tapestry

SPEAKERS' NOTES FOR CONFERENCE CALL
Moderator: Christina Colone
February 5, 2026
8:00 a.m. ET

Operator:

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

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

Christina Colone:

Good morning. Thank you for joining us.

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

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

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

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

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

Joanne Crevoiserat:

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

Our second quarter outperformance demonstrates the <u>compounding impact</u> of our Amplify strategies:

- During the key holiday period, we delivered **pro forma revenue growth of 18%**, expanded adjusted **operating margin by 390 basis points** and grew **EPS by 34%** versus prior year – each exceeding our expectations.
- **<u>These standout results, combined with the momentum in our business, enabled us to confidently increase our outlook for the year – reinforcing that our advantages are structural and sustainable, and underscoring our commitment to driving durable growth and value creation.</u>**

I want to recognize our **exceptional global teams**—their passion, creativity, and disciplined execution made these results possible.

[PAUSE]

Now turning to the strategic actions from the quarter — actions that are delivering results today, while advancing our long-term growth ambition:

- **First, we built emotional connections with consumers, acquiring over 3.7 million new customers globally in the quarter, driven by a strategic focus on Gen Z**. This continues to be central to our healthy topline growth, as engaging consumers earlier in their purchase journey enhances repeat purchasing and lifetime value over time. We also drove growth with our existing customer base – demonstrating broad-based strength. **These dynamics reinforce a durable competitive advantage**: our ability to consistently attract and retain new generations of consumers to our brands.
- Next, we delivered **fashion innovation and product excellence led by Coach, where desire and demand for the brand are strong.** <u>**And we're winning in our core**</u> with our leathergoods offering leading our growth driven by higher AUR and unit volume. The combination of **craftsmanship, creativity, and value** we offer to consumers <u>at scale</u> continues to be a clear competitive and structural advantage of our business and brands.
- And, we **powered global growth through compelling experiences**, delivering double-digit gains in North America, Greater China, and Europe – significantly outpacing the industry and growing market share in each of these regions. **Our direct-to-consumer model** keeps us close to our customers, allowing a deeper understanding of their needs and enabling more relevant brand-building, which together with the agility of our teams, sharpens execution and fuels growth. This was evident again this quarter as we achieved double-digit growth in-stores and online, at strong and increasing profitability.

[PAUSE]

<u>Overall, we delivered **record quarterly results**, with a business that is strong, differentiated, and well-positioned for the future.</u>

[PAUSE]

Now moving to our results by brand.

Turning to Coach, the brand delivered another exceptional quarter, with revenue increasing 25% and margins expanding. Growth accelerated from the first quarter on a one and a two-year basis, with several key indicators reinforcing the strength of the brand and the durability of its growth:

- **Customer acquisition** once again drove topline gains, welcoming 2.9 million new customers to the brand this quarter, rising meaningfully over the prior year, led by continued growth with our target Gen Z consumer. Our relevance with Gen Z is influencing all other generations, and we're driving healthy gains from existing customers, **reflecting broad and increasing brand desire and reach**.
- **Growth was led by our core leathergoods assortment,** where we have deep expertise and clear differentiation, with broad-based strength and no single family accounting for more than 10% of sales.
- **Within leathergoods, growth was well diversified,** with both average unit retail and unit volumes increasing at mid-teens rates — **demonstrating multiple drivers of sustainable growth in the core.**
- **And, momentum remained strong across key geographies,** including North America up 27%, Greater China rising 37%, and Europe increasing 26%, highlighting the global resonance of the brand and the effectiveness of our regional strategies.

With a large total addressable market of nearly 2 billion consumers, including 275 million at the Point of Market Entry — we have under 1% share and meaningful opportunity ahead. Coach continues to benefit from its Expressive Luxury positioning, combining 85 years of heritage, craftsmanship, creativity, and value to build enduring customer relationships and support sustained growth.

Now, to discuss our second quarter results in more detail:

Our creative teams are delivering compelling innovation to consumers – through a blend of magic and logic that are the hallmarks of our brand:

- Our **icons** continued to lead, consistent with our strategy. In particular**, the Tabby franchise, the New York family, including the Brooklyn and Empire, and Teri, Juliet, and Laurel** outperformed, driven by accelerated Gen Z customer recruitment. By animating our proven, hero silhouettes – through new colorways, materials such as crystals, and sizes – we built on our leadership in our core category and delighted our consumers during the key holiday season.

[PAUSE]

Importantly, Coach's accelerated growth in leathergoods highlights the enduring <u>values</u> of the brand, and the <u>value</u> we offer in the luxury market.

- Looking forward, we have a strong product pipeline that we believe supports gains in both AUR and units – reinforcing the diversified drivers in place to support healthy and sustained growth – while never compromising the value proposition we offer to consumers – a key structural advantage.

[PAUSE]

- Next, **turning to footwear**, we delivered high-single-digit growth in the quarter, fueled by sneakers, with the continued success of the **Soho** family. Building on our footwear assortment that is designed with the Timeless Gen Z consumer in mind, we also successfully launched the **Margot** family, featuring sandals and slingbacks. Footwear remains a long-term growth opportunity for Coach, given our brand strength, low share of the market, and the category's relevance to our target consumer**.**

[PAUSE]

<u>Touching on marketing: the compounding benefits of our strategic brand investments were evident during the quarter, with a clear focus on long-term demand creation.</u>

- **We increased marketing spend by approximately 40% versus the prior year, with a continued shift toward top-of-funnel brand-building to support sustained customer acquisition**. This sustained investment in fueling brand desire supported accelerating customer acquisition during the quarter, even as we meaningfully reduced promotional messaging during the most discount-driven period of the year, demonstrating both our commitment to the strategy and its effectiveness.
- Importantly, we continued to prioritize building emotional connections with Gen Z consumers globally through '**The Gift for New Adventures'** campaign, a new holiday campaign positioning the brand as the ultimate destination for gifts that spark confidence and self-expression in the year ahead. The campaign featured a diverse, global cast including Oscar-nominated actor Elle Fanning, actors Charles Melton and Kōki, and K-pop rapper Soyeon, building cultural relevance and reach across key markets.
- In addition, to support growth acceleration in China, we launched a **collaboration with CLOT**, **a leading Chinese streetwear and lifestyle brand**. The partnership bridges heritage and street sensibility, fusing Coach's expressive spirit with CLOT's disruptive approach to daily wear, reinterpreting iconic Coach silhouettes through a China-specific streetwear lens.

Collectively, these actions reflect a disciplined, long-term approach to brand building at scale — deepening cultural relevance, accelerating consumer acquisition at point of market entry, and reinforcing a growing brand moat around consumer understanding and sustainable demand creation.

[PAUSE]

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

- We continue to bring Expressive Luxury to life through unique store formats, including our new newly remodeled stores in Ginza, Yorkdale, Macau, and the Mall of Dubai. These locations reinforce brand desirability while providing valuable insights that will inform our future store investments and expansion. Our Coach Coffee concepts at Jersey Gardens and Woodbury Commons also continue to perform ahead of expectations, resonating especially well with younger consumers.

[PAUSE]

In closing, Coach continues to deliver standout results, guided by a clear brand vision and a deep focus on the consumer. Our teams are operating with purpose and discipline, translating insights into meaningful action and impact. <u>Importantly, this performance reinforces our conviction that Coach will be a $10 billion brand over time – with best-in-class margins – and an unwavering commitment to what makes the brand iconic, valued, and loved by consumers around the world.</u>

[PAUSE]

Now, moving to Kate Spade…

Our results for the quarter matched expectations – from strategy to financial outcomes. In the second quarter, revenue declined 14%, reflecting, in part, deliberate actions to reset the brand through a pullback in promotional activity. At the same time, we made incremental investments to advance the turnaround underway, remaining focused on strengthening the brand's foundation for long-term growth.

Once again, **where we placed our focus and investments, we drove progress** – as tracked against the leading KPIs we've previously outlined. We saw a lift in brand consideration with our holiday marketing campaign and delivered an improvement in Gen Z acquisition trends, driven by handbags. While still early in the turnaround, the improvement in these KPIs are signs that we are executing our strategies, and they're beginning to take hold.

To touch on our results of the quarter in more detail…

<u>Our first strategic priority is to fuel brand heat through our 'Uplifting Luxury' positioning</u> to become top of mind and relevant with the Gen Z Connector, our target customer.

- In the quarter, we stood behind our **'Spark Something Beautiful'** campaign featuring influential Gen Z celebrities. We updated the campaign with a holiday twist to make it festive, while reinforcing a cohesive message over time. This campaign drove an improvement in purchase intent among Gen Z consumers – reinforcing our investment in brand-building.

[PAUSE]

Next, we advanced our strategy to <u>build handbag blockbusters</u> – with a consumer-informed assortment that is more relevant and focused.

- **During the quarter, we made important progress: <u>our handbag blockbusters – the Duo, Kayla, Margot and 454 – outperformed the balance of the offering – with higher AUR and strong Gen Z acquisition</u>. This is another example of how our strategic focus is translating into early positive signs in the business.**
- And as we've discussed, we've also brought more focus to the assortment **– reducing handbag styles by 40% this holiday** – allowing us to stand behind our big ideas with clarity and intention, while supporting **a reduction in promotional activity, an increase in full price selling, and handbag AUR growth**. These actions are consistent with our commitment to building a healthier brand.

[PAUSE]

<u>Finally, touching on our third strategic pillar: to maximize compelling omni-channel consumer experiences.</u> A critical part of this work involves <u>removing de-selection barriers</u> – with cohesive messaging that elevates the brand and builds desire.

- As part of this work, we tested updates to the visual experience and merchandising in 10 locations. These stores experienced a lift in conversion and ADT and outperformed the balance of the chain. We plan to bring this format to additional locations in North America by fiscal year-end.

[PAUSE]

Overall, we are strengthening the fundamentals at Kate Spade to drive sustainable, profitable growth. This is a unique brand, with heritage, distinctive positioning, and meaningful long-term opportunities. With disciplined execution, the benefit of continued learnings from Coach's success and Tapestry's brand-building capabilities, we are acting with focus to realize the brand's full and significant potential.

[PAUSE]

In closing, Tapestry achieved another record quarter and we raised our outlook for the year, showcasing the power of our Amplify growth agenda and that our structural advantages are enduring.

<u>As we move forward, we do so with momentum and confidence</u>: we have the strategy, capabilities, and team in place to drive growth and value creation for years to come.

[PAUSE]

I'll now turn it over to Scott.

Scott Roe:

Thanks, Joanne, and good morning, everyone.

In Q2 we outperformed expectations across revenue, operating income and earnings, delivering record sales and EPS. In the quarter on an adjusted basis:

- We achieved pro forma revenue growth of 18% led by 25% growth at Coach.
- We expanded operating margin by 390 basis points.
- And we delivered earnings per share of $2.69, an increase of 34% versus last year.

[PAUSE]

Turning to the details of the second quarter.

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

Sales increased 18% compared to the prior year and outperformed our expectations.

- These results reflect strong global momentum. By region:
  - **North America** sales increased 17% compared to the prior year, ahead of plan, and led by 27% growth at Coach, driving share gains. Importantly, we did this while expanding both gross and operating margin in the region.
  - **In Europe,** revenue grew 22% above last year, driven by strength in our direct business and reflecting market share gains in the region. Strong new customer acquisition – particularly among Gen Z – and increased local consumer spending, continued to fuel our momentum. Given our market positioning and low penetration, we see significant opportunities for further growth in this large and attractive market.
  - In **Greater China**, revenue outperformed our expectations, increasing 34% driven by broad-based growth across channels and continued market share gains. Digital was a notable contributor, with Coach ranking as a top performing brand over the double 11 period. Our results reflect the impact of our steadfast strategies and investments, and we are well positioned to drive sustained momentum in this key region.
  - **In Other Asia,** revenue increased 12% led by growth primarily in Australia

and South Korea.

- **And in Japan**, sales declined 6%, as expected, driven by an intentional pullback in promotions.

Now, touching on revenue by channel for the quarter.

- **We delivered gains across channels, fueled by Direct-to-Consumer growth of 17% compared to the prior year.** This included an increase in Digital of approximately 20% and a mid-teens percentage increase in global brick and mortar sales – with all channels at strong and increasing profitability.

[PAUSE]

Moving down the P&L, we continued to drive healthy margin expansion versus the prior year, delivering a second quarter **gross margin** of 75.5% - 110 basis points above prior year.

- This was driven by operational expansion of approximately 250 basis points as well as a benefit from the divestiture of Stuart Weitzman of 50 basis points.
- These benefits fully offset a negative tariff and duty impact of 190 basis points, which included approximately a 140 basis points impact on Coach's gross margin and a 520 basis points impact on Kate Spade's gross margin.

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

Turning to SG&A… expenses rose by 8% and leveraged by 270 basis points, reflecting our focused approach to reinvest in the business, notably in marketing – which represented 11% of sales – while maintaining strong operational discipline.

So, taken together, **operating margin** expanded 390 basis points in the quarter, driving profit expansion of **31% over the prior year,** which was ahead of expectations.

And, our second quarter **EPS of $2.69 grew 34% over prior year,** also exceeding our **guidance**.

[PAUSE]

Now, turning to **shareholder returns**…

- Starting with our **dividend**, our Board of Directors declared a quarterly cash dividend of $0.40 per common share, representing $81 million in dividend payments for the quarter.
- Additionally, during the second quarter we spent $400 million to **repurchase** approximately 3.6 million shares – for a total of $900 million or approximately 8.3 million shares repurchased at an average stock price of $109 year-to-date

<u>**In FY26, we now expect to return $1.5 billion or 100% of our expected adjusted free cash flow to shareholders through dividends and share repurchases.**</u>

- **This includes over $300 million in dividend payments, for an annual rate of $1.60 per share, as well as $1.2 billion in share repurchases, which is an increase from our prior outlook of $1.0 billion.**
- <u>**Our significant return of capital to shareholders is a testament to our strong organic business and robust cash flow generation – and underscores our confidence in the future.**</u>

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

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

- **First,** to **invest in our brands and business** to support long-term, sustainable growth.

- And to return capital to shareholders via our **dividend,** with the goal over time to increase the dividend at least in line with earnings growth.

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

- This includes the opportunity for **share repurchase activity, under our previously announced $3 billion share repurchase authorization**.
- And finally, utilizing our rigorous, four-lens framework, we consistently evaluate opportunities for **strategic portfolio management**. **<u>Importantly, and as previously communicated, before moving forward with any acquisitions, we will ensure Coach remains strong and Kate Spade has returned to sustainable topline growth</u>**.
- These clear capital allocation priorities are underpinned by our **firm commitment to a solid investment grade rating** and maintaining our long-term gross leverage target of below 2.5x.

[PAUSE]

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

- We ended the quarter with nearly $1.1 billion in **cash and investments** and **total borrowings** of $2.4 billion. Together, this represented **net debt** of $1.3 billion. At quarter-end, our gross debt to adjusted EBITDA leverage ratio was 1.2x – more than a full turn below our long-term target.
- **Adjusted Free cash flow for quarter** was an inflow of $1.0 billion, and **CapEx and Cloud Computing costs** were $54 million.
- **Inventory** levels at quarter-end were 4% below prior year on a reported basis, and up mid-single-digits excluding the impact of Stuart Weitzman. As we enter the second half of the fiscal year, our inventory continues to be current and well-positioned globally, and by brand. For FY26, we continue to expect inventory

levels to be down modestly year-over-year on a reported basis.

[PAUSE]

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

With the critical holiday period behind us, we are raising our full-year guidance, incorporating our Q2 outperformance and a stronger second half outlook.

Now turning to the details.

For the fiscal year:

- We expect **revenue** of over $7.75 billion, representing pro forma growth of approximately 15% on a nominal basis or 14% in constant currency with FX planned to be a 70-basis point tailwind.
    - Touching on sales details by region at constant currency on a pro forma basis…
        - In **North America**, we now expect revenue to increase low-double digits.
        - In **Europe** we expect growth in the area of 20%.
        - In **Greater China**, we now expect to achieve over 25% growth versus prior year.
        - In **Japan**, we're forecasting a high-single digit decline.
        - And, in **Other Asia**, we now anticipate low-double-digit gains.

    - **And by brand, this guidance incorporates high-teens percentage growth at Coach. At Kate Spade, we continue to embed a high-single digit decline in revenue for the year with sequential improvement planned for the second half.**

- In addition, our outlook assumes **operating margin** expansion of approximately 180 basis points.

    - We now anticipate **gross margin to <u>increase</u> in the area of 20 basis points – a meaningful improvement from our prior outlook and completely mitigating the impact of tariffs.**
        - **This assumes operational gross margin expansion of roughly 180 basis points due primarily to improvements in AUR. Further, we expect to realize a 60-basis point structural tailwind to gross margin from the disposition of Stuart Weitzman.**
        - **These planned margin-drivers are now expected to fully offset a nearly 200 basis point headwind from incremental tariff and duties, as well as an FX headwind of 20 basis points.**
    - **On SG&A, we expect leverage of roughly 160 basis points – favorable to our prior outlook**. This reflects our diligent expense control, partially offset by ongoing growth-focused investments. To this end, we expect marketing as a percentage of sales to increase around 130 basis points versus last year approaching 12% of revenue. We will also realize a 20-basis point benefit to expenses from the sale of Stuart Weitzman.

- **For some texture on operating profit by brand:**
    - We anticipate Coach will expand its operating margin, even with tariff pressure and continued brand investments.
    - At Kate Spade, we continue to expect a modest profit loss given the outsized tariff impacts and brand investments as previously mentioned.

- Moving to below-the-line expectations for the year…
    - **Net interest expense** is expected to be approximately $65 million.
    - The **tax rate** is expected to be approximately 17%.
    - And, our **weighted average diluted share count** for the year is forecasted to be approximately 211 million shares **which includes the expectation for $1.2 billion in share repurchases.**

- Taken together, we now expect **EPS** to be **$6.40 to $6.45**, representing growth over

25% compared to last year and well ahead of our prior outlook of $5.45 to $5.60.

Moving on…

- We anticipate **adjusted free cash flow** in the area of $1.5 billion.

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

[PAUSE]

Touching on the shaping of the back half of the year… for context, we raised our second half outlook based on the momentum in the business:

- **We expect total pro forma revenue to increase at a low-double-digit rate in the back half – which represents over 20% growth on a two-year stack basis<u>, in-line with the first half</u>.**
  - This embeds mid-teens growth versus prior year at Coach in the second half – or over 30% growth on a two-year stack basis, consistent with the first half. At Kate Spade, we're continuing to incorporate a mid-to high single-digit decline in the second half compared to prior year.

- **For Q3 specifically:**
  - **Our sales trends to date remain strong and support the higher outlook we've given today**. And from a modeling standpoint, we've incorporated a **total sales increase in the area of 14% on a pro forma constant currency basis**. FX is planned to be more than a 150 basis point benefit to nominal sales. By brand, Coach is planned up high-teens on a constant currency basis versus prior year, while Kate Spade is expected to decline high-single-digits.

- **Turing to operating margin for the quarter, we expect expansion in the area of 70 basis points,** with over 150 basis points of SG&A leverage offsetting a decline in gross margin due entirely to tariff-related headwinds.
- **Q3 EPS is forecasted to be approximately $1.25, an increase of over 20%,** including a tax rate of roughly 14%.

[PAUSE]

In closing…

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

- **From this position of strength, we raised our outlook for the year – a clear reflection of our proven strategies and our disciplined and consistent execution.**

- **Moving forward, our business is strong, and we have competitive and structural advantages to fuel durable growth and sustainable value creation for years to come.**

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

[Q&A SESSION]

[CLOSING REMARKS]