tapestry

SPEAKERS' NOTES FOR CONFERENCE CALL

Moderator: Christina Colone
November 5, 2026
8:00 a.m. ET

Operator:

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

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

Christina Colone:

Good morning. Thank you for joining us.

With me today to discuss our first quarter 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.

Our first quarter marked a powerful start to the year, with revenue, margin, and earnings growth ahead of expectations and strength around the world.

Our Amplify strategy continues to drive our outperformance, as we consistently deliver our distinctive combination of creativity, craftsmanship, and value. During the quarter:

- **We grew revenue by 12% on a pro forma basis to $1.9 billion, expanded operating margin by 230 basis points to over 23%, and increased EPS by 32% to $1.82.**
- We drove strong **customer acquisition**, as we welcomed 2.6 million new customers to our brands, with Gen Z representing approximately 35%.
- Our **core leathergoods** category continued to fuel our growth – **with both handbag 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 growth across regions – gaining share and expanding the market**. Growth in North America exceeded our expectations and drove our beat, while international added to our performance with strong double-digit revenue increases.

Overall, building on this outperformance, we are raising our full year outlook, reflecting our confidence in the durability of our growth.

Behind these results are advantages that compound over time, including our deep consumer understanding, data-driven approach, and global scale. Together, they reinforce our conviction that our greatest opportunities are ahead of us.

[PAUSE]

Now moving to our results by brand.

Coach delivered another strong quarter, with constant currency revenue growth of 16% and increasing gross margin and profitability – demonstrating the enduring desirability and relevance of our iconic 85-year-old brand.

Several factors continue to underscore the durability of our growth:

- We drove **new customer acquisition** around the world, welcoming over 2.1 million new consumers in the quarter. This growth was led by Gen Z, a key focus of our strategy. At the same time, existing customers continued to drive strong sales growth, reflecting our ability to attract new consumers and deepen those relationships over time.

- Our **leathergoods assortment** continued to drive our growth, **with handbag AUR increasing at a low-double-digit rate and unit volumes growing low-single-digits**.
    - **The strength of the brand is evident in how we're growing and in**

the choices we're making to support durable, long-term growth. We delivered handbag AUR and strong unit growth within our $200 to $500 sweet spot, while intentionally deemphasizing more promotional price points, resulting in a planned unit decline below $200. Importantly, we continue to see significant runway to grow both AUR and units while staying true to the brand's core value proposition.

- Touching on trends by geography at constant currency, we achieved **strong global results**, with North America up 7%, Greater China up 41%, Europe up 27%, and Japan returning to growth with a 5% increase. This broad strength demonstrates our ability to grow in established markets while expanding our reach in markets where we remain underpenetrated.

Overall, our performance continues to reinforce the power of Coach's Expressive Luxury positioning and the exceptional execution of our teams. Our heritage and relevance allow us to connect with a broad audience around the world, bringing new consumers into the category and into our brand. With a large addressable market and significant opportunity ahead, we see a clear path for Coach to become a $10 billion brand.

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

- Our **key families** continued to outperform, with strength across the assortment. **The New York, Tabby, and Teri collections** drove Gen Z acquisition and reinforced Coach's leadership in its core category, with a robust innovation pipeline ahead. Structurally, we concentrate on product innovation behind core families that build over time, remaining disciplined in our pursuit of sustainable and profitable growth.
- We also continue to see clear benefits from our **One Coach strategy**. By unifying the brand experience across channels, we are creating a stronger, more consistent expression of Coach, helping drive customer acquisition, higher AURs, and growth around the world.

- Next, turning to **footwear**, a significant growth opportunity for Coach. Revenue grew over 20% in the quarter, driven by the **Margot** family and the continued success of **sneakers**.

[PAUSE]

Turning to marketing, we continue to invest behind sustained cultural relevance and demand creation at scale.

- This quarter, we launched **Live Your Story**, the latest expression of our **Courage to Be Real** brand purpose. Our approach is globally connected and locally relevant, combining consistent brand storytelling with experiences and cultural partnerships tailored to consumers around the world.
- With this campaign we are creating connection and empowering self-expression through music – which includes a new global cultural partnership with Spotify. Early results are encouraging, with strong consumer engagement and positive brand lift.

Our marketing approach reflects the strength of our consumer insights and our ability to turn those insights into meaningful engagement and customer acquisition globally.

[PAUSE]

And finally, we continue to invest in and innovate across our physical touchpoints with consumers, creating distinctive experiences that build brand desire and deepen engagement with Coach.

- We are rolling out our **Expressive Luxury store concept** globally. These stores are outperforming our investment targets across both new stores and remodels, driving higher traffic and longer dwell times, particularly among Gen Z consumers. This supports our plan to expand the concept to impact approximately 80% of our traffic by FY30.
- In addition, **Coach Play** is building brand desire with our target consumers, while

providing insights that we are applying across the broader store experience.

- Our **food and beverage concepts are also outperforming**, and we plan to continue expanding our coffee shop presence in North America.

Our stores are both a place to connect with consumers and a powerful driver of growth. With strong field teams and a productive store fleet, we see significant opportunity to build on that strength through continued investment and innovation.

[PAUSE]

Looking ahead to **holiday**, we're leaning into proven drivers of the business, bringing the full expression of Coach to life through our assortment and store experiences. All stores will feature festive décor, including trees with custom Coach ornaments. Our gifting assortment includes fragrance box sets, new bag charms and straps, and seasonal colors in customer favorites such as Tabby, Brooklyn, and Chelsea.

[PAUSE]

In closing, my confidence in Coach is grounded in the strength of the brand and how we are stewarding it for the future. We are building on 85 years of heritage with deep consumer understanding, disciplined execution, and continuous innovation, preserving what makes the brand distinctive while connecting with new generations of consumers around the world. This unique combination gives me confidence in Coach's continued leadership and significant long-term growth.

[PAUSE]

Turning to Kate Spade...

Our strategy for Kate Spade is consistent and phased: streamlining the business, solidifying the foundation, and positioning the brand to scale for sustainable, profitable growth.

During the quarter, revenue declined 10%, consistent with guidance, while gross margin expanded 190 basis points. We remain focused on strengthening the underlying business and continue to make strategic investments to support long-term growth.

Moving forward, a key priority is sharpening our creative execution in product and storytelling. Jonathan Saunders, our newly appointed Executive Creative Director, is working alongside our brand CEO, Eva Erdmann, to bring Uplifting Luxury to life for a new generation of consumers.

[PAUSE]

Now, touching on the first quarter results in more detail.

First, we are investing in marketing to build brand relevance and connect with our target consumers.

- Our Fall campaign, featuring Tyla, the brand's new global ambassador, and a constellation of influencers, reinforced the brand's ethos to discover, share, and spread joy. We achieved greater reach and strong organic engagement with Gen Z consumers, whose brand consideration and purchase intent rose after engaging with the campaign.
- For holiday, we will build on this engagement through creator content and social activations designed to increase awareness, build brand desire, and drive customer acquisition.

[PAUSE]

Next, we continued to strengthen our handbag offering, led by our blockbusters.

- Consistent with our strategy, **handbags are driving customer acquisition, with nearly 500K new customers entering the brand at higher AUR**. This was led by our blockbuster families of **Margot, 454, and Duo**.

- For holiday, we'll animate these proven styles with seasonal colors and finishes and expand gifting opportunities at entry price points in small leathergoods, charms, and jewelry.

[PAUSE]

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

- Stores with our light-touch renovation program continued to achieve a lift in sales through improvements in conversion and average transaction value. We now have approximately 50 locations in this format, with plans to add another 30 over the balance of the year.

[PAUSE]

To close, we remain confident in Kate Spade's long-term potential. With the creative team in place, we are bringing together the brand's distinctive identity and Tapestry's capabilities to build lasting consumer demand and position the brand for sustainable, profitable growth over time.

[PAUSE]

Before turning it over to Scott, I want to reiterate my confidence in the durability of Tapestry's growth and my excitement about where we're heading.

We have a clear vision, a deep understanding of our consumers, and exceptional teams that bring creativity, strategic thinking, and disciplined execution to everything we do. Against a complex backdrop, our agile operating model and compelling combination of craftsmanship and value position us to compete and win, driving long-term growth and shareholder returns.

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

[PAUSE]

Scott Roe:

Thanks, Joanne, and good morning, everyone.

Our first quarter results highlight the **compounding benefits of our financial model**. We are driving strong growth at scale, expanding an already strong margin profile, and generating significant free cash flow. This gives us the capacity to invest in our brands and business to support durable growth, while returning meaningful capital to shareholders.

[PAUSE]

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

Sales increased 12% compared to the prior year, with growth across regions:

- **North America** sales rose 4%, driven by a 7% increase at Coach, where we continued to deliver healthy growth at expanding gross margins. North America revenue and margins both exceeded our guidance.

- In **Europe**, revenue grew 22%, fueled by continued new customer acquisition and growth among local consumers. Given our strong momentum and relatively low market penetration, Europe remains a compelling long-term growth opportunity. We have runway to increase productivity across our existing business and reach more consumers by expanding our digital, store, and wholesale presence in both existing and new markets.

- Now turning to **Greater China**, revenue rose 39%, with growth across channels. Coach's quality, craftsmanship, and value, together with its brand promise of

authenticity and self-expression, are attracting Gen Z consumers and driving market share gains. Our strong regional teams and more than two decades in China give us a deep understanding of the local consumer. Building on this foundation, we are investing incrementally in brand-building to capture the significant growth opportunity ahead.

- In **Other Asia**, revenue increased 23%, led by growth in South Korea and Australia.

- And in **Japan**, we inflected to growth, with sales increasing 4%.

Taken together, we remain confident in the long-term revenue drivers of our business, with durable growth in North America complemented by strong growth in international markets.

[PAUSE]

Now, touching on revenue by channel for the quarter.

- We drove a **9% increase in Direct-to-Consumer revenue**, exceeding expectations, with store revenue growing low-double-digits and digital increasing mid-single-digits.

- In addition, we delivered **wholesale growth of approximately 30%.**
    - Breaking this down by region with a focus on Coach, our wholesale growth was driven by international markets where we're growing brand awareness and reaching new customers.
    - Conversely, in North America, Coach's growth was driven by our direct business, with wholesale – a relatively small portion of sales – growing due to strong point-of-sale trends at major department stores.

- **Overall, strong profitability in each of our channels allows us to meet consumers where they are, delivering brand-accretive experiences at compelling returns.**

[PAUSE]

Moving down the P&L, we delivered a first quarter **gross margin** of 78.7%, up 220 basis points versus last year.

- This reflected 130 basis points of operational expansion, a 70 basis point net benefit from lower tariffs and duties, and a 20 basis point benefit from FX.
- Gross margin exceeded guidance by 100 basis points, with 50 basis points of our upside coming from operational outperformance and 50 basis points due to tariff favorability.

Turning to **SG&A**, we leveraged 10 basis points versus last year, which was better than our guidance. Marketing represented over 12% of sales in the quarter, up 140 basis points, as we continued to invest behind growth, while maintaining strong operational discipline.

Overall, **operating margin** expanded 230 basis points in the quarter, driving a 24% increase in operating income, ahead of our expectations.

First-quarter **EPS** increased 32% to $1.82, exceeding guidance by approximately $0.27.

- **This outperformance was driven by an $0.18 operational beat reflecting higher revenue, stronger gross margin, and lower expenses, $0.05 from lower tariffs, and approximately $0.04 from a lower tax rate and share count combined.**

[PAUSE]

Now, turning to **shareholder returns**…

In the first quarter, we returned approximately $700 million to shareholders, including $600 million in share repurchases and over $90 million in dividends.

We now expect to return approximately $2.0 billion to shareholders in Fiscal 2027. This includes an increase of $350 million in share repurchases to $1.7 billion and an expected annual dividend of $1.85 per share.

Our strong free cash flow generation enables us to increase shareholder returns while continuing to invest in our brands and business for the long-term.

[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.

We have two foundational commitments.

- **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.

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

- 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 quarter with $782 million in **cash and short-term investments** and **total borrowings** of $2.6 billion, representing **net debt** of $1.8 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** $56 million in the quarter.
- **And, inventory** at quarter-end was 4% above prior year. Our inventories remain current and well-positioned, and we continue to expect FY27 inventory levels to increase year-over-year to support our growth.

[PAUSE]

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

We are raising our full year revenue, operating margin, and EPS outlook – reflecting the strength of our business and our confidence in the future.

For the fiscal year:

- We expect **revenue** of $8.5 to $8.6 billion, representing 6% to 7% growth on a constant currency basis. FX is expected to be a 30-basis point tailwind for the year.

  Touching on sales **by region** on a constant currency basis…

  - In **North America**, we expect revenue to increase low-single digits with

Coach up mid-single-digits in North America for the year.

- In both **Europe** and **Greater China** we expect growth of mid-teens.
- In **Japan**, we're forecasting a return to growth of low-single-digits.
- And, in **Other Asia**, we now anticipate low-double-digit growth.

By brand, this guidance continues to incorporate:

- **High-single-digit growth at Coach,**
- and a high-single digit decline at Kate Spade.

- In addition, our outlook assumes **operating margin expansion of approximately 100 basis points to more than 24%, driven by both an increase in gross margin and SG&A leverage.**
  - We expect **gross margin** to increase by approximately 80 basis points, driven by operational improvements and favorable geographic and brand mix. Embedded in our outlook is the assumption for a low-to-mid-20s percent tariff rate on U.S. imports for FY27, resulting in a modest net P&L benefit 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's operating margin to be approximately 36%.
  - At Kate Spade, we continue to expect a modest operating loss, reflecting ongoing investment in the brand.
  - Corporate expenses are expected to leverage for the year.

Moving to below-the-line expectations for the year…

- **Net interest expense** is forecasted to be approximately $60 million, a modest increase from our prior guidance reflecting lower cash balances and higher

commercial paper borrowings to fund incremental share repurchases.

- The **tax rate** is expected to be approximately 18%.
- And, our **weighted average diluted share count** for the year is expected to be approximately 200 million**,** which includes the $1.7 billion in share repurchase activity planned for the year.
- Taken together, we expect **EPS** of $8.25 to $8.35, representing 17% to 18% growth versus prior year and a meaningful increase from our prior outlook of $7.80 to $7.90.
    - To help bridge, **27 cents of the increase is due to our Q1 outperformance**.
    - Looking at the balance of the year, **approximately 12 cents** is due to below the line items, driven primarily by incremental share repurchases. The **remaining increase primarily reflects higher revenue expectations**, **driven by North America** – still within our original guidance range for the region, and underscoring our confidence in the achievability of the outlook.

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 year-over-year 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]

Now, touching expectations by quarter:

Our Q2 guidance reflects our latest expectations, while our revenue outlook for the balance of the year is consistent, in aggregate, with our long-term financial algorithm.

In Q2 specifically:

- We expect revenue growth of 5% to 6% on a constant currency basis versus prior year. **Using the midpoint of the guidance range, nominal revenue growth will be approximately 6%**, including an expected FX tailwind of 70 basis points.

  Our topline guidance:
  - **Incorporates high-single-digit growth at Coach**, including mid-single digit growth in North America, and mid-teens growth internationally. On a two-year basis, total Coach sales growth is in the mid-30% percentage range.
  - And, at Kate Spade, we've embedded a low-double-digit decline.

- Turning to margins, we expect **gross margin to increase by 170 basis points** in Q2, and **SG&A to increase by roughly 120 basis points** driven primarily by increased marketing investment. **This results in operating margin expansion of 50 basis points versus prior year.**

- **Taken together, we expect Q2 EPS of approximately $3.05, representing low-teens growth.**

Beyond Q2, we continue to anticipate uneven profitability by quarter given macro uncertainty, evolving tariff dynamics, and shifts in timing of investments year-over-year.

- With that said, for the second half of the year, we've embedded mid-single digit revenue growth, and using the midpoint of our guidance range, low-teens EPS growth, with Q4 outpacing Q3 given prior year comparisons**.**

Importantly, we remain confident in our ability to drive sustainable growth and build on our proven track record of delivering on our commitments.

[PAUSE]

So, to close our prepared remarks...

- Our **strong start to the year reinforces the power and durability of our financial model.**
- Our outperformance positioned us to raise our full year revenue, operating margin, and EPS outlook and increase expected shareholder returns to $2 billion – all while continuing to invest in our growth and competitive advantages.
- **We are building on significant earnings power and cash flow generation, with substantial runway to grow both well into the future.** We move forward with confidence in the opportunities ahead and in our ability to deliver long-term shareholder value.

[PAUSE]

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

[Q&A SESSION]

[CLOSING REMARKS]