

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 January 1, 2022
- 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
(State or other jurisdiction of incorporation or organization)

52-2242751
(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:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on which Registered</u>
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 28, 2022, the Registrant had 263,989,719 outstanding shares of common stock, which is the Registrant's only class of common stock.

TAPESTRY, INC.
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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, our press releases and oral statements made from time to time by us or on our behalf, may contain certain "forward-looking statements" within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as "may," "can," "continue," "project," "should," "expect," "confidence," "trends," "anticipate," "intend," "estimate," "on track," "well positioned to," "plan," "potential," "position," "believe," "seek," "see," "will," "would," "target," similar expressions, and variations or negatives of these words. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Such statements involve risks, uncertainties and assumptions. If such risks or uncertainties materialize or such assumptions prove incorrect, the results of Tapestry, Inc. and its consolidated subsidiaries could differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Tapestry, Inc. assumes no obligation to revise or update any such forward-looking statements for any reason, except as required by law.

Tapestry, Inc.'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 factors, including, but not limited to: (i) the impact of the novel coronavirus ("Covid-19") global pandemic on our business and financial results, including impacts on our supply chain due to temporary closures of our manufacturing partners and shipping and fulfillment constraints; (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 and changes in economic or political conditions in the markets where we sell or source our products; (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, including our ability to execute on our e-commerce and digital strategies; (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; and (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" and elsewhere in this report and in the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2021. These factors are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements.

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

	January 1, 2022	July 3, 2021
	(millions) (unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,257.4	\$ 2,007.7
Short-term investments	390.3	8.1
Trade accounts receivable, less allowances for credit losses of \$3.7 and \$4.2, respectively	292.7	200.2
Inventories	750.0	734.8
Income tax receivable	181.5	254.6
Prepaid expenses	104.2	93.8
Other current assets	82.4	76.1
Total current assets	3,058.5	3,375.3
Property and equipment, net	647.7	678.1
Operating lease right-of-use assets	1,403.6	1,496.6
Goodwill	1,285.2	1,297.3
Intangible assets	1,370.1	1,373.4
Other assets	164.3	161.7
Total assets	\$ 7,929.4	\$ 8,382.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 468.2	\$ 445.2
Accrued liabilities	643.0	609.2
Current portion of operating lease liabilities	308.0	319.4
Accrued income taxes	24.5	52.0
Current debt	400.0	—
Total current liabilities	1,843.7	1,425.8
Long-term debt	1,189.1	1,590.7
Long-term operating lease liabilities	1,414.8	1,525.9
Deferred income taxes	206.8	203.9
Other liabilities	347.6	376.8
Total liabilities	5,002.0	5,123.1
See Note 15 on commitments and contingencies		
Stockholders' Equity:		
Preferred stock: (authorized 25.0 million shares; \$0.01 par value per share) none issued	—	—
Common stock: (authorized 1.0 billion shares; \$0.01 par value per share) issued and outstanding - 264.0 million and 279.5 million shares, respectively	2.6	2.8
Additional paid-in-capital	3,521.5	3,487.0
Retained earnings (accumulated deficit)	(501.0)	(158.5)
Accumulated other comprehensive income (loss)	(95.7)	(72.0)
Total stockholders' equity	2,927.4	3,259.3
Total liabilities and stockholders' equity	\$ 7,929.4	\$ 8,382.4

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
	(millions, except per share data) (unaudited)		(millions, except per share data) (unaudited)	
Net sales	\$ 2,141.2	\$ 1,685.4	\$ 3,622.1	\$ 2,857.6
Cost of sales	683.8	511.7	1,096.0	853.7
Gross profit	1,457.4	1,173.7	2,526.1	2,003.9
Selling, general and administrative expenses	994.6	784.3	1,768.3	1,412.3
Operating income (loss)	462.8	389.4	757.8	591.6
Loss on extinguishment of debt	53.7	—	53.7	—
Interest expense, net	15.9	18.7	32.0	38.1
Other expense (income)	3.1	(3.6)	5.3	(6.2)
Income (loss) before provision for income taxes	390.1	374.3	666.8	559.7
Provision (benefit) for income taxes	72.2	63.3	122.0	17.0
Net income (loss)	\$ 317.9	\$ 311.0	\$ 544.8	\$ 542.7
Net income (loss) per share:				
Basic	\$ 1.17	\$ 1.12	\$ 1.98	\$ 1.96
Diluted	\$ 1.15	\$ 1.11	\$ 1.94	\$ 1.94
Shares used in computing net income (loss) per share:				
Basic	271.1	277.5	274.5	277.1
Diluted	277.2	281.0	281.0	279.4

See accompanying Notes.

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

	Three Months Ended		Six Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
	(millions) (unaudited)		(millions) (unaudited)	
Net income (loss)	\$ 317.9	\$ 311.0	\$ 544.8	\$ 542.7
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on cash flow hedging derivatives, net	(0.2)	(1.8)	(0.6)	(5.3)
Unrealized gains (losses) on available-for-sale investments, net	(0.1)	—	(0.3)	—
Foreign currency translation adjustments	(13.3)	27.9	(22.8)	47.1
Other comprehensive income (loss), net of tax	(13.6)	26.1	(23.7)	41.8
Comprehensive income (loss)	\$ 304.3	\$ 337.1	\$ 521.1	\$ 584.5

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	January 1, 2022	December 26, 2020
	(millions) (unaudited)	
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income (loss)	\$ 544.8	\$ 542.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	99.6	102.4
Provision for bad debt	13.5	(1.7)
Loss on extinguishment of debt	53.7	—
Share-based compensation	33.5	28.9
Acceleration Program charges	6.0	(0.9)
Changes to lease related balances, net	(26.3)	(86.1)
Deferred income taxes	5.2	(41.2)
Gain on sale of building	—	(13.2)
Gain on deferred purchase price	—	(12.5)
Other non-cash charges, net	17.7	8.3
Changes in operating assets and liabilities:		
Trade accounts receivable	(88.9)	(143.2)
Inventories	(17.4)	144.3
Accounts payable	(0.7)	253.8
Accrued liabilities	3.4	54.4
Other liabilities	(26.4)	(12.9)
Other assets	50.4	(76.8)
Net cash provided by operating activities	668.1	746.3
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sale of building	—	23.9
Purchases of investments	(502.3)	(0.2)
Proceeds from maturities and sales of investments	118.3	0.2
Purchases of property and equipment	(71.7)	(49.7)
Net cash used in investing activities	(455.7)	(25.8)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend payments	(137.5)	—
Repurchase of common stock	(750.0)	—
Proceeds from issuance of debt, net of discount	498.5	—
Payment of debt issuance costs	(4.5)	—
Payment of debt extinguishment costs	(50.7)	—
Proceeds from share-based awards	23.6	6.2
Repayment of debt	(500.0)	(11.5)
Repayment of revolving credit facility	—	(500.0)
Payment of deferred purchase price	—	(4.8)
Taxes paid to net settle share-based awards	(31.0)	(8.4)
Payments of finance lease liabilities	(0.5)	(0.4)
Net cash used in financing activities	(952.1)	(518.9)
Effect of exchange rate changes on cash and cash equivalents	(10.6)	14.7
Net (decrease) increase in cash and cash equivalents	(750.3)	216.3
Cash and cash equivalents at beginning of period	2,007.7	1,426.3
Cash and cash equivalents at end of period	\$ 1,257.4	\$ 1,642.6
Supplemental information:		
Cash paid for income taxes, net	\$ 78.6	\$ 191.8
Cash paid for interest	\$ 36.6	\$ 37.2
Noncash investing activity - property and equipment obligations	\$ 11.2	\$ 19.7

See accompanying Notes.

**Notes to Condensed Consolidated Financial Statements
(Unaudited)****1. NATURE OF OPERATIONS**

Tapestry, Inc. (the "Company") is a leading New York-based house of modern luxury accessories and lifestyle brands. Our global house of brands unites the magic of Coach, kate spade new york and Stuart Weitzman. Each of our brands are unique and independent, while sharing a commitment to innovation and authenticity defined by distinctive products and differentiated customer experiences across channels and geographies. We use our collective strengths to move our customers and empower our communities, to make the fashion industry more sustainable, and to build a company that's equitable, inclusive, and diverse. Individually, our brands are iconic. Together, we can stretch what's possible.

The Coach segment includes global sales of Coach products to customers through Coach operated stores, including e-commerce sites 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 e-commerce sites, 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 e-commerce sites, 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 condensed 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 July 3, 2021 ("fiscal 2021") and other filings filed with the SEC.

The results of operations, cash flows and comprehensive income for the six months ended January 1, 2022 are not necessarily indicative of results to be expected for the entire fiscal year, which will end on July 2, 2022 ("fiscal 2022").

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30. Fiscal 2022 will be a 52-week period. Fiscal 2021, ended on July 3, 2021, was a 53-week period. The second quarter of fiscal 2022 ended on January 1, 2022 and the second quarter of fiscal 2021 ended on December 26, 2020, both of which were 13-week periods.

Covid-19 Pandemic

The outbreak of a novel strain of coronavirus ("Covid-19") continues to impact a significant majority of the regions in which we operate, resulting in significant global business disruptions. The widespread impact of Covid-19 resulted in temporary closures of directly operated stores globally, as well as at our wholesale and licensing partners starting in fiscal 2020. Since then, certain directly operated stores and the stores of our wholesale and licensing partners have experienced temporary re-closures or are operating under tighter restrictions in compliance with local government regulation. Covid-19 has also resulted in ongoing supply chain challenges, such as logistic constraints, the temporary closure of certain third-party manufacturers and increased freight costs.

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 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, the Covid-19 pandemic has and may 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

Notes to Condensed Consolidated Financial Statements (continued)

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. 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 response to the Covid-19 pandemic, the Company took actions to reinforce its liquidity and financial flexibility. 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 be negatively impacted.

Use of Estimates

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

Significant estimates inherent in the preparation of the condensed consolidated financial statements include reserves for the realizability of inventory; customer returns, end-of-season markdowns and operational chargebacks; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes 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.

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.

Share Repurchases

The Company accounts for stock repurchases by allocating the repurchase price to common stock and retained earnings. 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. As a result, all repurchased shares are authorized but unissued shares. The Company may terminate or limit the stock repurchase program at any time.

3. RECENT ACCOUNTING PRONOUNCEMENTS***Recently Adopted Accounting Pronouncements***

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". The ASU simplifies the accounting for income taxes by, among other things, eliminating certain existing exceptions related to the general approach in Topic 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for the step-up in the tax basis of goodwill. The Company adopted ASU 2019-12 as of the beginning of fiscal 2022. The adoption of ASU 2019-12 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.

Notes to Condensed Consolidated Financial Statements (continued)

4. REVENUE

The Company recognizes revenue primarily from sales of the products of its brands through retail and wholesale channels, including e-commerce sites. 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. Digital 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 digital 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.

Certain of the Company's retail operations use sales incentive programs, such as customer loyalty programs and the issuance of coupons. Loyalty programs provide the customer a material right to acquire additional products and give rise to the Company having a separate performance obligation. Additionally, certain products sold by the Company include an assurance warranty that is not considered a separate performance obligation. These programs are immaterial individually and in the aggregate.

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 January 1, 2022.

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

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

Notes to Condensed Consolidated Financial Statements (continued)

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 January 1, 2022					
Coach	\$ 1,011.2	\$ 258.7	\$ 201.6	\$ 53.5	\$ 1,525.0
Kate Spade	415.7	11.6	42.4	30.7	500.4
Stuart Weitzman	67.2	38.2	—	10.4	115.8
Total	\$ 1,494.1	\$ 308.5	\$ 244.0	\$ 94.6	\$ 2,141.2
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
Six Months Ended January 1, 2022					
Coach	\$ 1,692.9	\$ 500.7	\$ 338.5	\$ 107.8	\$ 2,639.9
Kate Spade	647.9	23.3	69.2	59.5	799.9
Stuart Weitzman	102.9	60.9	0.3	18.2	182.3
Total	\$ 2,443.7	\$ 584.9	\$ 408.0	\$ 185.5	\$ 3,622.1
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

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

⁽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 January 1, 2022 and July 3, 2021 was \$38.7 million and \$32.4 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 January 1, 2022, net sales of \$8.1 million were recognized from amounts recorded as deferred revenue as of July 3, 2021. 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.

Notes to Condensed Consolidated Financial Statements (continued)

5. 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 \$215 million - \$220 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 \$13.3 million and \$25.4 million during the three and six months ended January 1, 2022, respectively, all of which was recorded within SG&A expenses. Of the \$13.3 million and \$25.4 million recorded within SG&A expenses, \$7.2 million and \$16.1 million was recorded within Corporate, \$1.1 million and \$2.5 million was recorded within the Coach segment, \$2.1 million and \$3.5 million was recorded within the Kate Spade segment and \$2.9 million and \$3.3 million was recorded within the Stuart Weitzman segment.

For the three and six months ended December 26, 2020, the Company incurred charges of \$21.7 million and \$48.3 million, 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	16.6	5.9	67.1	89.6
Cash payments	(38.2)	(11.9)	(36.6)	(86.7)
Non-cash charges	—	5.8	(10.9)	(5.1)
Liability balance as of July 3, 2021	\$ 3.3	\$ 0.3	\$ 22.5	\$ 26.1
Fiscal 2022 charges	\$ —	\$ 3.3	\$ 22.1	\$ 25.4
Cash payments	(1.2)	(2.0)	(11.8)	(15.0)
Non-cash charges	—	2.4	(8.4)	(6.0)
Liability balance as of January 1, 2022	\$ 2.1	\$ 4.0	\$ 24.4	\$ 30.5

⁽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 and share-based compensation.

The Company expects to incur approximately \$15 million in additional charges under the Acceleration Program in fiscal 2022.

Notes to Condensed Consolidated Financial Statements (continued)

6. 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 July 3, 2021	\$ 656.3	\$ 641.0	\$ —	\$ 1,297.3
Foreign exchange impact	(10.1)	(2.0)	—	(12.1)
Balance at January 1, 2022	\$ 646.2	\$ 639.0	\$ —	\$ 1,285.2

⁽¹⁾ Amount is net of accumulated goodwill impairment charges of \$210.7 million as of January 1, 2022 and July 3, 2021.

Intangible Assets

Intangible assets consist of the following:

	January 1, 2022			July 3, 2021		
	Gross Carrying Amount	Accum. Amort.	Net	Gross Carrying Amount	Accum. Amort.	Net
	(millions)					
Intangible assets subject to amortization:						
Customer relationships	\$ 100.5	\$ (40.2)	\$ 60.3	\$ 100.5	\$ (36.9)	\$ 63.6
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	\$ (40.2)	\$ 1,370.1	\$ 1,410.3	\$ (36.9)	\$ 1,373.4

As of January 1, 2022, the expected amortization expense for intangible assets is as follows:

	Amortization Expense
	(millions)
Remainder of fiscal 2022	\$ 3.2
Fiscal 2023	6.5
Fiscal 2024	6.5
Fiscal 2025	6.5
Fiscal 2026	6.5
Fiscal 2027	6.5
Thereafter	24.6
Total	\$ 60.3

The expected amortization expense above reflects remaining useful lives ranging from approximately 8.3 to 10.5 years for customer relationships.

Notes to Condensed Consolidated Financial Statements (continued)

7. 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 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

	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 July 3, 2021	279.5	\$ 2.8	\$ 3,487.0	\$ (158.5)	\$ (72.0)	\$ 3,259.3
Net income (loss)	—	—	—	226.9	—	226.9
Other comprehensive income (loss)	—	—	—	—	(10.1)	(10.1)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	1.6	—	(26.4)	—	—	(26.4)
Share-based compensation	—	—	19.9	—	—	19.9
Repurchase of common stock	(6.1)	—	—	(250.0)	—	(250.0)
Dividends declared (\$0.25 per share)	—	—	—	(69.6)	—	(69.6)
Balance at October 2, 2021	275.0	\$ 2.8	\$ 3,480.5	\$ (251.2)	\$ (82.1)	\$ 3,150.0
Net income (loss)	—	—	—	317.9	—	317.9
Other comprehensive income (loss)	—	—	—	—	(13.6)	(13.6)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	0.7	—	19.0	—	—	19.0
Share-based compensation	—	—	22.0	—	—	22.0
Repurchase and retirement of common stock	(11.7)	(0.2)	—	(499.8)	—	(500.0)
Dividends declared (\$0.25 per share)	—	—	—	(67.9)	—	(67.9)
Balance at January 1, 2022	264.0	\$ 2.6	\$ 3,521.5	\$ (501.0)	\$ (95.7)	\$ 2,927.4

Notes to Condensed Consolidated Financial Statements (continued)

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	Total
	(millions)			
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	<u>\$ (4.2)</u>	<u>\$ —</u>	<u>\$ (46.2)</u>	<u>\$ (50.4)</u>
Balances at July 3, 2021	\$ (0.7)	\$ —	\$ (71.3)	\$ (72.0)
Other comprehensive income (loss) before reclassifications	(1.6)	(0.3)	(22.8)	(24.7)
Less: amounts reclassified from accumulated other comprehensive income to earnings	(1.0)	—	—	(1.0)
Net current-period other comprehensive income (loss)	(0.6)	(0.3)	(22.8)	(23.7)
Balances at January 1, 2022	<u>\$ (1.3)</u>	<u>\$ (0.3)</u>	<u>\$ (94.1)</u>	<u>\$ (95.7)</u>

⁽¹⁾ The ending balances of AOCI related to cash flow hedges are net of tax of \$0.6 million and less than \$0.1 million as of January 1, 2022 and December 26, 2020, respectively. The amounts reclassified from AOCI are net of tax of \$0.3 million and less than \$0.1 million as of January 1, 2022 and December 26, 2020, respectively.

8. LEASES

The Company leases retail space, office space, warehouse facilities, fulfillment 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 determining the lease term used in the lease right-of-use ("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. The Company is required to use the implicit rate to determine the present value of lease payments. As the rate implicit in the Company's leases is not readily determinable, the Company uses its incremental borrowing rate based on the information available at the lease commencement date, including the Company's credit rating, credit spread and adjustments for the impact of collateral, lease tenors, economic environment and currency.

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,

Notes to Condensed Consolidated Financial Statements (continued)

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 January 1, 2022 and July 3, 2021:

	January 1, 2022	July 3, 2021	Location Recorded on Balance Sheet
	(millions)		
Assets:			
Operating leases	\$ 1,403.6	\$ 1,496.6	Operating lease right-of-use assets
Finance leases	2.2	2.6	Property and equipment, net
Total lease assets	<u>\$ 1,405.8</u>	<u>\$ 1,499.2</u>	
Liabilities:			
Operating leases:			
Current lease liabilities	\$ 308.0	\$ 319.4	Current lease liabilities
Long-term lease liabilities	1,414.8	1,525.9	Long-term lease liabilities
Total operating lease liabilities	<u>\$ 1,722.8</u>	<u>\$ 1,845.3</u>	
Finance leases:			
Current lease liabilities	\$ 1.0	\$ 1.0	Accrued liabilities
Long-term lease liabilities	3.0	3.4	Other liabilities
Total finance lease liabilities	<u>\$ 4.0</u>	<u>\$ 4.4</u>	
Total lease liabilities	<u>\$ 1,726.8</u>	<u>\$ 1,849.7</u>	

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 January 1, 2022 and December 26, 2020:

	Three Months Ended		Six Months Ended	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
	(millions)			
Finance lease cost:				
Amortization of right-of-use assets	\$ 0.3	\$ 0.2	\$ 0.5	\$ 0.4
Interest on lease liabilities ⁽¹⁾	0.1	0.2	0.2	0.3
Total finance lease cost	0.4	0.4	0.7	0.7
Operating lease cost	85.8	89.1	170.7	175.9
Short-term lease cost	5.1	7.0	9.6	13.1
Variable lease cost ⁽²⁾	55.2	16.4	98.8	57.3
Operating lease right-of-use impairment	—	2.1	—	2.1
Less: sublease income	(5.2)	(5.0)	(10.1)	(9.2)
Total net lease cost	<u>\$ 141.3</u>	<u>\$ 110.0</u>	<u>\$ 269.7</u>	<u>\$ 239.9</u>

Notes to Condensed Consolidated Financial Statements (continued)

- (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 January 1, 2022 and December 26, 2020:

	Six Months Ended	
	January 1, 2022	December 26, 2020
	(millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 214.3	\$ 269.0
Operating cash flows from finance leases	0.2	0.3
Financing cash flows from finance leases	0.5	0.4
Non-cash transactions:		
Right-of-use assets obtained in exchange for operating lease liabilities	65.4	39.8

Additionally, the Company had approximately \$157.2 million of future payment obligations related to executed lease agreements for which the related lease had not yet commenced as of January 1, 2022. This obligation primarily relates to a lease agreement for a fulfillment center to be located in Las Vegas, Nevada.

9. 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	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
	(millions, except per share data)			
Net income (loss)	\$ 317.9	\$ 311.0	\$ 544.8	\$ 542.7
Weighted-average basic shares	271.1	277.5	274.5	277.1
Dilutive securities:				
Effect of dilutive securities	6.1	3.5	6.5	2.3
Weighted-average diluted shares	277.2	281.0	281.0	279.4
Net income (loss) per share:				
Basic	\$ 1.17	\$ 1.12	\$ 1.98	\$ 1.96
Diluted	\$ 1.15	\$ 1.11	\$ 1.94	\$ 1.94

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 (loss) 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

Notes to Condensed Consolidated Financial Statements (continued)

extent that the underlying performance conditions and any applicable market condition modifiers (i) are satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive under the treasury stock method. As of January 1, 2022 and December 26, 2020, there were 5.2 million and 11.5 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.

10. 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	
	January 1, 2022	December 26, 2020	January 1, 2022	December 26, 2020
	(millions)			
Share-based compensation expense ⁽¹⁾	\$ 22.0	\$ 17.4	\$ 41.9	\$ 32.0
Income tax benefit related to share-based compensation expense	4.2	3.2	8.0	5.8

⁽¹⁾ During the three and six months ended January 1, 2022, the company incurred \$3.4 million and \$8.4 million of share-based compensation expense related to its Acceleration Program. 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.

Stock Options

A summary of stock option activity during the six months ended January 1, 2022 is as follows:

	Number of Options Outstanding (millions)
Outstanding at July 3, 2021	13.3
Granted	0.7
Exercised	(0.8)
Forfeited or expired	(0.8)
Outstanding at January 1, 2022	12.4

The weighted-average grant-date fair value of options granted during the six months ended January 1, 2022 and December 26, 2020 was \$13.94 and \$7.03, 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:

	January 1, 2022	December 26, 2020
Expected term (years)	5.0	5.1
Expected volatility	46.9 %	48.8 %
Risk-free interest rate	0.8 %	0.3 %
Dividend yield	2.4 %	— %

Notes to Condensed Consolidated Financial Statements (continued)

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

A summary of service-based RSU activity during the six months ended January 1, 2022 is as follows:

	Number of Non-vested RSUs (millions)
Non-vested at July 3, 2021	7.3
Granted	1.8
Vested	(2.2)
Forfeited	(0.3)
Non-vested at January 1, 2022	6.6

The weighted-average grant-date fair value of share awards granted during the six months ended January 1, 2022 and December 26, 2020 was \$42.15 and \$15.92, respectively.

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

A summary of PRU activity during the six months ended January 1, 2022 is as follows:

	Number of Non-vested PRUs (millions)
Non-vested at July 3, 2021	1.0
Granted	0.3
Change due to performance condition achievement	(0.1)
Vested	—
Forfeited	—
Non-vested at January 1, 2022	1.2

The PRU 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 PRU awards granted during the six months ended January 1, 2022 and December 26, 2020 was \$42.23 and \$16.62, respectively.

Notes to Condensed Consolidated Financial Statements (continued)

11. DEBT

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

	January 1, 2022	July 3, 2021
	(millions)	
Current debt:		
3.000% Senior Notes due 2022	\$ 400.0	\$ —
Total current debt	\$ 400.0	\$ —
Long-term debt:		
3.050% Senior Notes due 2032	\$ 500.0	\$ —
4.125% Senior Notes due 2027	396.6	600.0
3.000% Senior Notes due 2022	—	400.0
4.250% Senior Notes due 2025	303.4	600.0
Total long-term debt	1,200.0	1,600.0
Less: Unamortized discount and debt issuance costs on Senior Notes	(10.9)	(9.3)
Total long-term debt, net	\$ 1,189.1	\$ 1,590.7

During the three and six months ended January 1, 2022, the Company recognized interest expense related to its debt of \$16.3 million and \$33.1 million, respectively. 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.

3.050% Senior Notes due 2032

On December 1, 2021, the Company issued \$500.0 million aggregate principal amount of 3.050% senior unsecured notes due March 15, 2032 at 99.705% of par (the "2032 Senior Notes"). Interest is payable semi-annually on March 15 and September 15 beginning March 15, 2022. Prior to December 15, 2031 (the date that is three months prior to the scheduled maturity date), the Company may redeem the 2032 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 2032 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 2032 Senior Notes calculated as if the maturity date of the 2032 Senior Notes was December 15, 2031 (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.

Cash Tender Offer

The proceeds from the 2032 Senior Notes were utilized to complete a cash tender offer of \$203.4 million and \$296.6 million of the outstanding aggregate principal amount of the Company's 2027 Senior Notes (defined below under "4.125% Senior Notes due 2027") and 2025 Senior Notes (defined below under "4.250% Senior Notes due 2025"), respectively. As a result of these cash tender offers completed prior to their scheduled maturities, the transactions were subject to a premium of \$22.4 million and \$26.8 million for the 2027 Senior Notes and 2025 Senior Notes, respectively. Additionally, the Company recognized \$4.5 million of debt issuance costs, tender fees, and unamortized original discount in connection with the transaction. These premiums and costs, which totaled \$53.7 million, were recorded as a pre-tax debt extinguishment charge during the second quarter of fiscal 2022. Refer to the "GAAP to Non-GAAP Reconciliation," in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

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

Notes to Condensed Consolidated Financial Statements (continued)

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. On December 1, 2021, the Company completed a cash tender offer for \$203.4 million of the outstanding aggregate principal amount of its 2027 Senior Notes.

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.

4.250% 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. On December 1, 2021, the Company completed a cash tender offer for \$296.6 million of the outstanding aggregate principal amount of its 2025 Senior Notes.

At January 1, 2022, the fair value of the 2032, 2027, 2022, and 2025 Senior Notes was approximately \$502.3 million, \$428.0 million, \$404.0 million, and \$322.4 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 July 3, 2021, the fair value of the 2027, 2022, and 2025 Senior Notes was approximately \$659.3 million, \$407.4 million, and \$651.9 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 ("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

Notes to Condensed Consolidated Financial Statements (continued)

less excess cash above \$300 million 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 "Effective Date"), 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 maintained 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). This requirement, among others that the Company was subject to during the period from the Effective Date until the compliance certificate was delivered for the fiscal quarter ending July 3, 2021 (the "Covenant Relief Period"), has been fulfilled. Going forward, the Company must comply on a quarterly basis with a maximum net leverage ratio of 4.0 to 1.0. The \$900 million aggregate commitment amount under the Revolving Credit Facility remained unchanged under the amendment. There were no outstanding borrowings on the Revolving Credit Facility as of January 1, 2022.

12. 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 January 1, 2022 and July 3, 2021:

	Level 1		Level 2	
	January 1, 2022	July 3, 2021	January 1, 2022	July 3, 2021
	(millions)			
Assets:				
Cash equivalents ⁽¹⁾	\$ 104.3	\$ 662.0	\$ 0.4	\$ 0.4
Short-term investments:				
Time deposits ⁽²⁾	—	—	0.7	0.7
Commercial paper ⁽²⁾	—	—	113.6	—
Government securities - U.S. ⁽²⁾	97.5	—	9.0	—
Corporate debt securities - U.S. ⁽²⁾	—	—	160.0	—
Other	—	—	9.5	7.4
Long-term investments:				
Other	—	—	0.1	0.1
Derivative assets:				
Intercompany loan and payable hedges ⁽³⁾	—	—	0.1	0.3
Liabilities:				
Derivative liabilities:				
Inventory-related instruments ⁽³⁾	—	—	1.5	1.2
Intercompany loan and payable hedges ⁽³⁾	—	—	0.7	—

⁽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.

Notes to Condensed Consolidated Financial Statements (continued)

- (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 11, "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, right-of-use 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 January 1, 2022 and December 26, 2020.

13. INVESTMENTS

The following table summarizes the Company's U.S. dollar-denominated investments, recorded within the Company's Condensed Consolidated Balance Sheets as of January 1, 2022 and July 3, 2021:

	January 1, 2022			July 3, 2021		
	Short-term	Long-term	Total	Short-term	Long-term	Total
	(millions)					
Available-for-sale investments:						
Commercial paper ⁽¹⁾	\$ 113.6	\$ —	\$ 113.6	\$ —	\$ —	\$ —
Government securities - U.S. ⁽²⁾	106.5	—	106.5	—	—	—
Corporate debt securities - U.S. ⁽²⁾	160.0	—	160.0	—	—	—
Available-for-sale investments, total	\$ 380.1	\$ —	\$ 380.1	\$ —	\$ —	\$ —
Other:						
Time deposits ⁽¹⁾	\$ 0.7	\$ —	\$ 0.7	\$ 0.7	\$ —	\$ 0.7
Other	9.5	0.1	9.6	7.4	0.1	7.5
Total Investments	\$ 390.3	\$ 0.1	\$ 390.4	\$ 8.1	\$ 0.1	\$ 8.2

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

⁽²⁾ These securities as of January 1, 2022 have maturity dates during the 2022 calendar year and are recorded at fair value.

There were no material gross unrealized gains or losses on available-for-sale investments as of the periods ended January 1, 2022 and July 3, 2021.

14. INCOME TAXES

The Company's effective tax rate for the three months ended January 1, 2022 was 18.5%, as compared to 16.9% for the three months ended December 26, 2020. The increase in effective tax rate is primarily due to geographic mix of earnings. The Company's effective tax rate for the six months ended January 1, 2022 was 18.3%, as compared to 3.0% for the six months ended December 26, 2020. This increase 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.

Notes to Condensed Consolidated Financial Statements (continued)

15. COMMITMENTS AND CONTINGENCIES***Letters of Credit***

The Company had standby letters of credit, surety bonds and bank guarantees totaling \$39.0 million and \$40.5 million outstanding at January 1, 2022 and July 3, 2021, respectively. The agreements, which expire at various dates through calendar 2027, 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 January 1, 2022 related to debt repayments. Refer to Note 11, "Debt," for further information. Additionally, the Company had future payment obligations related to executed lease agreements for which the related lease had not yet commenced. Refer to Note 8, "Leases," 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, contractual disputes, insurance claims and litigation with present or former employees.

As part of Tapestry'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 described above is routine and incidental to the conduct of Tapestry's business, such litigation can result in large monetary awards, such as when a civil jury is allowed to determine compensatory and/or punitive damages.

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

16. SEGMENT INFORMATION

The Company has three reportable segments:

- *Coach* - Includes global sales of Coach products to customers through Coach operated stores, including e-commerce sites 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 e-commerce sites, 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 through Stuart Weitzman operated stores, including e-commerce sites, 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.

Notes to Condensed Consolidated Financial Statements (continued)

The following table summarizes segment performance for the three and six months ended January 1, 2022 and December 26, 2020:

	Coach	Kate Spade	Stuart Weitzman	Corporate ⁽¹⁾	Total
	(millions)				
Three Months Ended January 1, 2022					
Net sales	\$ 1,525.0	\$ 500.4	\$ 115.8	\$ —	\$ 2,141.2
Gross profit	1,078.2	308.0	71.2	—	1,457.4
Operating income (loss)	473.3	83.7	13.3	(107.5)	462.8
Income (loss) before provision for income taxes	473.3	83.7	13.3	(180.2)	390.1
Depreciation and amortization expense ⁽²⁾	19.4	10.2	2.1	17.1	48.8
Additions to long-lived assets ⁽³⁾	17.7	5.7	0.9	14.0	38.3
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
Six Months Ended January 1, 2022					
Net sales	\$ 2,639.9	\$ 799.9	\$ 182.3	\$ —	\$ 3,622.1
Gross profit	1,909.2	507.2	109.7	—	2,526.1
Operating income (loss)	839.0	120.9	11.8	(213.9)	757.8
Income (loss) before provision for income taxes	839.0	120.9	11.8	(304.9)	666.8
Depreciation and amortization expense ⁽²⁾	40.1	21.0	4.3	34.2	99.6
Additions to long-lived assets ⁽³⁾	30.5	6.7	1.1	33.4	71.7
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

⁽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. 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.

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, Inc. (the "Company") is a leading New York-based house of modern luxury accessories and lifestyle brands. Our global house of brands unites the magic of Coach, kate spade new york and Stuart Weitzman. Each of our brands are unique and independent, while sharing a commitment to innovation and authenticity defined by distinctive products and differentiated customer experiences across channels and geographies. We use our collective strengths to move our customers and empower our communities, to make the fashion industry more sustainable, and to build a company that's equitable, inclusive, and diverse. Individually, our brands are iconic. Together, we can stretch what's possible.

The Company has three reportable segments:

- *Coach* - Includes global sales of Coach products to customers through Coach operated stores, including e-commerce sites 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 e-commerce sites, 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 through Stuart Weitzman operated stores, including e-commerce sites, 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 quarter of fiscal 2022, the Company continued to make meaningful progress against its 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 nearly 3 million new customers across channels in North America**, representing a low double-digit increase versus prior year, with growth in both stores and online;
- **Drove higher retention rates, increased repeat transactions and reactivated lapsed customers across brands;**
- **Realized low-single-digit revenue gains with Chinese consumers globally** compared to pre-pandemic levels;
- **Increased global average unit retail ("AUR") across Coach, Kate Spade and Stuart Weitzman**, reflecting strong brand momentum, increasing traction of core products and structural changes to lessen promotional activity and improve assortment productivity;

- **Leveraged the Company's diverse and agile supply chain network to expedite inventory** to satisfy growing demand despite industry-wide disruption;
- **Advanced Digital capabilities** through significant investments in the channel, including in talent, to improve the customer experience and drive conversion; and
- **Remain on track to realize gross run-rate savings of \$300 million in fiscal year 2022.**

Recent Developments

Covid-19 Pandemic

The disruptions related to Covid-19 have materially adversely impacted our operations, cash flow, and liquidity. The virus has impacted all regions around the world, resulting in restrictions and shutdowns implemented by national, state, and local authorities. These requirements have resulted in closures of our directly operated stores and locations of our wholesale partners 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 curbside 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, such as the zero Covid-19 policy in Greater China, 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. The Company has noted that certain geographies have experienced infections due to new variants of Covid-19, resulting in a decline in store traffic in these regions. The Company currently expects that this trend will not have a material adverse impact on its overall financial outlook for Fiscal 2022. However, if infection rates or government restrictions result in further declines in store traffic, the Company's outlook may be negatively impacted from that which is currently expected.

Furthermore, Covid-19 has and may continue to cause disruptions in the Company's supply chain within our third-party manufacturers and logistics providers. The Company manufactures a significant amount of its products from Southeast Asia. During the first quarter of fiscal 2022, certain of the Company's third-party manufacturers, primarily located in Vietnam, experienced ongoing and longer-than-expected government mandated restrictions, which resulted in a significant decrease in production capacity for these third-party manufacturers. In response, the Company took deliberate actions such as shifting production to other countries, adjusting its merchandising strategies, where possible, and increasing the use of air freight to expedite delivery. Based on these actions, and the improved production levels since the first quarter, the Company expects that it will be able to meet anticipated levels of demand.

The Company has been experiencing other global logistics challenges, such as delays as a result of port congestion, vessel availability, container shortages for imported products and rising freight costs. These challenges are expected to persist throughout fiscal 2022. The Company is working to mitigate delays, which includes the strategic use of air freight, with greater frequency than in the past. Due to these logistical challenges, during the three and six months ended January 1, 2022, the Company recognized within Cost of sales \$69.3 million and \$79.7 million, respectively, of incremental freight costs compared to the three and six months ended December 26, 2020, in order to maintain product flow to meet consumer demand.

There is still uncertainty associated with 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 and adjust our operating plan as needed. Refer to Part II, Item 1A. "Risk Factors" herein and as disclosed in our Annual Report on Form 10-K for the year ended July 3, 2021.

The Company continues to take strategic actions in response to the current environment. The Company remains committed to driving SG&A savings, including actions taken under the Acceleration Program. 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.

Acceleration Program

The Company has implemented a strategic growth plan after undergoing a review of its business under the Acceleration Program, resulting in certain costs to date 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 and fiscal 2021, the Company expects to incur total pre-tax charges of approximately \$215 million - \$220 million related to the Acceleration Program. The Acceleration Program is expected to be substantially complete by the end of fiscal 2022. The Company achieved approximately \$200 million of gross run rate expense savings in fiscal 2021 and remains on track to realize gross run-rate savings of \$300 million. Refer to Note 5, "Restructuring Activities," and the "GAAP to Non-GAAP Reconciliation," herein, for further information.

Current Trends and Outlook

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

The outbreak of a novel strain of Covid-19 continues to impact a significant majority of the regions in which we operate, resulting in significant global business disruptions. The widespread impact of Covid-19 resulted in temporary closures of directly operated stores globally, as well as at our wholesale and licensing partners starting in fiscal 2020. Since then, certain directly operated stores and the stores of our wholesale and licensing partners have experienced temporary re-closures or are operating under tighter restrictions in compliance with local government regulation. Covid-19 has also resulted in ongoing supply chain challenges, such as logistic constraints, the closure of certain third-party manufacturers and increased freight costs. Refer to "Recent Developments," herein, for further information.

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 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.

Several organizations that monitor the world's economy, including the International Monetary Fund, continue to forecast growth in the global economy however, some of these organizations have revised the forecast downward since the first quarter of fiscal 2022 to reflect the impact of recent Covid-19 variants and surrounding unpredictability. For example, the zero Covid-19 policy in Greater China may result in private consumption being lower than anticipated. Additionally, persistent inflationary pressures may be exacerbated if supply chain disruptions continue to impact businesses, among other factors, such as increasing real-estate and rental rates as well as higher prices on imported goods.

Certain markets around the world have been faced with labor shortages, which have not impacted the Company's operations to date. If these trends continue or worsen, it could potentially affect the Company's ability to attract and retain employees for its retail and fulfillment locations in the future.

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. Since fiscal 2019, the U.S. and China have both imposed tariffs on the importation of certain product categories into the respective country, with limited progress in negotiations to reduce or remove the tariffs. However, while the U.S. has participated in multi-national negotiations on trade agreements and duty rates, there continues to be a possibility of increases in tariffs on goods imported into the U.S. from other countries.

Furthermore, certain tax legislation contemplated by the Biden Administration, and by the Organization for Economic Co-operation and Development, would have an adverse impact on our tax rate and financial results if passed as currently communicated.

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

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part II, Item 1A. "Risk Factors" herein and as disclosed in our Annual Report on Form 10-K for the year ended July 3, 2021.

SECOND QUARTER FISCAL 2022 COMPARED TO SECOND QUARTER FISCAL 2021

The following table summarizes results of operations for the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Three Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	(millions, except per share data)					
	Amount	% of net sales	Amount	% of net sales	Amount	%
Net sales	\$ 2,141.2	100.0 %	\$ 1,685.4	100.0 %	\$ 455.8	27.0 %
Gross profit	1,457.4	68.1	1,173.7	69.6	283.7	24.2
SG&A expenses	994.6	46.5	784.3	46.5	210.3	26.8
Operating income (loss)	462.8	21.6	389.4	23.1	73.4	18.9
Loss on extinguishment of debt	53.7	2.5	—	—	53.7	NM
Interest expense, net	15.9	0.7	18.7	1.1	(2.8)	(14.7)
Other expense (income)	3.1	0.1	(3.6)	(0.2)	6.7	NM
Provision (benefit) for income taxes	72.2	3.4	63.3	3.8	8.9	14.1
Net income (loss)	317.9	14.8	311.0	18.5	6.9	2.2
Net income (loss) per share:						
Basic	\$ 1.17		\$ 1.12		\$ 0.05	4.6
Diluted	\$ 1.15		\$ 1.11		\$ 0.04	3.6

NM - Not meaningful

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 2022 and fiscal 2021 reflect certain items which affect the comparability of our results, as noted in the following tables. Refer to "Non-GAAP Measures" herein for further discussion on the Non-GAAP measures.

Second Quarter Fiscal 2022 Items

	Three Months Ended January 1, 2022			
	GAAP Basis (As Reported)	Items Affecting Comparability		Non-GAAP Basis (Excluding Items)
		Debt Extinguishment	Acceleration Program	
(millions, except per share data)				
Cost of sales				
Coach	1,078.2	—	—	1,078.2
Kate Spade	308.0	—	—	308.0
Stuart Weitzman	71.2	—	—	71.2
Gross profit⁽¹⁾	\$ 1,457.4	\$ —	\$ —	\$ 1,457.4
SG&A expenses				
Coach	604.9	—	1.1	603.8
Kate Spade	224.3	—	2.1	222.2
Stuart Weitzman	57.9	—	2.9	55.0
Corporate	107.5	—	7.2	100.3
SG&A expenses	\$ 994.6	\$ —	\$ 13.3	\$ 981.3
Operating income (loss)				
Coach	473.3	—	(1.1)	474.4
Kate Spade	83.7	—	(2.1)	85.8
Stuart Weitzman	13.3	—	(2.9)	16.2
Corporate	(107.5)	—	(7.2)	(100.3)
Operating income (loss)	\$ 462.8	\$ —	\$ (13.3)	\$ 476.1
Loss on extinguishment of debt	53.7	53.7	—	—
Provision for income taxes	72.2	(12.9)	(4.1)	89.2
Net income (loss)	\$ 317.9	\$ (40.8)	\$ (9.2)	\$ 367.9
Net income (loss) per diluted common share	\$ 1.15	\$ (0.15)	\$ (0.03)	\$ 1.33

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

In the second quarter of fiscal 2022 the Company incurred charges as follows:

- *Debt Extinguishment* - Debt extinguishment charges relate to the premiums, amortization and fees associated with the \$500 million cash tender of the Company's 4.125% senior unsecured notes due July 15, 2027 at 99.858% of par (the "2027 Senior Notes") and 4.250% senior unsecured notes due April 1, 2025 at 99.445% of par (the "2025 Senior Notes"). Refer to Note 11, "Debt," for further information.
- *Acceleration Program* - Total charges incurred under the Acceleration Program are primarily professional fees and share-based compensation incurred as a result of the development and execution of the Company's comprehensive strategic initiatives. Refer to the "Executive Overview" herein and Note 5, "Restructuring Activities," for further information.

These actions taken together increased the Company's SG&A expenses by \$13.3 million, increased Loss on extinguishment of debt by \$53.7 million, and reduced Provision for income taxes by \$17.0 million, negatively impacting Net income by \$50.0 million or \$0.18 per diluted share.

Second Quarter Fiscal 2021 Items

	Three Months Ended December 26, 2020			
	GAAP Basis (As Reported)	Items Affecting Comparability		Non-GAAP Basis (Excluding Items)
CARES Act Tax Impact		Acceleration Program		
(millions, except per share data)				
Cost of sales				
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
SG&A expenses				
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
Operating income (loss)				
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 primarily relates to the income tax benefits, most notably as a result of the Net Operating Loss ("NOL") carryback claim. Refer to Note 14, "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 strategic initiatives, as well as actions to streamline the Company's organization, which include severance. Refer to the "Executive Overview" herein and Note 5, "Restructuring Activities," 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.

Tapestry, Inc. Summary – Second Quarter of Fiscal 2022

Currency Fluctuation Effects

The change in net sales and gross margin for the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021 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

In addition to comparisons to fiscal year 2021 results, the Company has provided comparisons to certain fiscal year 2020 results, which the Company believes is useful to investors and others in evaluating the Company's results, due to the significant impact of the Covid-19 pandemic on the Company's operations and financial results, which started in the second half of fiscal year 2020.

	Three Months Ended		Variance		Constant Currency Change	% Change versus FY20
	January 1, 2022	December 26, 2020	Amount	%		
	(millions)					
Coach	\$ 1,525.0	\$ 1,225.3	\$ 299.7	24.5 %	24.3 %	20.1 %
Kate Spade	500.4	375.6	124.8	33.3	33.4	16.3
Stuart Weitzman	115.8	84.5	31.3	37.0	34.8	0.1
Total Tapestry	<u>\$ 2,141.2</u>	<u>\$ 1,685.4</u>	<u>\$ 455.8</u>	27.0	26.9	17.9

Net sales in the second quarter of fiscal 2022 increased 27.0% or \$455.8 million to \$2.14 billion. Excluding the effects of foreign currency, net sales increased by 26.9% or \$452.7 million.

- *Coach Net Sales* increased 24.5% or \$299.7 million to \$1.53 billion in the second quarter of fiscal 2022. Excluding the impact of foreign currency, net sales increased 24.3% or \$297.9 million. This increase in net sales was primarily due to an increase of \$279.6 million in net retail sales driven by higher store and e-commerce sales in North America. This increase in net sales was also partially attributed to a \$16.4 million increase in wholesale sales.
- *Kate Spade Net Sales* increased 33.3% or \$124.8 million to \$500.4 million in the second quarter of fiscal 2022. Excluding the impact of foreign currency, net sales increased 33.4% or \$125.4 million. This increase in net sales was primarily due to an increase of \$113.5 million in net retail sales driven by higher store sales and e-commerce sales in North America. This increase in net sales was also partially attributed to a \$12.9 million increase in wholesale sales.
- *Stuart Weitzman Net Sales* increased 37.0% or \$31.3 million to \$115.8 million in the second quarter of fiscal 2022. Excluding the impact of foreign currency, net sales increased 34.8% or \$29.4 million. This increase was due to a \$15.3 million increase in wholesale sales and a \$14.1 million increase in net retail sales, which was attributed to an increase in e-commerce sales and store sales in North America.

Gross Profit

	Three Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	%
	(millions)					
Coach	\$ 1,078.2	70.7 %	\$ 888.1	72.5 %	\$ 190.1	21.4 %
Kate Spade	308.0	61.5	233.1	62.1	74.9	32.1
Stuart Weitzman	71.2	61.5	52.5	62.2	18.7	35.6
Tapestry	<u>\$ 1,457.4</u>	<u>68.1</u>	<u>\$ 1,173.7</u>	69.6	<u>\$ 283.7</u>	24.2

Gross profit increased 24.2% or \$283.7 million to \$1.46 billion in the second quarter of fiscal 2022 from \$1.17 billion in the second quarter of fiscal 2021. Gross margin for the second quarter of fiscal 2022 was 68.1% as compared to 69.6% in the second quarter of fiscal 2021. Gross margin decreased 150 basis points and was not materially impacted by foreign currency.

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. The Company incurred incremental freight costs in fiscal 2022 compared to fiscal 2021 in order to maintain product flow to meet consumer demand. Refer to "Recent Developments," herein, for further information.

- *Coach Gross Profit* increased 21.4% or \$190.1 million to \$1.08 billion in the second quarter of fiscal 2022 from \$888.1 million in the second quarter of fiscal 2021. Gross margin decreased 180 basis points to 70.7% in the second quarter of fiscal 2022 from 72.5% in the second quarter of fiscal 2021. Gross margin was not materially impacted by foreign currency. This decrease in gross margin was primarily due to higher inbound freight expense as well as unfavorable geography and channel mix, partially offset by reduced promotional activity.
- *Kate Spade Gross Profit* increased 32.1% or \$74.9 million to \$308.0 million in the second quarter of fiscal 2022 from \$233.1 million in the second quarter of fiscal 2021. Gross margin decreased 60 basis points to 61.5% in the second quarter of fiscal 2022 from 62.1% in the second quarter of fiscal 2021. Gross margin was not materially impacted by foreign currency. This decrease in gross margin was primarily due to higher inbound freight expense as well as unfavorable channel and geography mix partially offset by reduced promotional activity and favorable product mix.
- *Stuart Weitzman Gross Profit* increased 35.6% or \$18.7 million to \$71.2 million in the second quarter of fiscal 2022 from \$52.5 million in the second quarter of fiscal 2021. Gross margin decreased 70 basis points to 61.5% in the second quarter of fiscal 2022 from 62.2% in the second quarter of fiscal 2021. Gross margin on a constant currency basis increased 20 basis points from the second quarter of fiscal 2021.

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

	Three Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	(millions)					
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	%
Coach	\$ 604.9	39.7 %	\$ 476.1	38.9 %	\$ 128.8	27.1 %
Kate Spade	224.3	44.8	174.3	46.4	50.0	28.7
Stuart Weitzman	57.9	50.0	40.6	48.0	17.3	42.6
Corporate	107.5	NA	93.3	NA	14.2	15.2
Tapestry	\$ 994.6	46.5	\$ 784.3	46.5	\$ 210.3	26.8

SG&A expenses increased 26.8% or \$210.3 million to \$994.6 million in the second quarter of fiscal 2022 as compared to \$784.3 million in the second quarter of fiscal 2021. As a percentage of net sales, SG&A expenses remained flat at 46.5% during the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. Excluding items affecting comparability of \$13.3 million and \$21.7 million in the second quarter of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 28.7% or \$218.7 million to \$981.3 million from \$762.6 million in the second quarter of fiscal 2021. SG&A as a percentage of net sales increased to 45.8% as compared to 45.2% during the second quarter of fiscal 2021.

- *Coach SG&A Expenses* increased 27.1% or \$128.8 million to \$604.9 million in the second quarter of fiscal 2022 as compared to \$476.1 million in the second quarter of fiscal 2021. SG&A expenses as a percentage of net sales increased to 39.7% during the second quarter of fiscal 2022 from 38.9% during the second quarter of fiscal 2021. Excluding items affecting comparability of \$1.1 million and \$5.8 million in the second quarter of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 28.4% or \$133.5 million to \$603.8 million during the second quarter of fiscal 2022; and SG&A expenses as a percentage of net sales increased to 39.6% in the second quarter of fiscal 2022 from 38.4% in the second quarter of fiscal 2021. This increase in SG&A expenses was primarily due to higher marketing spend, most notably in digital, a decrease in Covid-19 related wage subsidies and rent concessions, an increase in variable selling and distribution costs, and increased compensation costs.
- *Kate Spade SG&A Expenses* increased 28.7% or \$50.0 million to \$224.3 million in the second quarter of fiscal 2022 as compared to \$174.3 million in the second quarter of fiscal 2021. As a percentage of net sales, SG&A expenses decreased to 44.8% during the second quarter of fiscal 2022 as compared to 46.4% during the second quarter of fiscal 2021. Excluding items affecting comparability of \$2.1 million and \$2.4 million in the second quarter of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 29.2% or \$50.3 million to \$222.2 million during the second quarter of fiscal 2022; and SG&A expenses as a percentage of net sales decreased to 44.4% in the second quarter of fiscal 2022 from 45.8% in the second quarter of fiscal 2021. This increase in SG&A expenses was primarily due to higher marketing spend, most notably in digital, an increase in variable selling and distribution costs, a decrease in Covid-19 related wage subsidies and rent concessions, and increased compensation costs.
- *Stuart Weitzman SG&A Expenses* increased 42.6% or \$17.3 million to \$57.9 million in the second quarter of fiscal 2022 as compared to \$40.6 million in the second quarter of fiscal 2021. As a percentage of net sales, SG&A expenses increased to 50.0% during the second quarter of fiscal 2022 as compared to 48.0% during the second quarter of fiscal 2021. Excluding items affecting comparability of \$2.9 million and \$(2.3) million in the second quarter of fiscal 2022

and fiscal 2021, respectively, SG&A expenses increased 27.9% or \$12.1 million to \$55.0 million during the second quarter of fiscal 2022; and SG&A expenses as a percentage of net sales decreased to 47.5% in the second quarter of fiscal 2022 from 50.9% in the second quarter of fiscal 2021. This increase in SG&A expenses was primarily due to higher marketing spend, most notably in digital, a decrease in Covid-19 related wage subsidies and rent concessions, and increased compensation costs.

- Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, increased 15.2% or \$14.2 million to \$107.5 million in the second quarter of fiscal 2022 as compared to \$93.3 million in the second quarter of fiscal 2021. Excluding items affecting comparability of \$7.2 million and \$15.8 million in the second quarter of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 29.5% or \$22.8 million to \$100.3 million in the second quarter of fiscal 2022 as compared to \$77.5 million in the second quarter of fiscal 2021. This increase in SG&A expenses was primarily driven by higher compensation costs and the one-time gain realized on the deferred purchase price of the Kate Spade joint venture in the second quarter of fiscal 2021.

Operating Income (Loss)

	Three Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	%
Coach	\$ 473.3	31.0 %	\$ 412.0	33.6 %	\$ 61.3	14.9 %
Kate Spade	83.7	16.7	58.8	15.7	24.9	42.3
Stuart Weitzman	13.3	11.5	11.9	14.1	1.4	11.6
Corporate	(107.5)	NA	(93.3)	NA	(14.2)	(15.2)
Tapestry	\$ 462.8	21.6	\$ 389.4	23.1	\$ 73.4	18.9

Operating income increased 18.9% or \$73.4 million to \$462.8 million in the second quarter of fiscal 2022 as compared to an operating income of \$389.4 million in the second quarter of fiscal 2021. Operating margin was 21.6% in the second quarter of fiscal 2022 as compared to 23.1% in the second quarter of fiscal 2021. Excluding items affecting comparability \$13.3 million and \$21.7 million in the second quarter of fiscal 2022 and fiscal 2021, respectively, operating income increased 15.8% or \$65.0 million to \$476.1 million in the second quarter of fiscal 2022 from \$411.1 million in the second quarter of fiscal 2021; and operating margin decreased to 22.2% in the second quarter of fiscal 2022 as compared to 24.4% in the second quarter of fiscal 2021.

- Coach Operating Income* increased 14.9% or \$61.3 million to \$473.3 million in the second quarter of fiscal 2022, resulting in an operating margin of 31.0%, as compared to \$412.0 million and 33.6%, respectively, in the second quarter of fiscal 2021. Excluding items affecting comparability, Coach operating income increased 13.5% or \$56.6 million to \$474.4 million from \$417.8 million in the second quarter of fiscal 2021; and operating margin was 31.1% in the second quarter of fiscal 2022 as compared to 34.1% in the second quarter of fiscal 2021.
- Kate Spade Operating Income* increased 42.3% or \$24.9 million to \$83.7 million in the second quarter of fiscal 2022, resulting in an operating margin of 16.7%, as compared to \$58.8 million and operating margin of 15.7% in the second quarter of fiscal 2021. Excluding items affecting comparability, Kate Spade operating income increased 40.3% or \$24.6 million to \$85.8 million from \$61.2 million in the second quarter of fiscal 2021; and operating margin was 17.2% in the second quarter of fiscal 2022 as compared to 16.3% in the second quarter of fiscal 2021.
- Stuart Weitzman Operating Income* increased 11.6% or \$1.4 million to \$13.3 million in the second quarter of fiscal 2022, resulting in an operating margin of 11.5%, as compared to an operating income of \$11.9 million and an operating margin of 14.1% in the second quarter of fiscal 2021. Excluding items affecting comparability, Stuart Weitzman operating income increased 70.1% or \$6.6 million to \$16.2 million, resulting in an operating margin of 14.0%, as compared to operating income of \$9.6 million and operating margin of 11.3% in the second quarter of fiscal 2021.

Loss on Extinguishment of Debt

In the second quarter of fiscal 2022, the Company early tendered \$500 million in aggregate of the Company's 2027 Senior Notes and 2025 Senior Notes. As a result, the Company incurred a loss on extinguishment of debt of \$53.7 million in the second quarter of fiscal 2022, primarily related to the premiums, amortization and fees associated with the partial tender.

Interest Expense, net

Interest expense, net decreased 14.7% or \$2.8 million to \$15.9 million in the second quarter of fiscal 2022 as compared to \$18.7 million in the second quarter of fiscal 2021. This decrease in interest expense, net was mainly due to lower interest expense due to the repayment of the Revolving Credit Facility during the second quarter of fiscal 2021.

Other Expense (Income)

Other income decreased \$6.7 million to an expense of \$3.1 million in the second quarter of fiscal 2022 as compared to income of \$3.6 million in the second quarter of fiscal 2021. This decrease in other income was related to an increase in foreign exchange losses.

Provision (Benefit) for Income Taxes

The effective tax rate was 18.5% in the second quarter of fiscal 2022 as compared to 16.9% in the second quarter of fiscal 2021. Excluding items affecting comparability, the effective tax rate was 19.5% in the second quarter of fiscal 2022 as compared to 18.5% in the second quarter of fiscal 2021. This increase in our effective tax rate was primarily attributable to geographic mix of earnings.

Net Income (Loss)

Net income increased 2.2% or \$6.9 million to \$317.9 million in the second quarter of fiscal 2022 as compared to \$311.0 million in the second quarter of fiscal 2021. Excluding items affecting comparability, net income increased 13.9% or \$44.9 million to a net income of \$367.9 million in the second quarter of fiscal 2022 as compared to \$323.0 million in the second quarter of fiscal 2021. This increase was primarily due to higher operating income.

Net Income (Loss) per Share

Net income per diluted share increased 3.6% or \$0.04 to \$1.15 in the second quarter of fiscal 2022 as compared to \$1.11 in the second quarter of fiscal 2021. Excluding items affecting comparability, net income per diluted share increased 15.5% or \$0.18 to \$1.33 in the second quarter of fiscal 2022 as compared to \$1.15 in the second quarter of fiscal 2021. This change was primarily due to higher net income.

FIRST SIX MONTHS FISCAL 2022 COMPARED TO FIRST SIX MONTHS FISCAL 2021

The following table summarizes results of operations for the first six months of fiscal 2022 compared to the first six months of fiscal 2021. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Six Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	(millions, except per share data)					
	Amount	% of net sales	Amount	% of net sales	Amount	%
Net sales	\$ 3,622.1	100.0 %	\$ 2,857.6	100.0 %	\$ 764.5	26.8 %
Gross profit	2,526.1	69.7	2,003.9	70.1	522.2	26.1
SG&A expenses	1,768.3	48.8	1,412.3	49.4	356.0	25.2
Operating income (loss)	757.8	20.9	591.6	20.7	166.2	28.1
Loss on extinguishment of debt	53.7	1.5	—	—	53.7	NM
Interest expense, net	32.0	0.9	38.1	1.3	(6.1)	(15.8)
Other expense (income)	5.3	0.1	(6.2)	(0.2)	11.5	NM
Provision for income taxes	122.0	3.4	17.0	0.6	105.0	NM
Net income (loss)	544.8	15.0	542.7	19.0	2.1	0.4
Net income (loss) per share:						
Basic	\$ 1.98		\$ 1.96		\$ 0.02	1.3
Diluted	\$ 1.94		\$ 1.94		\$ —	(0.2)

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 2022 and fiscal 2021 reflect certain items which affect the comparability of our results, 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 2022 Items

	Six Months Ended January 1, 2022			
	GAAP Basis (As Reported)	Items Affecting Comparability		Non-GAAP Basis (Excluding Items)
		Debt Extinguishment	Acceleration Program	
(millions, except per share data)				
Cost of sales				
Coach	1,909.2	—	—	1,909.2
Kate Spade	507.2	—	—	507.2
Stuart Weitzman	109.7	—	—	109.7
Gross profit⁽¹⁾	\$ 2,526.1	\$ —	\$ —	\$ 2,526.1
SG&A expenses				
Coach	1,070.2	—	2.5	1,067.7
Kate Spade	386.3	—	3.5	382.8
Stuart Weitzman	97.9	—	3.3	94.6
Corporate	213.9	—	16.1	197.8
SG&A expenses	\$ 1,768.3	\$ —	\$ 25.4	\$ 1,742.9
Operating income (loss)				
Coach	839.0	—	(2.5)	841.5
Kate Spade	120.9	—	(3.5)	124.4
Stuart Weitzman	11.8	—	(3.3)	15.1
Corporate	(213.9)	—	(16.1)	(197.8)
Operating income (loss)	\$ 757.8	\$ —	\$ (25.4)	\$ 783.2
Loss on extinguishment of debt	53.7	53.7	—	—
Provision for income taxes	122.0	(12.9)	(8.0)	142.9
Net income (loss)	\$ 544.8	\$ (40.8)	\$ (17.4)	\$ 603.0
Net income (loss) per diluted common share	\$ 1.94	\$ (0.15)	\$ (0.06)	\$ 2.15

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

In the first six months of fiscal 2022 the Company incurred charges as follows:

- *Debt Extinguishment* - Debt extinguishment charges relate to the premiums, amortization and fees associated with the \$500 million cash tender of the Company's 2027 Senior Notes and 2025 Senior Notes. Refer to Note 11, "Debt," for further information.
- *Acceleration Program* - Total charges incurred under the Acceleration Program are primarily professional fees and share-based compensation incurred as a result of the development and execution of the Company's comprehensive strategic initiatives. Refer to the "Executive Overview" herein and Note 5, "Restructuring Activities," for further information.

These actions taken together increased the Company's SG&A expenses by \$25.4 million, increased Loss on extinguishment of debt by \$53.7 million and decreased Provision for income taxes by \$20.9 million, negatively impacting Net income by \$58.2 million or \$0.21 per diluted share.

First Six Months of Fiscal 2021 Items

	Six Months Ended December 26, 2020			
	GAAP Basis (As Reported)	Items Affecting Comparability		Non-GAAP Basis (Excluding Items)
		CARES Act Tax Impact	Acceleration Program	
(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 14, "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 5, "Restructuring Activities," herein for further information.

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

Tapestry, Inc. Summary – First Six Months of Fiscal 2022

Currency Fluctuation Effects

The change in net sales and gross margin for the first six months of fiscal 2022 compared to fiscal 2021 has been presented both including and excluding currency fluctuation effects.

Net Sales

The Company has provided comparisons to certain fiscal year 2020 results, which the Company believes is useful to investors and others in evaluating the Company's results, due to the significant impact of the Covid-19 pandemic on the Company's operations and financial results, notably in the second half of fiscal year 2020.

	Six Months Ended		Variance		Constant Currency Change	% Change versus FY20
	January 1, 2022	December 26, 2020	Amount	%		
	(millions)					
Coach	\$ 2,639.9	\$ 2,100.7	\$ 539.2	25.7 %	24.8 %	18.1 %
Kate Spade	799.9	616.0	183.9	29.9	29.7	8.7
Stuart Weitzman	182.3	140.9	41.4	29.4	26.8	(9.8)
Total Tapestry	\$ 3,622.1	\$ 2,857.6	\$ 764.5	26.8	26.0	14.1

Net sales in the first six months of fiscal 2022 increased 26.8% or \$764.5 million to \$3.62 billion. Excluding the effects of foreign currency, net sales increased by 26.0% or \$742.3 million.

- *Coach Net Sales* increased 25.7% or \$539.2 million to \$2.64 billion in the first six months of fiscal 2022. Excluding the impact of foreign currency, net sales increased 24.8% or \$521.8 million. This increase in net sales was primarily attributed to a net increase of \$463.5 million in net retail sales driven by higher store and e-commerce sales in North America. This increase in net sales was also partially attributed to a \$54.3 million increase in wholesale sales.
- *Kate Spade Net Sales* increased 29.9% or \$183.9 million to \$799.9 million in the first six months of fiscal 2022. Excluding the impact of foreign currency, net sales increased 29.7% or \$182.7 million. This increase in net sales was primarily attributed to a net increase of \$156.7 million in net retail sales driven by higher store and e-commerce sales in North America. This increase in net sales was also partially attributed to a \$28.2 million increase in wholesale sales.
- *Stuart Weitzman Net Sales* increased 29.4% or \$41.4 million to \$182.3 million in the first six months of fiscal 2022. Excluding the impact of foreign currency, net sales increased 26.8% or \$37.8 million. This increase in net sales was attributed to a net increase of \$19.1 million in net retail sales driven by higher e-commerce and store sales in North America. This increase in net sales was also attributed to a \$18.7 million increase in wholesale sales.

Gross Profit

	Six Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	%
	(millions)					
Coach	\$ 1,909.2	72.3 %	\$ 1,533.0	73.0 %	\$ 376.2	24.5 %
Kate Spade	507.2	63.4	387.2	62.9	120.0	31.0
Stuart Weitzman	109.7	60.2	83.7	59.4	26.0	31.0
Tapestry	\$ 2,526.1	69.7	\$ 2,003.9	70.1	\$ 522.2	26.1

Gross profit increased 26.1% or \$522.2 million to \$2.53 billion during the first six months of fiscal 2022 from \$2.00 billion in the first six months of fiscal 2021. Gross margin for the first six months of fiscal 2022 was 69.7% as compared to 70.1% in the first six months of fiscal 2021. Gross margin decreased 40 basis points in the first six months of fiscal 2022 and was not materially impacted by foreign currency.

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. The Company incurred incremental freight costs in fiscal 2022 compared to fiscal 2021 in order to maintain product flow to meet consumer demand. Refer to "Recent Developments," herein, for further information.

- *Coach Gross Profit* increased 24.5% or \$376.2 million to \$1.91 billion in the first six months of fiscal 2022 from \$1.53 billion in the first six months of fiscal 2021. Gross margin decreased 70 basis points to 72.3% in the first six months of fiscal 2022 from 73.0% in the first six months of fiscal 2021. Gross margin was not materially impacted by foreign currency. This decrease in gross margin was primarily attributed to higher inbound freight expense as well as unfavorable geography and channel mix, partially offset by reduced promotional activity.
- *Kate Spade Gross Profit* increased 31.0% or \$120.0 million to \$507.2 million in the first six months of fiscal 2022 from \$387.2 million in the first six months of fiscal 2021. Gross margin increased 50 basis points to 63.4% in the first six months of fiscal 2022 from 62.9% in the first six months of fiscal 2021. Gross margin was not materially impacted by foreign currency. This increase in gross margin was primarily attributed to reduced promotional activity and favorable product mix partially offset by higher inbound freight expense, unfavorable geography and channel mix and higher duties.
- *Stuart Weitzman Gross Profit* increased 31.0% or \$26.0 million to \$109.7 million during the first six months of fiscal 2022 from \$83.7 million in the first six months of fiscal 2021. Gross margin increased 80 basis points to 60.2% in the first six months of fiscal 2022 from 59.4% in the first six months of fiscal 2021. On a constant currency basis, gross margin increased 110 basis points. This increase in gross margin was primarily attributed to reduced promotional activity and favorable product mix, partially offset by unfavorable channel and geography mix.

Selling, General and Administrative Expenses

	Six Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	%
	(millions)					
Coach	\$ 1,070.2	40.5 %	\$ 851.0	40.5 %	\$ 219.2	25.8 %
Kate Spade	386.3	48.3	305.2	49.5	81.1	26.6
Stuart Weitzman	97.9	53.7	71.8	50.9	26.1	36.5
Corporate	213.9	NA	184.3	NA	29.6	16.1
Tapestry	\$ 1,768.3	48.8	\$ 1,412.3	49.4	\$ 356.0	25.2

SG&A expenses increased 25.2% or \$356.0 million to \$1.77 billion in the first six months of fiscal 2022 as compared to \$1.41 billion in the first six months of fiscal 2021. As a percentage of net sales, SG&A expenses decreased to 48.8% during the first six months of fiscal 2022 as compared to 49.4% during the first six months of fiscal 2021. Excluding items affecting comparability of \$25.4 million and \$48.3 million in the first six months of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 27.8% or \$378.9 million from the first six months of fiscal 2021. Excluding items affecting comparability, SG&A expenses as a percentage of net sales increased to 48.1% in the first six months of fiscal 2022 from 47.7% in the first six months of fiscal 2021.

- *Coach SG&A Expenses* increased 25.8% or \$219.2 million to \$1.07 billion in the first six months of fiscal 2022 as compared to \$851.0 million in the first six months of fiscal 2021. As a percentage of net sales, SG&A expenses remained flat at 40.5% during the first six months of fiscal 2022. Excluding items affecting comparability of \$2.5 million and \$16.5 million in the first six months of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 28.0% or \$233.2 million to \$1.07 billion in the first six months of fiscal 2022; and SG&A expenses as a percentage of net sales increased to 40.4% in the first six months of fiscal 2022 from 39.7% in the first six months of fiscal 2021. This increase in SG&A expenses was primarily due to higher marketing spend, most notably in digital, a decrease in Covid-19 related wage subsidies and rent concessions, an increase in variable selling and distribution costs, and increased compensation costs.
- *Kate Spade SG&A Expenses* increased 26.6% or \$81.1 million to \$386.3 million in the first six months of fiscal 2022 from \$305.2 million in the first six months of fiscal 2021. As a percentage of net sales, SG&A expenses decreased to 48.3% during the first six months of fiscal 2022 as compared to 49.5% during the first six months of fiscal 2021. Excluding items affecting comparability of \$3.5 million and \$3.4 million in the first six months of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 26.8% or \$81.0 million to \$382.8 million in the first six months of fiscal 2022; and SG&A expenses as a percentage of net sales decreased to 47.9% in the first six months of fiscal 2022 from 49.0% in the first six months of fiscal 2021. This increase in SG&A expenses was primarily due to higher marketing spend, most notably in digital, increased compensation costs, an increase in variable selling and distribution costs, and a decrease in Covid-19 related wage subsidies.

- *Stuart Weitzman SG&A Expenses* increased 36.5% or \$26.1 million to \$97.9 million in the first six months of fiscal 2022 as compared to \$71.8 million in the first six months of fiscal 2021. As a percentage of net sales, SG&A expenses increased to 53.7% during the first six months of fiscal 2022 as compared to 50.9% during the first six months of fiscal 2021. Excluding items affecting comparability of \$3.3 million and \$(4.7) million in the first six months of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased 23.5% or \$18.1 million to \$94.6 million in the first six months of fiscal 2022; and SG&A expenses as a percentage of net sales decreased to 51.9% in the first six months of fiscal 2022 from 54.3% in the first six months of fiscal 2021. This increase in SG&A expenses was primarily due to higher marketing spend, most notably in digital, a decrease in Covid-19 related wage subsidies and rent concessions, and a true up of reserves in the first quarter of fiscal 2021.
- Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, increased 16.1% or \$29.6 million to \$213.9 million in the first six months of fiscal 2022 as compared to \$184.3 million in the first six months of fiscal 2021. Excluding items affecting comparability of \$16.1 million and \$33.1 million in the first six months of fiscal 2022 and fiscal 2021, respectively, SG&A expenses increased by 30.9% or \$46.6 million to \$197.8 million in the first six months of fiscal 2022 as compared to \$151.2 million in the first six months of fiscal 2021. This increase in SG&A expenses was primarily driven by higher compensation costs, the one-time gain on the sale of our corporate office in Hong Kong SAR, China in the first quarter of fiscal 2021 and the one-time gain realized on the deferred purchase price of the Kate Spade joint venture in the second quarter of fiscal 2021.

Operating Income (Loss)

	Six Months Ended					
	January 1, 2022		December 26, 2020		Variance	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	%
Coach	\$ 839.0	31.8 %	\$ 682.0	32.5 %	\$ 157.0	23.0 %
Kate Spade	120.9	15.1	82.0	13.3	38.9	47.5
Stuart Weitzman	11.8	6.5	11.9	8.5	(0.1)	(1.4)
Corporate	(213.9)	NA	(184.3)	NA	(29.6)	(16.0)
Tapestry	\$ 757.8	20.9	\$ 591.6	20.7	\$ 166.2	28.1

Operating income increased 28.1% or \$166.2 million to \$757.8 million in the first six months of fiscal 2022 as compared to operating income of \$591.6 million in the first six months of fiscal 2021. Operating margin was 20.9% in the first six months of fiscal 2022 as compared to 20.7% in the first six months of fiscal 2021. Excluding items affecting comparability of \$25.4 million and \$48.3 million in the first six months of fiscal 2022 and fiscal 2021, respectively, operating income increased \$143.3 million to \$783.2 million from \$639.9 million in the first six months of fiscal 2021; and operating margin was 21.6% in the first six months of fiscal 2022 as compared to 22.4% in the first six months of fiscal 2021.

- *Coach Operating Income* increased 23.0% or \$157.0 million to \$839.0 million in the first six months of fiscal 2022, resulting in an operating margin of 31.8%, as compared to \$682.0 million and 32.5%, respectively, in the first six months of fiscal 2021. Excluding items affecting comparability, Coach operating income increased 20.5% or \$143.0 million to \$841.5 million from \$698.5 million in the first six months of fiscal 2021; and operating margin was 31.9% in the first six months of fiscal 2022 as compared to 33.3% in the first six months of fiscal 2021.
- *Kate Spade Operating Income* increased 47.5% or \$38.9 million to \$120.9 million in the first six months of fiscal 2022, resulting in an operating margin of 15.1%, as compared to operating income of \$82.0 million and 13.3%, respectively, in the first six months of fiscal 2021. Excluding items affecting comparability, Kate Spade operating income increased 45.7% or \$39.0 million to \$124.4 million from \$85.4 million in the first six months of fiscal 2021; and operating margin was 15.6% in the first six months of fiscal 2022 as compared to 13.9% in the first six months of fiscal 2021.
- *Stuart Weitzman Operating Income* decreased 1.4% or \$0.1 million to \$11.8 million in the first six months of fiscal 2022, resulting in an operating margin of 6.5%, as compared to operating income of \$11.9 million in first six months of fiscal 2021. Excluding items affecting comparability, Stuart Weitzman operating income increased \$7.9 million to \$15.1 million from \$7.2 million in the first six months of fiscal 2021; and operating margin was 8.3% in the first six months of fiscal 2022 as compared to 5.1% in the first six months of fiscal 2021.

Loss on Extinguishment of Debt

In the second quarter of fiscal 2022, the Company early tendered \$500 million in aggregate of the Company's 2027 Senior Notes and 2025 Senior Notes. As a result, the Company incurred a loss on extinguishment of debt of \$53.7 million in the second quarter of fiscal 2022, primarily related to the premiums, amortization and fees associated with the partial tender.

Interest Expense, net

Interest expense, net decreased 15.8% or \$6.1 million to \$32.0 million in the first six months of fiscal 2022 as compared to \$38.1 million in the first six months of fiscal 2021. This decrease in interest expense, net was due to lower interest expense due to the repayment of the Revolving Credit Facility during fiscal 2021.

Other Expense (Income)

Other income decreased \$11.5 million to an expense of \$5.3 million in the first six months of fiscal 2022 as compared to income of \$6.2 million in the first six months of fiscal 2021. This decrease in other income was related to an increase in foreign exchange losses.

Provision (Benefit) for Income Taxes

The effective tax rate was 18.3% in the first six months of fiscal 2022 as compared to 3.0% in the first six months of fiscal 2021. Excluding items affecting comparability, the effective tax rate was 19.2% in the first six months of fiscal 2022 as compared to 20.4% in the first six months of fiscal 2021. This decrease in our effective tax rate was primarily attributable to the impact of vesting of equity compensation awards during the period partially offset by geographic mix of earnings.

Net Income (Loss)

Net income increased 0.4% or \$2.1 million to \$544.8 million in the first six months of fiscal 2022 as compared to net income of \$542.7 million in the first six months of fiscal 2021. Excluding items affecting comparability, net income increased 24.6% or \$119.2 million to \$603.0 million in the first six months of fiscal 2022 as compared to \$483.8 million in the first six months of fiscal 2021. This increase was primarily due to higher operating income.

Net Income (Loss) per Share

Net income per diluted share remained flat at \$1.94 in the first six months of fiscal 2022. Excluding items affecting comparability, net income per diluted share increased 23.9% or \$0.42 to \$2.15 in the first six months of fiscal 2022 from \$1.73 in the first six months of fiscal 2021. This change was primarily due to higher net income.

NON-GAAP MEASURES

The Company's reported results are presented in accordance with GAAP. The reported SG&A expenses, operating income, provision for income taxes, net income and earnings per diluted share in the second quarter of fiscal 2022 and fiscal 2021 and the reported loss on extinguishment of debt in the second quarter of fiscal 2022 reflect certain items, including debt extinguishment costs in fiscal 2022, Acceleration Program costs in fiscal 2022 and fiscal 2021 and the 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 e-commerce sites. 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 extensive full and partial store closures resulting from the impact of the Covid-19 pandemic, comparable store sales are not reported for the three or six months ended January 1, 2022 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 revenue results by translating current period revenue in local currency using the prior year period's currency conversion rate.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Six Months Ended		
	January 1, 2022	December 26, 2020	Change
	(millions)		
Net cash provided by operating activities	\$ 668.1	\$ 746.3	\$ (78.2)
Net cash used in investing activities	(455.7)	(25.8)	(429.9)
Net cash used in financing activities	(952.1)	(518.9)	(433.2)
Effect of exchange rate changes on cash and cash equivalents	(10.6)	14.7	(25.3)
Net (decrease) increase in cash and cash equivalents	\$ (750.3)	\$ 216.3	\$ (966.6)

The Company's cash and cash equivalents decreased by \$750.3 million in the first six months of fiscal 2022 as compared to an increase of \$216.3 million in the first six months of fiscal 2021, as discussed below.

Net cash provided by operating activities

Net cash provided by operating activities decreased \$78.2 million due to changes in operating assets and liabilities of \$299.2 million, partially offset by the impact of non-cash adjustments of \$165.2 million, loss on extinguishment of debt of \$53.7 million and higher net income of \$2.1 million.

The \$299.2 million decrease in changes in operating asset and liability balances were primarily driven by the following:

- Accounts payable were a use of cash of \$0.7 million in the first six months of fiscal 2022 compared to a source of cash of \$253.8 million in the first six months of fiscal 2021, primarily due to the extension of payment terms with certain vendors in the second quarter of fiscal 2021 and higher inventory in transit in fiscal 2022.
- Inventories were a use of cash of \$17.4 million in the first six months of fiscal 2022 compared to a source of cash of \$144.3 million in the first six months of fiscal 2021, primarily driven by higher receipts and increased in transit inventory due to supply chain challenges and increased inbound freight costs compared to prior year.
- Accrued liabilities were a source of cash of \$3.4 million in the first six months of fiscal 2022 compared to a source of cash of \$54.4 million in the first six months of fiscal 2021, primarily attributed to the Annual Incentive Plan payment as the Company did not pay out under its Annual Incentive Plan during fiscal 2021, partially offset by the timing of tax payments, increased distribution costs driven by higher sales and inbound freight, and timing of employee-related costs.
- Other assets were a source of cash of \$50.4 million in the first six months of fiscal 2022 compared to a use of cash of \$76.8 million in the first six months of fiscal 2021, primarily attributed to income tax receivables including the NOL carryback claim under the CARES Act filed in fiscal 2021 and the timing of payments and other refunds in the U.S.
- Trade accounts receivable were a use of cash of \$88.9 million in the first six months of fiscal 2022 compared to a use of cash of \$143.2 million in the first six months of fiscal 2021, primarily related to higher cash collections due to the timing of quarter end in the second quarter of fiscal 2022 compared to fiscal 2021, partially offset by higher sales.

Net cash used in investing activities

Net cash used in investing activities in the first six months of fiscal 2022 was \$455.7 million as compared to a use of cash of \$25.8 million in the first six months of fiscal 2021, resulting in a \$429.9 million increase in net cash used in investing activities.

The \$455.7 million use of cash in the first six months of fiscal 2022 is primarily due to purchases of investments of \$502.3 million and capital expenditures of \$71.7 million, partially offset by proceeds from maturities and sales of investments \$118.3 million.

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 cash received from the sale of building of \$23.9 million.

Net cash used in financing activities

Net cash used in financing activities was \$952.1 million in the first six months of fiscal 2022 as compared to a use of cash of \$518.9 million in the first six months of fiscal 2021, resulting in a \$433.2 million increase in net cash used in financing activities.

The \$952.1 million of cash used in the first six months of fiscal 2022 was primarily due to repurchase of common stock of \$750.0 million, repayment of debt of \$500.0 million, dividend payments of \$137.5 million and the payment of debt extinguishment costs of \$50.7 million, partially offset by proceeds from the issuance of debt, net of discount of \$498.5 million.

The \$518.9 million use of cash 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.

Working Capital and Capital Expenditures

As of January 1, 2022, 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⁾	\$ 1,257.4	\$ —	\$ 1,257.4
Short-term investments ⁽¹⁾	390.3	—	390.3
Revolving Credit Facility ⁽²⁾	900.0	—	900.0
3.050% Senior Notes due 2032 ⁽³⁾	500.0	500.0	—
4.125% Senior Notes due 2027 ⁽³⁾	396.6	396.6	—
3.000% Senior Notes due 2022 ⁽³⁾	400.0	400.0	—
4.250% Senior Notes due 2025 ⁽³⁾	303.4	303.4	—
Total	\$ 4,147.7	\$ 1,600.0	\$ 2,547.7

⁽¹⁾ As of January 1, 2022, approximately 38% 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 less excess cash above \$300 million to (b) consolidated EBITDAR. Additionally, the Company pays a commitment fee at a rate determined by the reference to the aforementioned pricing grid. The Company must comply on a quarterly basis with a maximum net leverage ratio of 4.0 to 1.0. As of January 1, 2022, there were no borrowings outstanding under the Revolving Credit Facility. Refer to Note 11, "Debt," for further information on our existing debt instruments.

⁽³⁾ In December 2021, the Company issued \$500.0 million aggregate principal amount of 3.050% senior unsecured notes due March 15, 2032 at 99.705% of par (the "2032 Senior Notes") and completed cash tender offers for \$203.4 million and \$296.6 million of the outstanding aggregate principal amount under its 2027 Senior Notes and 2025 Senior Notes, respectively. In June 2017, the Company issued \$600.0 million aggregate principal amount of 2027 Senior Notes, and \$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"). In March 2015, the Company issued \$600.0 million aggregate principal amount of 2025 Senior Notes. Furthermore, the indentures for the 2032 Senior Notes, 2027 Senior Notes, 2022 Senior Notes, and 2025 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 January 1, 2022, no known events of default have occurred. Refer to Note 11, "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 January 1, 2022, 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 the remainder of fiscal 2022 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.

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.

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 2022 capital expenditures to be approximately \$200 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 January 1, 2022 are not necessarily indicative of that expected for the full fiscal 2022. 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, including pandemics such as Covid-19.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note 3 to the audited consolidated financial statements in our Annual Report on Form 10-K for fiscal 2021. 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 Annual Report on Form 10-K for fiscal 2021. As of January 1, 2022, 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 2021 testing date exceeded their respective carrying values by approximately 41% and 77%, 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, the optimization of the store fleet productivity, the impact of promotional activity in department stores, 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 2022 from those that are expected, it is possible that an interim test, or our annual impairment test, could result in an impairment of those 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 January 1, 2022 and July 3, 2021, forward currency contracts designated as cash flow hedges with a notional amount of \$37.1 million and \$61.4 million, respectively, were outstanding. As a result of the use of derivative instruments, we are exposed to the risk that counterparties to the derivative instruments will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we only enter into derivative contracts with carefully selected financial institutions. The Company also reviews the creditworthiness of our counterparties on a regular basis. As a result of the above considerations, we do not believe that we are exposed to any undue concentration of counterparty credit risk associated with our derivative contracts as of January 1, 2022.

The Company is also exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans, payables and receivables. This primarily includes exposure to exchange rate fluctuations in the Chinese Renminbi, Japanese Yen, 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 January 1, 2022 and July 3, 2021 the total notional values of outstanding forward foreign currency contracts related to these loans, payables and receivables were \$253.4 million and \$248.2 million, respectively.

The fair value of outstanding forward currency contracts included in current assets at January 1, 2022 and July 3, 2021 was \$0.1 million and \$0.3 million, respectively. The fair value of outstanding foreign currency contracts included in current liabilities at January 1, 2022 and July 3, 2021 was \$2.2 million and \$1.2 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 2032 Senior Notes, 2027 Senior Notes, 2022 Senior Notes, 2025 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 January 1, 2022, the fair value of the 2032 Senior Notes, 2027 Senior Notes, 2022 Senior Notes, and 2025 Senior Notes was approximately \$502 million, \$428 million, \$404 million, and \$322 million, respectively. The fair value of the 2027 Senior Notes and 2025 Senior notes at January 1, 2022 reflects the impact of the \$500 million cash tender offer completed during the second quarter of fiscal 2022. Refer to Note 11, "Debt," for further information. At July 3, 2021, the fair value of the 2027 Senior Notes, 2022 Senior Notes, and 2025 Senior Notes was approximately \$659 million, \$407 million, and \$652 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 2027 and 2022 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 January 1, 2022.

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 January 1, 2022 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, Inc.'s intellectual property rights, litigation instituted by persons alleged to have been injured by advertising claims or upon premises within the Company's control, contract disputes, insurance claims and litigation with present or former employees.

As part of Tapestry'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 described above is routine and incidental to the conduct of Tapestry's business, such litigation can result in large monetary awards, such as when a civil jury is allowed to determine compensatory and/or punitive damages.

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

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors previously disclosed in Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the fiscal year ended July 3, 2021.

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

The following table provides information regarding the Company's purchases of shares of common stock during the second quarter of fiscal 2022 related to the Company's share repurchase program:

<u>Fiscal Period</u>	<u>Total Number of Shares Repurchased</u>	<u>Average Price per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾</u>	<u>Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs⁽¹⁾</u>
		(in millions, except share data and per share data)		
October 3, 2021 - November 6, 2021	—	\$ —	—	\$ —
November 7, 2021 - December 4, 2021	5,321,080	43.22	5,321,080	1,120
December 5, 2021 - January 1, 2022	6,433,536	41.97	6,433,536	850
Total	<u>11,754,616</u>		<u>11,754,616</u>	

⁽¹⁾ On May 9, 2019, the Company announced the Board of Directors authorized the repurchase of up to \$1.00 billion of its outstanding common stock (the "2019 Share Repurchase Program"). On November 11, 2021, the Company announced the Board of Directors authorized a new common stock repurchase program to repurchase up to an additional \$1.00 billion of its outstanding common stock (the "2021 Share Repurchase Program"). As of January 1, 2022 there was no outstanding common stock remaining under the 2019 Share Repurchase Program. Purchases of the Company's common stock were executed through open market purchases, including through a purchase agreement under Rule 10b5-1.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

- 4.1 [Indenture, dated as of December 1, 2021, between the Company and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on December 1, 2021\).](#)
- 4.2 [First Supplemental Indenture, dated as of December 1, 2021, relating to the 3.050% senior unsecured notes due 2032, between the Company and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on December 1, 2021\).](#)
- 4.3 [Form of 3.050% senior unsecured notes due 2032 \(included in the First Supplemental Indenture, incorporated by reference from Exhibit 4.3, of the Company's Current Report on Form 8-K filed on December 1, 2021\).](#)
- 31.1* [Rule 13\(a\) – 14\(a\)/15\(d\) – 14\(a\) Certifications](#)
- 32.1* [Section 1350 Certifications](#)
- 101.INS* XBRL Instance Document
Note: the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase
- 101.LAB* XBRL Taxonomy Extension Label Linkbase
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase

* Filed Herewith

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 10, 2022

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 10, 2022

By: /s/ Joanne C. Crevoiserat

Name: Joanne C. Crevoiserat

Title: Chief Executive Officer

I, Scott A. Roe, 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 10, 2022

By: /s/ Scott A. Roe
Name: Scott A. Roe
Title: Chief Financial 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 January 1, 2022 (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 10, 2022

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 January 1, 2022 (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 10, 2022

By: /s/ Scott A. Roe

Name: Scott A. Roe
Title: Chief Financial Officer