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 26, 2020

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 22, 2021, the Registrant had 277,838,123 outstanding shares of common stock, which is the Registrant's only class of common stock.

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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) the impact of the novel coronavirus ("Covid-19") global pandemic on our business and financial results; (ii) our ability to successfully execute our multi-year growth agenda under our Acceleration Program; (iii) the impact of economic conditions; (iv) our ability to control costs; (v) our exposure to international risks, including currency fluctuations, changes in economic or political conditions in the markets where we sell or source our products and increased regulation impacting our global sourcing activities; (vi) the risk of cyber security threats and privacy or data security breaches; (vii) the effect of existing and new competition in the marketplace; (viii) our ability to retain the value of our brands and to respond to changing fashion and retail trends in a timely manner; (ix) the effect of seasonal and quarterly fluctuations on our sales or operating results; (x) our ability to protect against infringement of our trademarks and other proprietary rights; (xi) the impact of tax and other legislation; (xii) our ability to achieve intended benefits, cost savings and synergies from acquisitions; (xiii) the risks associated with potential changes to international trade agreements and the imposition of additional duties on importing our products; (xiv) the impact of pending and potential future legal proceedings, (xv) the risks associated with climate change and other corporate responsibility issues; and (xvi) such other risk factors as set forth in Part II, Item 1A. "Risk Factors". 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 26, 2020	June 27, 2020
	(millions) (unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 1,642.6**	$ 1,426.3
Short-term investments	**9.2**	8.1
Trade accounts receivable, less allowances for credit losses of $4.1 and $15.9, respectively	**331.7**	193.3
Inventories	**631.9**	736.9
Prepaid expenses	**67.8**	57.5
Income tax receivable	**104.6**	46.0
Other current assets	**89.4**	85.0
Total current assets	**2,877.2**	2,553.1
Property and equipment, net	**730.2**	775.2
Operating lease right-of-use assets	**1,674.9**	1,757.0
Goodwill	**1,317.1**	1,301.1
Intangible assets	**1,376.3**	1,379.4
Deferred income taxes	**61.1**	55.9
Other assets	**113.6**	102.5
Total assets	**$ 8,150.4**	$ 7,924.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 386.3**	$ 130.8
Accrued liabilities	**559.1**	410.5
Current portion of operating lease liabilities	**360.4**	388.8
Accrued income taxes	**27.3**	100.5
Current debt	**200.0**	711.5
Total current liabilities	**1,533.1**	1,742.1
Long-term debt	**1,589.3**	1,587.9
Long-term operating lease liabilities	**1,658.9**	1,799.8
Deferred income taxes	**113.0**	155.1
Long-term income taxes payable	**135.5**	144.0
Other liabilities	**229.9**	218.9
Total liabilities	**5,259.7**	5,647.8
See Note 16 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; $0.01 par value per share) issued and outstanding - 277.8 million and 276.2 million shares, respectively	**2.8**	2.8
Additional paid-in-capital	**3,388.3**	3,358.5
Retained earnings (accumulated deficit)	**(450.0)**	(992.7)
Accumulated other comprehensive income (loss)	**(50.4)**	(92.2)
Total stockholders' equity	**2,890.7**	2,276.4
Total liabilities and stockholders' equity	**$ 8,150.4**	$ 7,924.2

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended				Six Months Ended			
	December 26, 2020		December 28, 2019		**December 26, 2020**		December 28, 2019	
	(millions, except per share data) (unaudited)				(millions, except per share data) (unaudited)			
Net sales	**$**	**1,685.4**	$	1,816.0	**$**	**2,857.6**	$	3,173.9
Cost of sales		**511.7**		606.3		**853.7**		1,049.7
Gross profit		**1,173.7**		1,209.7		**2,003.9**		2,124.2
Selling, general and administrative expenses		**784.3**		846.6		**1,412.3**		1,709.5
Operating income (loss)		**389.4**		363.1		**591.6**		414.7
Interest expense, net		**18.7**		14.0		**38.1**		26.3
Other expense (income)		**(3.6)**		(5.9)		**(6.2)**		6.8
Income (loss) before provision for income taxes		**374.3**		355.0		**559.7**		381.6
Provision for income taxes		**63.3**		56.2		**17.0**		62.8
Net income (loss)	**$**	**311.0**	$	298.8	**$**	**542.7**	$	318.8
Net income (loss) per share:								
Basic	**$**	**1.12**	$	1.08	**$**	**1.96**	$	1.14
Diluted	**$**	**1.11**	$	1.08	**$**	**1.94**	$	1.13
Shares used in computing net income (loss) per share:								
Basic		**277.5**		276.0		**277.1**		280.8
Diluted		**281.0**		276.7		**279.4**		281.8
Cash dividends declared per common share	**$**	**—**	$	0.3375	**$**	**—**	$	0.6750

See accompanying Notes.

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

	Three Months Ended		Six Months Ended	
	December 26, 2020	December 28, 2019	**December 26, 2020**	December 28, 2019
	(millions) (unaudited)		(millions) (unaudited)	
Net income (loss)	**$ 311.0**	$ 298.8	**$ 542.7**	$ 318.8
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on cash flow hedging derivatives, net	**(1.8)**	2.6	**(5.3)**	5.3
Foreign currency translation adjustments	**27.9**	8.4	**47.1**	(5.4)
Other	**—**	—	**—**	(1.7)
Other comprehensive income (loss), net of tax	**26.1**	11.0	**41.8**	(1.8)
Comprehensive income	**$ 337.1**	$ 309.8	**$ 584.5**	$ 317.0

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	December 26, 2020	December 28, 2019
	(millions) **(unaudited)**	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss)	**$ 542.7**	$ 318.8
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**102.4**	125.0
Provision for bad debt	**(1.7)**	4.2
Share-based compensation	**28.9**	33.8
Acceleration Program charges	**(0.9)**	—
Organization-related and integration activities	**—**	15.3
Impairment charges	**—**	75.6
Changes to lease related balances, net	**(86.1)**	9.4
Deferred income taxes	**(41.2)**	(5.8)
Gain on sale of building	**(13.2)**	—
Gain on deferred purchase price	**(12.5)**	—
Other non-cash charges, net	**8.3**	2.3
Changes in operating assets and liabilities:		
Trade accounts receivable	**(143.2)**	(78.7)
Inventories	**144.3**	19.5
Accounts payable	**253.8**	19.3
Accrued liabilities	**54.4**	63.3
Other liabilities	**(12.9)**	(12.6)
Other assets	**(76.8)**	(27.7)
Net cash provided by (used in) operating activities	**746.3**	561.7
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sale of building	**23.9**	—
Purchases of investments	**(0.2)**	(157.0)
Proceeds from maturities and sales of investments	**0.2**	151.3
Purchases of property and equipment	**(49.7)**	(122.2)
Net cash used in investing activities	**(25.8)**	(127.9)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend payments	**—**	(194.0)
Repurchase of common stock	**—**	(300.0)
Proceeds from share-based awards	**6.2**	1.7
Repayment of short-term debt	**(11.5)**	—
Repayment of revolving credit facility	**(500.0)**	—
Payment of deferred purchase price	**(4.8)**	—
Taxes paid to net settle share-based awards	**(8.4)**	(13.8)
Payments of finance lease liabilities	**(0.4)**	(0.4)
Net cash used in financing activities	**(518.9)**	(506.5)
Effect of exchange rate changes on cash and cash equivalents	**14.7**	0.4
Net decrease in cash and cash equivalents	**216.3**	(72.3)
Cash and cash equivalents at beginning of period	**1,426.3**	969.2
Cash and cash equivalents at end of period	**$ 1,642.6**	$ 896.9
Supplemental information:		
Cash paid for income taxes, net	**$ 191.8**	$ 54.8
Cash paid for interest	**$ 37.2**	$ 31.7
Noncash investing activity - property and equipment obligations	**$ 19.7**	$ 34.2

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 27, 2020 ("fiscal 2020") and other filings filed with the SEC.

The results of operations, cash flows and comprehensive income for the six months ended December 26, 2020 are not necessarily indicative of results to be expected for the entire fiscal year, which will end on July 3, 2021 ("fiscal 2021").

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30. Fiscal 2021 will be a 53-week period. Fiscal 2020, ended on June 27, 2020, was a 52-week period. The second quarter of fiscal 2021 ended on December 26, 2020 and the second quarter of fiscal 2020 ended on December 28, 2019, both of which were 13-week periods.

Covid-19 Pandemic

The outbreak of a novel strain of coronavirus continues to impact a significant majority of the regions in which we operate. In March 2020, the outbreak was labeled a global pandemic by the World Health Organization. National, state and local governments responded to the Covid-19 pandemic in a variety of ways, including, but not limited to, declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i.e., social distancing), requiring individuals to stay at home, and in most cases, ordering non-essential businesses to close or limit operations. The Company had temporarily closed the majority of its directly operated stores globally for some period of time to help reduce the spread of Covid-19 during fiscal 2020. The vast majority of the Company's stores re-opened for either in-store or pick-up service and have continued to operate since then, however, some store locations have experienced temporary re-closures or are operating under tighter restrictions in compliance with local government regulation. Many of the Company's wholesale and licensing partners also closed their bricks and mortar stores as required by government orders during the third and fourth quarters of fiscal 2020, and while the majority of stores have reopened, they have also been subject to temporary re-closures and tighter capacity restrictions operating in compliance with the rules of certain local governments.

The global Covid-19 pandemic is continuously evolving and the extent to which this impacts the Company - including unforeseen increased costs to the Company's business - will depend on future developments, which are highly uncertain and cannot be predicted, including the ultimate duration, severity and geographic resurgence of the virus and the success of actions to contain the virus, including variants of the novel strain, or treat its impact, among others. As the full magnitude of the effects on the Company's business is difficult to predict at this time, the Covid-19 pandemic has and is expected to continue to have a material adverse impact on the Company's business, financial condition, results of operations and cash flows for the foreseeable future. The Company 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 2021 and beyond. There can be no assurance, however, that any such capital will be available to the Company on acceptable terms or at all. The Company could experience other potential adverse impacts as a result of the Covid-19 pandemic, including, but not limited to, further charges from adjustments to the carrying amount of goodwill and other intangible assets, long-lived asset impairment charges, reserves for uncollectible accounts receivable and reserves for the realizability of inventory. In addition, the negative impacts of the Covid-19 pandemic could result in the establishment of additional valuation allowances in certain jurisdictions.

In response to the Covid-19 pandemic, the Company took actions to reinforce its liquidity and financial flexibility. Specific actions included: suspending its quarterly dividend and all share repurchases, actively reducing non-essential SG&A expense, reducing its corporate and retail workforce, temporarily reducing corporate compensation, tightly managing inventory and reducing capital expenditures. During the second quarter of fiscal 2021, compensation resumed normal levels.

Furthermore, in fiscal 2020, the Company borrowed $700 million under its $900 million definitive credit agreement, as entered into on October 24, 2019 ("Revolving Credit Facility") as a precautionary measure. Of the $700 million borrowed, $500 million was repaid during the second quarter of fiscal 2021 and the remaining $200 million was repaid on January 25, 2021.

If stores are required to close again for an extended period of time due to a resurgence of increased infections, the Company's liquidity may continue to be negatively impacted and it may need to draw additional funds from our Revolving Credit Facility or seek additional sources of financing, which may or may not be available. On May 19, 2020, the Company entered into Amendment No. 1 (the “Amendment”) to the Revolving Credit Facility, which sets forth the modifications pertaining to the leverage ratio financial covenant required. Refer to Note 12, "Debt" and Note 18, "Subsequent Events", for additional information regarding the Company's outstanding notes payable and applicable amendments.

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 useful lives and impairments of long-lived tangible and intangible assets; reserves for the realizability of inventory; customer returns, end-of-season markdowns and operational chargebacks; 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.

Cash Paid for Interest

Cash paid for interest includes payments related to the Company's debt instruments, as described in Note 12, "Debt", and is disclosed as supplemental information on the Condensed Consolidated Statement of Cash Flows. The amount previously reported as cash paid for interest in the second quarter of fiscal 2020 has been corrected in the current year disclosure.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

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 Company adopted ASU 2018-13 as of the beginning of Fiscal 2021. The adoption of ASU 2018-13 did not have a material impact on the Company's condensed consolidated financial statements and notes thereto.

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 Company adopted ASU 2018-15 as of the beginning of Fiscal 2021 on a prospective basis. The adoption of ASU 2018-15 did not have a material impact on the Company's 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”), and subsequent clarifying updates, 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 standard requires upfront recognition of an allowance for credit losses expected to be incurred over an asset's contractual life based on relevant information about past events, current conditions, and supportable forecasts impacting its ultimate collectability. The Company adopted ASU 2016-13 as of the beginning of Fiscal 2021 using the modified retrospective basis. The adoption of ASU 2016-13 did not have a material impact on the Company’s condensed consolidated financial statements and notes thereto.

Recently Issued Accounting Pronouncements

The Company has considered all new accounting pronouncements and have concluded that there are no new pronouncements that may have a material impact on our results of operations, financial condition or cash flows based on current information.

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 26, 2020.

The Company has elected 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 elections made 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 26, 2020					
Coach	**$ 742.6**	**$ 242.6**	**$ 188.0**	**$ 52.1**	**$ 1,225.3**
Kate Spade	**303.7**	**13.4**	**35.6**	**22.9**	**375.6**
Stuart Weitzman	**41.9**	**35.6**	**0.3**	**6.7**	**84.5**
Total	**$ 1,088.2**	**$ 291.6**	**$ 223.9**	**$ 81.7**	**$ 1,685.4**
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
Six Months Ended December 26, 2020					
Coach	**$ 1,209.3**	**$ 438.8**	**$ 350.3**	**$ 102.3**	**$ 2,100.7**
Kate Spade	**476.0**	**27.2**	**70.0**	**42.8**	**616.0**
Stuart Weitzman	**68.2**	**53.3**	**2.8**	**16.6**	**140.9**
Total	**$ 1,753.5**	**$ 519.3**	**$ 423.1**	**$ 161.7**	**$ 2,857.6**
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

(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 generally comprised of 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 26, 2020 and June 27, 2020 was $32.0 million and $28.1 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 26, 2020, net sales of $7.6 million were recognized from amounts recorded as deferred revenue as of June 27, 2020. 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.

5. INTEGRATION

The Company did not incur integration costs during the three and six months ended December 26, 2020.

During the three and six months ended December 28, 2019, the Company incurred integration costs of $3.9 million and $8.2 million, respectively. 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, respectively. 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.

A summary of the integration charges for the three and six months ended December 28, 2019 is as follows:

	Three Months Ended December 28, 2019	Six Months Ended December 28, 2019
	(millions)	
Purchase accounting adjustments[1]	$ 0.2	$ 0.8
Inventory-related charges[2]	1.3	4.9
Other[3]	2.4	2.5
Total	$ 3.9	$ 8.2

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

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

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

6. RESTRUCTURING ACTIVITIES

Acceleration Program

The Company has implemented a strategic growth plan after undergoing a review of its business under its multi-year growth agenda. This multi-faceted, multi-year strategic growth plan (the "Acceleration Program") reflects: (i) actions to streamline the Company's organization; (ii) select store closures as the Company optimizes its fleet (including store closure costs incurred as the Company exits certain regions in which it currently operates); and (iii) professional fees and compensation costs incurred as a result of the development and execution of the Company's comprehensive strategic initiatives aimed at increasing profitability. Under the Acceleration Program, the Company expects to incur total pre-tax charges of approximately $185 - $200 million. The Acceleration Program is expected to be substantially complete by the end of fiscal 2022.

Under the Acceleration Program, the Company incurred charges of $21.7 million and $48.3 million during the three and six months ended December 26, 2020, respectively, all of which was recorded within SG&A expenses. Of the $21.7 million and $48.3 million recorded within SG&A expenses, $15.8 million and $33.1 million was recorded within Corporate, $5.8 million and $16.5 million was recorded within the Coach segment, $2.4 million and $3.4 million was recorded within the Kate Spade segment and a reduction of expense of $2.3 million and $4.7 million was recorded within the Stuart Weitzman segment, respectively. A summary of charges and related liabilities under the Acceleration Program is as follows:

	Organization-Related[1]	Store Closure[2]	Other[3]	Total
	(millions)			
Fiscal 2020 charges	$ 44.7	$ 32.3	$ 10.0	$ 87.0
Cash payments	(15.8)	(11.0)	(7.1)	(33.9)
Non-cash charges	(4.0)	(20.8)	—	(24.8)
Liability balance as of June 27, 2020	$ 24.9	$ 0.5	$ 2.9	$ 28.3
Fiscal 2021 charges	**$ 15.5**	**$ 2.0**	**$ 30.8**	**$ 48.3**
Cash payments	**(34.8)**	**(6.2)**	**(18.3)**	**(59.3)**
Non-cash charges	**—**	**4.1**	**(3.2)**	**0.9**
Liability balance as of December 26, 2020	**$ 5.6**	**$ 0.4**	**$ 12.2**	**$ 18.2**

(1) Organization-related charges, recorded within SG&A expenses, primarily relates to severance and other related costs.

(2) Store closure charges represent lease termination penalties, removal or modification of lease assets and liabilities, establishing inventory reserves, accelerated depreciation and severance.

(3) Other charges, recorded within SG&A, primarily relates to professional fees incurred related to the Acceleration Program.

The Company expects to incur approximately $50 - $65 million in additional charges under the Acceleration Program, of which the majority is estimated to be cash and primarily to be incurred during the remainder of fiscal 2021.

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[1]	Total
	(millions)			
Balance at June 27, 2020	$ 661.7	$ 639.4	$ —	$ 1,301.1
Foreign exchange impact	**12.5**	**3.5**	—	**16.0**
Balance at December 26, 2020	**$ 674.2**	**$ 642.9**	**$ —**	**$ 1,317.1**

[1] Amount is net of accumulated goodwill impairment charges of $210.7 million as of December 26, 2020 and June 27, 2020.

Intangible Assets

Intangible assets consist of the following:

	December 26, 2020			June 27, 2020		
	Gross Carrying Amount	**Accum. Amort.**	**Net**	Gross Carrying Amount	Accum. Amort.	Net
	(millions)					
Intangible assets subject to amortization:						
Customer relationships	**$ 100.5**	**$ (34.0)**	**$ 66.5**	$ 100.6	$ (31.0)	$ 69.6
Intangible assets not subject to amortization:						
Trademarks and trade names	**1,309.8**	**—**	**1,309.8**	1,309.8	—	1,309.8
Total intangible assets	**$ 1,410.3**	**$ (34.0)**	**$ 1,376.3**	$ 1,410.4	$ (31.0)	$ 1,379.4

As of December 26, 2020, the expected amortization expense for intangible assets is as follows:

	Amortization Expense
	(millions)
Remainder of fiscal 2021	$ 3.2
Fiscal 2022	6.5
Fiscal 2023	6.5
Fiscal 2024	6.5
Fiscal 2025	6.5
Fiscal 2026	6.5
Fiscal 2027 and thereafter	30.8
Total	**$ 66.5**

The expected amortization expense above reflects remaining useful lives ranging from approximately 9.3 to 11.5 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 29, 2019	286.8	$ 2.9	$ 3,302.1	$ 291.6	$ (83.2)	$ 3,513.4
Net income (loss)	—	—	—	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 (loss)	—	—	—	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
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

	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 27, 2020	**276.2**	**$ 2.8**	**$ 3,358.5**	**$ (992.7)**	**$ (92.2)**	**$ 2,276.4**
Net income (loss)	**—**	**—**	**—**	**231.7**	**—**	**231.7**
Other comprehensive income (loss)	**—**	**—**	**—**	**—**	**15.7**	**15.7**
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	**1.2**	**—**	**(8.3)**	**—**	**—**	**(8.3)**
Share-based compensation	**—**	**—**	**14.6**	**—**	**—**	**14.6**
Balance at September 26, 2020	**277.4**	**$ 2.8**	**$ 3,364.8**	**$ (761.0)**	**$ (76.5)**	**$ 2,530.1**
Net income (loss)	**—**	**—**	**—**	**311.0**	**—**	**311.0**
Other comprehensive income (loss)	**—**	**—**	**—**	**—**	**26.1**	**26.1**
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	**0.4**	**—**	**6.1**	**—**	**—**	**6.1**
Share-based compensation	**—**	**—**	**17.4**	**—**	**—**	**17.4**
Balance at December 26, 2020	**277.8**	**$ 2.8**	**$ 3,388.3**	**$ (450.0)**	**$ (50.4)**	**$ 2,890.7**

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 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)
Balances at June 27, 2020	**$ 1.1**	**$ —**	**$ (93.3)**	**$ —**	**$ (92.2)**
Other comprehensive income (loss) before reclassifications	**(6.1)**	**—**	**47.1**	**—**	**41.0**
Less: amounts reclassified from accumulated other comprehensive income to earnings	**(0.8)**	**—**	**—**	**—**	**(0.8)**
Net current-period other comprehensive income (loss)	**(5.3)**	**—**	**47.1**	**—**	**41.8**
Balances at December 26, 2020	**$ (4.2)**	**$ —**	**$ (46.2)**	**$ —**	**$ (50.4)**

(1) The ending balances of AOCI related to cash flow hedges are net of tax of less than $0.1 million and $0.4 million as of December 26, 2020 and December 28, 2019, respectively. The amounts reclassified from AOCI are net of tax of less than $0.1 million and $0.5 million as of December 26, 2020 and December 28, 2019, respectively.

(2) Other represents the accumulated loss on the Company's minimum pension liability adjustment. There was no remaining balance at December 26, 2020 and 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. As the rate implicit in the Company's leases is not readily determinable, the Company uses its incremental borrowing rate to determine the present value of lease payments. The incremental borrowing rate is 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 on the Company's Condensed Consolidated Balance Sheets as of December 26, 2020 and June 27, 2020:

	December 26, 2020	June 27, 2020	Location Recorded on Balance Sheet
	(millions)		
Assets:			
Operating leases	**$ 1,674.9**	$ 1,757.0	Operating lease right-of-use assets
Finance leases	**2.9**	3.3	Property and equipment, net
Total lease assets	**$ 1,677.8**	$ 1,760.3	
Liabilities:			
Operating leases:			
Current lease liabilities	**$ 360.4**	$ 388.8	Current lease liabilities
Long-term lease liabilities	**1,658.9**	1,799.8	Long-term lease liabilities
Total operating lease liabilities	**$ 2,019.3**	$ 2,188.6	
Finance leases:			
Current lease liabilities	**$ 0.9**	$ 0.9	Accrued liabilities
Long-term lease liabilities	**4.0**	4.4	Other liabilities
Total finance lease liabilities	**$ 4.9**	$ 5.3	
Total lease liabilities	**$ 2,024.2**	$ 2,193.9	

The following table summarizes the composition of net lease costs, primarily recorded within SG&A expenses on the Company's Condensed Consolidated Statements of Operations for the three and six months December 26, 2020 and December 28, 2019:

	Three Months Ended		Six Months Ended	
	December 26, 2020	December 28, 2019	**December 26, 2020**	December 28, 2019
	(millions)			
Finance lease cost:				
Amortization of right-of-use assets	**$ 0.2**	$ 0.2	**$ 0.4**	$ 0.4
Interest on lease liabilities[1]	**0.2**	0.1	**0.3**	0.3
Total finance lease cost	**0.4**	0.3	**0.7**	0.7
Operating lease cost	**89.1**	105.5	**175.9**	217.3
Short-term lease cost	**7.0**	1.9	**13.1**	3.6
Variable lease cost[2]	**16.4**	61.1	**57.3**	112.1
Operating lease right-of-use impairment	**2.1**	—	**2.1**	35.8
Less: sublease income	**(5.0)**	(5.3)	**(9.2)**	(10.7)
Total net lease cost	**$ 110.0**	$ 163.5	**$ 239.9**	$ 358.8

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

(2) Rent concessions negotiated related to Covid-19 are recorded in variable lease expense.

The following table summarizes certain cash flow information related to the Company's leases for the six months December 26, 2020 and December 28, 2019:

	Six Months Ended	
	December 26, 2020	December 28, 2019
	(millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 269.0**	$ 206.6
Operating cash flows from finance leases	**0.3**	0.3
Financing cash flows from finance leases	**0.4**	0.4
Non-cash transactions:		
Right-of-use assets obtained in exchange for operating lease liabilities	**39.8**	86.1
Right-of-use assets obtained in exchange for finance lease liabilities	**—**	—

Additionally, the Company did not have future payment obligations related to executed lease agreements for which the related lease has not yet commenced as of December 26, 2020.

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 26, 2020	December 28, 2019	**December 26, 2020**	December 28, 2019
	(millions, except per share data)			
Net income (loss)	**$ 311.0**	$ 298.8	**$ 542.7**	$ 318.8
Weighted-average basic shares	**277.5**	276.0	**277.1**	280.8
Dilutive securities:				
Effect of dilutive securities	**3.5**	0.7	**2.3**	1.0
Weighted-average diluted shares	**281.0**	276.7	**279.4**	281.8
Net income per share:				
Basic	**$ 1.12**	$ 1.08	**$ 1.96**	$ 1.14
Diluted	**$ 1.11**	$ 1.08	**$ 1.94**	$ 1.13

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 (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 26, 2020 and December 28, 2019, there were 11.5 million and 13.1 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 26, 2020	December 28, 2019	**December 26, 2020**	December 28, 2019
	(millions)			
Share-based compensation expense[1]	**$ 17.4**	$ 16.8	**$ 32.0**	$ 43.6
Income tax benefit related to share-based compensation expense	**3.2**	3.5	**5.8**	8.9

(1) During the three and six months ended December 26, 2020, the Company incurred $2.5 million and $3.1 million of share-based compensation expense related to its Acceleration Program. 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.

Stock Options

A summary of stock option activity during the six months ended December 26, 2020 is as follows:

	Number of Options Outstanding
	(millions)
Outstanding at June 27, 2020	15.0
Granted	**1.5**
Exercised	**(0.2)**
Forfeited or expired	**(1.2)**
Outstanding at December 26, 2020	**15.1**

The weighted-average grant-date fair value of options granted during the six months ended December 26, 2020 and December 28, 2019 was $7.03 and $3.83, 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 26, 2020	December 28, 2019
Expected term (years)	**5.1**	5.1
Expected volatility	**48.8 %**	37.6 %
Risk-free interest rate	**0.3 %**	1.5 %
Dividend yield	**— %**	6.4 %

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

A summary of service-based RSU activity during the six months ended December 26, 2020 is as follows:

	Number of Non-vested RSUs
	(millions)
Non-vested at June 27, 2020	4.9
Granted	**4.7**
Vested	**(1.5)**
Forfeited	**(0.3)**
Non-vested at December 26, 2020	**7.8**

The weighted-average grant-date fair value of share awards granted during the six months ended December 26, 2020 and December 28, 2019 was $15.92 and $21.45, respectively.

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

A summary of PRSU activity during the six months ended December 26, 2020 is as follows:

	Number of Non-vested PRSUs
	(millions)
Non-vested at June 27, 2020	0.8
Granted	**0.9**
Change due to performance condition achievement	**—**
Vested	**(0.2)**
Forfeited	**—**
Non-vested at December 26, 2020	**1.5**

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 26, 2020 and December 28, 2019 was $16.62 and $21.65, respectively.

12. DEBT

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

	December 26, 2020	June 27, 2020
	(millions)	
Current debt:		
Revolving Credit Facility	**$ 200.0**	$ 700.0
Note Payable	—	11.5
Total current debt	**$ 200.0**	$ 711.5
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
Total long-term debt	**1,600.0**	1,600.0
Less: Unamortized discount and debt issuance costs on Senior Notes	**(10.7)**	(12.1)
Total long-term debt, net	**$ 1,589.3**	$ 1,587.9

During the three and six months ended December 26, 2020, the Company recognized interest expense related to its debt of $19.2 million and $39.3 million, respectively. During the three-month and six-month periods ended December 28, 2019, the Company recognized interest expense related to its debt of $16.7 million and $33.5 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 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.

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.

On May 19, 2020, the Company entered into Amendment No. 1 (the "Amendment") to the Revolving Credit Facility under the terms of the Amendment, during the period from the Effective Date until October 2, 2021, the Company must maintain available liquidity of $700 million (with available liquidity defined as the sum of unrestricted cash and cash equivalents and available commitments under credit facilities, including the Revolving Credit Facility). Following the period from the Effective Date until the compliance certificate is delivered for the fiscal quarter ending July 3, 2021 (the "Covenant Relief Period"), the Company must comply on a quarterly basis with a maximum net leverage ratio of 4.0 to 1.0. In addition, the Amendment provides that during the Covenant Relief Period, if any two of the Company's three credit ratings are non-investment grade, the

Revolving Credit Facility will be guaranteed by the Company’s material domestic subsidiaries and will be subject to liens on accounts receivable, inventory and intellectual property, in each case subject to customary exceptions. The Amendment also contains negative covenants that limit the ability of the Company and its subsidiaries to, among other things, incur certain debt, incur certain liens, dispose of assets, make investments, loans or advances, and engage in share buybacks during the Covenant Relief Period. An increased interest rate will be applicable during the Covenant Relief Period when the Company’s gross leverage ratio exceeds 4.0 to 1.0. The $900 million aggregate commitment amount under the revolving credit facility remains unchanged. As of December 26, 2020, $200.0 million of borrowings were outstanding under the Revolving Credit Facility. Refer to Note 18, "Subsequent Events" for further information on the repayment of outstanding borrowings under the Revolving Credit Facility.

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 26, 2020, the fair value of the 2025, 2022 and 2027 Senior Notes was approximately $644.8 million, $412.1 million, and $647.0 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 27, 2020, the fair value of the 2025, 2022 and 2027 Senior Notes was approximately $576.6 million, $393.4 million and $565.0 million, respectively.

Note Payable

As a result of taking operational control of the Kate Spade Joint Ventures in China, the Company had an outstanding Note Payable of $11.5 million as of June 27, 2020, to the other partner of the Kate Spade Joint Ventures. The Note Payable was fully repaid during the three months ended December 26, 2020.

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 26, 2020 and June 27, 2020:

	Level 1		Level 2	
	December 26, 2020	June 27, 2020	**December 26, 2020**	June 27, 2020
	(millions)			
Assets:				
Cash equivalents[1]	**$ 621.4**	$ 569.4	**$ 0.1**	$ 0.3
Short-term investments:				
Time deposits[2]	**—**	—	**0.7**	0.7
Other	**—**	—	**8.5**	7.4
Long-term investments:				
Other	**—**	—	**0.1**	0.1
Derivative assets:				
Inventory-related instruments[3]	**—**	—	**1.7**	2.8
Intercompany loan and payable hedges[3]	**—**	—	**0.1**	0.1
Liabilities:				
Derivative liabilities:				
Inventory-related instruments[3]	**—**	—	**5.0**	1.3
Intercompany loan and payable hedges[3]	**—**	—	**0.6**	0.4

(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.

There were no impairment charges recorded during the three and six months ended December 26, 2020. Additionally, there were no impairment charges recorded during the three months ended December 28, 2019. During the six months ended December 28, 2019, the Company recorded $39.8 million of impairment charges to reduce the carrying amount of certain store assets within property and equipment, net to their fair values of $10.1 million. Also during the six months ended December 28, 2019, the Company recorded $35.8 million of impairment charges to reduce the carrying amount of certain operating lease right-of-use assets to their fair values of $119.3 million.

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 first quarter of fiscal 2020, the Company determined for these certain flagship locations that the individual store represents the lowest level of independent identifiable cash flows.

As a result, in the first quarter of fiscal 2020, 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.

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 26, 2020 and June 27, 2020:

	December 26, 2020			June 27, 2020		
	Short-term	**Long-term**	**Total**	Short-term	Long-term	Total
			(millions)			
Other:						
Time deposits(1)	**$ 0.7**	**$ —**	**$ 0.7**	$ 0.7	$ —	$ 0.7
Other	**8.5**	**0.1**	**8.6**	7.4	0.1	7.5
Total Investments	**$ 9.2**	**$ 0.1**	**$ 9.3**	$ 8.1	$ 0.1	$ 8.2

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

15. INCOME TAXES

The Company's effective tax rate for the three months ended December 26, 2020 was 16.9%, as compared to 15.8% for the three months ended December 28, 2019. This increase in our effective tax rate was primarily attributable to the geographic mix of earnings. The Company's effective tax rate for the six months ended December 26, 2020 was 3.0%, as compared to 16.5% for the six months ended December 28, 2019. This decrease in the effective tax rate primarily resulted from the net operating loss ("NOL") carryback claim recognized under the Coronavirus Aid, Relief and Economic Security ("CARES") Act during the six months ended December 26, 2020. On March 27, 2020, H.R. 748, known as the CARES Act, was enacted. The provisions of the Act most applicable to the Company are the modification to allow for a five-year carryback of net operating losses and the technical amendment allowing businesses to claim an immediate deduction for costs associated with qualified improvement property. This reflects the Company's provisional estimate and is subject to adjustment as estimation approaches are refined.

16. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company had standby letters of credit, surety bonds and bank guarantees totaling $46.7 million and $33.3 million outstanding at December 26, 2020 and June 27, 2020, respectively. The agreements, which expire at various dates through calendar 2025, 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 26, 2020 related to debt repayments. Refer to Note 12, "Debt," for further information.

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, litigation involving contractual disputes 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 such pending routine legal proceedings in the aggregate will not have a material effect on the Company's business or condensed consolidated financial statements.

In addition to such routine legal proceedings, the Company is currently addressing a putative class action complaint filed in the Delaware Court of Chancery on May 7, 2020, naming the former chief executive officer and director of Kate Spade & Company and the other former directors of Kate Spade & Company, which the Company acquired on July 11, 2017 (the “Acquisition”), as defendants, and captioned Butler v. Leavitt, et al., C.A. No. 2020-0343-JTL. The complaint asserts claims on behalf of former Kate Spade & Company shareholders alleging breaches of fiduciary duty in connection with the Acquisition, including with respect to the defendants’ decision to pursue the Acquisition and Kate Spade & Company’s disclosures to stockholders in connection with the Acquisition. Under the terms of the agreement pursuant to which the Company acquired Kate Spade & Company, the Company is required to indemnify the defendants under this claim. The Company vigorously disputes the allegations of the complaint, believes it has strong defenses against the claims and has filed a motion to dismiss the complaint with prejudice. The ultimate outcome of this matter, including the amount or range of possible loss, cannot be predicted or reasonably estimated at this time.

17. 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 26, 2020 and December 28, 2019:

	Coach	Kate Spade	Stuart Weitzman	Corporate[1]	Total
			(millions)		
Three Months Ended December 26, 2020					
Net sales	**$ 1,225.3**	**$ 375.6**	**$ 84.5**	**$ —**	**$ 1,685.4**
Gross profit	**888.1**	**233.1**	**52.5**	**—**	**1,173.7**
Operating income (loss)	**412.0**	**58.8**	**11.9**	**(93.3)**	**389.4**
Income (loss) before provision for income taxes	**412.0**	**58.8**	**11.9**	**(108.4)**	**374.3**
Depreciation and amortization expense[2]	**23.5**	**11.3**	**3.0**	**13.7**	**51.5**
Additions to long-lived assets[3]	**8.8**	**4.0**	**0.8**	**10.1**	**23.7**
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
Six Months Ended December 26, 2020					
Net sales	**$ 2,100.7**	**$ 616.0**	**$ 140.9**	**$ —**	**$ 2,857.6**
Gross profit	**1,533.0**	**387.2**	**83.7**	**—**	**2,003.9**
Operating income (loss)	**682.0**	**82.0**	**11.9**	**(184.3)**	**591.6**
Income (loss) before provision for income taxes	**682.0**	**82.0**	**11.9**	**(216.2)**	**559.7**
Depreciation and amortization expense[2]	**48.3**	**21.7**	**5.4**	**27.3**	**102.7**
Additions to long-lived assets[3]	**19.7**	**8.6**	**1.3**	**20.1**	**49.7**
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

(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 $0.3 million of Acceleration Program costs for the three and six months ended December 26, 2020 and $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, 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.

18. SUBSEQUENT EVENTS

On January 25, 2021, the Company repaid the remaining $200 million of outstanding borrowings under the Revolving Credit Facility. Refer to Note 12, "Debt" for further information about the Company's outstanding debt.

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.

Acceleration Program

The guiding principle of the Company's multi-year growth agenda under the Acceleration Program is to better meet the needs of each of its brands' unique customers by:

- **Sharpening our Focus on the Consumer:** Operating with a clearly defined purpose and strategy for each brand and an unwavering focus on the consumer at the core of everything we do
- **Leveraging Data and Leading with a Digital-First Mindset:** Building significant data and analytics capabilities to drive decision-making and increase efficiency; Offering immersive customer experiences across our e-commerce and social channels to meet the needs of consumers who are increasingly utilizing digital platforms to engage with brands; Rethinking the role of stores with an intent to optimize our fleet
- **Transforming into a Leaner and More Responsive Organization:** Moving with greater agility, simplifying internal processes and empowering teams to act quickly to meet the rapidly changing needs of the consumer

In the second fiscal quarter, the Company made meaningful progress against its previously announced Acceleration Program to sharpen its focus on the consumer, leverage data to lead with a digital-first mindset and transform into a leaner and more responsive organization:

- **Recruited over 1.5 million new customers in North America** across brands through our e-commerce channels, a meaningful increase versus prior year, as we continue to meet consumers where they choose to shop and utilize marketing capabilities to drive engagement and enhance the customer's digital journey;
- **Leveraged Tapestry's scale and agility to deliver triple-digit digital growth by expanding our network** through added fulfillment capacity and the diversification of parcel carrier partnerships, swiftly adapting to the current environment and navigating market constraints to support increased customer demand;
- **Drove significant growth in China** through compelling product assortments, enhanced marketing and expanded reach across direct channels and third party online distribution;
- **Deployed new data and analytics tools** to drive strategic, data-driven decision making to optimize marketing messaging, assortment planning and promotional levels, supporting higher AUR and conversion rates;

- **Continued to enhance flexibility of operating model,** with a streamlined organizational structure and empowered teams, while **optimizing our global fleet** with 18 net closures in the fiscal first half representing a net decrease of 84 stores from the prior year; Remain on track to achieve gross run-rate savings of $300 million, including gross savings of $200 million in fiscal 2021.

Recent Developments

Covid-19 Pandemic

The Covid-19 virus has impacted regions all around the world, resulting in restrictions and shutdowns implemented by national, state, and local authorities. Consequently, the spread of Covid-19 has caused significant global business disruptions. As a result of the widespread impact of Covid-19, Tapestry had temporarily closed the majority of its directly operated stores globally for some period of time to help reduce the spread of Covid-19. The vast majority of the Company's stores re-opened for either in-store or pick-up service and they have continued to operate since then, however, some store locations have experienced temporary re-closures or are operating under tighter restrictions in compliance with local government regulation. Many of the Company's wholesale and licensing partners also closed their bricks and mortar stores as required by government orders during the third and fourth quarters of fiscal 2020, and while the majority of stores have reopened, they have also been subject to temporary re-closures and tighter capacity restrictions operating in compliance with the rules of certain local governments. However, there is still uncertainty around the duration of these disruptions and the possibility of other effects on the business. We will continue to monitor the rapidly evolving situation pertaining to the Covid-19 outbreak, including guidance from international and domestic authorities. In these circumstances, the Company will need to make adjustments to our operating plan. Refer to Part II, Item 1A. "Risk Factors" herein for further information.

In response to the challenges that Covid-19 has imposed on our business, the Company implemented the following actions to mitigate these headwinds:

- Re-opened stores as quickly as possible, while following governmental and public health guidelines.
- Driving with a digital-first mindset for all brands. Implemented practices designed to support the continued operations of our e-commerce platforms and distribution centers remain operational across all major regions.
- Reduced capital expenditures for the second half of fiscal 2020 and continuing into fiscal 2021 through optimization of our fleet and prioritizing investment in digital.
- Continue to drive SG&A savings, including actions taken under the Acceleration Program, through the reduction of corporate and retail workforce, right-sizing of marketing expenses, reduction of fixed costs such as rent as well as procurement savings, including reducing external third party services.
- Did not pay out bonuses under the Annual Incentive Plan for fiscal year 2020, eliminated merit salary increases for all employees and temporarily reduced compensation for the Board of Directors and corporate employees above a certain salary threshold. During the second quarter of fiscal 2021, compensation resumed normal levels.
- Tightly managed inventories by reflowing product introductions and cancelling inventory receipts as well as planned reduction of stock keeping units ("SKUs").
- Drew down $700 million from its $900 million Revolving Credit Facility to add to cash balances, of which $500 million was repaid during the second quarter of fiscal 2021 and the remaining $200 million was repaid on January 25, 2021.
- Suspended its quarterly cash dividend and share repurchase program beginning in the fourth quarter of fiscal 2020.

The Company will continue to consider near-term exigencies and the long-term financial health of the business as clear steps are taken to mitigate the consequences of the Covid-19 pandemic.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law in response to the Covid-19 pandemic. The CARES Act contains numerous tax provisions, such as refundable payroll tax credits, deferral of the employer portion of certain payroll taxes, net operating loss carrybacks, modifications to net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. Additionally, on December 27, 2020, the Covid-19 stimulus package was signed into law, which contained enhancements to certain tax credits enacted under the CARES Act. These laws require the Company to make significant judgments and estimates in the interpretation of the law and in the calculation of the provision for income taxes. However, additional guidance may be issued by the Internal Revenue Service (“IRS”), the Department of the Treasury, or other governing body that may significantly differ from our interpretation of the law, which may result in a material adverse effect on our business, cash flow, results of operations, or financial conditions.

Since March 2020, the governments of numerous countries in which we operate have issued relief packages in response to Covid-19. These packages include, amongst other things, extended filing deadlines, wage subsidies, social security relief, rent relief and deferred tax payments. The Company is seeking relief under these provisions where eligible. As noted above in relation to the U.S. legislation, the Company does have to make certain judgements in interpretation of the law and/or await guidance from the local authorities.

Acceleration Program

The Company has implemented a strategic growth plan after undergoing a review of its business under the Acceleration Program and expects to incur certain costs reflecting: (i) actions to streamline the Company's organization; (ii) select store closures as the Company optimizes its fleet (including store closure costs incurred as the Company exits certain regions in which it currently operates); and (iii) professional fees and compensation costs incurred as a result of the development and execution of the Company's comprehensive strategic initiatives aimed at increasing profitability. Including charges taken in fiscal 2020, Company expects to incur total pre-tax charges of approximately $185 - $200 million related to the Acceleration Program with most of the remaining charges expected in fiscal 2021. Refer to Note 6, "Restructuring Activities," and the "GAAP to Non-GAAP Reconciliation," herein, for further information. The Company estimates that it will realize approximately $300 million in gross run rate expense savings from these initiatives, including $200 million projected for fiscal 2021.

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.

As previously noted, Covid-19 was officially declared a global pandemic by the World Health Organization in March 2020. The disruptions related to Covid-19 have materially adversely impacted our operations, cash flow, and liquidity. The virus has impacted regions all around the world, resulting in restrictions and shutdowns implemented by national, state, and local authorities. These requirements have resulted in full and partial store closures globally, causing a significant reduction in sales starting in the third quarter of fiscal 2020. While the vast majority of the Company's stores reopened for either in-store or curb-side service and have continued to operate since then, some store locations have experienced temporary re-closures or are operating under tighter restrictions in compliance with local government regulation, and other stores may be required to close again for an extended period of time due to the possibility of a resurgence of increased infections. Covid-19 may also cause disruptions in the Company’s supply chain, resulting in facility closures, labor instability, potential inability to source raw materials and disrupted operating procedures in attempts to curb the spread of Covid-19 within our third-party manufacturers, distribution centers, and other vendors. The Company’s e-commerce sites continue to operate, subject to the local guidance related to Covid-19 surrounding our distribution centers. In addition, the Company has started to experience delays as a result of port congestion for imported products, which may result in longer lead times or increased inbound freight costs. Furthermore, the Kate Spade brand has inventory on the Maersk Essen and One Apus cargo ships, which have experienced weather related incidents resulting in delays of expected inventory receipts, as well as possible loss or damage to the product. The Company is working to mitigate the impact of these incidents through various actions. If these mitigation efforts are not successful, there is a risk that these incidents could adversely impact the brand’s sales in the second half of fiscal 2021.

The new U.S. presidential administration may enact additional stimulus legislation or support public health policies, including the widespread distribution of vaccines, which may mitigate the impact of the pandemic. Furthermore, the new U.S. presidential administration has announced certain tax plans that, if passed as currently communicated, could have an adverse impact on our tax rate and financial results.

Several organizations that monitor the world’s economy, including the International Monetary Fund, observed that the outbreak of the Covid-19 pandemic has negatively shocked the global economy and may have a sustained negative impact on the global economic growth as compared to pre-pandemic estimates. Initial signs of recovery have been prevalent, however, these organizations expect recovery to continue on a slow or gradual pace with the possibility of slight setbacks after a period of temporary economic rebound. Economic activity continues to be marked by uncertainty as the factors surrounding the ability to control the spread of or treat Covid-19 remain considerable. Consumer behavior is largely impacted by governments’ ability to enforce policies to prevent the resurgence of the virus and make strategic investments that aid economic recovery. While uncertainty continues to surround future economic growth, multilateral cooperation and support from local policymakers is pivotal in shaping the economic outlook.

Furthermore, currency volatility, political instability and potential changes to trade agreements or duty rates may contribute to a worsening of the macroeconomic environment or adversely impact our business. Continued increases in trade tensions could impact the Company's ability to grow its business, particularly with the Chinese consumer globally. Since fiscal 2019, the

U.S. and China have both imposed tariffs on the importation of certain product categories into the respective country. There continues to be a possibility of increases in tariffs on goods imported into the U.S. from China and Vietnam, or other countries.

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." 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 concluded the transition phase on December 31, 2020. On December 24, 2020, the U.K. and E.U. announced an agreement on their future relationship. This includes, but is not limited to, the free movement of U.K. and E.U. originating products. However, products originating outside the U.K. and E.U. going to and coming from the E.U. will be subject to tariffs beginning on January 1, 2021. The Company does not expect Brexit to materially impact our business.

As part of our efforts to improve our working capital efficiency, we have worked with certain suppliers to revisit terms and conditions, including the extension of payment terms. As an alternative to our payment terms, available to certain suppliers is a voluntary supply chain finance (“SCF”) program that enables our suppliers to sell their receivables from the Company to a global financial institution on a non-recourse basis at a rate that leverages our credit rating. We do not have the ability to refinance or modify payment terms to the global financial institution through the SCF program. No guarantees are provided by the Company or any of our subsidiaries under the SCF program.

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.

SECOND QUARTER FISCAL 2021 COMPARED TO SECOND QUARTER FISCAL 2020

The following table summarizes results of operations for the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Three Months Ended					
	December 26, 2020		December 28, 2019		Variance	
	(millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 1,685.4**	**100.0 %**	$ 1,816.0	100.0 %	$ (130.6)	(7.2)%
Gross profit	**1,173.7**	**69.6**	1,209.7	66.6	(36.0)	(3.0)
SG&A expenses	**784.3**	**46.5**	846.6	46.6	(62.3)	(7.4)
Operating income (loss)	**389.4**	**23.1**	363.1	20.0	26.3	7.3
Interest expense, net	**18.7**	**1.1**	14.0	0.8	4.7	33.1
Other expense (income)	**(3.6)**	**(0.2)**	(5.9)	(0.3)	2.3	38.6
Provision for income taxes	**63.3**	**3.8**	56.2	3.1	7.1	12.6
Net income (loss)	**311.0**	**18.5**	298.8	16.5	12.2	4.1
Net income (loss) per share:						
Basic	**$ 1.12**		$ 1.08		$ 0.04	3.5
Diluted	**$ 1.11**		$ 1.08		$ 0.03	2.5

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 2021 and fiscal 2020 reflect the costs attributable to the CARES Act Tax Impact, the Acceleration Program, ERP system implementation efforts and Organization-related and Integration costs, as noted in the following tables. Refer to "Non-GAAP Measures" herein for further discussion on the Non-GAAP measures.

Second Quarter Fiscal 2021 Items

	Three Months Ended December 26, 2020			
		Item Affecting Comparability		
	GAAP Basis (As Reported)	CARES Act Tax Impact	Acceleration Program	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)			
Coach	888.1	—	—	888.1
Kate Spade	233.1	—	—	233.1
Stuart Weitzman	52.5	—	—	52.5
Gross profit[(1)]	$ 1,173.7	$ —	$ —	$ 1,173.7
Coach	476.1	—	5.8	470.3
Kate Spade	174.3	—	2.4	171.9
Stuart Weitzman	40.6	—	(2.3)	42.9
Corporate	93.3	—	15.8	77.5
SG&A expenses	$ 784.3	$ —	$ 21.7	$ 762.6
Coach	412.0	—	(5.8)	417.8
Kate Spade	58.8	—	(2.4)	61.2
Stuart Weitzman	11.9	—	2.3	9.6
Corporate	(93.3)	—	(15.8)	(77.5)
Operating income (loss)	$ 389.4	$ —	$ (21.7)	$ 411.1
Provision for income taxes	63.3	(3.3)	(6.4)	73.0
Net income (loss)	$ 311.0	$ 3.3	$ (15.3)	$ 323.0
Net income (loss) per diluted common share	$ 1.11	$ 0.01	$ (0.05)	$ 1.15

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

In the second quarter of fiscal 2021 the Company incurred charges as follows:

- *CARES Act Tax Impact* - Total amount relates to the income tax benefits under the CARES Act, most notably the Net Operating Loss ("NOL") carryback claim. This reflects the adjustment to the Company's provisional estimate. Refer to Note 15, "Income Taxes" for further information.
- *Acceleration Program* - Total charges incurred under the Acceleration Program are primarily professional fees incurred as a result of the development and execution of the Company's comprehensive strategic initiatives, as well as actions to streamline the Company's organization, which include severance. Refer to the "Executive Overview" and Note 6, "Restructuring Activities," herein for further information.

These actions taken together increased the Company's SG&A expenses by $21.7 million and reduced Provision for income taxes by $9.7 million, negatively impacting Net income by $12.0 million or $0.04 per diluted share.

Second Quarter Fiscal 2020 Items

	Three Months Ended December 28, 2019			
		Items Affecting Comparability		
	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 (loss)	$ 298.8	$ (4.8)	$ 0.1	$ 303.5
Net income (loss) 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 the following:

- *ERP Implementation* - Total charges represent technology implementation costs.
- *Organization-related and Integration costs* - Total charges represent integration costs related to inventory and professional fees. Refer to 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.

Tapestry, Inc. Summary – Second Quarter of Fiscal 2021

Currency Fluctuation Effects

The change in net sales and gross margin for the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020 has been presented both including and excluding currency fluctuation effects. All percentages shown in the tables below and the discussion that follows have been calculated using unrounded numbers.

Net Sales

	Three Months Ended		Variance		
	December 26, 2020	December 28, 2019	**Amount**	**%**	**Constant Currency Change**
	(millions)				
Coach	**$ 1,225.3**	$ 1,269.9	$ (44.6)	(3.5)%	(5.0)%
Kate Spade	**375.6**	430.4	(54.8)	(12.7)	(13.2)
Stuart Weitzman	**84.5**	115.7	(31.2)	(26.9)	(28.4)
Total Tapestry	**$ 1,685.4**	$ 1,816.0	$ (130.6)	(7.2)	(8.4)

Net sales in the second quarter of fiscal 2021 decreased 7.2% or $130.6 million to $1.69 billion. Excluding the effects of foreign currency, net sales decreased by 8.4% or $153.0 million.

- *Coach Net Sales* decreased 3.5% or $44.6 million to $1.23 billion in the second quarter of fiscal 2021. Excluding the impact of foreign currency, net sales decreased 5.0% or $63.4 million. This decrease in net sales is primarily attributed to a decline of $62.1 million in net global retail sales driven by lower sales in stores in North America, Other Asia, including Japan, and Europe due to the impact of Covid-19, which was partially offset by an increase in global e-commerce sales and store sales in mainland China.
- *Kate Spade Net Sales* decreased 12.7% or $54.8 million to $375.6 million in the second quarter of fiscal 2021. Excluding the impact of foreign currency, net sales decreased 13.2% or $56.8 million. This decrease is primarily due to a decline of $33.2 million in net global retail sales driven by lower sales in stores, primarily in North America, due to the impact of the Covid-19, partially offset by an increase in global e-commerce sales. Wholesale sales also declined $21.7 million due to a strategic pullback in disposition and lower demand as a result of Covid-19.
- *Stuart Weitzman Net Sales* decreased 26.9% or $31.2 million to $84.5 million in the second quarter of fiscal 2021. Excluding the impact of foreign currency, net sales decreased 28.4% or $32.8 million. This decrease was primarily due to a net decline of $24.8 million in the retail business, which is attributed to store closures related to fleet optimization under the Acceleration Program, as well as a decline in demand as a result of Covid-19. Additionally, wholesale sales decreased $8.0 million, which is primarily due to a decline in demand as a result of the Covid-19.

Gross Profit

	Three Months Ended					
	December 26, 2020		December 28, 2019		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 888.1**	**72.5 %**	$ 877.3	69.1 %	$ 10.8	1.2 %
Kate Spade	**233.1**	**62.1**	262.4	61.0	(29.3)	(11.2)
Stuart Weitzman	**52.5**	**62.2**	70.0	60.5	(17.5)	(24.9)
Tapestry	**$ 1,173.7**	**69.6**	$ 1,209.7	66.6	$ (36.0)	(3.0)

Gross profit decreased 3.0% or $36.0 million to $1.17 billion in the second quarter of fiscal 2021 from $1.21 billion in the second quarter of fiscal 2020. Gross margin for the second quarter of fiscal 2021 was 69.6% as compared to 66.6% in the second quarter of fiscal 2020. Excluding items affecting comparability of $1.5 million in the second quarter of fiscal 2020 as discussed in the "GAAP to non-GAAP Reconciliation" herein, gross profit decreased 3.1% or $37.5 million to $1.17 billion from $1.21 billion in the second quarter of fiscal 2020. Excluding items affecting comparability, gross margin increased 290 basis points to 69.6% compared to 66.7% in the second quarter of fiscal 2020, and on a constant currency basis, gross margin increased 280 basis points from the second quarter of fiscal 2020.

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.

- *Coach Gross Profit* increased 1.2% or $10.8 million to $888.1 million in the second quarter of fiscal 2021 from $877.3 million in the second quarter of fiscal 2020. Gross margin increased 340 basis points to 72.5% in the second quarter of fiscal 2021 from 69.1% in the second quarter of fiscal 2020. Coach gross margin was not materially impacted by foreign currency. This increase in gross margin was primarily due to reduced promotional activity.
- *Kate Spade Gross Profit* decreased 11.2% or $29.3 million to $233.1 million in the second quarter of fiscal 2021 from $262.4 million in the second quarter of fiscal 2020. Gross margin increased 110 basis points to 62.1% in the second quarter of fiscal 2021 from 61.0% in the second quarter of fiscal 2020. Kate Spade gross margin was not materially impacted by foreign currency. This increase in gross margin was primarily due to favorable channel mix including a strategic pullback in disposition and reduced promotional activity, which was partially offset by the impact of directly operating the footwear business.
- *Stuart Weitzman Gross Profit* decreased 24.9% or $17.5 million to $52.5 million during the second quarter of fiscal 2021 from $70.0 million in the second quarter of fiscal 2020. Gross margin increased to 62.2% in the second quarter of fiscal 2021 from 60.5% in the second quarter of fiscal 2020. Excluding items affecting comparability of $1.5 million in the second quarter of fiscal 2020, Stuart Weitzman gross profit decreased 26.5% or $19.0 million to $52.5 million from $71.5 million in the second quarter of fiscal 2020. Excluding items affecting comparability, gross margin increased 40 basis points to 62.2% from 61.8% in the second quarter of fiscal 2020, and on a constant currency basis gross margin decreased 140 basis points from the second quarter of fiscal 2020. This decrease in gross margin was primarily due to channel mix.

Selling, General and Administrative Expenses ("SG&A")

	Three Months Ended					
	December 26, 2020		December 28, 2019		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 476.1**	**38.9 %**	$ 494.5	38.9 %	$ (18.4)	(3.7)%
Kate Spade	**174.3**	**46.4**	194.5	45.2	(20.2)	(10.4)
Stuart Weitzman	**40.6**	**48.0**	60.4	52.3	(19.8)	(32.9)
Corporate	**93.3**	**NA**	97.2	NA	(3.9)	(4.0)
Tapestry	**$ 784.3**	**46.5**	$ 846.6	46.6	$ (62.3)	(7.4)

SG&A expenses decreased 7.4% or $62.3 million to $784.3 million in the second quarter of fiscal 2021 as compared to $846.6 million in the second quarter of fiscal 2020. As a percentage of net sales, SG&A expenses decreased to 46.5% during the second quarter of fiscal 2021 as compared to 46.6% during the second quarter of fiscal 2020. Excluding items affecting comparability of $21.7 million and $8.7 million in the second quarter of fiscal 2021 and fiscal 2020, respectively, SG&A expenses decreased 9.0% or $75.3 million to $762.6 million from $837.9 million in the second quarter of fiscal 2020. SG&A as a percentage of sales decreased to 45.2% as compared to 46.1% during the second quarter of fiscal 2020. This decrease in SG&A expenses includes actions taken as part of the Acceleration Program as well as benefits from wage subsidies, rent concessions and a gain realized on the deferred purchase price of the Kate Spade joint venture, partially offset by an increase in accrued Annual Incentive Plan expenses.

- *Coach SG&A Expenses* decreased 3.7% or $18.4 million to $476.1 million in the second quarter of fiscal 2021 as compared to $494.5 million in the second quarter of fiscal 2020. SG&A expenses as a percentage of net sales remained flat at 38.9% during the second quarter of fiscal 2021. Excluding items affecting comparability of $5.8 million and $(0.4) million in the second quarter of fiscal 2021 and fiscal 2020, respectively, SG&A expenses decreased 5.0% or $24.6 million to $470.3 million during the second quarter of fiscal 2021; and SG&A expenses as a percentage of net sales decreased to 38.4% in the second quarter of fiscal 2021 from 39.0% in the second quarter of fiscal 2020. This decrease in SG&A expenses is primarily due to a decline in compensation costs and occupancy costs, partially offset by an increase in e-commerce related selling costs and digital marketing spend in support of higher e-commerce sales.
- *Kate Spade SG&A Expenses* decreased 10.4% or $20.2 million to $174.3 million in the second quarter of fiscal 2021 as compared to $194.5 million in the second quarter of fiscal 2020. As a percentage of net sales, SG&A expenses increased to 46.4% during the second quarter of fiscal 2021 as compared to 45.2% during the second quarter of fiscal 2020. Excluding items affecting comparability of $2.4 million and $0.7 million in the second quarter of fiscal 2021 and fiscal 2020, respectively, SG&A expenses decreased 11.3% or $21.9 million to $171.9 million during the second quarter of fiscal 2021; and SG&A expenses as a percentage of net sales increased to 45.8% in the second quarter of fiscal 2021 from 45.0% in the second quarter of fiscal 2020. This decrease in SG&A expenses is primarily due to a

decline in compensation costs, occupancy costs and depreciation expense, partially offset by an increase in digital marketing spend in support of higher e-commerce sales.

- *Stuart Weitzman SG&A Expenses* decreased 32.9% or $19.8 million to $40.6 million in the second quarter of fiscal 2021 as compared to $60.4 million in the second quarter of fiscal 2020. As a percentage of net sales, SG&A expenses decreased to 48.0% during the second quarter of fiscal 2021 as compared to 52.3% during the second quarter of fiscal 2020. Excluding items affecting comparability of $(2.3) million and $0.3 million in the second quarter of fiscal 2021 and fiscal 2020, respectively, SG&A expenses decreased 28.5% or $17.2 million to $42.9 million during the second quarter of fiscal 2021 from $60.1 million during the second quarter of fiscal 2020; and SG&A expenses as a percentage of net sales decreased to 50.9% in the second quarter of fiscal 2021 from 52.0% in the second quarter of fiscal 2020. This decrease is primarily due to a decline in occupancy and compensation costs, mainly as a result of fleet optimization under the Acceleration Program, as well as reduced marketing spend.

- Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, decreased 4.0% or $3.9 million to $93.3 million in the second quarter of fiscal 2021 as compared to $97.2 million in the second quarter of fiscal 2020. Excluding items affecting comparability of $15.8 million and $8.1 million in the second quarter of fiscal 2021 and fiscal 2020, respectively, SG&A expenses decreased 13.1% or $11.6 million to $77.5 million in the second quarter of fiscal 2021 as compared to $89.1 million in the second quarter of fiscal 2020. This decrease in SG&A expenses was primarily driven by a gain realized on the deferred purchase price of the Kate Spade joint venture.

Operating Income (Loss)

	Three Months Ended					
	December 26, 2020		December 28, 2019		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 412.0**	**33.6 %**	$ 382.8	30.1 %	$ 29.2	7.6 %
Kate Spade	**58.8**	**15.7**	67.9	15.8	(9.1)	(13.4)
Stuart Weitzman	**11.9**	**14.1**	9.6	8.2	2.3	25.5
Corporate	**(93.3)**	**NA**	(97.2)	NA	3.9	4.0
Tapestry	**$ 389.4**	**23.1**	$ 363.1	20.0	$ 26.3	7.3

Operating income increased 7.3% or $26.3 million to $389.4 million in the second quarter of fiscal 2021 as compared to $363.1 million in the second quarter of fiscal 2020. Operating margin was 23.1% in the second quarter of fiscal 2021 as compared to 20.0% in the second quarter of fiscal 2020. Excluding items affecting comparability of $21.7 million and $10.2 million in the second quarter of fiscal 2021 and fiscal 2020, respectively, operating income increased 10.1% or $37.8 million to $411.1 million in the second quarter of fiscal 2021 from $373.3 million in the second quarter of fiscal 2020; and operating margin increased to 24.4% in the second quarter of fiscal 2021 as compared to 20.6% in the second quarter of fiscal 2020.

- *Coach Operating Income* increased 7.6% or $29.2 million to $412.0 million in the second quarter of fiscal 2021, resulting in an operating margin of 33.6%, as compared to $382.8 million and 30.1%, respectively, in the second quarter of fiscal 2020. Excluding items affecting comparability, Coach operating income increased 9.3% or $35.4 million to $417.8 million from $382.4 million in the second quarter of fiscal 2020; and operating margin was 34.1% in the second quarter of fiscal 2021 as compared to 30.1% in the second quarter of fiscal 2020. This increase in operating income was due to lower SG&A expenses and higher gross profit.

- *Kate Spade Operating Income* decreased 13.4% or $9.1 million to $58.8 million in the second quarter of fiscal 2021, resulting in an operating margin of 15.7%, as compared to $67.9 million and operating margin of 15.8% in the second quarter of fiscal 2020. Excluding items affecting comparability, Kate Spade operating income decreased 10.9% or $7.4 million to $61.2 million from $68.6 million in the second quarter of fiscal 2020; and operating margin was 16.3% in the second quarter of fiscal 2021 as compared to 15.9% in the second quarter of fiscal 2020. This decrease in operating income was due lower gross profit, partially offset by lower SG&A expenses.

- *Stuart Weitzman Operating Income* increased 25.5% or $2.3 million to $11.9 million in the second quarter of fiscal 2021, resulting in an operating margin of 14.1%, as compared to $9.6 million and operating margin of 8.2% in the second quarter of fiscal 2020. Excluding items affecting comparability, Stuart Weitzman operating income decreased 16.3% or $1.8 million to $9.6 million from $11.4 million in the second quarter of fiscal 2020; and operating margin was 11.3% in the second quarter of fiscal 2021 as compared to 9.8% in the second quarter of fiscal 2020. This decrease in operating income was due to lower gross profit, partially offset by lower SG&A expenses.

Interest Expense, net

Interest expense, net increased 33.1% or $4.7 million to $18.7 million in the second quarter of fiscal 2021 as compared to $14.0 million in the second quarter of fiscal 2020. The increase in interest expense, net is due to the additional interest expense related to the draw down on the Revolving Credit Facility in the fourth quarter of fiscal 2020 and lower interest income.

Other Expense (Income)

Other income decreased $2.3 million to $3.6 million in the second quarter of fiscal 2021 as compared to income of $5.9 million in the second quarter of fiscal 2020. The decrease in other income is related to a decrease in foreign exchange gains.

Provision for Income Taxes

The effective tax rate was 16.9% in the second quarter of fiscal 2021 as compared to 15.8% in the second quarter of fiscal 2020. Excluding items affecting comparability, the effective tax rate was 18.5% in the second quarter of 2021 as compared to 16.9% in the second quarter of fiscal 2020. The increase in our effective tax rate was primarily attributable to the geographic mix of earnings.

Net Income (Loss)

Net income increased 4.1% or $12.2 million to $311.0 million in the second quarter of fiscal 2021 as compared to $298.8 million in the second quarter of fiscal 2020. Excluding items affecting comparability, net income increased 6.4% or $19.5 million to a net income of $323.0 million in the second quarter of fiscal 2021 as compared to a net income of $303.5 million in the second quarter of fiscal 2020. This increase was primarily due to higher operating income.

Net Income (Loss) per Share

Net income per diluted share increased 2.5% to $1.11 in the second quarter of fiscal 2021 as compared to $1.08 in the second quarter of fiscal 2020. Excluding items affecting comparability, net income per diluted share increased 4.8% to $1.15 in the second quarter of fiscal 2021 as compared to $1.10 in the second quarter of fiscal 2020. This change was primarily due to higher net income.

FIRST SIX MONTHS FISCAL 2021 COMPARED TO FIRST SIX MONTHS FISCAL 2020

The following table summarizes results of operations for the first six months of fiscal 2021 compared to the first six months of fiscal 2020. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Six Months Ended					
	December 26, 2020		December 28, 2019		Variance	
	(millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 2,857.6**	**100.0 %**	$ 3,173.9	100.0 %	$ (316.3)	(10.0)%
Gross profit	**2,003.9**	**70.1**	2,124.2	66.9	(120.3)	(5.7)
SG&A expenses	**1,412.3**	**49.4**	1,709.5	53.9	(297.2)	(17.4)
Operating income (loss)	**591.6**	**20.7**	414.7	13.1	176.9	42.7
Interest expense, net	**38.1**	**1.3**	26.3	0.8	11.8	44.7
Other expense (income)	**(6.2)**	**(0.2)**	6.8	0.2	(13.0)	NM
Provision for income taxes	**17.0**	**0.6**	62.8	2.0	(45.8)	(73.0)
Net income (loss)	**542.7**	**19.0**	318.8	10.0	223.9	70.3
Net income (loss) per share:						
Basic	**$ 1.96**		$ 1.14		$ 0.82	72.5
Diluted	**$ 1.94**		$ 1.13		$ 0.81	71.7

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 2021 and fiscal 2020 reflect the impact of the costs attributable to the attributable to the CARES Act Tax Impact, the Acceleration Program, ERP system implementation efforts, Organization-related and Integration costs and Impairment charges, 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 2021 Items

	Six Months Ended December 26, 2020			
		Items affecting comparability		
	GAAP Basis (As Reported)	CARES Act Tax Impact	Acceleration Program	Non-GAAP Basis (Excluding Items)
		(millions, except per share data)		
Cost of sales				
Coach	1,533.0	—	—	1,533.0
Kate Spade	387.2	—	—	387.2
Stuart Weitzman	83.7	—	—	83.7
Gross profit[1]	$ 2,003.9	$ —	$ —	$ 2,003.9
SG&A expenses				
Coach	851.0	—	16.5	834.5
Kate Spade	305.2	—	3.4	301.8
Stuart Weitzman	71.8	—	(4.7)	76.5
Corporate	184.3	—	33.1	151.2
SG&A expenses	$ 1,412.3	$ —	$ 48.3	$ 1,364.0
Operating income (loss)				
Coach	682.0	—	(16.5)	698.5
Kate Spade	82.0	—	(3.4)	85.4
Stuart Weitzman	11.9	—	4.7	7.2
Corporate	(184.3)	—	(33.1)	(151.2)
Operating income (loss)	$ 591.6	$ —	$ (48.3)	$ 639.9
Provision for income taxes	17.0	(95.0)	(12.2)	124.2
Net income (loss)	$ 542.7	$ 95.0	$ (36.1)	$ 483.8
Net income (loss) per diluted common share	$ 1.94	$ 0.34	$ (0.13)	$ 1.73

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

In the first six months of fiscal 2021 the Company incurred charges as follows:

- *CARES Act Tax Impact* - Total amount relates to the income tax benefits under the CARES Act, most notably the Net Operating Loss ("NOL") carryback claim. Refer to Note 15, "Income Taxes" for further information.
- *Acceleration Program* - Total charges incurred under the Acceleration Program are primarily professional fees incurred as a result of the development and execution of the Company's comprehensive strategic initiatives, as well as actions to streamline the Company's organization, which include severance. Refer to the "Executive Overview" and Note 6, "Restructuring Activities," herein for further information.

These actions taken together decreased Provision for income taxes by $107.2 million and increased the Company's SG&A expenses by $48.3 million, positively impacting Net income by $58.9 million or $0.21 per diluted share.

First Six Months of Fiscal 2020 Items

	Six Months Ended December 28, 2019				
		Items affecting comparability			
	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 (loss)	$ 318.8	$ (15.8)	$ (19.3)	$ (63.5)	$ 417.4
Net income (loss) 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 primarily relate to technology implementation costs.
- *Organization-related and Integration costs* - Total charges represent organization-related costs as a result of the departure of the Company's former CEO in September 2019 and integration costs related to inventory, professional fees and share-based compensation. Refer to 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.

Tapestry, Inc. Summary – First Six Months of Fiscal 2021

Currency Fluctuation Effects

The change in net sales and gross margin for the first six months of fiscal 2021 compared to fiscal 2020 has been presented both including and excluding currency fluctuation effects.

Net Sales

	Six Months Ended		Variance		
	December 26, 2020	December 28, 2019	**Amount**	**%**	**Constant Currency Change**
		(millions)			
Coach	**$ 2,100.7**	$ 2,235.8	$ (135.1)	(6.0)%	(7.0)%
Kate Spade	**616.0**	735.9	(119.9)	(16.3)	(16.6)
Stuart Weitzman	**140.9**	202.2	(61.3)	(30.3)	(31.3)
Total Tapestry	**$ 2,857.6**	$ 3,173.9	$ (316.3)	(10.0)	(10.8)

Net sales in the first six months of fiscal 2021 decreased 10.0% or $316.3 million to $2.86 billion. Excluding the effects of foreign currency, net sales decreased by 10.8% or $341.6 million.

- *Coach Net Sales* decreased 6.0% or $135.1 million to $2.10 billion in the first six months of fiscal 2021. Excluding the impact of foreign currency, net sales decreased 7.0% or $156.0 million. This decrease in net sales is primarily attributed to a net decline of $151.6 million in net global retail sales driven by lower sales in stores in North America, Other Asia, including Japan, and Europe, due to the impact of Covid-19, which was partially offset by an increase in global e-commerce sales and store sales in mainland China.
- *Kate Spade Net Sales* decreased 16.3% or $119.9 million to $616.0 million in the first six months of fiscal 2021. Excluding the impact of foreign currency, net sales decreased 16.6% or $122.3 million. The decrease in net sales is driven by a decline of $67.6 million in net global retail sales driven by lower sales in stores, primarily in North America, due to the impact of the Covid-19, partially offset by an increase in global e-commerce sales. Wholesale sales also declined $53.7 million due to a strategic pullback in disposition and lower demand as a result of the Covid-19 outbreak.
- *Stuart Weitzman Net Sales* decreased 30.3% or $61.3 million to $140.9 million in the first six months of fiscal 2021. Excluding the impact of foreign currency, net sales decreased 31.3% or $63.3 million. This decrease was primarily due to a net decline of $39.1 million in the retail business, which is attributed to store closures related to fleet optimization under the Acceleration Program, as well as a decline in demand as a result of Covid-19. Additionally, wholesale sales decreased $24.2 million, which is primarily due to a decline in demand as a result of Covid-19.

Gross Profit

	Six Months Ended					
	December 26, 2020		December 28, 2019		**Variance**	
			(millions)			
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 1,533.0**	**73.0 %**	$ 1,554.9	69.5 %	$ (21.9)	(1.4)%
Kate Spade	**387.2**	**62.9**	453.9	61.7	(66.7)	(14.7)
Stuart Weitzman	**83.7**	**59.4**	115.4	57.1	(31.7)	(27.5)
Tapestry	**$ 2,003.9**	**70.1**	$ 2,124.2	66.9	$ (120.3)	(5.7)

Gross profit decreased 5.7% or $120.3 million to $2.00 billion during the first six months of fiscal 2021 from $2.12 billion in the first six months of fiscal 2020. Gross margin for the first six months of fiscal 2021 was 70.1% as compared to 66.9% in the first six months of fiscal 2020. Excluding items affecting comparability of $5.6 million in the first six months of fiscal 2020, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, gross profit decreased 5.9% or $125.9 million to $2.00 billion in the first six months of fiscal 2021, and gross margin increased 70.1% from 67.1% in the first six months of fiscal 2020, and on a constant currency basis, gross margin increased 290 basis points from the first six months of fiscal 2020.

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.

- *Coach Gross Profit* decreased 1.4% or $21.9 million to $1.53 billion in the first six months of fiscal 2021 from $1.55 billion in the first six months of fiscal 2020. Gross margin increased 350 basis points to 73.0% in the first six months of fiscal 2021 from 69.5% in the first six months of fiscal 2020. Excluding items affecting comparability of $0.1 million in the first six months of fiscal 2020, Coach gross profit decreased 1.4% or $22.0 million to $1.53 billion in the first six months of fiscal 2021 from $1.56 billion in the first six months of fiscal 2020. Excluding items affecting comparability, gross margin increased 340 basis points to 73.0% from 69.6% in the first six months of fiscal 2020, and was not materially impacted by foreign currency. This increase in gross margin is primarily attributed to reduced promotional activity.
- *Kate Spade Gross Profit* decreased 14.7% or $66.7 million to $387.2 million in the first six months of fiscal 2021 from $453.9 million in the first six months of fiscal 2020. Gross margin increased 120 basis points to 62.9% in the first six months of fiscal 2021 from 61.7% in the first six months of fiscal 2020. Excluding items affecting comparability of $1.2 million in the first six months of fiscal 2020, Kate Spade gross profit decreased 14.9% or $67.9 million to $387.2 million in the first six months of fiscal 2021 from $455.1 million in the first six months of fiscal 2020. Excluding items affecting comparability, gross margin increased 110 basis points to 62.9% from 61.8% in the first six months of fiscal 2020, and was not materially impacted by foreign currency. This increase in gross margin was primarily due to favorable channel mix including a strategic pullback in disposition and reduced promotional activity, which was partially offset by the impact of directly operating the footwear business.
- *Stuart Weitzman Gross Profit* decreased 27.5% or $31.7 million to $83.7 million during the first six months of fiscal 2021 from $115.4 million in the first six months of fiscal 2020. Gross margin increased 230 basis points to 59.4% in the first six months of fiscal 2021 from 57.1% in the first six months of fiscal 2020. Excluding items affecting comparability of $4.3 million in the first six months of fiscal 2020, Stuart Weitzman gross profit decreased 30.1% or $36.0 million to $83.7 million in the first six months of fiscal 2021 compared to $119.7 million in the first six months of fiscal 2020, and gross margin increased 20 basis points to 59.4% from 59.2% in the first six months of fiscal 2021. On a constant currency basis, gross margin decreased 130 basis points. This decrease in gross margin was primarily attributed to channel mix.

Selling, General and Administrative Expenses

	Six Months Ended					
	December 26, 2020		December 28, 2019		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 851.0**	**40.5 %**	$ 972.6	43.5 %	$ (121.6)	(12.5)%
Kate Spade	**305.2**	**49.5**	393.2	53.4	(88.0)	(22.4)
Stuart Weitzman	**71.8**	**50.9**	125.1	61.9	(53.3)	(42.7)
Corporate	**184.3**	**NA**	218.6	NA	(34.3)	(15.7)
Tapestry	**$ 1,412.3**	**49.4**	$ 1,709.5	53.9	$ (297.2)	(17.4)

SG&A expenses decreased 17.4% or $297.2 million to $1.41 billion in the first six months of fiscal 2021 as compared to $1.71 billion in the first six months of fiscal 2020. As a percentage of net sales, SG&A expenses decreased to 49.4% during the first six months of fiscal 2021 as compared to 53.9% during the first six months of fiscal 2020. Excluding items affecting comparability of $48.3 million and $119.5 million in the first six months of fiscal 2021 and 2020, respectively, SG&A expenses decreased 14.2% or $226.0 million from the first six months of fiscal 2020. Excluding items affecting comparability, SG&A expenses as a percentage of net sales decreased to 47.7% in the first six months of fiscal 2021 from 50.1% in the first six months of fiscal 2020. This decrease in SG&A expenses includes actions taken as part of the Acceleration Program as well as benefits from wage subsidies and rent concessions, partially offset by an increase in accrued Annual Incentive Plan expenses.

- *Coach SG&A Expenses* decreased 12.5% or $121.6 million to $851.0 million in the first six months of fiscal 2021 as compared to $972.6 million in the first six months of fiscal 2020. As a percentage of net sales, SG&A expenses decreased to 40.5% during the first six months of fiscal 2021 as compared to 43.5% during the first six months of fiscal 2020. Excluding items affecting comparability of $16.5 million and $41.4 million in the first six months of fiscal 2021 and fiscal 2020, respectively, SG&A expenses decreased 10.4% or $96.7 million to $834.5 million in the first six months of fiscal 2021; and SG&A expenses as a percentage of net sales decreased to 39.7% in the first six months of fiscal 2021 from 41.7% in the first six months of fiscal 2020. This decrease in SG&A expenses was primarily due to a decline in compensation costs, occupancy costs and depreciation expense, partially offset by an increase in e-commerce related selling costs and digital marketing spend in support of higher e-commerce sales.

- *Kate Spade SG&A Expenses* decreased 22.4% or $88.0 million to $305.2 million in the first six months of fiscal 2021 from $393.2 million in the first six months of fiscal 2020. As a percentage of net sales, SG&A expenses decreased to 49.5% during the first six months of fiscal 2021 as compared to 53.4% during the first six months of fiscal 2020. Excluding items affecting comparability of $3.4 million and $26.0 million in the first six months of fiscal 2021 and 2020, respectively, SG&A expenses decreased 17.8% or $65.4 million to $301.8 million in the first six months of fiscal 2021; and SG&A expenses as a percentage of net sales decreased to 49.0% in the first six months of fiscal 2021 from 49.9% in the first six months of fiscal 2020. This decrease in SG&A expenses was due to a decline in compensation costs, occupancy costs and depreciation expense.

- *Stuart Weitzman SG&A Expenses* decreased 42.7% or $53.3 million to $71.8 million in the first six months of fiscal 2021 as compared to $125.1 million in the first six months of fiscal 2020. Excluding items affecting comparability of $(4.7) million and $6.8 million in the first six months of fiscal 2021 and 2020, respectively, SG&A expenses decreased 35.3% or $41.8 million to $76.5 million in the first six months of fiscal 2021; and SG&A expenses as a percentage of net sales decreased to 54.3% in the first six months of fiscal 2021 from 58.5% in the first six months of fiscal 2020. This decrease in SG&A expenses is primarily due to a decline in occupancy and compensation costs mainly as a result of fleet optimization under the Acceleration Program, as well as declines in marketing spend and a reduction in wholesale selling costs.

- Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, decreased 15.7% or $34.3 million to $184.3 million in the first six months of fiscal 2021 as compared to $218.6 million in the first six months of fiscal 2020. Excluding items affecting comparability of $33.1 million and $45.3 million in the first six months of fiscal 2021 and 2020, respectively, SG&A expenses decreased by 12.8% or $22.1 million to $151.2 million in the first six months of fiscal 2021 as compared to $173.3 million in the first six months of fiscal 2020. This decrease in corporate expenses is due to a gain realized on the sale of our corporate office in Hong Kong and a gain realized on the deferred purchase price of the Kate Spade joint venture.

Operating Income (Loss)

	Six Months Ended					
	December 26, 2020		December 28, 2019		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 682.0**	**32.5 %**	$ 582.3	26.0 %	$ 99.7	17.1 %
Kate Spade	**82.0**	**13.3**	60.7	8.2	21.3	35.1
Stuart Weitzman	**11.9**	**8.5**	(9.7)	(4.8)	21.6	NM
Corporate	**(184.3)**	**NA**	(218.6)	NA	34.3	15.7
Tapestry	**$ 591.6**	**20.7**	$ 414.7	13.1	$ 176.9	42.7

Operating income increased 42.7% or $176.9 million to $591.6 million in the first six months of fiscal 2021 as compared to income of $414.7 million in the first six months of fiscal 2020. Operating margin was 20.7% in the first six months of fiscal 2021 as compared to 13.1% in the first six months of fiscal 2020. Excluding items affecting comparability of $48.3 million and $125.1 million in the first six months of fiscal 2021 and fiscal 2020, respectively, operating income increased 18.5% or $100.1 million to $639.9 million from $539.8 million in the first six months of fiscal 2020; and operating margin was 22.4% in the first six months of fiscal 2021 as compared to 17.0% in the first six months of fiscal 2020.

- *Coach Operating Income* increased 17.1% or $99.7 million to $682.0 million in the first six months of fiscal 2021, resulting in an operating margin of 32.5%, as compared to $582.3 million and 26.0%, respectively, in the first six months of fiscal 2020. Excluding items affecting comparability, Coach operating income increased 12.0% or $74.7 million to $698.5 million from $623.8 million in the first six months of fiscal 2020; and operating margin was 33.3% in the first six months of fiscal 2021 as compared to 27.9% in the first six months of fiscal 2020. This increase in operating income was due to lower SG&A expenses, partially offset by lower gross profit.

- *Kate Spade Operating Income* increased 35.1% or $21.3 million to $82.0 million in the first six months of fiscal 2021, resulting in an operating margin of 13.3%, as compared to $60.7 million and 8.2%, respectively, in the first six months of fiscal 2020. Excluding items affecting comparability, Kate Spade operating income decreased 2.9% or $2.5 million to $85.4 million from $87.9 million in the first six months of fiscal 2020; and operating margin was 13.9% in the first six months of fiscal 2021 as compared to 11.9% in the first six months of fiscal 2020. This decrease in operating income was due a decrease in gross profit, partially offset by lower SG&A expenses.

- *Stuart Weitzman Operating Income* increased $21.6 million to $11.9 million in the first six months of fiscal 2021, resulting in an operating margin of 8.5%, as compared to an operating loss of $9.7 million and operating margin of (4.8)% in first six months of fiscal 2020. Excluding items affecting comparability, Stuart Weitzman operating income increased $5.8 million to $7.2 million from $1.4 million in the first six months of fiscal 2020; and operating margin was from 5.1% in the first six months of fiscal 2021 as compared to 0.7% in the first six months of fiscal 2020. This increase in operating income was due to lower SG&A expenses, partially offset by a decrease in gross profit.

Interest Expense, net

Interest expense, net increased 44.7% or $11.8 million to $38.1 million in the first six months of fiscal 2021 as compared to interest expense, net of $26.3 million in the first six months of fiscal 2020. This increase in interest expense, net is due to lower interest income and the additional interest expense related to the draw down on the Revolving Credit Facility in the fourth quarter of fiscal 2020.

Other Expense (Income)

Other income increased $13.0 million to income of $6.2 million in the first six months of fiscal 2021 as compared to expense of $6.8 million in the first six months of fiscal 2020. This increase in other income is related to an increase in foreign exchange gains.

Provision for Income Taxes

The effective tax rate was 3.0% in the first six months of fiscal 2021 as compared to 16.5% in the first six months of fiscal 2020. Excluding items affecting comparability, the effective tax rate was 20.4% in the first six months of fiscal 2021 as compared to 17.6% in the first six months of fiscal 2020. This increase in our effective tax rate was primarily attributable to geographic mix of earnings.

Net Income (Loss)

Net income increased 70.3% or $223.9 million to $542.7 million in the first six months of fiscal 2021 as compared to $318.8 million in the first six months of fiscal 2020. Excluding items affecting comparability, net income increased 15.9% or $66.4 million to $483.8 million in the first six months of fiscal 2021 as compared to $417.4 million in the first six months of fiscal 2020. This increase was primarily due to lower SG&A expenses, partially offset by a decrease in gross profit.

Net Income (Loss) per Share

Net income per diluted share increased 71.7% to $1.94 in the first six months of fiscal 2021 as compared to net income per diluted share of $1.13 in the first six months of fiscal 2020. Excluding items affecting comparability, net income per diluted share increased 16.9% to $1.73 in the first six months of fiscal 2021 from $1.48 in the first six months of fiscal 2020, primarily due to higher net income.

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 and the first six months of fiscal 2021 and fiscal 2020 reflect certain items, including the impact of ERP Implementation, Organization-related and Integration costs and Impairment charges in fiscal 2020, as well as Acceleration Program costs and CARES Act Tax Impact in fiscal 2021. 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.

The Company has historically reported comparable store sales, which 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 are not adjusted for store expansions. Due to the uncertain business environment resulting from the impact of the Covid-19 pandemic, comparable store sales are not reported for the three and six months ended December 26, 2020 as the Company does not believe this metric is currently meaningful to the readers of its financial statements for this period.

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 results by translating current period Net sales and Cost of sales, in local currency using the prior year period's currency conversion rate. The constant currency gross margin results are reported excluding items affecting comparability.

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 26, 2020	December 28, 2019	Change
	(millions)		
Net cash provided by (used in) operating activities	**$ 746.3**	$ 561.7	$ 184.6
Net cash used in investing activities	**(25.8)**	(127.9)	102.1
Net cash used in financing activities	**(518.9)**	(506.5)	(12.4)
Effect of exchange rate changes on cash and cash equivalents	**14.7**	0.4	14.3
Net increase/ (decrease) in cash and cash equivalents	**$ 216.3**	$ (72.3)	$ 288.6

The Company's cash and cash equivalents increased by $216.3 million in the first six months of fiscal 2021 as compared to a decrease of $72.3 million in the first six months of fiscal 2020, as discussed below.

Net cash provided by (used in) operating activities

Net cash provided by operating activities increased $184.6 million due to higher net income of $223.9 million and changes in operating assets and liabilities of $236.5 million, partially off by the impact of non-cash adjustments of $275.8 million.

The $236.5 million increase in changes in operating asset and liability balances were primarily driven by the following:

- Accounts payable were a source of cash of $253.8 million in the first six months of fiscal 2021 compared to a source of cash of $19.3 million in the first six months of fiscal 2020, primarily due to the extension of payment terms to certain vendors in addition to higher inventory in transit compared to the prior period.
- Inventories were a source of cash of $144.3 million in the first six months of fiscal 2021 compared to a source of cash of $19.5 million in the first six months of fiscal 2020, primarily driven by higher than expected sales, more disciplined inventory management and actions taken to exit certain markets.
- Trade accounts receivable were a use of cash of $143.2 million in the first six months of fiscal 2021 compared to a use of cash of $78.7 million in the first six months of fiscal 2020, primarily driven by a lower balance in the fourth quarter of fiscal 2020 due to impacts from Covid-19.
- Other assets were a use of cash of $76.8 million in the first six months of fiscal 2021 compared to a use of cash of $27.7 million in the first six months of fiscal 2020, primarily related to an increase in income tax receivable primarily due to the NOL carryback claim under the CARES Act, partially offset by lower receivables related to other taxes.

Net cash used in investing activities

Net cash used in investing activities in the first six months of fiscal 2021 was $25.8 million as compared to a use of cash of $127.9 million in the first six months of fiscal 2020, resulting in a $102.1 million decrease in net cash used in investing activities.

The $25.8 million use of cash in the first six months of fiscal 2021 is primarily due to capital expenditures of $49.7 million partially offset by proceeds from the sale of building of $23.9 million.

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.

Net cash used in financing activities

Net cash used in financing activities was $518.9 million in the first six months of fiscal 2021 as compared to a use of cash of $506.5 million in the first six months of fiscal 2020, resulting in a net increase in use of cash for financing activities of $12.4 million.

The $518.9 million of cash used in the first six months of fiscal 2021 was primarily due to repayments on the revolving credit facility of $500.0 million and note payable of $11.5 million.

The $506.5 million use of cash 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.

Working Capital and Capital Expenditures

As of December 26, 2020, 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]	**$**	**1,642.6**	**$**	**—**	**$**	**1,642.6**
Short-term investments[1]		**9.2**		**—**		**9.2**
Revolving Credit Facility[2]		**900.0**		**200.0**		**700.0**
3.000% Senior Notes due 2022[3]		**400.0**		**400.0**		**—**
4.250% Senior Notes due 2025[3]		**600.0**		**600.0**		**—**
4.125% Senior Notes due 2027[3]		**600.0**		**600.0**		**—**
Total	**$**	**4,151.8**	**$**	**1,800.0**	**$**	**2,351.8**

(1) As of December 26, 2020, approximately 36% 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"). 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. On May 19, 2020, the Company entered into Amendment No. 1 (the "Amendment") to the Revolving Credit Facility. Under the terms of the Amendment, during the period from the Effective Date until October 2, 2021, the Company must maintain available liquidity of $700 million (with available liquidity defined as the sum of unrestricted cash and cash equivalents and available commitments under credit facilities, including the Revolving Credit Facility). Following the period from the Effective Date until the compliance certificate is delivered for the fiscal quarter ending July 3, 2021 (the "Covenant Relief Period"), the Company must comply on a quarterly basis with a maximum net leverage ratio of 4.0 to 1.0. In addition, the Amendment provides that during the Covenant Relief Period, if any two of the Company's three credit ratings are non-investment grade, the Revolving Credit Facility will be guaranteed by the Company's material domestic subsidiaries and will be subject to liens on accounts receivable, inventory and intellectual property, in each case subject to customary exceptions. The Amendment also contains negative covenants that limit the ability of the Company and its subsidiaries to, among other things, incur certain debt, incur certain liens, dispose of assets, make investments, loans or advances, and engage in share buybacks during the Covenant Relief Period. An increased interest rate will be applicable during the Covenant Relief Period when the Company's gross leverage ratio exceeds 4.0 to 1.0. The $900 million aggregate commitment amount under the revolving credit facility remains unchanged. As of December 26, 2020, $200.0 million of borrowings were outstanding under the Revolving Credit Facility. Refer to Note 12, "Debt," for further information on our existing debt instruments and Note 18, "Subsequent Events" for further information on the repayment of outstanding borrowings under the Revolving Credit Facility.

(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 26, 2020, 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 of December 26, 2020, 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 will provide adequate funds to support our operating, capital, and debt service requirements for fiscal 2021 and beyond. 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, 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. This future operating performance and cash flow are subject to prevailing economic conditions, which is uncertain as a result of Covid-19, 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 2021 capital expenditures to be approximately $135 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 26, 2020 are not necessarily indicative of that expected for the full fiscal 2021. 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 3 to the audited consolidated financial statements in our fiscal 2020 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 2020 10-K. As of December 26, 2020, there have been no material changes to any of the critical accounting policies.

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. 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 2020 testing date exceeded their respective carrying values by approximately 13% and 35%, respectively. Several factors could impact the Kate Spade brand's ability to achieve expected future cash flows, including continued economic volatility and potential operational challenges related to the Covid-19 pandemic, the reception of new collections in all channels, the success of international expansion strategies including the direct operation of certain previous distributor and joint venture businesses, the optimization of the store fleet productivity, the impact of promotional activity in department stores, and the simplification of certain corporate overhead structures and other initiatives aimed at increasing profitability of the business. Given the relatively small excess of fair value over carrying value as noted above, if profitability trends decline during fiscal 2021 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 26, 2020 and June 27, 2020, forward currency contracts designated as cash flow hedges with a notional amount of $113.8 million and $586.2 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 26, 2020.

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 and the Euro. To manage the exchange rate risk related to these balances, the Company enters into forward currency contracts. As of December 26, 2020 and June 27, 2020 the total notional values of outstanding forward foreign currency contracts related to these loans were $210.5 million and $76.9 million, respectively.

The fair value of outstanding forward currency contracts included in current assets at December 26, 2020 and June 27, 2020 was $1.8 million and $2.9 million, respectively. The fair value of outstanding foreign currency contracts included in current liabilities at December 26, 2020 and June 27, 2020 was $5.6 million and $1.7 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 Revolving Credit Facility entered into under the credit agreement dated October 24, 2019 as amended on May 19, 2020, the 2025 Senior Notes, 2022 Senior Notes, 2027 Senior Notes (collectively the "Senior Notes") and investments.

Our exposure to changes in interest rates is primarily attributable to debt outstanding under the Revolving Credit Facility. Borrowings under the 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. Furthermore, a prolonged disruption on our business resulting from the Covid-19 pandemic may impact our ability to satisfy the terms of our Revolving Credit Facility, including our liquidity covenant.

The Company is exposed to changes in interest rates related to the fair value of the Senior Notes. At December 26, 2020, the fair value of the 2025 Senior Notes, 2022 Senior Notes and 2027 Senior Notes was approximately $645 million, $412 million and $647 million, respectively. At June 27, 2020, the fair value of the 2025 Senior Notes, 2022 Senior Notes and 2027 Senior Notes was approximately $577 million, $393 million and $565 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 26, 2020.

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. There were no changes in our internal control over financial reporting during the quarter ended December 26, 2020 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, litigation involving contractual disputes 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 such pending routine legal proceedings in the aggregate will not have a material effect on the Company's business or condensed consolidated financial statements.

In addition to such routine legal proceedings, the Company is currently addressing a putative class action complaint filed in the Delaware Court of Chancery on May 7, 2020, naming the former chief executive officer and director of Kate Spade & Company and the other former directors of Kate Spade & Company, which the Company acquired on July 11, 2017 (the “Acquisition”), as defendants, and captioned Butler v. Leavitt, et al., C.A. No. 2020-0343-JTL. The complaint asserts claims on behalf of former Kate Spade & Company shareholders alleging breaches of fiduciary duty in connection with the Acquisition, including with respect to the defendants’ decision to pursue the Acquisition and Kate Spade & Company’s disclosures to stockholders in connection with the Acquisition. Under the terms of the agreement pursuant to which the Company acquired Kate Spade & Company, the Company is required to indemnify the defendants under this claim. The Company vigorously disputes the allegations of the complaint, believes it has strong defenses against the claims and has filed a motion to dismiss the complaint with prejudice. The ultimate outcome of this matter, including the amount or range of possible loss, cannot be predicted or reasonably estimated at this time.

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

You should consider carefully all of the information set forth or incorporated by reference in this document and, in particular, the following risk factors associated with the business of the Company and forward-looking information in this document. Please also see "Special Note on Forward-Looking Information" at the beginning of this report. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also have an adverse effect on us. If any of the risks below actually occur, our business, results of operations, cash flows or financial condition could suffer.

Risks Related to our Business and our Industry

The Covid-19 pandemic and resulting adverse economic conditions are and may continue to have a material adverse impact on our business, financial condition, results of operations and cash flows.

The Covid-19 pandemic has impacted a significant majority of the regions in which we operate, disrupting operations, consumer spending and global supply chains and creating significant disruption and volatility of financial markets. The impacts of Covid-19 have and may continue to materially adversely impact our operations, cash flow and liquidity. In March 2020, the outbreak was labeled a global pandemic by the World Health Organization. National, state and local governments have responded to the Covid-19 pandemic in a variety of ways, including, but not limited to, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i.e., social distancing), requiring individuals to stay at home, and in most cases, ordering non-essential businesses to close or limit operations. The Company had temporarily closed the majority of its directly operated stores globally for some period of time to help reduce the spread of Covid-19 during fiscal 2020. As of the end of the fiscal year, the vast majority of the Company's stores re-opened for either in-store or curb-side service and they continued to operate since then, however, some store locations have experienced temporary re-closures or are operating under tighter restrictions in compliance with local government regulation. Many of the Company's wholesale partners also closed their bricks and mortar stores as required by government orders during the third and fourth fiscal quarter of fiscal 2020, and while the majority of stores have reopened, they have also been subject to temporarily re-closures and tighter capacity restrictions operating in compliance with the rules of certain local governments.

The global Covid-19 pandemic is continuously evolving and the extent to which the pandemic ultimately impacts our results and our business - including unforeseen increased costs to our business - will depend on future developments, which are highly uncertain and cannot be predicted, including the ultimate duration, severity and sustained geographic resurgence of the virus and the success of actions to contain the virus, including variants of the novel strain, or treat its impact, among others. While the full magnitude of the effects on our business is difficult to predict at this time, the Covid-19 pandemic has and is expected to continue to have a material adverse impact on our business, financial condition, and results of operations. Although the ultimate severity and impact of the Covid-19 pandemic is uncertain at this time and depends on future events outside of our control, our business is expected to continue to be adversely impacted by several factors, including, but not limited to:

- The potential economic effects of the pandemic, including a possible recession, increased unemployment and decreased consumer credit availability, may result in lower consumer confidence and decreased disposable income and discretionary spending levels, which may lead to reduced sales of our products. Unfavorable economic conditions, fears of becoming ill and sustained travel restrictions may also reduce consumers' willingness and ability to travel to major cities and vacation destinations in which the Company's stores are located. Furthermore, reduced discretionary spending may result in an excess of inventory throughout the industry, which could lead to increased pressure on our gross margin in the near term if the Company has to increase promotional activity above its normal levels to sell through its existing product.
- Social distancing measures and general consumer behaviors due to the Covid-19 pandemic may continue to impact mall and store traffic even after stores return to normal operations, which may have a further negative impact on our business. Furthermore, declines in traffic beyond our current exceptions could result in additional impairment charges if expected future cash flows of the related asset group do not exceed the carrying value.
- The Covid-19 pandemic has resulted in disruption to the financial markets and caused significant volatility in the value of our common stock. On March 30, 2020, we borrowed \$700 million under our \$900 million Revolving Credit Facility. Of the \$700 million borrowed, \$500 million was repaid during the second quarter of fiscal 2021 and the remaining \$200 million was repaid subsequent to quarter end. If a significant number of our stores are required to close again or sales are lower than expected for an extended period of time, our liquidity may continue to be negatively impacted and we may need to draw additional funds from our Revolving Credit Facility or seek additional sources of financing, which may or may not be available. The Company is subject to additional requirements under the terms of the Revolving Credit Facility and its Senior Notes as described in "*We have incurred a substantial amount of indebtedness, which could restrict our ability to engage in additional transactions or incur additional indebtedness*" below.

- While we are making significant efforts to reduce our non-essential SG&A expenses, including but not limited to, through discussions with our landlords and other vendors to obtain rent and other relief, we may not be successful in these endeavors and may be subject to continued expenses and potential litigation or claims from such landlords and vendors.
- We continue to sell products through our stores and through our e-commerce sites. The majority of our distribution centers remain open and operational through the date of this report; however, such distribution centers may be forced to close or limit operations due to governmental mandates, health and safety concerns, or illness or absence of a substantial number of distribution center employees. We have and may continue to experience delays in the shipment or delivery of our products due to capacity constraints, shipping delays or port congestion.
- We source and manufacture our products on a global scale and may experience material temporary or long-term disruption in our supply chain, given the global reach of the Covid-19 pandemic. Travel restrictions, closures or disruptions of business and facilities or social, economic, political or labor instability in the affected areas may impact the operations of our raw material suppliers or manufacturing partners.

The successful execution of our Acceleration Program is key to the long-term success of our business.

The Company has implemented a strategic growth plan after undergoing a review of its business under the Acceleration Program. The guiding principle of this multi-year growth agenda is to better meet the needs of each of its brands' unique customers by (i) Sharpening our Focus on the Customer (ii) Leveraging Data and Leading with a Digital-First Mindset and (iii) Transforming into a Leaner and More Responsive Organization. The Company believes the successful execution of these priorities will fuel desire for the Coach, Kate Spade and Stuart Weitzman brands, driving accelerated revenue growth, higher gross margins and substantial operating leverage across Tapestry’s portfolio.

The Acceleration Program reflects: (i) actions to streamline the Company's organization; (ii) select store closures as the Company optimizes its fleet (including store closure costs incurred as the Company exits certain regions in which it currently operates); and (iii) professional fees and compensation costs incurred as a result of the development and execution of the Company's comprehensive strategic initiatives aimed at increasing profitability.

The Company believes that long-term growth and increased profitability can be realized through its strategic growth efforts over time. However, there is no assurance that we will be able to implement such efforts in accordance with our plans, that such efforts will result in the intended or otherwise desirable outcomes or that such efforts, even if successfully implemented, will be effective in achieving long-term growth or increased profitability. Refer to Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 6, "Restructuring Activities," for further information regarding the Acceleration Program. Further, recent or future changes in our executive leadership team may have an adverse effect on our ability to implement or to achieve favorable results under the Acceleration Program and/or result in further changes to our strategy.

If our execution of the initiatives under our Acceleration Program falls short, our business, financial condition and results of operation could be materially adversely affected.

We face risks associated with operating in international markets.

We operate on a global basis, with approximately 42.8% of our net sales coming from operations outside of United States as of the end of fiscal year 2020. While geographic diversity helps to reduce the Company’s exposure to risks in any one country, we are subject to risks associated with international operations, including, but not limited to:

- political or economic instability or changing macroeconomic conditions in our major markets, including the potential impact of (1) new policies that may be implemented by the U.S. or other jurisdictions, particularly with respect to tax and trade policies or (2) impacts from the United Kingdom (“U.K.”) voting to leave the European Union (“E.U.”, commonly known as Brexit and the agreement between the U.K. and the E.U. and countries outside the E.U. with respect to, amongst other things, tariffs;
- public health crises, such as pandemics and epidemic diseases (including the ongoing Covid-19 pandemic);
- changes to the U.S.'s participation in, withdrawal out of, renegotiation of certain international trade agreements or other major trade related issues including the non-renewal of expiring favorable tariffs granted to developing countries, tariff quotas, and retaliatory tariffs, trade sanctions, new or onerous trade restrictions, embargoes and other stringent government controls;
- changes in exchange rates for foreign currencies, which may adversely affect the retail prices of our products, result in decreased international consumer demand, or increase our supply costs in those markets, with a corresponding negative impact on our gross margin rates;

- compliance with laws relating to foreign operations, including the Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act, and other global anti-corruption laws, which in general concern the bribery of foreign public officials, and other regulations and requirements;
- changes in tourist shopping patterns, particularly that of the Chinese consumer and as a result of the Covid-19 pandemic;
- natural and other disasters;
- political and civil unrest, such as the recent protests in Hong Kong SAR, China and in the United States; and
- changes in legal and regulatory requirements, including, but not limited to safeguard measures, anti-dumping duties, cargo restrictions to prevent terrorism, restrictions on the transfer of currency, climate change and other environmental legislation, product safety regulations or other charges or restrictions.

Our business is subject to the risks inherent in global sourcing activities.

As a Company engaged in sourcing on a global scale, we are subject to the risks inherent in such activities, including, but not limited to:

- imposition of additional duties, taxes and other charges or restrictions on imports or exports;
- unavailability of, or significant fluctuations in the cost of, raw materials;
- compliance by us and our independent manufacturers and suppliers with labor laws and other foreign governmental regulations;
- increases in the cost of labor, fuel (including volatility in the price of oil), travel and transportation;
- compliance with our Global Business Integrity Program;
- compliance by our independent manufacturers and suppliers with our Supplier Code of Conduct and other applicable compliance policies;
- compliance with applicable laws and regulations, including U.S. laws regarding the identification and reporting on the use of "conflict minerals" sourced from the Democratic Republic of the Congo in the Company's products, other laws and regulations regarding the sourcing of materials in the Company's products, the FCPA, U.K. Bribery Act and other global anti-corruption laws, as applicable, and other U.S. and international regulations and requirements;
- regulation or prohibition of the transaction of business with specific individuals or entities and their affiliates or goods manufactured in certain regions by any government or regulatory authority in the jurisdictions where we conduct business, such as the listing of a person or entity as a Specially Designated National or Blocked Person by the U.S. Department of the Treasury's Office of Foreign Assets Control and the issuance of Withhold Release Orders by the U.S. Customs and Border Patrol;
- disruptions or delays in shipments whether due to port congestion, other shipping capacity constraints or other factors, which may result in increased inbound freight costs;
- loss or impairment of key manufacturing or distribution sites;
- inability to engage new independent manufacturers that meet the Company's cost-effective sourcing model;
- product quality issues;
- political unrest, including protests and other civil disruption;
- public health crises, such as pandemic and epidemic diseases, and other unforeseen outbreaks;
- natural disasters or other extreme weather events, whether as a result of climate change or otherwise;
- acts of war or terrorism and other external factors over which we have no control.

We are subject to labor laws governing relationships with employees, including minimum wage requirements, overtime, working conditions, and citizenship requirements. Compliance with these laws may lead to increased costs and operational complexity and may increase our exposure to governmental investigations or litigation.

In addition, we require our independent manufacturers and suppliers to operate in compliance with applicable laws and regulations, as well as our Supplier Code of Conduct and other compliance policies under our Global Business Integrity Program; however, we do not control these manufacturers or suppliers or their labor, environmental or other business practices. Copies of our Global Business Integrity Program documents, including our Global Operating Principles, Anti-Corruption Policy and Supplier Code of Conduct are available through our website, www.tapestry.com. The violation of labor, environmental or other laws by an independent manufacturer or supplier, or divergence of an independent manufacturer's or supplier's labor practices from those generally accepted as ethical or appropriate in the U.S., could interrupt or otherwise disrupt the shipment of our products, harm our trademarks or damage our reputation. The occurrence of any of these events could materially adversely affect our business, financial condition and results of operations.

We are dependent on a limited number of distribution and sourcing centers. Our ability to meet the needs of our customers and our retail stores and e-commerce sites depends on the proper operation of these centers. If any of these centers were to shut down or otherwise become inoperable or inaccessible for any reason, including as a result of the ongoing Covid-19 pandemic, we could suffer a substantial loss of inventory and/or disruptions of deliveries to our retail and wholesale customers. While we have business continuity and contingency plans for our sourcing and distribution center sites, significant disruption of manufacturing or distribution for any of the above reasons could interrupt product supply, result in a substantial loss of inventory, increase our costs, disrupt deliveries to our customers and our retail stores, and, if not remedied in a timely manner, could have a material adverse impact on our business. Because our distribution centers include automated and computer controlled equipment, they are susceptible to risks including power interruptions, hardware and system failures, software viruses, and security breaches. We maintain a distribution center in Jacksonville, Florida, operated by Tapestry. To support our growth in mainland China and Europe, we established distribution centers in mainland China and the Netherlands, owned and operated by a third-party, allowing us to better manage the logistics in these regions while reducing costs. We also operate distribution centers, through third-parties, in Japan, parts of Greater China (Hong Kong SAR, Macao SAR and Taiwan), Singapore, Malaysia, the U.S., Spain, Italy, the U.K., Canada, Australia and South Korea. The warehousing of the Company's merchandise, store replenishment and processing direct-to-customer orders is handled by these centers and a prolonged disruption in any center's operation could materially adversely affect our business and operations.

We are subject to risks associated with leasing retail space subject to long-term and non-cancelable leases. We may be unable to renew leases at the end of their terms. If we close a leased retail space, we remain obligated under the applicable lease.

We do not own any of our retail store locations. We lease the majority of our stores under non-cancelable leases, many of which have historically had initial terms ranging from five and ten years, often with renewal options. We believe that the majority of the leases we enter into in the future will likely be non-cancelable. Generally, our leases are "net" leases, which require us to pay our proportionate share of the cost of insurance, taxes, maintenance and utilities. We generally cannot cancel these leases at our option. In certain cases, as we have done in the past, we may determine that it is no longer economical to operate a retail store subject to a lease or we may seek to generally downsize, consolidate, reposition, relocate or close some of our real estate locations. In such cases, we may be required to negotiate a lease exit with the applicable landlord or remain obligated under the applicable lease for, among other things, payment of the base rent for the balance of the lease term. For example, in connection with the impact of the Covid-19 pandemic and our Acceleration Program, we have negotiated with some landlords on certain store exits. In some instances, we may be unable to close an underperforming retail store due to continuous operation clauses in our lease agreements. In addition, as each of our leases expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close retail stores in desirable locations. Our inability to secure desirable retail space or favorable lease terms could impact our ability to grow. Likewise, our obligation to continue making lease payments in respect of leases for closed retail spaces could have a material adverse effect on our business, financial condition and results of operations.

Additionally, due to the volatile economic environment, it may be difficult to determine the fair market value of real estate properties when we are deciding whether to enter into leases or renew expiring leases. This may impact our ability to manage the profitability of our store locations, or cause impairments of our lease right of use assets if market values decline, any of which could have a material adverse effect on our financial condition or results of operations.

A decline in the volume of traffic to our stores could have a negative impact on our net sales.

The success of our retail stores located within malls and shopping centers may be impacted by (1) closures, operating restrictions, store capacity restrictions and changes in consumer shopping behavior as a result of the Covid-19 pandemic; (2) the location of the store within the mall or shopping center; (3) surrounding tenants or vacancies; (4) increased competition in areas where malls or shopping centers are located; (5) the amount spent on advertising and promotion to attract consumers to the mall; and (6) a shift towards online shopping resulting in a decrease in mall traffic. Declines in consumer traffic could have a negative impact on our net sales and could materially adversely affect our financial condition and results of operations. Furthermore, declines in traffic could result in store impairment charges if expected future cash flows of the related asset group do not exceed the carrying value.

The growth of our business depends on the successful execution of our growth strategies, including our global omni-channel expansion efforts.

Our growth depends on the continued success of existing products, as well as the successful design, introduction of new products and maintaining an appropriate rationalization of our assortment. Our ability to create new products and to sustain existing products is affected by whether we can successfully anticipate and respond to consumer preferences and fashion trends. The failure to develop and launch successful new products or to rationalize our assortment appropriately could hinder the growth of our business. Also, any delay in the development or launch of a new product could result in our company not being the first to bring product to market, which could compromise our competitive position.

Our success and growth also depends on the continued development of our omni-channel presence for each of our brands globally, leaning into global digital opportunities for each brand, along with continued bricks and mortar expansion in select international regions, notably mainland China. Our brands may not be well-established or widely sold in some of these markets, and we may have limited experience operating directly or working with our partners there. In addition, some of these markets, either through bricks and mortar stores or digital channels, have different operational characteristics, including but not limited to employment and labor, privacy, transportation, logistics, real estate, environmental regulations and local reporting or legal requirements.

Furthermore, consumer demand and behavior, as well as tastes and purchasing trends may differ in these countries, and as a result, sales of our product may not be successful, or the margins on those sales may not be in line with those we currently anticipate. Further, expanding in certain markets may have upfront investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance and therefore may be dilutive to our brands in the short-term. We may also have to compete for talent in international regions as we expand our omni-channel presence.

Consequently, if our global omni-channel expansion plans are unsuccessful, or we are unable to retain and/or attract key personnel, our business, financial condition and results of operation could be materially adversely affected.

Our success depends, in part, on attracting, developing and retaining qualified employees, including key personnel.

The ability to successfully execute against our goals is heavily dependent on attracting, developing and retaining qualified employees, including our senior management team. Competition in our industry to attract and retain these employees is intense and is influenced by our ability to offer competitive compensation and benefits, employee morale, our reputation, recruitment by other employers, perceived internal opportunities, non-competition and non-solicitation agreements and macro unemployment rates. Our operational efficiency initiatives as well as acquisitions and related integration activity may intensify this risk.

We depend on the guidance of our senior management team and other key employees who have significant experience and expertise in our industry and our operations. In recent years, we have experienced numerous changes to our senior leadership team. There can be no assurance that these individuals will remain with us or that we will be able to identify and attract suitable successors for these individuals. The loss of one or more of our key personnel or the direct or indirect consequences of results thereof, or any negative public perception with respect to these individuals or the loss of these individuals, could have a material adverse effect on our business, results of operations and financial condition. We do not maintain key-person or similar life insurance policies on any of senior management team or other key personnel.

Acquisitions may not be successful in achieving intended benefits, cost savings and synergies and may disrupt current operations.

One component of our growth strategy historically has been acquisitions, such as our acquisition of Stuart Weitzman Holdings, LLC during fiscal 2015 and our acquisition of Kate Spade & Company during the first quarter of fiscal 2018. Although acquisitions are not currently contemplated in the Company's near term strategy, our management team has and, in the future, will consider growth strategies and expected synergies when considering any acquisition; however, there can be no assurance that we will be able to identify suitable candidates or consummate these transactions on acceptable terms.

The integration process of any newly acquired company may be complex, costly and time-consuming. The potential difficulties of integrating the operations of an acquired business and realizing our expectations for an acquisition, including the benefits that may be realized, include, among other things:

- failure of the business to perform as planned following the acquisition or achieve anticipated revenue or profitability targets;
- delays, unexpected costs or difficulties in completing the integration of acquired companies or assets;
- higher than expected costs, lower than expected cost savings or synergies and/or a need to allocate resources to manage unexpected operating difficulties;
- difficulties assimilating the operations and personnel of acquired companies into our operations;
- diversion of the attention and resources of management or other disruptions to current operations;
- the impact on our or an acquired business' internal controls and compliance with the requirements under the Sarbanes-Oxley Act of 2002;

- unanticipated changes in applicable laws and regulations;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- retaining key customers, suppliers and employees;
- retaining and obtaining required regulatory approvals, licenses and permits;
- operating risks inherent in the acquired business and our business;
- consumers' failure to accept product offerings by us or our licensees;
- assumption of liabilities not identified in due diligence; and
- other unanticipated issues, expenses and liabilities.

Our failure to successfully complete the integration of any acquired business and any adverse consequences associated with future acquisition activities, could have an adverse effect on our business, financial condition and operating results.

Completed acquisitions may result in additional goodwill and/or an increase in other intangible assets on our balance sheet. We are required annually, or as facts and circumstances exist, to assess goodwill and other intangible assets to determine if impairment has occurred. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or the fair value of other intangible assets in the period the determination is made. During fiscal 2020, the fair value of the Stuart Weitzman reporting unit and indefinite-lived brand intangible asset did not exceed the respective carrying values, resulting in goodwill impairment charges of $210.7 million and indefinite-lived brand impairment charges of $267.0 million. We cannot accurately predict the amount and timing of any potential future impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be a material adverse effect on our financial condition and results of operations.

Significant competition in our industry could adversely affect our business.

We face intense competition in the product lines and markets in which we operate. Our competitors are European and American luxury brands, as well as private label retailers, including some of the Company's wholesale customers. There is a risk that our competitors may develop new products or product categories that are more popular with our customers. We may be unable to anticipate the timing and scale of such product introductions by competitors, which could harm our business. Our ability to compete also depends on the strength of our brand, whether we can attract and retain key talent, and our ability to protect our trademarks and design patents. A failure to compete effectively could adversely affect our growth and profitability.

Our business may be subject to increased costs due to excess inventories and a decline in profitability as a result of increasing pressure on margins if we misjudge the demand for our products.

Our industry is subject to significant pricing pressure caused by many factors, including intense competition and a highly promotional environment, fragmentation in the retail industry, pressure from retailers to reduce the costs of products, and changes in consumer spending patterns. If we misjudge the market for our products or demand for our products are impacted by an unforeseen factor, such as the Covid-19 pandemic, we may be faced with significant excess inventories for some products and missed opportunities for other products. If that occurs, we may be forced to rely on destruction, donation, markdowns or promotional sales to dispose of excess, slow-moving inventory, which may negatively impact our gross margin, overall profitability and efficacy of our brands.

Increases in our costs, such as raw materials, labor or freight could negatively impact our gross margin. Labor costs at many of our manufacturers have been increasing significantly and, as the middle class in developing countries continues to grow, it is unlikely that such cost pressure will abate. Furthermore, the cost of transportation may fluctuate significantly if oil prices show volatility. We may not be able to offset such increases in raw materials, labor or transportation costs through pricing measures or other means.

The success of our business depends on our ability to retain the value of our brands and to respond to changing fashion and retail trends in a timely manner.

Tapestry, Inc. is a New York-based house of modern luxury lifestyle brands. Our Company and our brands are founded upon a consumer-led view of luxury that stands for inclusivity and approachability. Any misstep in product quality or design, executive leadership, customer service, marketing, unfavorable publicity or excessive product discounting could negatively affect the image of our brands with our customers. Furthermore, the product lines we have historically marketed and those that we plan to market in the future are becoming increasingly subject to rapidly changing fashion trends and consumer preferences, including the increasing shift to digital brand engagement and social media communication. If we do not anticipate and respond promptly to changing customer preferences and fashion trends in the design, production, and styling of our products, as well as create compelling marketing campaigns that appeal to our customers, our sales and results of operations may be negatively impacted. Our success also depends in part on our and our executive leadership team's ability to execute on our plans and strategies. Even if our products, marketing campaigns and retail environments do meet changing customer preferences and/or stay ahead of changing fashion trends, our brand image could become tarnished or undesirable in the minds of our customers or target markets, which could materially adversely impact our business, financial condition, and results of operations.

As we outsource functions, we will become more dependent on the third parties performing these functions.

As part of our long-term strategy, we look for opportunities to cost effectively enhance capability of business services. While we believe we conduct appropriate due diligence before entering into agreements with these third parties, the failure of any of these third parties to provide the expected services, provide them on a timely basis or to provide them at the prices we expect could disrupt or harm our business. Any significant interruption in the operations of these service providers, over which we have no control, could also have an adverse effect on our business. Furthermore, we may be unable to provide these services or implement substitute arrangements on a timely and cost-effective basis on terms favorable to us.

Our wholesale business could suffer as a result of consolidations, liquidations, restructurings and other ownership changes in the wholesale industry.

Our wholesale business comprised approximately 10% of total net sales for fiscal 2020. The retail industry, including wholesale customers, has experienced financial difficulty leading to consolidations, reorganizations, restructuring, bankruptcies and ownership changes. In addition, the Covid-19 pandemic has resulted in reduced operations or the closure, temporarily or permanently, of many of our wholesale partners. This is likely to continue and could further decrease the number of, or concentrate the ownership of, wholesale stores that carry our licensees' products. Furthermore, a decision by the controlling owner of a group of stores or any other significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease or eliminate the amount of merchandise purchased from us or our licensing partners could result in an adverse effect on the sales and profitability within this channel.

Additionally, certain of our wholesale customers, particularly those located in the U.S., have become highly promotional and have aggressively marked down their merchandise, which could negatively impact our brands or could affect our business, results of operations, and financial condition.

Our operating results are subject to seasonal and quarterly fluctuations, which could adversely affect the market price of the Company's common stock.

The Company's results are typically affected by seasonal trends. We have historically realized, and expect to continue to realize, higher sales and operating income in the second quarter of our fiscal year. Poor sales in the Company's second fiscal quarter would have a material adverse effect on its full year operating results and result in higher inventories. In addition, 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, including the impact of the Covid-19 pandemic.

We rely on our licensing partners to preserve the value of our licenses and the failure to maintain such partners could harm our business.

Our brands currently have multi-year agreements with licensing partners for certain products. In the future, we may enter into additional licensing arrangements. The risks associated with our own products also apply to our licensed products as well as unique problems that our licensing partners may experience, including risks associated with each licensing partner's ability to obtain capital, manage its labor relations, maintain relationships with its suppliers, manage its credit and bankruptcy risks, and maintain customer relationships. While we maintain significant control over the products produced for us by our licensing partners, any of the foregoing risks, or the inability of any of our licensing partners to execute on the expected design and quality of the licensed products or otherwise exercise operational and financial control over its business, may result in loss of revenue and competitive harm to our operations in the product categories where we have entered into such licensing arrangements. Further, while we believe that we could replace our existing licensing partners if required, our inability to do so for any period of time could adversely affect our revenues and harm our business.

We also may decide not to renew our agreements with our licensing partners and bring certain categories in-house. We may face unexpected difficulties or costs in connection with any action to bring currently licensed categories in-house.

A delay, disruption in, failure of, or inability to upgrade our information technology systems precisely and efficiently could materially adversely affect our business, financial condition or results of operations and cash flow.

We rely heavily on various information and other business systems to manage our operations, including management of our supply chain, point-of-sale processing in our brands' stores, our online businesses associated with each brand and various other processes. We are continually evaluating and implementing upgrades and changes to our systems.

The Company embarked on a multi-year ERP implementation in fiscal 2017, which was completed in fiscal 2020. Implementing new systems carries substantial risk, including failure to operate as designed, failure to properly integrate with other systems, potential loss of data or information, cost overruns, implementation delays and disruption of operations. Third-party vendors are also relied upon to design, program, maintain and service our ERP systems. Any failures of these vendors to properly deliver their services could similarly have a material effect on our business. In addition, any disruptions or malfunctions affecting our new ERP systems could lead to the inability to deliver the optimal level of merchandise to our brands' stores or customers in a timely manner and/or cause critical information upon which we rely to be delayed, defective, corrupted, inadequate or inaccessible. Furthermore, failure of the computer systems due to inadequate system capacity, computer viruses, human error, changes in programming, security breaches, system upgrades or migration of these services, as well as consumer privacy concerns and new global government regulations, individually or in accumulation, could have a material effect on our business, financial condition or results of operations and cash flow.

The risks associated with climate change and other environmental impacts and increased focus by stakeholders on corporate responsibility issues, including those associated with climate change, could negatively affect our business and operations.

Our business is susceptible to risks associated with climate change, including through disruption to our supply chain, potentially impacting the production and distribution of our products and availability and pricing of raw materials. Increased frequency and intensity of weather events (storms and floods) due to climate change could also lead to more frequent store closures and/or lost sales as customers prioritize basic needs. There is also increased focus from our stakeholders, including consumers, employees and investors, on corporate responsibility matters. Although we have announced our corporate responsibility strategy and 2025 Corporate Responsibility Goals, there can be no assurance that our stakeholders will agree with our strategy or that we will be successful in achieving our goals. Failure to implement our strategy or achieve our goals could damage our reputation, causing our investors or consumers to lose confidence in our Company and brands, and negatively impact our operations. Even if we are able to achieve our 2025 Corporate Responsibility Goals, our business will continue to remain subject to risks associated with climate change.

Risks Related to Global Economic Conditions and Legal and Regulatory Matters

Economic conditions could materially adversely affect our financial condition, results of operations and consumer purchases of luxury items.

Our results can be impacted by a number of macroeconomic factors, including but not limited to consumer confidence and spending levels, tax rates, unemployment, consumer credit availability, raw materials costs, pandemics (such as the ongoing Covid-19 pandemic) and natural disasters, fuel and energy costs (including oil prices), global factory production, commercial real estate market conditions, credit market conditions and the level of customer traffic in malls and shopping centers. The Covid-19 pandemic has severely impacted and will likely continue to impact many of these factors.

Demand for our products, and consumer spending in the premium handbag, footwear and accessories categories generally, is significantly impacted by trends in consumer confidence, general business conditions, interest rates, foreign currency exchange rates, the availability of consumer credit, and taxation. Consumer purchases of discretionary luxury items, such as the Company's products, tend to decline during recessionary periods or periods of sustained high unemployment, when disposable income is lower.

Unfavorable economic conditions, as well as travel restrictions and potential changes in consumer behavior resulting from the Covid-19 pandemic, may also reduce consumers’ willingness and ability to travel to major cities and vacation destinations in which our stores are located.

We face risks associated with potential changes to international trade agreements and the imposition of additional duties on importing our products.

Most of our imported products are subject to duties, indirect taxes, quotas and non-tariff trade barriers that may limit the quantity of products that we may import into the U.S. and other countries or may impact the cost of such products. To maximize opportunities, we rely on free trade agreements and other supply chain initiatives and, as a result, we are subject to government regulations and restrictions with respect to our cross-border activity. In May 2019, the United States increased the tariff rate from 10% to 25% on $200 billion of imports of select product categories into the U.S. from China. On August 1, 2019, the Trump Administration announced that the U.S. plans to implement an additional tariff of 10% on the remaining $300 billion of products imported into the U.S. from China on September 1, 2019. However, in January 2020, the U.S. and China reached a phase one trade deal which reduced tariffs to 7.5% on some of the $300 billion of select imports without imposing any retaliatory tariffs on the rest of the products. While the trade deal remains effective, there is no guarantee that the agreement will be honored by either party, which could in turn adversely affect the profitability for these products and have an adverse effect on our business, financial conditions and results of operations as a result. In addition, in October 2020, the U.S. government announced an investigation into Vietnam’s timber harvesting and currency valuation practices to determine whether such practices hurt U.S. commerce. In January 2021, the Office of the U.S. Trade Representative (USTR) released a report finding evidence of currency undervaluation that did burden or restrict U.S. commerce; however, the USTR determined not to take any specific actions or impose tariffs at that time and the Company continues to monitor any future developments. There continues to be a possibility of increases in tariffs on goods imported into the U.S. from China or Vietnam, or other countries, which could adversely impact our business, financial conditions and results of operations.

Computer system disruption and cyber security threats, including a personal data or security breach, could damage our relationships with our customers, harm our reputation, expose us to litigation and adversely affect our business.

We depend on digital technologies for the successful operation of our business, including corporate email communications to and from employees, customers, stores and vendors, the design, manufacture and distribution of our finished goods, digital marketing efforts, collection and retention of customer data, employee and vendor information, the processing of credit card transactions, online e-commerce activities and our interaction with the public in the social media space. Since the outbreak of the Covid-19 pandemic, the majority of our corporate employees and contractors have worked remotely for some time and many continue to do so, which has increased our dependence on digital technology during this period. The possibility of a cyber-attack on any one or all of these systems is a serious threat. The retail industry, in particular, has been the target of many recent cyber-attacks. As part of our business model, we collect, retain, and transmit confidential information over public networks. In addition to our own databases, we use third party service providers to store, process and transmit this information on our behalf. Although we contractually require these service providers to implement and use reasonable and adequate security measures, we cannot control third parties and cannot guarantee that a personal data or security breach will not occur in the future either at their location or within their systems. We also store all designs, goods specifications, projected sales and distribution plans for our finished products digitally. We have enterprise class and industry comparable security measures in place to protect both our physical facilities and digital systems from attacks. Despite these efforts, however, we may be vulnerable to targeted or random personal data or security breaches, acts of vandalism, computer malware, misplaced or lost data, programming and/or human errors, or other similar events.

Awareness and sensitivity to personal data breaches and cyber security threats by consumers, employees and lawmakers is at an all-time high. Any misappropriation of confidential or personal information gathered, stored or used by us, be it intentional or accidental, could have a material impact on the operation of our business, including severely damaging our reputation and our relationships with our customers, employees and investors. We may also incur significant costs implementing additional security measures to protect against new or enhanced data security or privacy threats, or to comply with current and new state, federal and international laws governing the unauthorized disclosure of confidential and personal information which are continuously being enacted and proposed such as the General Data Protection Regulation (GDPR) in the E.U. and the California Consumer Privacy Act (CCPA) and the California Privacy Rights Act (CPRA) in the U.S.A., as well as increased cyber security and privacy protection costs such as organizational changes, Covid-19 employee and visitor health checks deploying additional personnel and protection technologies, training employees, engaging third party experts and consultants and lost revenues resulting from unauthorized use of proprietary information including our intellectual property. Lastly, we could face sizable fines, significant breach containment and notification costs to supervisory authorities and the affected data subjects, and increased litigation as a result of cyber security or personal data breaches.

In addition, we have e-commerce sites in certain countries throughout the world, including the U.S., Canada, Japan, mainland China, several throughout Europe, Australia and South Korea and have plans for additional e-commerce sites in other parts of the world. Additionally, Tapestry has informational websites in various countries. Given the robust nature of our e-commerce presence and digital strategy, it is imperative that we and our e-commerce partners maintain uninterrupted operation of our: (i) computer hardware, (ii) software systems, (iii) customer marketing databases, and (iv) ability to email our current and potential customers. Despite our preventative efforts, our systems are vulnerable from time-to-time to damage, disruption or interruption from, among other things, physical damage, natural disasters, inadequate system capacity, system issues, security breaches, email blocking lists, computer malware or power outages. Any material disruptions in our e-commerce presence or information technology systems could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in our tax obligations and effective tax rate may result in volatility of our financial results and stock price.

We are subject to income taxes in many jurisdictions. We record tax expense based on our estimates of taxable income and required reserves for uncertain tax positions in multiple tax jurisdictions. At any one time, multiple tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may result in a settlement which differs from our original estimate. As a result, we expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. In addition, our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of earnings. Further, proposed tax changes that may be enacted in the future could impact our current or future tax structure and effective tax rates.

Current or future tax legislation may impact our tax structure and effective tax rates. On December 22, 2017, “H.R.1,” formerly known as the Tax Cuts and Jobs Act (the “Tax Legislation”) was signed into law. The Tax Legislation, which became effective on January 1, 2018, significantly revised the U.S. tax code and required the Company to estimate the impact of the Tax Legislation for fiscal year 2019. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law in response to the Covid-19 pandemic. The CARES Act contains numerous income tax provisions, such as refundable payroll tax credits, deferral of the employer portion of certain payroll taxes, net operating loss carrybacks, modifications to net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. On December 27, 2020, the Coronavirus Disease 2019 ("Covid-19") stimulus package was signed into law, which contained enhancements to certain tax credits enacted under the CARES Act. The Tax Legislation and the CARES Act and the Covid-19 stimulus package require the Company to make significant judgments and estimates in the interpretation of the law and in the calculation of the provision for income taxes. However, additional guidance may be issued by the Internal Revenue Service (“IRS”), the Department of the Treasury, or other governing body that may significantly differ from our interpretation of the law, which may result in a material adverse effect on our business, cash flow, results of operations, or financial conditions. In addition, the new U.S. presidential administration has announced certain tax plans that, if passed as currently communicated, could have an adverse impact on our tax rate and financial results.

Our business is exposed to foreign currency exchange rate fluctuations.

We monitor our global foreign currency exposure. In order to minimize the impact on earnings related to foreign currency rate movements, we hedge our cross currency intercompany inventory transactions, as well as the Company’s cross currency intercompany loan portfolio. We cannot ensure, however, that these hedges will fully offset the impact of foreign currency rate movements. Additionally, our international subsidiaries primarily use local currencies as the functional currency and translate their financial results from the local currency to U.S. dollars. If the U.S. dollar strengthens against these subsidiaries’ foreign currencies, the translation of their foreign currency denominated transactions may decrease consolidated net sales and profitability. Our continued international expansion will increase our exposure to foreign currency fluctuations. The majority of the Company's purchases and sales involving international parties, excluding international consumer sales, are denominated in U.S. dollars.

Failure to adequately protect our intellectual property and curb the sale of counterfeit merchandise could injure our brands and negatively affect sales.

We believe our trademarks, copyrights, patents, and other intellectual property rights are extremely important to our success and our competitive position. We devote significant resources to the registration and protection of our trademarks and to anti-counterfeiting efforts worldwide. In spite of our efforts, counterfeiting still occurs and if we are unsuccessful in challenging a third-party’s rights related to trademark, copyright, or patent this could adversely affect our future sales, financial condition, and results of operations. We are aggressive in pursuing entities involved in the trafficking and sale of counterfeit merchandise through legal action or other appropriate measures. We cannot guarantee that the actions we have taken to curb counterfeiting and protect our intellectual property will be adequate to protect the brand and prevent counterfeiting in the future. Our trademark applications may fail to result in registered trademarks or provide the scope of coverage sought. Furthermore, our efforts to enforce our intellectual property rights are often met with defenses and counterclaims attacking the validity and enforceability of our intellectual property rights. Unplanned increases in legal fees and other costs associated with defending our intellectual property rights could result in higher operating expenses. Finally, many countries’ laws do not protect intellectual property rights to the same degree as U.S. laws.

Risks Related to our Indebtedness

We have incurred a substantial amount of indebtedness, which could restrict our ability to engage in additional transactions or incur additional indebtedness.

As of December 26, 2020, our consolidated indebtedness was approximately $1.8 billion. In addition, we repaid the remaining $200 million outstanding under our revolving credit facility after the end of the second quarter of fiscal year 2021 and have the capacity to borrow $900 million of additional indebtedness under the facility, which may be used to finance our working capital needs, capital expenditures, permitted investments, share purchases, dividends and other general corporate purposes. This substantial level of indebtedness could have important consequences to our business including making it more difficult to satisfy our debt obligations, increasing our vulnerability to general adverse economic and industry conditions, limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and restricting us from pursuing certain business opportunities. In addition, the terms of our credit facility contain affirmative and negative covenants, including a leverage ratio, as well as limitations on our ability to incur debt, grant liens, engage in mergers and dispose of assets. On May 19, 2020, we entered into an amendment to our credit facility, which requires us to maintain available liquidity of $700 million through October 2, 2021, and waives compliance with our leverage ratio covenant through the date our compliance certificate is delivered for the fiscal quarter ending July 3, 2021 (the “Covenant Relief Period”). The amendment also provides that, if any two of Tapestry’s three credit ratings are non-investment grade during the Covenant Relief Period, Tapestry’s material domestic subsidiaries will guarantee the credit facility and be subject to liens on accounts receivable, inventory and intellectual property, in each case subject to customary exceptions. In addition to our standard covenants, the amendment also contains limitations on our ability to engage in share buybacks or issue cash dividends during the Covenant Relief Period, amongst other restrictions. An increased interest rate will also be applicable during the Covenant Relief Period when the Company's gross leverage ratio exceeds 4.0 to 1.0. In addition, it is possible that the interest rate payable on our 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 downgrades (or downgrades and subsequently upgrades) the credit rating assigned to the respective Senior Notes of such series. Refer to Note 12, "Debt", for additional information on the terms of our revolving credit facility and outstanding Senior Notes.

The consequences and limitations under our credit agreement and the amendment thereto and our other outstanding indebtedness could impede our ability to engage in future business opportunities or strategic acquisitions. In addition, a prolonged disruption in our business may impact our ability to satisfy the available liquidity requirement under the amendment to our credit facility and, beyond the term of the Covenant Relief Period, the leverage ratio covenant. Non-compliance with these terms would constitute an event of default under our credit facility, which may result in acceleration of payment to the lenders. In the event of an acceleration of payment to the lenders, this would result in a cross default of the Company's Senior Notes, causing the Company's outstanding borrowings to also become due and payable on demand.

Our ability to make payments on and to refinance our debt obligations and to fund planned capital expenditures depends on our ability to generate cash from our operations. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, including the financial impact of the Covid-19 pandemic on our business. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures. In addition, our ability to access the credit and capital markets in the future as a source of funding, and the borrowing costs associated with such financing, is dependent upon market conditions and our credit rating and outlook.

As a result of having operations outside of the U.S., we are also exposed to market risk from fluctuations in foreign currency exchange rates. Substantial changes in foreign currency exchange rates could cause our sales and profitability to be negatively impacted.

Risks Related to Ownership of our Common Stock

Our stock price may periodically fluctuate based on the accuracy of our earnings guidance or other forward-looking statements regarding our financial performance, including our ability to return value to investors.

Our business and long-range planning process is designed to maximize our long-term strength, growth, and profitability, and not to achieve an earnings target in any particular fiscal quarter. We believe that this longer-term focus is in the best interests of the Company and our stockholders. At the same time, however, we recognize that, when possible, it is helpful to provide investors with guidance as to our forecast of net sales, operating income, net interest expense, earnings per diluted share and other financial metrics or projections. We did not provide guidance in our earnings reports for the second half of fiscal year 2020 due to uncertainty surrounding the financial impact of Covid-19 on our business. Due to the dynamic nature of the pandemic and continued lack of visibility, we have also not given detailed guidance on all metrics for fiscal year 2021, but have provided some information on our outlook for the fiscal year. We do not have any responsibility to provide guidance going forward or to update any of our forward-looking statements at such times or otherwise. In addition, any longer-term guidance that we provide is based on goals that we believe, at the time guidance is given, are reasonably attainable for growth and performance over a number of years. However, such long-range targets are more difficult to predict than our current quarter and fiscal year expectations. If, or when, we announce actual results that differ from those that have been predicted by us, outside investment analysts, or others, our stock price could be adversely affected. Investors who rely on these predictions when making investment decisions with respect to our securities do so at their own risk. We take no responsibility for any losses suffered as a result of such changes in our stock price.

We periodically return value to investors through payment of quarterly dividends and common stock repurchases. On March 26, 2020, we announced we were suspending our quarterly dividend payment, effective beginning the fourth quarter of fiscal 2020, and stock repurchase program due to the impact of Covid-19 pandemic. Investors may have an expectation that we will resume our dividend at a certain time and at certain levels and / or repurchase shares available under our common stock repurchase program. The market price of our securities could be adversely affected if our cash dividend rate or common stock repurchase activity differs from investors' expectations. Refer to "*We have decided to suspend our quarterly dividend and stock repurchase program; there can be no assurance if, when and at what level our Board of Directors will authorize dividend payments or stock repurchases in the future*" for additional discussion of our quarterly dividend.

We have decided to suspend our quarterly dividend and stock repurchase program; there can be no assurance if, when and at what level our Board of Directors will authorize dividend payments or stock repurchases in the future.

On March 26, 2020, the Company announced that, due to the impact of the Covid-19 pandemic, Tapestry’s quarterly dividend, beginning in the fourth quarter of fiscal year 2020, along with the stock repurchase program would be suspended. While our Board of Directors intends to authorize dividends over the long-term and will re-evaluate when appropriate, there can be no assurance if, when and at what level our Board of Directors may resume making dividend payments. The Company is restricted from declaring cash dividends or repurchasing shares under the negative covenants associated with Amendment No. 1 to the Revolving Credit Facility during the Covenant Relief Period. The dividend program and the stock repurchase program each require the use of a portion of our cash flow. Our ability to begin to pay dividends and conduct stock repurchases in the future will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Our Board of Directors may, at its discretion, decrease or entirely discontinue these programs at any time. Any failure to pay dividends or conduct stock repurchases, or conduct either program at expected levels, after we have announced our intention to do so may negatively impact our reputation, investor confidence in us and negatively impact our stock price.

Provisions in the Company's charter, bylaws and Maryland law may delay or prevent an acquisition of the Company by a third party.

The Company's charter, bylaws and Maryland law contain provisions that could make it more difficult for a third party to acquire the Company without the consent of our Board. The Company's charter permits a majority of its entire Board, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Company has the authority to issue. In addition, the Company's Board may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. Although the Company's Board has no intention to do so at the present time, it could establish a class or series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for the Company's common stock or otherwise be in the best interest of the Company's stockholders.

The Company's bylaws can be amended by our Board or by the approval of a majority of the votes entitled to be cast by our stockholders. The Company's bylaws provide that nominations of persons for election to the Company's Board and the proposal of business to be considered at an annual meeting of stockholders may be made only in the notice of the meeting, by the Company's Board or by a stockholder who is a stockholder of record as of the record date set by the Company's Board for purposes of determining stockholders entitled to vote at the meeting, at the time of giving of notice by the stockholder pursuant to the Company's bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and has complied with the advance notice procedures of the Company's bylaws. Also, under Maryland law, business combinations, including mergers, consolidations, share exchanges, or, in circumstances specified in the statute, asset transfers or issuances or reclassifications of equity securities, between the Company and any interested stockholder, generally defined as any person who beneficially owns, directly or indirectly, 10% or more of the Company's common stock, or any affiliate of an interested stockholder are prohibited for a five-year period, beginning on the most recent date such person became an interested stockholder. After this period, a combination of this type must be approved by two super-majority stockholder votes, unless common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by our Board prior to the time that the interested stockholder becomes an interested stockholder.

Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain actions, including derivative actions, which could limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company and its directors, officers, other employees, or the Company's stockholders and may discourage lawsuits with respect to such claims.

Unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company, (b) any action asserting a claim of breach of any duty owed by any director or officer or other employee of the Company to the Company or to the stockholders of the Company, (c) any action asserting a claim against the Company or any director or officer or other employee of the Company arising pursuant to any provision of the Maryland General Corporation Law, the charter or the bylaws of the Company, or (d) any action asserting a claim against the Company or any director or officer or other employee of the Company that is governed by the internal affairs doctrine, shall, to the fullest extent permitted by law, be the Circuit Court for Baltimore City, Maryland (or, if that Court does not have jurisdiction, the United States District court for the District of Maryland, Baltimore Division). This exclusive forum provision is intended to apply to claims arising under Maryland state law and would not apply to claims brought pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, or any other claim for which the federal courts have exclusive jurisdiction.

Although we believe the exclusive forum provision benefits us by providing increased consistency in the application of Maryland law for the specified types of actions and proceedings, this provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company and its directors, officers, or other employees and may discourage lawsuits with respect to such claims.

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 fiscal 2021. As of December 26, 2020, the Company had $600 million availability remaining in the stock repurchase program. The Company may terminate or limit the share repurchase program at any time. The Company is restricted from engaging in share buybacks during the Covenant Relief Period under Amendment No.1 to its Credit Facility.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

10.1†	Letter Agreement, dated October 24, 2020 between the Registrant and Joanne Crevoiserat, incorporated by reference from Exhibit 10.5 to the Tapestry's Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2020.
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

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* 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/ Manesh B. Dadlani
Name:	Manesh B. Dadlani
Title:	Corporate Controller (Principal Accounting Officer)

Dated: February 4, 2021

EXHIBIT 31.1

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 4, 2021

By: /s/ Joanne C. Crevoiserat

Name: Joanne C. Crevoiserat

Title: Chief Executive Officer

I, Andrea Shaw Resnick, 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 4, 2021

By: /s/ Andrea Shaw Resnick

Name: Andrea Shaw Resnick
Title: Interim 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 26, 2020 (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 4, 2021

By: /s/ Joanne C. Crevoiserat
Name: Joanne C. Crevoiserat
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 ended December 26, 2020 (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 4, 2021

By: /s/ Andrea Shaw Resnick
Name: Andrea Shaw Resnick
Title: Interim Chief Financial Officer