tapestry

SPEAKERS' NOTES FOR CONFERENCE CALL

Moderator: Christina Colone
May 7, 2026
8:00 a.m. ET

Operator:

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

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

Christina Colone:

Good morning. Thank you for joining us.

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

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

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

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

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

Joanne Crevoiserat:

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

Our standout third quarter reflects the <u>compounding benefits</u> of our Amplify strategy:

- With the consumer at the center of everything we do, we are consistently translating insights into action at scale delivering exceptional results – with **pro forma revenue growing 23% at constant currency**, **operating margin expanding 490 basis points** and **EPS increasing 62%** versus prior year – each exceeding our expectations.
- **This outperformance allowed us to confidently increase our outlook for the year – underscoring that our advantages are structural and sustainable. The <u>enduring strength of our business has been built with intention and is reflected in our results, underpinned by a commitment to deep consumer connection, disciplined growth, and sustained value creation.</u>**

I want to recognize our **exceptional global teams**. Our performance is a testament to their passion, curiosity, creativity, and agility.

[PAUSE]

Now turning to the strategic actions from the quarter, which are driving our results today, and continuing to expand our competitive advantages into the future.

- **First, we built emotional connections with consumers, acquiring over 2.4 million new customers globally in the quarter, driven by an increase in Gen Z**. This continues to be a key driver of our growth, as engaging consumers earlier supports higher repeat purchasing and lifetime value. Importantly, our Gen Z consumers have higher retention rates than the balance of cohorts, highlighting the opportunity to build lasting relationships and meaningful value creation into the future. We also drove growth with our existing customer base, demonstrating broad-based strength. **Together, these dynamics reinforce a durable and repeatable competitive advantage** – our ability to consistently attract and retain new generations of consumers to our brands.
- Next, we delivered **fashion innovation and product excellence led by Coach, where the brand is strong and resonating globally. Importantly, we accelerated growth in our core leathergoods offering**, with healthy and diversified growth drivers in place, reflected in both higher AUR and unit volume. The combination of **craftsmanship, creativity, and value** we offer to consumers at scale continues to be a clear competitive advantage and a structural strength of our business.
- And, we **powered global growth through compelling experiences**, delivering double-digit gains in North America, Greater China, and Europe – significantly outpacing the industry and growing market share in each of these regions. Our **DTC-led business model** creates a direct connection with our customers, enabling more relevant brand-building and deeper insights, which together drive consistent execution and sustainable growth. This was evident again this quarter as we achieved over 20% growth in-stores and online, at strong and increasing profitability.

<u>Overall, we delivered another record quarter – highlighted by double-digit top and bottom-line gains – demonstrating a differentiated business model built for high-quality and long-term growth.</u>

[PAUSE]

Now moving to our results by brand.

Turning to Coach, the brand delivered another exceptional quarter, with constant currency revenue growth of 29% and increasing profitability. We are executing our strategies with consistency, rooted in our blend of 'magic and logic' – which is the creativity and passion of the Coach teams around the world, paired with our systemic approach to understanding the consumer.

There are <u>several key indicators reinforcing the strength of the brand and the durability of its growth:</u>

- **Customer acquisition** once again drove our topline growth this quarter, with Coach welcoming 2.0 million new consumers to the brand — a significant increase over the prior year. Gen Z acquisition accelerated meaningfully, and their influence extended across generations, fueling broader new customer growth. Further, we saw strong and broad-based gains with our existing customer base. **Together, these trends highlight the legacy of Coach and the relevancy of its Expressive Luxury position, as the brand continues to build enduring consumer relationships that transcend generations.**
- **Our core leathergoods assortment continued to lead,** with unit volumes increasing over 20% and AUR growing at a low-double-digit rate — **demonstrating multiple drivers of sustainable growth in our core.**
- And, **momentum was strong across key geographies**, including North America up 27%, Greater China rising 58%, and Europe increasing 27%, highlighting the global resonance of the brand and the effectiveness of our regional strategies.

Overall, Coach is bringing new consumers into the category and growing the market. **And with a large TAM we have under 1% share and meaningful opportunity ahead.**

[PAUSE]

Now, to cover our third quarter results in more detail:

Our creative teams are delivering innovation that is clearly resonating with consumers.

- Our **icons** continued to outperform, consistent with our strategy, with broad-based strength across our assortment. The **Tabby** franchise remained a standout, while the **New York family** — including **Brooklyn, Empire, and the newly launched Chelsea** — drove strong Gen Z acquisition. **Teri, Laurel, and Rowan** also delivered outsized gains, reinforcing Coach's leadership in its core category.

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[PAUSE]

Importantly, Coach's accelerated growth in leathergoods highlights the timeless values of the brand, and the value we offer in the luxury market.

- Looking forward, we believe our strong product pipeline and innovation supports further gains in both AUR and units – reinforcing the diversified drivers of healthy and sustained growth, while never compromising our value proposition – a hallmark of the brand.

[PAUSE]

- **Next, turning to footwear, we delivered accelerated growth of approximately 20% in the quarter,** fueled by sneakers, with the continued success of the **Soho** family. This family is resonating across channels, demonstrating the traction of the One Coach strategy beyond leathergoods. Footwear remains a long-term growth opportunity for Coach, given our brand strength, low share of the market, and the category's relevance to our target consumer.

[PAUSE]

Touching on marketing, our strategic investments continued to generate compounding benefits this quarter, reflecting a disciplined, long-term approach to brand building at scale.

- **We increased marketing spend by approximately 50% versus the prior year, with a continued shift toward top-of-funnel brand building to support sustained customer acquisition**.
- Our Spring campaign continued to build emotional connections with Gen Z consumers globally. Leading with insight, and not just product, '**Explore Your Story,'** was inspired by Gen Z's desire to turn to books and storytelling to find depth, community, and a sense of self in an increasingly complex digital world. The campaign featured our global ambassadors, including Elle Fanning, Storm Reid, Paige Bueckers, and K-pop artist Soyeon. On all metrics this campaign is winning with our target consumer.
- Additionally, to support growth acceleration in China, and in celebration of Lunar New Year, we partnered with **CLOT**, a world-renowned Chinese streetwear brand. The collaboration came to life through a fully immersive experience — bringing together gaming, a café, a bespoke collection shop, and daily community activations. This engagement highlights the strength of our brand and a deepening understanding of the Chinese consumer that together represent a meaningful and lasting source of competitive advantage in the market.

Collectively, these actions are driving cultural relevance and customer acquisition, and reinforce our growing moat around consumer understanding and sustainable demand creation in our most significant markets.

[PAUSE]

<u>And finally, we are strengthening brand desire through distinctive, immersive retail experiences that elevate how consumers engage with Coach.</u>

- During the quarter, we continued to roll out our **new Expressive Luxury store concept globally**. These stores are delivering higher traffic and dwell times, particularly with Gen Z, reinforcing our strategy to scale this concept to more locations moving forward.
- We also opened three new **Coach play stores** in Japan and North America – locations that are fully immersive and localized. And, we continued to open additional **Coach coffee shops** - as we harness the power of the brand to engage with consumers in new and relevant ways.

[PAUSE]

In closing, Coach continues to deliver outstanding results, reflecting the clarity of our brand vision and an unwavering focus on the consumer. Importantly, these results <u>speak to the future, as they are fueled by proven strategies, intentional investment, exceptional execution, and structural advantages that enable us to consistently connect with consumers across generations and geographies. This reinforces our conviction that Coach will be a $10 billion brand over time, with best-in-class margins – grounded in our commitment to nurture and build on what makes the brand iconic, enduring, and loved by consumers around the world.</u>

[PAUSE]

Now, moving to **Kate Spade**…

Our actions to strengthen the brand for long-term, sustainable growth are underway.

In the third quarter, revenue declined 11%. Topline trends improved sequentially, though fell slightly below expectations, which included pressure from our strategic pullback in promotions at retail. At the same time, gross margin and profitability exceeded plan, even with continued strategic brand investments to support a return to profitable growth.

As we continue the work to unlock the full potential of Kate Spade, what gives us confidence is that where we focus and invest, we see signs of progress. This is true across brand consideration, handbag performance, and customer acquisition, as we welcomed 400,000 new customers to Kate Spade in the quarter. We also know that turnarounds take time and the path to long-term growth is not always linear. We are continuing to track the leading indicators of growth – informed by our success and learnings at Coach. This gives us earlier visibility to evaluate where our efforts are taking hold and where we need to adjust our execution and investments – ensuring that progress is continued, tangible, and sustainable**.**

Now, turning to our strategic initiatives in more detail…

[PAUSE]

First, we remained committed **to fueling brand desirability**, supported by marketing.

- Our '**Spark Something Beautiful'** campaign continued this quarter and drove a lift in both consideration and purchase intent – proof that when consumers see our brand and content, we see traction.
- We also know that we need more consumers to engage with our content as unaided brand awareness more broadly has not yet improved – and this is a key part of driving acquisition, and ultimately, growth.
- As a result, we are scaling our marketing efforts to expand the reach of our campaigns, while increasing activations with creators to support broader visibility and increased brand relevancy with our target audience.

[PAUSE]

Next, we continued to <u>build handbag blockbusters</u> – with a more focused assortment grounded in consumer insights.

- During the quarter, **handbag blockbusters** – led by the **Duo and Margot** – **outperformed the balance of offering, with strong Gen Z recruitment at higher AUR**. The **Duo mini** seen on Kendall Jenner sold out in stores and online – clear evidence that when we bring together consumer insights, creativity, value, and cultural relevance, we are driving desire and demand for the brand.
- Overall, with a more targeted and relevant handbag offering, we **drove higher full price selling and handbag AUR growth at constant currency** – consistent with our strategy.
- Moving forward, there is more work to do to strengthen our creative execution – and we are focused on bringing more innovation and distinctiveness to our assortment to drive stronger results <u>at scale</u>, as we continue to build for durable growth.

[PAUSE]

Finally, touching on our third strategic pillar: <u>maximizing compelling omni-channel consumer experiences.</u>

- We enhanced both our in-store and digital experiences, simplifying the customer journey and elevating engagement. As a result, **Net Promoter Scores increased** versus prior year – indicating that the customer is both recognizing and valuing the enhanced shopping experience.
- In addition, our 'light touch' renovation test continued to deliver a lift in conversion and ADT and outperformed the balance of the fleet. We plan to expand this format to additional locations in North America by fiscal year-end.

[PAUSE]

To close, Kate Spade is an iconic brand that holds a distinct place in the fashion and luxury consumer landscape. We made continued progress this quarter, and

we remain intensely focused on the path to profitable growth – the leading indicators tell us that we're moving in the right direction. We also know there is more work to do to further improve our execution, while scaling what is working today. We have the right strategies in place and remain confident in the meaningful long-term potential for the brand.

[PAUSE]

Before turning it over the Scott, I'd like to leave you with these overarching takeaways:

- **Tapestry delivered another record quarter and raised our outlook for the year. We are a consumer-obsessed organization of passionate brand builders, with an agile, data-driven operating model – <u>this is who we are</u>, and it is driving our results.**

- **From this position of strength, we are navigating a dynamic external environment - with <u>strategies that are proven and structural advantages that compound over time</u>. We're moving <u>confidently into the future</u> – with an unwavering focus on the consumer, applying our blend of magic and logic with discipline, to deliver the creativity and value that together drive durable global growth and long-term value creation.**

[PAUSE]

I'll now turn it over to Scott.

Scott Roe:

Thanks, Joanne, and good morning, everyone.

In Q3, our revenue, operating income, earnings, and free cash flow outperformed our expectations, each growing double digits versus prior year and further reinforcing the **<u>structural, durable, and diversified</u>** drivers of our growth.

[PAUSE]

Turning to the details of the third quarter.

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

Sales increased 23% compared to the prior year and outperformed our expectations.

- These results reflect strong global momentum. By region:
    - **North America** sales rose 20% compared to the prior year fueled by a 27% increase at Coach, with growth, market share gains, and operating margin expansion ahead of plan.
    - **In Europe,** revenue grew 21% above last year, driven by strength in our direct business which was fueled by strong new customer acquisition – particularly among Gen Z. Growth continues to come through local consumer spending, contributing to strong market share gains in the region. Europe remains a significant opportunity for further growth given our low penetration and market position.
        - And before moving on, I want to touch on the disruption in **the Middle East** – first by saying that the safety and security of our people and consumers is our top priority. The region – which is operated through a distributor model – **represents less than 1% of our sales** and while we are closely monitoring the situation, we do not anticipate a material direct impact to our business at this time.
    - Now turning to **Greater China**, revenue rose 55%, growing ahead of expectations, and driving significant market share gains. This outperformance was fueled by accelerated customer acquisition and broad-based growth across channels, led by digital. During the key Chinese New

Year holiday, we meaningfully exceeded our plan as we continued to win with Gen Z consumers – cutting through with creativity, relevant activations, and focused investments in the region. Looking forward, we remain well positioned to drive strong momentum in this large and important market.

  - **In Other Asia,** revenue increased 16% led by growth primarily in South Korea and Australia.
  - **And in Japan**, sales declined 10%, as expected, driven by an intentional pullback in promotions.

Now, touching on revenue by channel for the quarter.

- **We delivered gains across channels, fueled by Direct-to-Consumer growth of 23% compared to the prior year.** This included an increase in Digital of approximately 25% and over 20% growth in global brick and mortar sales – with all channels at strong and increasing profitability.

[PAUSE]

Moving down the P&L, we continued to drive healthy margin expansion versus the prior year, delivering a third quarter **gross margin of 76.9% – 80 basis points above prior year**.

- This was driven by operational expansion of approximately 190 basis points as well as a favorable impact from the divestiture of Stuart Weitzman of 70 basis points.
- These benefits fully offset a negative tariff and duty headwind of approximately 180 basis points, which included a 150 basis point negative impact on Coach's gross margin and a 440 basis point negative impact on Kate Spade's gross margin.
- And as compared to our plan, Tapestry gross margin was **180 basis points better than our forecast** – with approximately half of the upside due to stronger operational outperformance, and half due to lower tariffs.
- As a reminder, we have not implemented any price increases in direct response to tariffs, reflecting our disciplined and consumer-focused pricing strategy.

Overall**, our strong gross margin remains a core element of our value creation model**, supported by our agile **supply chain which delivers craftsmanship at scale** – a core competitive advantage of Tapestry.

[PAUSE]

Turning to **SG&A**… our expenses rose by 13% and **leveraged by 410 basis points, inclusive of a 160 basis point increase in marketing**, which represented 12% of sales. The leverage we drove in the quarter reflects our strong operational discipline and focused approach to reinvestment to drive long-term growth.

So, taken together, **operating margin expanded 490 basis points in the quarter**, driving profit expansion of **55% over the prior year,** which was ahead of expectations.

And, our third quarter **EPS of $1.66 grew 62% over prior year,** also exceeding our guidance

[PAUSE]

Now, turning to **shareholder returns**…

- Starting with our **dividend**, our Board of Directors declared a quarterly cash dividend of $0.40 per common share, representing $81 million in dividend payments for the quarter.
- Additionally, during the third quarter we bought back $150 million worth of stock – for a <u>year-to-date</u> total of $1.05 billion or approximately 9.3 million shares repurchased at an average stock price of approximately $112.

<u>**In FY26, we now expect to return approximately $1.6 billion or approximately 100% of our expected adjusted free cash flow to shareholders through dividends and share repurchases.**</u>

- **This includes over $300 million in dividend payments, for an annual rate of $1.60 per share, as well as $1.3 billion in share repurchases, which is an increase from our prior outlook of $1.2 billion.**

- **Our significant return of capital to shareholders reflects the strength of our organic business, <u>including our robust and consistent free cash flow, which is a differentiator of our model</u>, providing flexibility to invest in growth while delivering meaningful returns to shareholders.**

[PAUSE]

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

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

- **First,** to **invest in our brands and business** to support long-term, sustainable growth.
- And to return capital to shareholders via our **dividend,** with the goal over time to increase the dividend at least in line with earnings growth.

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

- This includes the opportunity for **share repurchase activity, under our previously announced $3 billion share repurchase authorization**.
- And finally, utilizing our rigorous, four-lens framework, we consistently evaluate opportunities for **strategic portfolio management**. **<u>Importantly, and as previously communicated, before moving forward with any acquisitions, we will ensure Coach remains strong and Kate Spade has returned to sustainable topline growth</u>**.

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

[PAUSE]

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

- We ended the quarter with nearly $1.1 billion in **cash and short-term investments** and **total borrowings** of $2.4 billion. Together, this represented **net debt** of $1.3 billion. At quarter-end, our gross debt to adjusted EBITDA leverage ratio was 1.1x – more than a full turn below our long-term target.
- **Adjusted Free cash flow for quarter** was an inflow of $229 million, and **CapEx and Cloud Computing costs** were $50 million.
- **Inventory** levels at quarter-end were 3% below prior year on a reported basis, excluding the impact of Stuart Weitzman. In FY26, we continue to expect inventory levels to be down modestly year-over-year on a reported basis. Importantly, our inventory continues to be current and well-positioned globally.

[PAUSE]

<u>Now, moving to our guidance for FY26 which is provided on a non-GAAP basis and excludes the impact of Stuart Weitzman from FY26 expectations…</u>

<u>We are raising our full-year guidance</u>, incorporating our third quarter outperformance along with a stronger outlook for the fourth quarter.

Now turning to the details.

For the fiscal year:

- We now expect **revenue** to be in the area of $7.95 billion, representing pro forma growth of 16% in constant currency with FX planned to be an 80-basis point tailwind.

- Touching on sales details by region at constant currency on a pro forma basis…
  - In **North America**, we now expect revenue to increase mid-teens.
  - In **Europe** we expect growth in the area of 20%.
  - In **Greater China**, we now expect to achieve growth over 30%.
  - In **Japan**, we're forecasting a high-single digit decline.
  - And, in **Other Asia**, we anticipate low-double-digit gains.

- **And by brand, this guidance now incorporates growth of over 20% at Coach. At Kate Spade, we now expect a low-double digit decline.**

- In addition, our outlook now assumes an **operating margin of approximately 23%,** which is up approximately 300 basis points compared to last year and 120 basis points above our prior outlook.
  - We now anticipate **gross margin to <u>increase</u> approximately 110 basis points – a meaningful improvement from our prior outlook.**
    - **This assumes operational gross margin expansion of roughly 190 basis points due primarily to improvements in AUR. Further, we expect to realize a 60-basis point structural tailwind to gross margin from the disposition of Stuart Weitzman.**
    - **These planned margin-drivers are expected to fully offset a headwind from tariff and duties in the area of 120 basis points, as well as modest FX headwind.**
    - **This outlook embeds current U.S. trade policies and excludes any potential impact from IEEPA refunds on tariffs paid.**

  - **On SG&A, we expect leverage of 190 basis points – favorable to our prior outlook**. This reflects our diligent expense control, partially offset by ongoing growth-focused investments. To this end, we expect marketing as a percentage of sales to now increase around 190 basis points versus last year, an increase of 60 basis points from our prior guidance and now approaching

13% of revenue. We will also realize a 20-basis point benefit to expenses from the sale of Stuart Weitzman.

- **For some texture on operating profit by brand:**
  - We anticipate Coach will expand its operating margin.
  - And at Kate Spade, we continue to expect a modest profit loss, reflecting outsized tariff impacts and brand investments.

- Moving to below-the-line expectations for the year…
  - **Net interest expense** is expected to be approximately $60 million.
  - The **tax rate** is expected to be approximately 17.5%.
  - And, our **weighted average diluted share count** for the year is forecasted to be approximately 210 million shares **which includes the expectation for $1.3 billion in share repurchases.**

- Taken together, we now expect **EPS** to be in the area of **$6.95**, representing growth over 35% compared to last year and ahead of our prior outlook of $6.40 to $6.45.

Moving on…

- We now anticipate **adjusted free cash flow** to approach $1.6 billion.

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

Briefly touching on the shape of the year, our outlook implies balanced first and second half topline growth at the Tapestry level and by brand. At Coach, this is low-20s growth and down low-double digits at Kate Spade.

For Q4 specifically…

- Our guidance embeds **pro forma revenue growth of low-double-digits** on both a reported and constant currency basis.
  - This incorporates a low- teens growth rate at Coach – ahead of our prior expectation and representing growth of roughly 30% on a two-year stack basis.
  - And, at Kate Spade, we expect a high single digit decline in the fourth quarter.
- Turning to **operating margin, we expect expansion of approximately 60 basis points** driven by a gross margin increase in the area of 130 basis points, partially offset by higher SG&A, which reflects strategic investment in brand-building - with an increase of over 300 basis points in marketing to drive long-term growth.
- **And Q4 EPS is forecasted to be approximately $1.20, an increase of over 15%,** including a tax rate of roughly 18%.

[PAUSE]

In closing…

- **We delivered another outstanding quarter, with strong top- and bottom-line outperformance and significant cash flow generation, underscoring the compounding and diversified drivers of our growth.**
- **From this position of strength, we raised our outlook for the year – reinforcing our confidence and reflecting our disciplined and consistent execution.**
- **Supported by clear and proven competitive and structural advantages, we are well-positioned to deliver sustainable value creation for years to come.**

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

[Q&A SESSION & CLOSING REMARKS]