tapestry

SPEAKERS' NOTES FOR CONFERENCE CALL

Moderator: Christina Colone
August 13, 2026
8:00 a.m. ET

Operator:

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

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

Christina Colone:

Good morning. Thank you for joining us.

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

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

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

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

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

Joanne Crevoiserat:

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

Fiscal 2026 was a defining year for Tapestry.

We meaningfully exceeded expectations, achieving the three-year revenue, operating margin, and EPS commitments we established at our Investor Day – two years ahead of plan. We delivered strong growth and record results while continuing to invest in our brands, our people, and the capabilities that will shape our future.

<u>More important than what we accomplished is what we've built</u>.

[PAUSE]

Through intentional choices, disciplined execution, and a deep understanding of the consumer, we have built a stronger, more focused organization, who, **every day, bring our Amplify strategy to life** – delivering creativity, value, and relevance at scale, strengthening our connections with consumers. These efforts continue to compound, extending our competitive advantage while driving durable growth and long-term shareholder value.

In a world where consumer expectations, technology, and competitive dynamics continue to evolve, the combination of our direct consumer relationships, data-driven decision making, global scale, and agile operating model has become increasingly valuable and differentiated.

[PAUSE]

With that, let me touch on some highlights for the year:

- **We achieved revenue of $8 billion, growing 17% on a pro forma constant currency basis, expanded operating margin by 340 basis points to over 23%, and increased EPS by 38% to $7.05.**
- Growth was fueled by **customer acquisition**, as we welcomed 11 million new customers to our brands, led by Gen Z.
- Importantly, we accelerated growth in our **core leathergoods** category – with AUR and unit growth. Luxury leathergoods remains one of the most attractive categories within the consumer space because of its enduring demand, compelling economics, and significant runway for growth.
- In addition, we delivered **broad-based double-digit growth across key regions – gaining share and expanding the market**.
- Our agile Direct-to-Consumer-led operating model drove **double-digit revenue growth and increasing profitability across both digital and stores**.

Further, Tapestry is committed to embracing AI to enhance the magic of our people and our brands. To that end, **we continue to build proprietary technology and AI capabilities that differentiate how we operate and empower our teams.** During the year, we secured our **first AI patent**, building on our previously patented Data Fabric technology. Together, they reflect our culture of innovation and more than a decade of investment in data, decision intelligence, and enterprise technology.

Overall, our FY26 results demonstrate the power of our approach to brand building. We continue to win with consumers at the Point of Market Entry, welcoming younger customers who transact at higher AURs, have stronger retention, and influence purchasing behavior across generations. **This reinforces our confidence that our greatest opportunities lie ahead.**

[PAUSE]

Now moving to our results by brand.

Coach delivered another strong quarter, with constant currency revenue growth of 14% and increasing profitability. This capped an exceptional year and reinforced the enduring strength of our iconic 85-year-old brand.

Several factors underscore the durability of our growth:

- We drove **new customer acquisition** around the world, welcoming over 2 million new consumers in the quarter and nearly 9 million for the full year. Growth was led by Gen Z, whose influence extended across generations. At the same time, existing customers continued to drive strong sales. Underpinning these results is Coach's consumer-led approach, consistently translating deep consumer insights into action to build lasting emotional connections with the brand.
- Our **core leathergoods assortment** continued to lead in Q4, with handbag AUR increasing at a mid-teens rate and unit volumes roughly in line with the prior year, both consistent with expectations and our deliberate strategy to prioritize brand health and reduce promotions. For the year, handbag AUR rose mid-teens and units increased low-double-digits, demonstrating the multifaceted nature of our growth. Looking ahead, we continue to see opportunity to grow both AUR and units while staying true to the values and the value proposition that define Coach.

- Further, our **strong results continued across key geographies** in the fourth quarter, including North America up 10%, Greater China rising 30%, and Europe increasing 25%, highlighting the global resonance of the brand.

Coach is bringing new consumers into the category and growing the market. Given the strength of the brand and our large addressable market, we continue to see a clear path to Coach becoming a $10 billion brand.

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

Our creative teams continue to execute with clarity and purpose, delivering product innovation that is resonating with consumers.

- Our **icons** continued to outperform, consistent with our strategy, with broad-based strength across the assortment. The **New York family**, including Brooklyn, Empire and Chelsea, along with the **Tabby** and **Terri** families, drove strong Gen Z acquisition and reinforced Coach's leadership in its core category, **with a robust innovation pipeline ahead.** Structurally, we concentrate product innovation behind core families that build over time, while remaining disciplined in our pursuit of growth.

[PAUSE]

More broadly, our results reflect the strategic choices we've made to strengthen the brand. Perhaps the most significant has been our **One Coach** strategy. By deliberately blurring the traditional industry lines between retail and outlet channels – bringing Collection product at full price into outlet and unifying our digital experience through a single Coach.com – **we've aligned our approach with how consumers shop today, creating a stronger, more consistent global expression of the brand. This has driven customer acquisition, higher AURs, and growth around the world.**

[PAUSE]

- **Next, turning to footwear, we delivered high-teens growth in the quarter,** with increasing demand from Gen Z. Sneakers continued to fuel the growth, driven by the success of the **Soho** family, along with continued strength of **Margot**. Footwear remains a long-term growth opportunity for Coach, given our brand strength, low share of the market, and the category's relevance to our target consumer.

[PAUSE]

<u>Turning to marketing, our strategic investments continued to generate compounding benefits this quarter:</u>

- **We increased marketing spend by approximately 20% versus the prior year, with a continued shift toward top-of-funnel brand building to support sustained customer acquisition**.
- Coach's **Explore Your Story** campaign continued to resonate, supporting increased unaided awareness and reinforcing Coach's top-of-mind presence among Gen Z.
- Building on this momentum, we launched ***&COACH***, a campaign co-created with Gen Z that celebrates moments of becoming – and the confidence a Coach bag can champion along the way.
- Additionally, our partnerships extended Coach's reach into new communities and cultural conversations as we launched the second season of our **WNBA partnership**, strengthening the brand's connection at the intersection of fashion, sports, and culture.

<u>Collectively, these actions are reinforcing Coach's cultural relevance and driving customer acquisition. More importantly, they strengthen a competitive advantage: a deep understanding of the consumer and an ability to consistently translate those insights into demand creation at scale.</u>

[PAUSE]

<u>And finally, we deepened consumer engagement through distinctive brand experiences:</u>

- We continued to roll out our **Expressive Luxury store concept** globally. These stores are driving higher traffic and longer dwell times, particularly among Gen Z consumers, supporting our plan to expand the concept to impact approximately 80% of our traffic by FY30.
- In addition, **Coach Play** continues to serve as both a destination for consumers and a source of inspiration for our broader store strategy. New Coach Play locations in Chicago, Atlanta, and Le Marais in Paris are helping build brand desire with our target consumers.
- Together, these investments reflect our conviction that physical retail remains one of our most powerful opportunities to express the brand, as consumers invite us into their world to share important moments in their life – extending the connection well beyond a transaction.

[PAUSE]

In closing, my confidence in the future of Coach is grounded in the combination of an iconic brand, a deep understanding of today's consumer, and an organization that continues to thoughtfully steward and evolve the brand, preserving what makes it distinctive while ensuring it remains relevant for new generations of consumers. I believe that combination positions Coach for continued leadership, meaningful growth, and long-term value creation.

[PAUSE]

Turning to Kate Spade...

Our strategy for Kate Spade has been deliberate and phased: streamlining the business, solidifying the foundation, and positioning the brand to scale. At its core, that means building greater brand desire and relevance to drive sustainable, profitable growth.

In FY26, we remained disciplined in executing that strategy, making choices that improved the quality of the business. Although topline progress was more gradual than we planned, our experience has given us greater clarity on where consumers are responding, where our investments are driving results, and where we need to focus going forward.

[PAUSE]

Now, turning to our strategic pillars and fourth quarter results:

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

- During the fourth quarter, we focused on increasing the reach and relevance of our full-funnel marketing activities, which resulted in higher brand consideration among Gen Z in our latest U.S. Brand Health Tracker. In addition, our first creator-led YouTube campaign drove an increase in purchase intent well ahead of the platform benchmark showing traction in our work.
- We also know that we need more consumers to engage with our content as unaided brand awareness more broadly has not yet improved – and this is a key part of driving acquisition, and ultimately, growth.
- As we enter FY27, we'll build on these learnings through creator partnerships and activations that drive brand awareness and desire. We're also pleased to welcome Allison Badea as Chief Marketing Officer, who brings deep brand-building experience from the luxury and beauty industries.

[PAUSE]

Next, we continued to build a more focused assortment grounded in consumer insights.

- Our handbag blockbusters, led by the **Margot, 454 and Duo families,** contributed to continued improvement in handbags and drove customer acquisition, particularly among Gen Z consumers.
- We welcomed over 450,000 new customers during the quarter and approximately 2 million for the full year, with these consumers transacting at higher AURs than the balance of the customer base – a foundational element of our strategy.

Finally, we continued to focus on creating compelling omni-channel experiences.

- Our light-touch renovation program – designed to bring more color and emotion to our stores – continued to drive a lift in sales, through improvements in conversion and average transaction value, and we're expanding those learnings across additional locations.

[PAUSE]

Looking ahead, as we move from streamlining to solidifying our foundation and preparing to scale, we are focused on further strengthening our creative execution in product and storytelling. The appointment of Jonathan Saunders as Executive Creative Director, working alongside Eva, will advance our efforts to bring Uplifting Luxury to life for a new generation of consumers, with the distinctiveness of joy and femininity inherent in this iconic brand.

[PAUSE]

To close, Kate Spade has significant long-term potential and our conviction in that opportunity remains unchanged. We'll continue focusing our efforts and investment behind the initiatives that are strengthening the brand and positioning it for sustainable, profitable growth over time.

[PAUSE]

Before turning it over to Scott, I'd like to come back to Tapestry's vision: to give more people the power to bring their own style and story into the world.

- **Throughout Fiscal 2026, we realized that vision** by welcoming millions of new consumers to our brands, deepening our relationships with existing consumers, and **delivering the creativity, value, and relevance that inspire self-expression across generations and geographies.**

- **Our success is by design**. **We will continue to stay curious, remain focused, and earn the trust of consumers every day.** That is how we will continue to build advantages that compound, delivering durable growth and long-term shareholder value.

With that, I'll now hand it to Scott.

[PAUSE]

Scott Roe:

Thanks, Joanne, and good morning, everyone.

As Joanne highlighted, we achieved the financial commitments we established at Investor Day two years ahead of plan, **driving a step change in our earnings power and cash flow generation. From this stronger foundation, we enter fiscal 2027 confident** in our ability to deliver mid-single-digit annual revenue growth, continued operating margin expansion, and low-double-digit EPS growth – consistent with our long-term commitments.

Importantly, our competitive advantages translate into a differentiated financial model. We operate in an attractive category with durable demand and compelling margin characteristics. As we continue to welcome new consumers to our brands and category, we generate higher-quality growth, and strong cash flow, supported by disciplined capital allocation. That combination gives us the power and flexibility to consistently invest in the business while returning meaningful capital to shareholders.

[PAUSE]

With that, let me walk through our fourth quarter results in more detail, starting with revenue trends <u>on a pro forma constant currency basis.</u>

Sales increased 11% compared to the prior year, highlighted by strong global momentum:

- **North America** sales rose 7% compared to the prior year driven by a 10% increase at Coach, where we continued to drive healthy growth at expanding gross margins.
- **In Europe,** revenue grew 19% versus last year, fueled by continued strength in our direct business and robust new customer acquisition, particularly among Gen Z. Local consumers continue to drive growth, contributing to meaningful market share gains in the region. Given our relatively low penetration, we believe Europe remains a compelling long-term growth opportunity.
- Now turning to **Greater China**, revenue rose 28%, driven by broad-based growth across channels, led by digital, and strong customer acquisition. We are winning with Gen Z consumers through compelling creativity and relevant activations, contributing to significant market share gains. Given the size of the opportunity and the momentum we're seeing in the business, we are continuing to make strategic investments in the region, positioning us for long-term growth in this important market.
- **In Other Asia,** revenue increased 22%, led by growth in South Korea and Australia.
- **And in Japan**, sales declined 4%, as expected, reflecting our intentional pullback in promotions.

Now, touching on revenue by channel for the quarter.

- **Our DTC-led model continued to drive strong results, with Direct-to-Consumer revenue increasing 11%.** Digital sales grew approximately mid-single digits, while global brick-and-mortar sales increased in the mid-teens. Importantly, all channels delivered strong and increasing profitability.

[PAUSE]

Moving down the P&L, we continued to drive healthy gross margin expansion, delivering a fourth quarter **gross margin** of 78.1%, up 180 basis points versus last year.

- This was driven by an operational increase of 170 basis points, as well as a favorable 60 basis point impact from the divestiture of Stuart Weitzman.
- These benefits more than offset a tariff and duty headwind of approximately 60 basis points, including approximately 30 basis points at Coach and approximately 250 basis points at Kate Spade.

Overall, our strong gross margin remains a core element of our value creation model, supported by an agile supply chain that enables us to deliver craftsmanship at scale – one of Tapestry's key competitive advantages.

Turning to **SG&A**, expenses increased 8%, while leveraging 80 basis points versus last year. This was inclusive of a 130-basis-point increase in marketing, which represented 14% of sales in the quarter. **Together, this reflects strong operational discipline and our continued ability to invest behind growth while expanding profitability.**

Overall, **operating margin** expanded 250 basis points in the quarter, driving a 25% increase in operating income and exceeding our expectations. Fourth quarter **EPS** of $1.32 increased 28% versus last year, also exceeding our guidance, despite a headwind of more than $0.05 from a higher tax rate versus plan due to a number of discrete items.

[PAUSE]

Now, turning to **shareholder returns**…

In FY26, we returned $1.7 billion to shareholders:

- This included $326 million in dividends and $1.35 billion in share repurchases, representing approximately 11.5 million shares at an average price of $118 per share.

Turning to FY27, we expect to return another $1.7 billion to shareholders:

- Our Board approved a 16% increase in the dividend to an annualized rate of $1.85 per share, and we expect to repurchase approximately $1.35 billion of shares – underscoring our confidence in the future.

Our ability to return significant capital to shareholders while continuing to invest for growth reflects the strength of our business and the consistency of our free cash flow.

[PAUSE]

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

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

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

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

- This includes the opportunity for **share repurchase activity, under our previously announced share repurchase authorization**.

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

[PAUSE]

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

- We ended the year with nearly $1.2 billion in **cash and short-term investments** and **total borrowings** of $2.4 billion, representing **net debt** of $1.2 billion. Our gross debt to adjusted EBITDA leverage ratio was 1.1x – more than a full turn below our long-term target.
- **Adjusted Free cash flow totaled** $1.86 billion for the year, and **CapEx and Cloud Computing costs** were $217 million.
- **Inventory** levels at year-end were 4% below prior year, slightly below expectations due to a shift in receipt timing into Q1. For FY27, we expect inventory levels to increase year-over-year in support of our growth ambition.

[PAUSE]

Now, moving to our guidance for FY27 which is provided on a non-GAAP and comparable 52-week versus 52-week basis…

Our full-year guidance remains consistent with the long-term financial algorithm we established at Investor Day.

Now turning to the details.

For the fiscal year:

- We expect **revenue** of $8.4 to $8.5 billion, representing mid-single-digit growth on a nominal and constant currency basis. FX is expected to be a 40-basis point tailwind for the year.

- Touching on sales details by region on a constant currency basis… **As we've discussed previously, our long-term algorithm contemplates disciplined growth in North America, and an increasing contribution from international markets, where our brands remain underpenetrated and we see substantial opportunity over time.**
  - In **North America**, we expect revenue to increase low-single digits.
  - In both **Europe and Greater China,** we expect growth of mid-teens.
  - In **Japan**, we're forecasting a return to growth.
  - And, in **Other Asia**, we anticipate high-single-digit gains.

- By brand, this guidance incorporates **high-single-digit growth at Coach** and a high-single digit decline at Kate Spade.

- In addition, our outlook assumes **operating margin expansion of 50 basis points to nearly 24%, driven by both an increase in gross margin and SG&A leverage. This reflects our continued ability to invest behind our brands while expanding profitability.**
  - We expect **gross margin** to increase by approximately 30 basis points, driven by operational improvements and favorable geographic and brand mix. Embedded in our outlook is the assumption for a mid-20s percent tariff rate on U.S. imports for FY27, resulting in a roughly net neutral P&L impact year-over-year including mitigating actions.
  - **On SG&A,** we expect approximately 20 basis points of leverage, reflecting disciplined expense management while continuing to invest behind brand growth.

- **For some texture on operating profit by brand:**
  - We expect Coach to maintain its best-in-class operating margin of nearly 36%.
  - At Kate Spade, we expect a modest operating loss, reflecting continued investment in the brand.
  - Corporate expenses are expected to leverage for the year – a trend we expect to continue.

- Moving to below-the-line expectations for the year:
  - **Net interest expense** is expected to be approximately $55 million.
  - The **tax rate** is expected to be approximately 18.5%.
  - And, our **weighted average diluted share count** for the year is expected to be approximately 203 million shares**.**

- Taken together, we expect **EPS** of $7.80 to $7.90, representing low-double-digit growth versus the prior year.

As a reminder, our guidance is provided on a comparable 52-week basis. Fiscal 2027 includes a 53rd week, which is expected to contribute approximately one percentage point of annual revenue growth and have a neutral impact on operating margin.

Moving on…

- We anticipate **adjusted free cash flow** to approach $1.7 billion.

- And finally, we expect **CapEx and Cloud Computing Costs** to be in the area of $300 million or 3% to 4% of revenue.
  - This reflects a step-up in investment to support future growth, including incremental investment in Coach's store fleet through new openings and renovations. Approximately 70% of our spend will be related to growing and enhancing our fleet, with the balance primarily supporting our ongoing

technology and digital investments.

[PAUSE]

Before turning to the first quarter, let me briefly comment on our approach to guidance and the shape of the year.

Our current quarter guidance reflects our latest thinking, while the balance of the year embeds in aggregate the long-term financial algorithm we've established.

On the phasing of the year, keep in mind that we continue to operate in an environment of macro uncertainty and evolving tariff dynamics, alongside shifts in the cadence of our marketing investments. As a result, quarterly profitability will be uneven, with tariffs providing a modest benefit in the first half of the year before becoming a headwind in the second half.

- **Generally, revenue is forecasted to grow high-single digits in the first half of the year, and mid-single digits in the second half, with Q4 above Q3 given prior year compares. From an EPS standpoint, we are incorporating low-double-digit growth in both the first and second half.**

Touching on Q1 guidance specifically:

- We expect **revenue growth of high-single-digits** on both a nominal and constant currency basis versus prior year pro forma revenue.
    - This includes low-teens growth at Coach, which represents mid-30s% growth on a two-year stack basis.
    - And, at Kate Spade, we've embedded a low-double digit decline.
- Turning to margins, we expect gross margin to increase by 120 basis points in Q1, offset by higher SG&A due entirely to continued increases in marketing, resulting in operating margin in-line with prior year.
- **Taken together, Q1 EPS is forecasted to be approximately $1.55, a low-teens-increase.**

[PAUSE]

In closing...

- **Fiscal 2026 demonstrated both the quality and potential of our business**. We achieved Tapestry's revenue, operating margin, and EPS commitments established at our Investor Day two years ahead of plan while continuing to invest in our brands, capabilities, and future growth, and returning $1.7 billion to shareholders.
- **We enter fiscal 2027 with confidence**. Our outlook is consistent with the long-term financial algorithm we established at Investor Day, reflecting the durability of our model and the quality of our growth.
- **The strength of our category, our brands, and our operating model gives us the power and flexibility to consistently invest for growth while returning meaningful capital to shareholders. These advantages continue to compound, driving durable growth and long-term shareholder value.**

[PAUSE]

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

[Q&A SESSION]

[CLOSING REMARKS]