.0**	**—**
Total	**$ 3,666.7**	**$ 1,600.0**	**$ 2,066.7**

(1) As of December 28, 2019, approximately 49% of our cash and short-term investments were held outside the United States. The Company will likely repatriate some portion of available foreign cash in the foreseeable future, and has recorded deferred taxes on certain earnings of non-US subsidiaries that are deemed likely to be repatriated.

(2) In October 2019, the Company entered into a definitive credit agreement whereby Bank of America, N.A., as administrative agent, the other agents party thereto, and a syndicate of banks and financial institutions have made available to the Company a $900.0 million revolving credit facility, including sub-facilities for letters of credit, with a maturity date of October 24, 2024 (the "Revolving Credit Facility"). The Revolving Credit Facility refinanced and replaced the Company's unsecured revolving facility dated May 30, 2017. Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to, at the Borrowers' option, either (a) an alternate base rate (which is a rate equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% or (iii) the Adjusted LIBO Rate for a one month Interest Period on such day plus 1%) or (b) a rate based on the rates applicable for deposits in the interbank market for U.S. Dollars or the applicable currency in which the loans are made plus, in each case, an applicable margin. The applicable margin will be determined by reference to a grid, defined in the Credit Agreement, based on the ratio of (a) consolidated debt plus operating lease liability to (b) consolidated EBITDAR. Additionally, the Company pays a commitment fee at a rate determined by the reference to the aforementioned pricing grid. The Company had no outstanding borrowings under the Revolving Credit Facility as of December 28, 2019. Refer to Note 12, "Debt" for further information on our existing debt instruments.

(3) In March 2015, the Company issued $600.0 million aggregate principal amount of 4.250% senior unsecured notes due April 1, 2025 at 99.445% of par (the "2025 Senior Notes"). Furthermore, in June 2017, the Company issued $400.0 million aggregate principal amount of 3.000% senior unsecured notes due July 15, 2022 at 99.505% of par (the "2022 Senior Notes"), and $600.0 million aggregate principal amount of 4.125% senior unsecured notes due July 15, 2027 at 99.858% of par (the "2027 Senior Notes"). Furthermore, the indentures for the 2025 Senior Notes, 2022 Senior Notes and 2027 Senior Notes contain certain covenants limiting the Company's ability to: (i) create certain liens, (ii) enter into certain sale and leaseback transactions and (iii) merge, or consolidate or transfer, sell or lease all or substantially all of the Company's assets. As of December 28, 2019, no known events of default have occurred. Refer to Note 12, "Debt," for further information on our existing debt instruments.

We believe that our Revolving Credit Facility is adequately diversified with no undue concentrations in any one financial institution. As ofDecember 28, 2019, there were 12 financial institutions participating in the Revolving Credit Facility, with no one participant maintaining a combined maximum commitment percentage in excess of 14%.

We have the ability to draw on our credit facilities or access other sources of financing options available to us in the credit and capital markets for, among other things, acquisition or integration-related costs, our restructuring initiatives, settlement of a material contingency, or a material adverse business or macroeconomic development, as well as for other general corporate business purposes.

Management believes that cash flows from operations, access to the credit and capital markets and our credit lines, on-hand cash and cash equivalents and our investments provide adequate funds to support our operating, capital, and debt service requirements for fiscal 2020, including our plans for further investment in our brands, while returning capital to shareholders through our dividend and share repurchase programs. There can be no assurance that any such capital will be available to the Company on acceptable terms or at all. Our ability to fund working capital needs, planned capital expenditures, dividend payments, share repurchases and scheduled debt payments, as well as to comply with all of the financial covenants under our debt agreements, depends on future operating performance and cash flow, which in turn are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond the Company's control.

Reference should be made to our most recent Annual Report on Form 10-K and other filings with the SEC for additional information regarding liquidity and capital resources. The Company expects total fiscal 2020 capital expenditures to be approximately $300 million.

Seasonality

The Company's results are typically affected by seasonal trends. During the first fiscal quarter, we build inventory for the holiday selling season. In the second fiscal quarter, working capital requirements are reduced substantially as we generate higher net sales and operating income, especially during the holiday months of November and December. Accordingly, the Company's net sales, operating income and operating cash flows for the three months ended December 28, 2019 are not necessarily indicative of that expected for the full fiscal 2020. However, fluctuations in net sales, operating income and operating cash flows of the Company in any fiscal quarter may be affected by the timing of wholesale shipments and other events affecting retail sales, including adverse weather conditions or other macroeconomic events.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 2 to the audited consolidated financial statements in our fiscal 2019 10-K. Our discussion of results of operations and financial condition relies on our condensed consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates which are subject to varying degrees of uncertainty. While we believe that these accounting policies are based on sound measurement criteria, actual future events can and often do result in outcomes that can be materially different from these estimates or forecasts.

For a complete discussion of our critical accounting policies and estimates, see the "Critical Accounting Policies and Estimates" section of the Management's

Discussion and Analysis of Financial Condition and Results of Operations in our fiscal 2019 10-K. In the first quarter of fiscal 2020, we adopted new lease accounting guidance which resulted in certain changes to our accounting policies. Refer to Note 9, "Leases," for additional information about our accounting policies and estimates. As of December 28, 2019, there have been no material changes to any of the critical accounting policies other than the changes mentioned above.

The Company performs its annual impairment assessment of goodwill as well as brand intangibles at the beginning of the fourth quarter of each fiscal year. The Company determined that there was no impairment in fiscal 2019. In all fiscal years, the fair values of our Coach brand reporting units significantly exceeded their respective carrying values. The fair values of the Kate Spade brand reporting unit and indefinite-lived brand as of the fiscal 2019 testing date exceeded their respective carrying values by approximately 21% and 61%, respectively. Furthermore, the fair values of the Stuart Weitzman brand reporting unit and indefinite-lived brand exceeded their respective carrying values by approximately 11% and 62%, respectively. As of December 28, 2019, the carrying values of Stuart Weitzman goodwill and indefinite-lived brand are $212.9 million and $267.0 million, respectively. The Company has concluded that all the intangible assets are not impaired as of December 28, 2019. Several factors could impact the Kate Spade and Stuart Weitzman brands' ability to achieve expected future cash flows, including the management of the supply chain operational challenges at Stuart Weitzman, reception of new collections in all channels, the success of international expansion strategies including the consolidation or integration of certain distributor relationships, the optimization of the store fleet productivity, the impact of promotional activity in department stores, the simplification of certain corporate overhead structures and other initiatives aimed at expanding higher performing categories of the business. Given the relatively small excess of fair value over carrying value as noted above, if profitability trends decline during fiscal 2020 from those that are expected, it is possible that an interim test, or our annual impairment test, could result in an impairment of these assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows, arising from adverse changes in foreign currency exchange rates or interest rates. The Company manages these exposures through operating and financing activities and, when appropriate, through the use of derivative financial instruments. The use of derivative financial instruments is in accordance with the Company's risk management policies, and we do not enter into derivative transactions for speculative or trading purposes.

The quantitative disclosures in the following discussion are based on quoted market prices obtained through independent pricing sources for the same or similar types of financial instruments, taking into consideration the underlying terms and maturities and theoretical pricing models. These quantitative disclosures do not represent the maximum possible loss or any expected loss that may occur, since actual results may differ from those estimates.

Foreign Currency Exchange Rate Risk

Foreign currency exposures arise from transactions, including firm commitments and anticipated contracts, denominated in a currency other than the entity’s functional currency, and from foreign-denominated revenues and expenses translated into U.S. dollars. The majority of the Company's purchases and sales involving international parties, excluding international consumer sales, are denominated in U.S. dollars and, therefore, our foreign currency exchange risk is limited. The Company is exposed to risk from foreign currency exchange rate fluctuations resulting from its operating subsidiaries’ transactions denominated in foreign currencies. To mitigate such risk, certain subsidiaries enter into forward currency contracts. As of December 28, 2019 and June 29, 2019, forward currency contracts designated as cash flow hedges with a notional amount of $498.8 million and $398.4 million, respectively, were outstanding. As a result of the use of derivative instruments, we are exposed to the risk that counterparties to the derivative instruments will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we only enter into derivative contracts with carefully selected financial institutions. The Company also reviews the creditworthiness of our counterparties on a regular basis. As a result of the above considerations, we do not believe that we are exposed to any undue concentration of counterparty credit risk associated with our derivative contracts as of December 28, 2019.

The Company is also exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans and payables. This primarily includes exposure to exchange rate fluctuations in the Chinese Renminbi, the British Pound Sterling, the Euro, the Japanese Yen, the Malaysian Ringgit and the Singapore Dollar. To manage the exchange rate risk related to these balances, the Company enters into forward currency contracts. As of December 28, 2019 and June 29, 2019 the total notional values of outstanding forward foreign currency contracts related to these loans were$272.0 million and $14.5 million, respectively.

The fair value of outstanding forward currency contracts included in current assets atDecember 28, 2019 and June 29, 2019 was $4.7 million and $1.1 million, respectively. The fair value of outstanding foreign currency contracts included in current liabilities at December 28, 2019 and June 29, 2019 was $3.9 million and $4.9 million, respectively. The fair value of these contracts is sensitive to changes in foreign currency exchange rates. A sensitivity analysis of the effects of foreign exchange rate fluctuations on the fair values of our derivative contracts was performed to assess the risk of loss.

Interest Rate Risk

The Company is exposed to interest rate risk in relation to its New Revolving Credit Facility entered into under the credit agreement dated October 24, 2019, the 2025 Senior Notes, 2022 Senior Notes, 2027 Senior Notes (collectively the "Senior Notes") and investments. The Company was also exposed to interest rate risk in relation to its Revolving Credit Facility, which was terminated on October 24, 2019.

Our exposure to changes in interest rates is primarily attributable to (i) debt outstanding under the New Revolving Credit Facility entered into on October 24, 2019. Borrowings under the New Revolving Credit Facility bear interest at a rate per annum equal to, at the Company’s option, either (a) an alternate base rate (which is a rate equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% or (iii) the Adjusted LIBO Rate for a one month Interest Period on such day plus 1%) or (b) a rate based on the rates applicable for deposits in the interbank market for U.S. dollars or the applicable currency in which the loans are made plus, in each case, an applicable margin. The applicable margin will be determined by reference to a grid, as set forth in the credit agreement, based on the ratio of (a) consolidated debt plus operating lease liability to (b) consolidated EBITDAR.

The Company is exposed to changes in interest rates related to the fair value of the Senior Notes. AtDecember 28, 2019, the fair value of the 2025 Senior Notes, 2022 Senior Notes and 2027 Senior Notes was approximately $634 million, $406 million and $616 million, respectively. At June 29, 2019, the fair value of the 2025 Senior Notes, 2022 Senior Notes and 2027 Senior Notes was approximately $630 million, $399 million and $606 million, respectively. These fair values are based on external pricing data, including available quoted market prices of these instruments, and consideration of comparable debt instruments with similar interest rates and trading frequency, among other factors, and are classified as Level 2 measurements within the fair value hierarchy. The interest rate payable on the 2022 and 2027 Senior Notes will be subject to adjustments from time to time if either Moody’s or S&P or a substitute rating agency (as defined in the Prospectus Supplement furnished with the SEC on June 7, 2017), downgrades (or downgrades and subsequently upgrades) the credit rating assigned to the respective Senior Notes of such series.

The Company’s investment portfolio is maintained in accordance with the Company’s investment policy, which defines our investment principles including credit quality standards and limits the credit exposure of any single issuer. The primary objective of our investment activities is the preservation of principal while maximizing interest income and minimizing risk. We do not hold any investments for trading purposes.

ITEM 4. CONTROLS AND PROCEDURES

Based on the evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures are effective as of December 28, 2019.

During the first quarter of fiscal 2020, the Company adopted ASU 2016-02. As such, the Company implemented new controls and modifications to existing accounting processes related to lease accounting. These changes include the upgrade to a new lease accounting system and introduction of processes to evaluate and account for lease contracts under the new accounting standard.

During the second quarter of fiscal 2019, the Company completed the first phase of its ERP implementation, SAP’s S4/HANA, migrating the global finance functions for Corporate, Coach and Stuart Weitzman. The finance and supply chain functions were implemented for Kate Spade during the third quarter of fiscal 2019, with the supply chain functions for Coach and Stuart Weitzman implemented during the first quarter of fiscal 2020. As a result of the implementations to date, there were certain changes to processes and procedures, which resulted in changes to the Company’s internal control over financial reporting. The implementation of SAP’s S4/HANA is expected to strengthen the financial controls by automating certain manual processes and standardizing business processes and reporting across the organization. The Company will continue to evaluate and monitor the internal controls over financial reporting during this period of change and will continue to evaluate the operating effectiveness of related key controls. For a discussion of risks related to the implementation of new systems, see Part I, Item 1A, Risk Factors, in the Company's most recent Annual Report on Form 10-K.

Reference should be made to our most recent Annual Report on Form 10-K for additional information regarding discussion of the effectiveness of the Company’s controls and procedures. Other than the ERP system implementation and adoption of the new lease accounting standard noted above, there were no other changes in our internal control over financial reporting during the quarter ended December 28, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various routine legal proceedings as both plaintiff and defendant incident to the ordinary course of its business, including proceedings to protect Tapestry's intellectual property rights, litigation instituted by persons alleged to have been injured by advertising claims or upon premises within the Company’s control, and litigation with present or former employees.

As part of Tapestry Inc.’s policing program for its intellectual property rights, from time to time, the Company files lawsuits in the U.S. and abroad alleging acts of trademark counterfeiting, trademark infringement, patent infringement, trade dress infringement, copyright infringement, unfair competition, trademark dilution and/or state or foreign law claims. At any given point in time, Tapestry may have a number of such actions pending. These actions often result in seizure of counterfeit merchandise and/or out of court settlements with defendants. From time to time, defendants will raise, either as affirmative defenses or as counterclaims, the invalidity or unenforceability of certain of Tapestry’s intellectual properties.

Although the Company’s litigation as a defendant is routine and incidental to the conduct of Tapestry’s business, as well as for any business of its size, such litigation can result in large monetary awards, such as when a civil jury is allowed to determine compensatory and/or punitive damages.

The Company believes that the outcome of all pending legal proceedings in the aggregate will not have a material effect on the Company's business or condensed consolidated financial statements.

Tapestry has not entered into any transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose. Accordingly, we have not been required to pay a penalty to the IRS for failing to make disclosures required with respect to certain transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose.

ITEM 1A. RISK FACTORS

Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K (the “Annual Report”) for the fiscal year ended June 29, 2019 includes a discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our Annual Report. Except as presented below, there have been no material changes in our risk factors since those reported in our Annual Report.

Our business could be adversely affected by the recent coronavirus outbreak.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. The spread of this virus has caused business disruption beginning in January 2020, including traffic declines and the closure of the majority of our stores on mainland China. While the business disruption is currently expected to be temporary, there is uncertainty around the duration of these disruptions or the possibility of other effects on the business. However, the disruption is expected to have a material adverse impact on our business, financial condition, and results of operations. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus, the potential spread to other regions and the actions to contain the coronavirus or treat its impact, among others.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not repurchase any shares of common stock during the second quarter of fiscal2020. As of December 28, 2019, the Company had $600 million availability remaining in the stock repurchase program.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

10.1†*	Separation and Release Agreement, dated December 30, 2019, between Tapestry, Inc. and Anna Bakst
31.1*	Rule 13(a) – 14(a)/15(d) – 14(a) Certifications
32.1*	Section 1350 Certifications
101.INS*	XBRL Instance Document

Note: the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

---

* Filed Herewith

† Management contract or compensatory plan or arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAPESTRY, INC.
(Registrant)

By:	/s/ Brian Satenstein
Name:	Brian Satenstein
Title:	Corporate Controller (Principal Accounting Officer)

Dated: February 6, 2020

tapestry COACH | kate spade | STUART WEITZMAN

Separation and Release Agreement

Tapestry, Inc. and its subsidiaries and affiliates ("**Employer**") and Anna Bakst ("**Executive**") enter into this Separation and Release Agreement ("**Agreement**"), which was received by Executive on or before December 11, 2019 signed by Executive on the date shown below Executive's signature on the last page of this Agreement and is effective eight days (8) after the date of execution by Executive unless Executive revokes the Agreement before that date, for and in consideration of the promises made among the parties and other good and valuable consideration as follows:

1. <u>Separation Date.</u> Effective December 31, 2019, Executive's employment shall terminate (the "**Separation Date**"). However, Executive and Employer will determine working arrangements until that date.

2. <u>Payments.</u> Provided Executive executes this Agreement and returns it to Employer no later than January 1, 2020, and that Executive executes the Addendum according to the provisions of Paragraph 20, subject to the terms of this Agreement and does not revoke this Agreement within the period specified in Paragraph 4.a.iii, including that Executive shall continue to carry out her current role in a professional manner consistent with her/his current performance until the Separation date, Employer will pay Executive:

(a) <u>Salary Continuation Payments</u>. Employer will pay Executive severance pay in the gross aggregate amount of $875,000.00 (Eight Hundred and Seventy-Five Thousand Dollars and Zero Cents), which is equal to twelve (12) months of Executive's current base salary, subject to the usual withholding required by law (the "**Salary Continuation Payments**"). The Salary Continuation Payments will be paid in installments on Employer's normal payroll dates (the "**Salary Continuation Period**"), subject to compliance with any payment timing requirements pursuant to Section 409A as set forth in **Paragraph** 18 below. If Executive is eligible for and elects COBRA continuation coverage, the premium charged the Executive during the Salary Continuation Period shall be at the same rate charged an active Executive of Employer for similar coverage. The premium for COBRA continuation coverage after the end of the Salary Continuation Period shall be entirely at Executive's expense and may be different from the premium charged during the Salary Continuation Period. Executive's participation in the group medical and dental plan of Employer shall terminate in accordance with the COBRA continuation of coverage provisions under the group medical and dental plan of Employer. Executive acknowledges that s/he understands the conditions under which benefits may be forfeited and the conditions under which benefits may have to be returned to Employer.

(b) Executive acknowledges and agrees that other than any items specifically set forth in this Agreement, Executive is not and will not be due any other compensation, payments or benefits, including, but not limited to, compensation for unpaid salary (except for amounts unpaid and owing for Executive's employment with Employer and its affiliates prior to the Separation Date), future equity grants (e.g., annual equity grants generally awarded in August), unpaid bonus and severance from Employer or any of its affiliates, and as of and after the Separation Date, except as provided herein.

(c) Executive's participation in the Employer's group benefit plans available to the employees of Tapestry, Inc. shall cease as of the Separation Date, and Executive will not be eligible to participate in any of the benefit plans of Employer or any of its affiliates, including, without limitation, Employer's Savings Plan, life insurance, business travel accident insurance, accidental death & dismemberment, and group short-term and long-term disability insurance. Executive will be entitled to fulfillment of any matching grant obligations under Employer's Matching Grants Program with respect to commitments made by Executive prior to the Separation Date. During the Salary Continuation Period, Executive shall be entitled to continued participation in Employer's employee discount program for Employer's products. Employer shall promptly reimburse Executive for business expenses incurred in the ordinary course of Executive's employment on or before the Separation Date, but not previously reimbursed, provided Employer's policies of documentation and approval are satisfied.

(d) Tax Withholding and Adequacy of Payments. All payments and benefits to be made or provided to Executive will be subject to all applicable tax withholding as required by applicable federal, state and local withholding tax laws. The payments received in this Section are adequate and sufficient for entering into this Agreement and include benefits to which Executive is not otherwise entitled.

3. Equity.

(a) New Hire RSU Award granted in April 2018: During the Salary Continuation Period, Employee's New Hire RSUs shall continue to vest in accordance with the terms and conditions of the grant agreement in force between Employer and the Employee. New Hire RSUs that are not vested as of the last day of the Salary Continuation Period shall be forfeited.

(b) Annual Option and RSU Awards granted in August 2018 and August 2019: A pro-rata portion of Executive's annual Option and RSU awards, determined based on the number of days elapsed during the vesting period prior to the Separation Date, shall remain eligible to become vested on the first vesting date set forth in the applicable award agreement following the Separation Date.

(c) Annual Performance RSUs (PRSUs) granted in August 2018 and August 2019: A pro-rata portion of Executive's PRSU awards, determined based on the number of days elapsed during the vesting period prior to the Separation Date (adjusted based upon actual Company achievement of the Performance Goals), shall remain eligible to become vested on the Vesting date, which is the third anniversary of the grant date.

4. Release. Executive, for herself, Executive's successors, administrators, heirs and assigns, hereby fully releases, waives and forever discharges Employer, any affiliated company or subsidiary, their predecessors, successors, subsidiaries, affiliates, assigns, shareholders, directors, officers, agents, attorneys, employees, employee benefit plans and

their administrators and trustees, in their individual and official capacities, whether past, present, or future (the "**Released Parties**") from and against any and all actions, suits, debts, demands, damages, claims, judgments, or liabilities of any nature, including costs and attorneys' fees, whether known or unknown, including, but not limited to, all claims arising out of Executive's employment with or separation from any of the Released Parties, such as (by way of example only) any claim for bonus, severance, or other benefits apart from the benefits expressly stated herein; breach of contract; wrongful discharge; impairment of economic opportunity; any claim under common-law or at equity; any tort; claims for reimbursements; claims for commissions; or claims for employment discrimination under any state, federal and local law, statute, or regulation or claims related to any other restriction or the right to terminate employment, including without limitation, Title VII of the Civil Rights Act of 1964, as amended; the Americans with Disabilities Act of 1990, as amended; the Human Rights Act, as Amended; the Age Discrimination in Employment Act, as amended; the National Labor Relations Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act of 1993, as amended, the New York State Human Rights Law, the New York City Administrative Code, the New York Labor Law, the New York Minimum Wage Act, the statutory provisions regarding retaliation/discrimination under the New York Worker's Compensation Law, the New York City Earned Sick Time Act, the New York City Human Rights Law, the Maryland Fair Employment Practices Act, Reasonable Accommodations for Disabilities Due to Pregnancy Law, anti-retaliation provisions of the Maryland workers' compensation laws, Baltimore City (Baltimore City, Md., Code art. 4, §§ 3-1, *et seq*.), Prince George's County (Prince George's Cty., Md., Code, Subtitle 2, Sections 2-185, *et seq*.), Howard County (Howard Cty., Md., Code §§ 12.208, *et seq*.), and Montgomery County (Montgomery Cty., Md., Code §§ 27-11, *et seq.*), and any other claim of discrimination or retaliation in employment (whether based on federal, state, or local law, statutory or decisional) that may be lawfully waived by agreement; and corresponding state and local anti-discrimination laws, as applicable, including but not limited to any other human rights, civil rights, employment anti-discrimination laws, and family and medical leave laws of the State of New York and/or the City of New York, as amended. Nothing herein shall release any party from any obligation under this Agreement. Executive acknowledges and agrees that this release and the covenant not to sue set forth in **Paragraph** 5 are essential and material terms of this Agreement and that, without such release and covenant not to sue, no agreement would have been reached by the parties and no benefits would have been paid. Executive understands and acknowledges the significance and consequences of this release and this Agreement.

(a) EXECUTIVE SPECIFICALLY WAIVES AND RELEASES THE RELEASED PARTIES FROM ALL CLAIMS EXECUTIVE MAY HAVE AS OF THE DATE EXECUTIVE SIGNS THIS AGREEMENT REGARDING CLAIMS OR RIGHTS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, 29 U.S.C. 621 ("**ADEA**") AND THE OLDER WORKERS BENEFIT PROTECTION ACT ("**OWBPA**"). THIS **PARAGRAPH** DOES NOT WAIVE RIGHTS OR CLAIMS THAT MAY ARISE UNDER THE ADEA AFTER THE DATE EXECUTIVE SIGNS THIS AGREEMENT.

(i) EXECUTIVE AGREES THAT THIS AGREEMENT PROVIDES BENEFITS TO WHICH EXECUTIVE IS NOT OTHERWISE ENTITLED,

AND THAT EMPLOYER HAS ADVISED EXECUTIVE TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT.

(ii) EXECUTIVE HAS BEEN PROVIDED TWENTY-ONE (21) DAYS WITHIN WHICH TO CONSIDER WHETHER EXECUTIVE SHOULD SIGN THIS AGREEMENT AND WAIVE AND RELEASE ALL CLAIMS AND RIGHTS ARISING UNDER ADEA AND OWBPA. ANY MODIFICATIONS TO THIS AGREEMENT, MATERIAL OR OTHERWISE, DO NOT RE-START THE 21-DAY CONSIDERATION PERIOD.

(iii) EXECUTIVE SHALL HAVE SEVEN (7) DAYS WITHIN WHICH TO REVOKE THIS AGREEMENT AFTER ITS EXECUTION BY EXECUTIVE AND THIS AGREEMENT SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THAT REVOCATION PERIOD HAS EXPIRED. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED IN WRITING TO EMPLOYER'S CHIEF LEGAL OFFICER AT 10 HUDSON YARDS, NEW YORK, NY 10001 AND MUST STATE: "I HEREBY REVOKE MY ACCEPTANCE OF OUR AGREEMENT AND GENERAL RELEASE."

(b) IN THE EVENT EXECUTIVE RETAINS ANY AMOUNT PAID UNDER THIS AGREEMENT AND LATER ASSERTS OR FILES A CLAIM, CHARGE, COMPLAINT, OR ACTION AND OBTAINS A JUDGMENT, IT IS THE INTENT OF THE PARTIES THAT ALL PAYMENTS MADE TO THE EXECUTIVE HEREUNDER SHALL BE OFFSET AGAINST ANY JUDGMENT EXECUTIVE OBTAINS.

5. Covenant Not to Sue. To the maximum extent permitted by law, Executive covenants not to sue or to institute or cause to be instituted any action in any federal, state, or local agency or court against any of the Released Parties, including but not limited to any of the claims released in **Paragraph** 4 of this Agreement. In the event of Executive's breach of the terms of this Agreement, without prejudice to Employer's other rights and remedies available at law or in equity, except as prohibited by law, Executive shall be liable for all costs and expenses (including, without limitation, reasonable attorney's fees and legal expenses) incurred by Employer as a result of such breach. Nothing herein shall prevent Executive or Employer from instituting any action required to enforce the terms of this Agreement or to determine the validity of this Agreement.

6. EEOC, NLRB, SEC, and Governmental Agencies. Notwithstanding the provisions of **Paragraph** 5 above, or any provision of this Agreement, nothing in this Agreement is intended to or shall preclude Executive from filing a complaint and/or charge with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission, or any other appropriate federal, state, or local government agency, or preclude Executive from cooperating with any such agency in any investigation. Nothing herein shall be construed to prevent Executive from enforcing any rights Executive may have under the Employee Retirement Income Security Act of 1974, commonly known as ERISA.

7. Confidentiality. At all times hereafter, Executive will maintain the confidentiality of all information in whatever form concerning Employer or any of its affiliates relating to its or their businesses, customers, finances, strategic or other plans, marketing, Executives, trade

practices, trade secrets, know-how or other matters which are not generally known outside Employer, and Executive will not, directly or indirectly, make any disclosure thereof to anyone, or make any use thereof, on her own behalf or on behalf of any third party, unless specifically requested by or agreed to in writing by an executive officer of Employer.

In addition, Executive agrees that, except as required by law or regulation, s/he will not, at any time, discuss publicly (including, without limitation, any member of the media) the terms of Executive's employment severance (including, without limitation, the terms of this Agreement), except with Executive's attorneys, immediate family and financial advisors, and to the extent necessary to enforce the terms and conditions of this Agreement or as otherwise required by law, or pursuant to a valid subpoena, discovery notice, demand or request, or Court order or process.

In the event that Executive breaches this **Paragraph** 7, Executive shall be required to reimburse Employer the full amount of any Salary Continuation Payments received under this Agreement and shall forfeit any remaining unpaid Salary Continuation Payments**.** In addition, Employer shall be entitled to preliminarily or permanently enjoin Executive from violating this **Paragraph** 7 in order to prevent the continuation of such harm.

8. Return of Company Property. Executive will promptly after the Separation Date return to Employer all reports, files, memoranda, records, computer equipment and software, credit cards, cardkey passes, door and file keys, computer access codes or disks and instructional manuals, and other physical or personal property which s/he received or prepared or helped prepare in connection with his/her employment with Employer, its subsidiaries and affiliates, and Executive will not retain any copies, duplicates, reproductions or excerpts thereof.

9. Non-Disparagement. Executive agrees to refrain from making public or private comments or taking any actions which disparage, or are disparaging, derogatory or negative about the business of Employer, or the products, policies or decisions of Employer, or any present or former officers, directors or Executives of Employer or any of its operating divisions, subsidiaries or affiliates. In the event that Executive breaches this **Paragraph** 9, Executive shall be required to reimburse Employer the full amount of any Salary Continuation Payments received under this Agreement and shall forfeit any remaining unpaid Salary Continuation Payments**.** In addition, Employer shall be entitled to preliminarily or permanently enjoin Executive from violating this **Paragraph** 9 in order to prevent the continuation of such harm. Employer agrees that its Executive Committee shall refrain from making public or private comments or taking any actions which disparage, or are disparaging, derogatory or negative about Executive.

10. Non-Solicitation. In consideration for receiving the payments called for hereunder, Executive agrees that at all times until December 31, 2020, Executive shall not, without the prior written consent of Employer, alone, or in association with others, solicit on behalf of Executive, or any other person, firm, corporation or entity, any employee of Employer, or any of its operating divisions, subsidiaries or affiliates, for employment, consulting or other independent contractor arrangements. For purposes of this Agreement and to avoid any ambiguity, Employer and Executive agree that it will be presumed that Executive solicited an employee of Employer if such employee commences employment for or on behalf of Executive prior to December 31, 2020. Notwithstanding the foregoing, Employer agrees that Executive shall be entitled to solicit Executive's current executive assistant at Employer

for future employment. Executive acknowledges that compliance with this **Paragraph** 10 is necessary to protect the business and good will of Employer and that a breach of any of these provisions will irreparably and continually damage Employer, for which money damages may not be adequate. Accordingly, in the event that Executive breaches this **Paragraph** 10, Executive shall be required to reimburse Employer the full amount of any Salary Continuation Payments received and shall forfeit any remaining unpaid Salary Continuation Payments, along with any other relief to which Employer may be entitled. In addition, Employer shall be entitled to preliminarily or permanently enjoin Executive from violating this **Paragraph** 10 in order to prevent the continuation of such harm.

11. Neutral Reference. Employer will provide references for Executive consistent with its neutral reference policy, which is to confirm Executive's dates of employment with Employer and title during the period of employment. Employer's outside vendor "The Work Number" provides employment verifications. A prospective employer can access The Work Number by calling 1-800-367-2884 or via the Web at: http://www.theworknumber.com. Employer Code is: 11194.

12. Future Employment. Executive shall be restricted from counseling, advising, or becoming employed by, or providing any and all services to a competitor of Employer during the Salary Continuation Period. Executive acknowledges that compliance with this **Paragraph** 12 is necessary to protect the business and good will of Employer and that a breach of any of these provisions will irreparably and continually damage Employer, for which money damages may not be adequate. Accordingly, in the event that Executive breaches this **Paragraph** 12, Executive shall forfeit any remaining unpaid Salary Continuation Payments along with any other relief to which Employer may be entitled and Executive shall be required to reimburse Employer the full amount of any and all benefits paid under this Agreement. In addition, Employer shall be entitled to preliminarily or permanently enjoin Executive from violating this **Paragraph** 12 in order to prevent the continuation of such harm. For the purposes of this provision, "**Competitors**" includes the following companies together with their respective subsidiaries, parent entities and all other affiliates: Adidas AG, Burberry Group PLC; Capri Holdings Limited; Cole Hahn LLC; Fast Retailing Co., Ltd.; Compagnie Financiere Richemont SA; Fung Group; G-III Apparel Group, Ltd.; The Gap, Inc.; Kering; L Brands, Inc.; LVMH Moet Hennessy Louis Vuitton SA; Nike, Inc., Prada, S.p.A.; PVH Corp.; Ralph Lauren Corporation; Samsonite International S.A., Tory Burch LLC; VF Corporation; and Under Armour, Inc. Any requests for exceptions to these restrictions and Employer's ability to seek injunctive relief shall be made in writing to Employer's Global Human Resources Officer. Following receipt of such request, Employer hereby reserves the right, in its sole discretion, to grant such exception and forego the right to seek injunctive relief. Such decision by Employer shall not, in any way, effect any other right Employer has pursuant to this Agreement, Executive's offer letter with employer, or the award agreements evidencing Executive's equity awards, and all such rights are hereby explicitly reserved.

13. Information/Privacy Obligations. In addition to the obligations set forth above, Executive shall not retain, copy, transfer or otherwise obtain, use, hold or possess any information whatsoever that resides on Employer's premises, databases, electronic servers and/or storage devices/facilities, including any and all information that Executive had access to as a result of being employed by Employer, whether in electronic or hard copy format.

Notwithstanding this requirement, Executive may make a copy and maintain, but shall not delete from Employer's systems, Executive's Outlook Contacts and Executive's Outlook Calendar to the extent Executive's Outlook Contacts and Outlook Calendar do not contain proprietary, confidential or trade secret information of Employer and its subsidiaries and affiliates. Executive may also take possession of Executive's own personal items (i.e. family photos and family records/documents). In the event that Executive breaches this **Paragraph** 13, Executive shall be required to reimburse Employer the full amount of any Salary Continuation Payments received under this Agreement and shall forfeit any remaining unpaid Salary Continuation Payments, along with any other relief that Employer may be entitled. In addition, Employer shall be entitled to preliminarily or permanently enjoin Executive from violating this **Paragraph** 13 in order to prevent the continuation of such harm and to recover all damages and other remedies to which it is entitled under law.

14. Future Cooperation. In further consideration of Executive's agreement to the terms contained herein, Executive agrees to cooperate and provide all responsive information to Employer's reasonable requests concerning any investigation, litigation, or any other matter which relates to any fact or circumstance known to Executive during his or her employment with Employer. Executive agrees to respond to Employer's request for cooperation and assistance within three (3) business days of any such request, or as soon thereafter as is reasonably practicable. Executive acknowledges that he or she is not entitled to further compensation or consideration from Employer for such cooperation or assistance. Notwithstanding the foregoing, Employer will reimburse Executive for all reasonable and documented travel expenses incurred by Executive in connection with fulfilling her obligations under this **Paragraph 14**, provided Executive receives advance written approval prior to incurring any such expense in excess of $500.

15. Executive's Understanding. Executive acknowledges by signing this Agreement that Executive has read and understands this document, as well as the Executive has conferred with or had opportunity to confer with attorneys regarding the terms and meaning of this Agreement, that Executive has had sufficient time to consider the terms provided for in this Agreement, that no representations or inducements have been made to Executive except as set forth herein, and that Executive has signed the same KNOWINGLY AND VOLUNTARILY.

16. Provisions. It is intended that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. The provisions of this Agreement shall be construed in accordance with the internal laws of the State of New York notwithstanding any conflict of laws provisions. In the event that any paragraph, subparagraph or provision of this Agreement shall be determined to be partially contrary to governing law or otherwise partially unenforceable, the paragraph, subparagraph, or provision and this Agreement shall be enforced to the maximum extent permitted by law, and if any paragraph, subparagraph, or provision of this Agreement shall be determined to be totally contrary to governing law or otherwise totally unenforceable, the paragraph, subparagraph, or provision shall be severed and disregarded and the remainder of this Agreement shall be enforced to the maximum extent permitted by law.

17. Non-Admission of Liability. Neither this Agreement nor performance hereunder constitutes an admission by any of the Released Parties of any violation of any federal, state,

or local law, regulation, common-law, breach of any contract, or any other wrongdoing of any type. The Released Parties specifically deny that they or any of their officers, directors or employees engaged in any wrongdoing concerning Executive.

18. Section 409A.

(a) This Agreement (and all payments and benefits under this Agreement) is intended to comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and other interpretive guidance thereunder (collectively, "Section 409A"), and shall be construed and interpreted in accordance with such intent. To the extent that any amount payable pursuant to this Agreement is subject to Code Section 409A, it shall be paid in a manner that will comply therewith, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect to Code Section 409A (the "Guidance"); provided, however, that nothing hereunder shall (i) guarantee that the payments will not be subject to taxes, interest and penalties under Section 409A of the Code; (ii) entitle Executive to a reimbursement on any tax liability incurred in connection with payments provided hereunder; or (iii) transfer any liability from Executive or any other individual to Employer or any of its affiliates, employees or agents pursuant to the terms of this Agreement or otherwise. In the event that any provision of this Agreement would fail to satisfy the requirement of Code Section 409A and the Guidance, Employer shall be permitted to reform this Agreement to maintain to the maximum extent practicable the original intent thereof without violating the requirements of Code Section 409A or the Guidance.

(b) Each payment made under this Agreement (including each separate installment payment in the case of a series of installment payments) shall be deemed to be a separate payment for purposes of Section 409A. Amounts payable under this Agreement shall be deemed not to be a "deferral of compensation" subject to 409A to the extent provided in the Treasury Regulations 1.409A-1(b)(4) ("short terms deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraphs (iii)) and other applicable provisions of Section 409A.

19. Overpayments, Employee Reimbursements and Return of Company Property.

(a) Executive agrees to repay any overpayment of Salary Continuation Payments, other severance, or other amount miscalculated hereunder to which Executive is not expressly entitled under the terms of this Agreement ("**Severance Overpayment**"). Executive expressly agrees that Employer may reconcile or set off any Severance Overpayments against any remaining unpaid Salary Continuation Payments or other severance pay, due under this Agreement.

(b) Executive further agrees that if Executive does not return all Employer property or reimburse Employer for all personal expenses charged to Employer within 7 days of executing this Agreement, then Employer may reconcile or set off the value of the property or the amount of the personal charges against any remaining unpaid Salary Continuation Payments, other severance, or other amount due hereunder. For purposes of this **paragraph**, the value of any Employer property shall be determined by Employer in its sole discretion.

20. Additional Release. Executive agrees that her entitlement to payments described in paragraph 2, including but not limited to Salary Continuation Payments, is expressly conditioned on her execution of a subsequent release in the form annexed hereto as Addendum no earlier than December 31, 2019. If Executive does not execute this additional release, she will not be entitled to any payments described in paragraph 2, including but not limited to unpaid Salary Continuation Payments or COBRA continuation benefits.

In witness whereof, the parties hereto have executed and delivered this agreement.

TAPESTRY, INC.

_/s/ Sarah Dunn_____________________________
Sarah Dunn
Global Human Resources Officer

Date: _Dec. 30, 2019_________________________

Accepted and agreed to.

EXECUTIVE:

_/s/ Anna Bakst_____________________________
Anna Bakst

Date: _Dec. 22, 2019__________________________ tapestry COACH | kate spade | STUART WEITZMAN

Addendum Release

Anna Bakst ("**Executive**") enters into this Release Agreement ("**Agreement**") with Tapestry, Inc. ("**Employer**"), which is effective eight days (8) after the date of execution by Executive unless Executive revokes the Agreement before that date, for and in consideration of the promises made among the parties and other good and valuable consideration including as set forth in the Separation and Release Agreement between the parties as follows:

1. Release. Executive, for herself, Executive's successors, administrators, heirs and assigns, hereby fully releases, waives and forever discharges Employer, any affiliated company or subsidiary, their predecessors, successors, subsidiaries, affiliates, assigns, shareholders, directors, officers, agents, attorneys, employees, employee benefit plans and their administrators and trustees, in their individual and official capacities, whether past, present, or future (the "**Released Parties**") from and against any and all actions, suits, debts, demands, damages, claims, judgments, or liabilities of any nature, including costs and attorneys' fees, whether known or unknown, including, but not limited to, all claims arising out of Executive's employment with or separation from any of the Released Parties, such as (by way of example only) any claim for bonus, severance, or other benefits apart from the benefits expressly stated herein; breach of contract; wrongful discharge; impairment of economic opportunity; any claim under common-law or at equity; any tort; claims for reimbursements; claims for commissions; or claims for employment discrimination under any state, federal and local law, statute, or regulation or claims related to any other restriction or the right to terminate employment, including without limitation, Title VII of the Civil Rights Act of 1964, as amended; the Americans with Disabilities Act of 1990, as amended; the Human Rights Act, as Amended; the Age Discrimination in Employment Act, as amended; the National Labor Relations Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act of 1993, as amended, the New York State Human Rights Law, the New York City Administrative Code, the New York Labor Law, the New York Minimum Wage Act, the statutory provisions regarding retaliation/discrimination under the New York Worker's Compensation Law, the New York City Earned Sick Time Act, the New York City Human Rights Law, the Maryland Fair Employment Practices Act, Reasonable Accommodations for Disabilities Due to Pregnancy Law, anti-retaliation provisions of the Maryland workers' compensation laws, Baltimore City (Baltimore City, Md., Code art. 4, §§ 3-1, *et seq*.), Prince George's County (Prince George's Cty., Md., Code, Subtitle 2, Sections 2-185, *et seq*.), Howard County (Howard Cty., Md., Code §§ 12.208, *et seq*.), and Montgomery County (Montgomery Cty., Md., Code §§ 27-11, *et seq.*), and any other claim of discrimination or retaliation in employment (whether based on federal, state, or local law, statutory or decisional) that may be lawfully waived by agreement; and corresponding state and local anti-discrimination laws, as applicable, including but not limited to any other human rights, civil rights, employment anti-discrimination laws, and family and medical leave laws of the State of New York and/or the City of New York, as amended. Nothing

herein shall release any party from any obligation under this Agreement. Executive acknowledges and agrees that this release and the covenant not to sue set forth in **Paragraph** 2 are essential and material terms of this Agreement and that, without such release and covenant not to sue, no agreement would have been reached by the parties and no benefits would have been paid. Executive understands and acknowledges the significance and consequences of this release and this Agreement.

(a) EXECUTIVE SPECIFICALLY WAIVES AND RELEASES THE RELEASED PARTIES FROM ALL CLAIMS EXECUTIVE MAY HAVE AS OF THE DATE EXECUTIVE SIGNS THIS AGREEMENT REGARDING CLAIMS OR RIGHTS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, 29 U.S.C. 621 ("**ADEA**") AND THE OLDER WORKERS BENEFIT PROTECTION ACT ("**OWBPA**"). THIS **PARAGRAPH** DOES NOT WAIVE RIGHTS OR CLAIMS THAT MAY ARISE UNDER THE ADEA AFTER THE DATE EXECUTIVE SIGNS THIS AGREEMENT.

(i) EXECUTIVE AGREES THAT THIS AGREEMENT PROVIDES BENEFITS TO WHICH EXECUTIVE IS NOT OTHERWISE ENTITLED, AND THAT EMPLOYER HAS ADVISED EXECUTIVE TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT.

(ii) EXECUTIVE HAS BEEN PROVIDED TWENTY-ONE (21) DAYS WITHIN WHICH TO CONSIDER WHETHER EXECUTIVE SHOULD SIGN THIS AGREEMENT AND WAIVE AND RELEASE ALL CLAIMS AND RIGHTS ARISING UNDER ADEA AND OWBPA. ANY MODIFICATIONS TO THIS AGREEMENT, MATERIAL OR OTHERWISE, DO NOT RE-START THE 21-DAY CONSIDERATION PERIOD.

(iii) EXECUTIVE SHALL HAVE SEVEN (7) DAYS WITHIN WHICH TO REVOKE THIS AGREEMENT AFTER ITS EXECUTION BY EXECUTIVE AND THIS AGREEMENT SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THAT REVOCATION PERIOD HAS EXPIRED. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED IN WRITING TO EMPLOYER'S CHIEF LEGAL OFFICER AT 10 HUDSON YARDS, NEW YORK, NY 10001 AND MUST STATE: "I HEREBY REVOKE MY ACCEPTANCE OF OUR AGREEMENT AND GENERAL RELEASE."

(b) IN THE EVENT EXECUTIVE RETAINS ANY AMOUNT PAID UNDER THIS AGREEMENT AND LATER ASSERTS OR FILES A CLAIM, CHARGE, COMPLAINT, OR ACTION AND OBTAINS A JUDGMENT, IT IS THE INTENT OF THE PARTIES THAT ALL PAYMENTS MADE TO THE EXECUTIVE HEREUNDER SHALL BE OFFSET AGAINST ANY JUDGMENT EXECUTIVE OBTAINS.

2. Covenant Not to Sue. To the maximum extent permitted by law, Executive covenants not to sue or to institute or cause to be instituted any action in any federal, state, or local agency or court against any of the Released Parties, including but not limited to any of the claims released in **Paragraph** 1 of this Agreement. In the event of Executive's breach of the terms of this Agreement, without prejudice to Employer's other rights and remedies available at law or in equity, except as prohibited by law, Executive shall be liable for all

costs and expenses (including, without limitation, reasonable attorney's fees and legal expenses) incurred by Employer as a result of such breach. Nothing herein shall prevent Executive or Employer from instituting any action required to enforce the terms of this Agreement or to determine the validity of this Agreement.

3. EEOC, NLRB, SEC, and Governmental Agencies. Notwithstanding the provisions of Paragraph 2 above, or any provision of this Agreement, nothing in this Agreement is intended to or shall preclude Executive from filing a complaint and/or charge with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission, or any other appropriate federal, state, or local government agency, or preclude Executive from cooperating with any such agency in any investigation. Nothing herein shall be construed to prevent Executive from enforcing any rights Executive may have under the Employee Retirement Income Security Act of 1974, commonly known as ERISA.

Accepted and agreed to.

EXECUTIVE:

_/s/ Anna Bakst________________________
Anna Bakst

Date: _Jan. 2, 2020_____________________

EXHIBIT 31.1

I, Jide Zeitlin, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q of Tapestry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2020

By: /s/ Jide Zeitlin

Name: Jide Zeitlin

Title: Chief Executive Officer

I, Joanne C. Crevoiserat, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q of Tapestry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2020

By: /s/ Joanne C. Crevoiserat

Name: Joanne C. Crevoiserat

Title: Chief Financial Officer

EXHIBIT 32.1

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Tapestry, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 28, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, 2020

By: /s/ Jide Zeitlin

Name: Jide Zeitlin

Title: Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Tapestry, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter endedDecember 28, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, 2020

By: /s/ Joanne C. Crevoiserat

Name: Joanne C. Crevoiserat

Title: Chief Financial Officer