UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended July 1, 2017
OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 1-16153

Coach, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**52-2242751**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10 Hudson Yards, New York, NY 10001
(Address of principal executive offices); (Zip Code)
(212) 594-1850
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on which Registered**
Common Stock, par value $.01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes o No ☑

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions 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 o	Non-accelerated filer o	Smaller reporting company o
Emerging growth company o			

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 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act).Yes o No ☑

The aggregate market value of Coach, Inc. common stock held by non-affiliates as of December 31, 2016 (the last business day of the most recently completed second fiscal quarter) was approximately $9.7 billion. For purposes of determining this amount only, the registrant has excluded shares of common stock held by directors and officers. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

On August 4, 2017, the Registrant had 282,584,704 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	**Form 10-K Reference**
Proxy Statement for the 2017 Annual Meeting of Stockholders	Part III, Items 10 – 14

COACH, INC.

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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. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "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 Coach, 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.

Coach, Inc.'s actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this Form 10-K filing entitled “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations.” 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.

INFORMATION REGARDING HONG KONG DEPOSITARY RECEIPTS

Coach's Hong Kong Depositary Receipts are traded on The Stock Exchange of Hong Kong Limited under the symbol 6388. Neither the Hong Kong Depositary Receipts nor the Hong Kong Depositary Shares evidenced thereby have been or will be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold in the United States or to, or for the account of, a U.S. Person (within the meaning of Regulation S under the Securities Act), absent registration or an applicable exemption from the registration requirements. Hedging transactions involving these securities may not be conducted unless in compliance with the Securities Act.

In this Form 10-K, references to “we,” “our,” “us,” "Coach" and the “Company” refer to Coach, Inc., including consolidated subsidiaries as of July 1, 2017 ("fiscal 2017"). Unless the context requires otherwise, references to the "Coach brand" do not include the Stuart Weitzman brand and references to the "Stuart Weitzman brand" do not include the Coach brand and references to the Company, Coach, we, our or us do not include Kate Spade & Company ("Kate Spade"). The fiscal year ended July 1, 2017 ("fiscal 2017") was a 52-week period, the fiscal year ended July 2, 2016 (“fiscal 2016”) was a 53-week period and the fiscal year ended June 27, 2015 (“fiscal 2015") was a 52-week period.

PART I

ITEM 1. BUSINESS

Coach, Inc. is a leading New York-based house of modern luxury accessories and lifestyle brands. The Coach brand was established in New York City in 1941, and has a rich heritage of pairing exceptional leathers and materials with innovative design. The Stuart Weitzman brand ("Stuart Weitzman") is a leader in women's designer footwear and is built upon the concept of crafting a beautifully-constructed shoe, merging fashion and function.

NARRATIVE DESCRIPTION OF COACH BRAND

The Coach brand is one of the most recognized fine accessories and modern luxury lifestyle brands in both North America and in targeted international markets. The Coach brand offers premium lifestyle accessories to an engaged customer base and provides consumers with fresh, compelling and innovative products that are extremely well made, at an attractive price. Our product offering uses a broad range of high quality leathers, fabrics and materials. In response to our customer’s demands for both fashion and function, the Coach brand offers updated styles and multiple product categories which address an increasing share of our customer’s accessory wardrobe. We present a sophisticated, modern and inviting environment to showcase our product assortment and reinforce a consistent brand positioning wherever our consumer may choose to shop. We utilize a flexible, cost-effective global sourcing model, in which independent manufacturers supply our products, allowing us to efficiently bring our broad range of products to market.

We offer a number of key differentiating elements, including:

A Distinctive Brand — The Coach brand represents a blend of classic American style with a distinctive New York spirit, offering a design that is known for a distinguishing combination of style and function. Coach brand offers lifestyle products that are relevant, extremely well made and provide excellent value.

A Market Leadership Position With Growing International Recognition — The Coach brand is a global leader in premium handbags and lifestyle accessories. Our long-standing reputation and distinctive image have been consistently developed across an expanding number of products, sales channels and international markets.

A Loyal And Involved Consumer — Consumers have maintained a strong emotional connection with the Coach brand. Part of our everyday mission is to continue to cultivate consumer relationships by strengthening this sentiment and brand loyalty.

A Multi-Channel Global Distribution Model — Products are available in image-enhancing environments globally wherever our consumer chooses to shop including: retail and outlet stores, directly operated concession shop-in-shops, online, and department and specialty stores. This allows us to maintain a dynamic balance as results do not depend solely on the performance of a single channel or geographic area. Our stores showcase our products and enhance the shopping experience while reinforcing the image of our brand. The modern luxury store design creates a distinctive environment to display our products. We continue to be committed to the elevation and enhancement of our in-store imagery through strategic investments in Coach branded stores and wholesale locations. Furthermore, store associates are trained to maintain high standards of visual presentation, merchandising and customer service.

Innovation With A Consumer-Centric Focus — We listen to our consumers through rigorous consumer research and strong consumer orientation. To truly understand globalization and its related impact, we understand the local context in each market, learning about our consumer wherever our products are sold. The Coach brand works to anticipate the consumer’s changing needs by keeping the product assortment fresh and compelling.

NARRATIVE DESCRIPTION OF STUART WEITZMAN BRAND

The Stuart Weitzman brand is a leading global women's premium footwear brand, with a strong opportunity for growth both within North America and international markets. The design team, under Mr. Giovanni Morelli, is responsible for conceptualizing and directing the design of all products, and works closely with its manufacturing partners, primarily in Spain, to construct a broad mix of footwear styles. These manufacturers in aggregate support a broad mix of materials and seasonal influx of new, fashion oriented styles, which allows the Stuart Weitzman brand to quickly meet marketplace demands and changing consumer preferences. Stuart Weitzman products, which substantially consist of footwear, are sold primarily within international locations through third party independent distributors, department stores in North America and within Stuart Weitzman directly operated stores and e-commerce in the United States, Europe and Canada.

GENERAL DEVELOPMENT OF BUSINESS

Founded in 1941, Coach Inc. was acquired by Sara Lee Corporation (“Sara Lee”) in 1985. In June 2000, the Company was incorporated in the state of Maryland. In October 2000, Coach was listed on the New York Stock Exchange and sold approximately 19.5% of the then outstanding shares. In April 2001, Sara Lee completed a distribution of its remaining ownership in Coach via an exchange offer, which allowed Sara Lee stockholders to tender Sara Lee common stock for Coach common stock.

The Company's international expansion strategy for the Coach brand has been to enter into joint ventures and distributor relationships to build market presence and capability. To further accelerate brand awareness, aggressively grow market share and to exercise greater control of our brand, Coach has historically acquired its partner’s interests.

- In fiscal 2001, Coach Japan was initially formed as a joint venture with Sumitomo Corporation. In fiscal 2005, we purchased Sumitomo’s 50% interest in Coach Japan.
- In fiscal 2011, the Company purchased a non-controlling interest in a joint venture with Hackett Limited to expand the Coach business in Europe. Through the joint venture, the Company opened retail locations in Spain, Portugal and the United Kingdom in fiscal 2011, in France and Ireland in fiscal 2012 and in Germany in fiscal 2013. In the beginning of fiscal 2014, the Company purchased Hackett Limited’s remaining 50% interest in the joint venture, and has continued to expand its presence in Europe.
- Coach acquired the domestic retail businesses from its distributors as follows:
    - Fiscal 2009: Hong Kong, Macau and mainland China (“Greater China”).
    - Fiscal 2012: Singapore and Taiwan.
    - Fiscal 2013: Malaysia and South Korea.

During fiscal 2015, the Company acquired Stuart Weitzman, a luxury women's footwear company, to complement its leadership position in premium handbags and accessories. The operating results of the Stuart Weitzman brand have been consolidated in the Company's operating results commencing on May 4, 2015. During the fourth quarter of fiscal 2016, the Company acquired the Stuart Weitzman Canadian retail distributor.

On July 11, 2017, the Company completed its acquisition of Kate Spade & Company for $18.50 per share in cash for a total of $2.4 billion. As a result, Kate Spade has become a wholly owned subsidiary of Coach, Inc. The combination of Coach, Inc. and Kate Spade & Company creates a leading luxury lifestyle company with a more diverse multi-brand portfolio supported by significant expertise in handbag design, merchandising, supply chain and retail operations as well as solid financial acumen.

SEGMENTS

In fiscal 2017, the Company has three reportable segments:

- North America, which is composed of Coach brand sales to consumers through stores, including the Internet, and sales to wholesale customers in North America. This segment represented 52.3% of Coach's total net sales in fiscal 2017.
- International, which is composed of Coach brand sales to consumers through stores and concession shop-in-shops in Japan, mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands and Switzerland. Additionally, International includes Coach brand sales to consumers through the Internet in Japan, mainland China, South Korea, the United Kingdom, France, Spain, Germany and Italy, as well as sales to wholesale customers and distributors in approximately 55 countries. This segment represented 38.2% of total net sales in fiscal 2017.
- Stuart Weitzman, which includes global sales generated by the Stuart Weitzman brand, primarily within international locations through independent distributors, department stores in North America and within Stuart Weitzman directly operated stores and e-commerce in the United States, Europe and Canada. This segment represented 8.3% of total net sales in fiscal 2017.

Other, which is not a reportable segment, consists of Coach brand sales and expenses generated in other ancillary channels, licensing and disposition, and represented 1.2% of total net sales in fiscal 2017.

Coach Brand North America Segment

North America Retail Stores — Coach retail stores are located in both regional shopping centers and metropolitan areas throughout the U.S., Canada and Puerto Rico. The retail stores carry an assortment of products depending on their size, location and customer preferences. Our flagship stores, which offer the fullest expression of the Coach brand, are located in high-visibility locations.

In fiscal 2017, we have reduced the number of retail stores with a modest increase in total square footage, as we continue to optimize our real estate position. We expect to close approximately 10 North America retail stores in the fiscal year ending June 30, 2018. Furthermore, we expect to continue investing in the elevation of our existing store environments.

The change in the number of North America Coach retail stores and their total and average square footage is shown in the following table:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
Retail stores	**221**	228	258
Net decrease vs. prior year	**(7)**	(30)	(74)
% decrease vs. prior year	**(3.1)%**	(11.6)%	(22.3)%
Retail square footage	**664,382**	659,376	728,833
Net increase (decrease) vs. prior year	**5,006**	(69,457)	(181,170)
% increase (decrease) vs. prior year	**0.8 %**	(9.5)%	(19.9)%
Average square footage	**3,006**	2,892	2,825

North America Outlet Stores — Coach brand's outlet stores serve as an efficient means to sell manufactured-for-outlet product, including outlet exclusives, and to a lesser extent, discontinued retail inventory outside the retail channel. These stores operate under the Coach brand name and are positioned in established outlet centers that are generally in close proximity to major markets and Coach branded retail locations.

Our outlet store design, visual presentations and customer service levels support and reinforce the brand's image. Through these outlet stores, we target value-oriented customers.

Over the next few years, we generally expect to see no significant growth in outlet store square footage as we continue to optimize our real estate position across channels by expanding our most productive stores to accommodate a broader expression of lifestyle assortment while continuing to assess opportunities to consolidate standalone Men's locations into core stores.

The change in the number of North America Coach outlet stores and their total and average square footage is shown in the following table:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
Outlet stores	**198**	204	204
Net decrease vs. prior year	**(6)**	—	(3)
% decrease vs. prior year	**(2.9)%**	—%	(1.4)%
Outlet square footage	**1,219,822**	1,232,770	1,189,018
Net (decrease) increase vs. prior year	**(12,948)**	43,752	56,304
% (decrease) increase vs. prior year	**(1.1)%**	3.7%	5.0 %
Average square footage	**6,161**	6,043	5,829

Internet — We view our www.coach.com website as a key communications vehicle for the brand to promote traffic in retail stores and department store locations and build brand awareness, as well as an additional channel to sell Coach brand products directly to customers. With approximately 59 million unique visits to www.coach.com in fiscal 2017, our online store provides a showcase environment where consumers can browse through a selected offering of the latest styles and colors. Our e-commerce programs also include our invitation-only outlet Internet sales site, where we have considerably reduced the number of promotional events since fiscal 2015.

North America Wholesale — The Coach brand began as a U.S. wholesaler to department stores and this channel continues to remain a part of our overall consumer reach. Today, we work closely with our partners to ensure a clear and consistent product presentation. We enhance our presentation through the creation of shop-in-shops with proprietary Coach brand fixtures within the department store environment. We custom tailor our assortments through wholesale product planning and allocation processes to match the attributes of our department store consumers in each local market. We continue to closely manage inventories in this channel given the current highly promotional environment at point-of-sale. We utilize automatic replenishment with major accounts in an effort to optimize inventory levels across wholesale doors.

As of July 1, 2017, Coach brand's products are sold in approximately 750 wholesale locations in the U.S. and Canada. Our wholesale partnerships include national and regional department stores including Macy's (including Bloomingdale's), Dillard's, Nordstrom, Lord & Taylor, The Bay, Saks 5th Ave, Bon Ton, Belk, Von Maur and Neiman Marcus. Coach products are also available on these customers' websites.

As of July 1, 2017 and July 2, 2016, we did not have any customers who individually accounted for more than 10% of the North America segment's total net sales.

Coach Brand International Segment

Our International Markets operate department store concession shop-in-shop locations and freestanding flagship, retail and outlet stores as well as e-commerce websites. Flagship stores, which offer the fullest expression of the Coach brand, are located in select high-visibility shopping districts.

We expect our International segment to reflect modest growth in store count over the next few years, particularly within mainland China and Europe.

The following table shows the number of international directly-operated locations and their total and average square footage:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
Coach International:			
Locations:	**543**	522	503
Net increase vs. prior year	**21**	19	28
% increase vs. prior year	**4.0%**	3.8%	5.9%
Square footage:	**1,166,920**	1,086,315	1,030,695
Net increase vs. prior year	**80,605**	55,620	111,700
% increase vs. prior year	**7.4%**	5.4%	12.2%
Average square footage	**2,149**	2,081	2,049

International Wholesale — Our international segment also includes sales to international wholesale distributors, authorized retailers and department stores throughout Europe and Japan. Travel retail represents the largest portion of our sales in this channel. However, we continue to drive growth by expanding our distribution to reach local consumers in new markets. Coach has developed relationships with a select group of distributors who sell Coach products through department stores and freestanding retail locations. Coach's current network of international distributors serve the following markets: Australia, Austria, Bahrain, Belgium, Brazil, Cambodia, Canada, Chile, Greater China, Colombia, Denmark, Dominican Republic, Finland, France, Germany, Greece, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, South Korea, Kuwait, Lebanon, Lithuania, Luxembourg, Malaysia, Mexico, Myanmar, Netherlands, New Zealand, Nigeria, Norway, Panama, Peru, Philippines, Poland, Portugal, Qatar, Russia, Saudi Arabia, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, Uruguay, U.S. & Territories, Venezuela and Vietnam.

For locations not in freestanding stores, the Coach brand has created shop-in-shops and other image enhancing environments to increase brand appeal and stimulate growth. We will continue to seek opportunities for productivity improvements in this channel by opening larger image-enhancing locations, expanding existing stores and closing less productive stores. Coach's most significant international wholesale customers are the DFS Group, True Alliance, Al Tayer Insignia and Lotte Group. Coach's products are sold in approximately 800 international wholesale locations.

As of July 1, 2017 and July 2, 2016, we did not have any customers who individually accounted for more than 10% of the International segment's total net sales.

Stuart Weitzman Segment

The Stuart Weitzman brand is sold primarily through approximately 675 North America and international wholesale locations, as well as numerous independent third party distributors. Its most significant distributor and wholesale customers include Nordstrom, Bloomingdales, Saks, Neiman Marcus and Beijing Goodwill Trading Co. Furthermore, Stuart Weitzman products are also sold in freestanding flagship and retail stores in North America and Europe, and e-commerce websites.

The following table shows the number of Stuart Weitzman directly-operated locations and their total average square footage:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016[1]	June 27, 2015[2]
Stuart Weitzman:			
Locations:	**81**	75	54
Net increase vs. prior year	**6**	21	—
% increase vs. prior year	**8.0%**	38.9%	—%
Square footage:	**136,752**	117,820	91,101
Net increase vs. prior year	**18,932**	26,719	—
% increase vs. prior year	**16.1%**	29.3%	—%
Average square footage	**1,688**	1,571	1,687

[1] Includes 14 retail stores related to our Canadian retail distributor acquisition in the fourth quarter of fiscal 2016.

[2] The Stuart Weitzman business was acquired by the Company in fiscal 2015.

We expect our Stuart Weitzman segment to reflect modest growth in new store count and square footage over the next few years as we grow our business domestically and internationally.

As of July 1, 2017, we did not have any customers who individually accounted for more than 10% of the Stuart Weitzman segment's total net sales.

See Note 15, "Segment Information", for more information about the Company's segments.

Other

Other, which is not a reportable segment, consists of sales generated by the Coach brand in other ancillary channels, licensing and disposition.

Licensing — In our worldwide licensing relationships, Coach takes an active role in the design process and controls the marketing and distribution of products under the Coach brand. Licensing revenue was $40.4 million and $29.7 million in fiscal 2017 and fiscal 2016, respectively. Our key licensing relationships as of July 1, 2017 are as follows:

		Date	
Category	**Partner**	**Introduction**	**Expiration**
Eyewear	Luxottica	2012	2020
Watches	Movado	1998	2020
Fragrance	Interparfums	2015	2026

Products made under license are, in most cases, sold through all of the channels discussed above and, with the Company's approval, these licensees have the right to distribute products selectively through several other venues. These venues provide additional, yet controlled, exposure of our brands. Our licensing partners pay royalties on their net sales of our branded products. Such royalties currently comprise less than 1% of the Coach brand's total net sales. The licensing agreements generally give Coach the right to terminate the license if specified sales targets are not achieved.

Upon the expiration of the footwear license in June 2017, the Company brought all of the Coach brand women's footwear business in-house.

PRODUCTS

The following table shows net sales for each product category represented:

	Fiscal Year Ended					
	July 1, 2017		July 2, 2016		June 27, 2015	
	(millions)					
	Amount	**% of total net sales**	Amount	% of total net sales	Amount	% of total net sales
Coach brand:						
Women's Handbags	**$ 2,308.0**	**52%**	$ 2,392.9	53%	$ 2,389.6	57%
Men's	**808.0**	**18**	725.7	16	680.4	16
Women's Accessories	**721.0**	**16**	721.6	16	709.4	17
Women's Other Products	**277.7**	**6**	306.9	7	369.2	9
Total Coach brand	**$ 4,114.7**	**92%**	$ 4,147.1	92%	$ 4,148.6	99%
Stuart Weitzman brand[1]	**373.6**	**8**	344.7	8	43.0	1
Total Net Sales	**$ 4,488.3**	**100%**	$ 4,491.8	100%	$ 4,191.6	100%

(1) The significant majority of sales for the Stuart Weitzman brand is attributable to women's footwear.

Women's Handbags — Women's handbag collections feature classically inspired designs as well as fashion designs. These collections are designed to meet the fashion and functional requirements of our broad and diverse consumer base.

Men's — Men's includes bag collections (including business cases, computer bags, messenger-style bags, backpacks and totes), small leather goods (including wallets, card cases and belts), footwear, watches, sunglasses, novelty accessories and ready-to-wear.

Women's Accessories — Women's accessories include small leather goods, which complement our handbags, including wallets, money pieces, wristlets and cosmetic cases. Also included in this category are novelty accessories (including address books, time management accessories, sketchbooks, and portfolios), key rings and charms.

Women's Other Products (excluding the Stuart Weitzman brand) consist of the following:

- Footwear — Footwear is distributed through select Coach retail stores, our Internet sales sites and U.S. department stores and military locations. Footwear sales are comprised primarily of women's styles.
- Wearables — This category is comprised of certain women's seasonal lifestyle apparel collections, including outerwear, ready-to-wear and cold weather accessories, such as gloves, scarves and hats. These products contain a fashion assortment in all components of this category.
- Jewelry — This category is comprised of bracelets, necklaces, rings and earrings offered in sterling silver, leather and non-precious metals.
- Eyewear — Luxottica Group SPA ("Luxottica") has been Coach's eyewear licensee since 2012. This collection is a collaborative effort that combines the Coach aesthetic for fashion accessories with the latest fashion directions, primarily in sunglasses. Our sunglasses are sold in retail stores and on our Internet sales sites, department stores worldwide, select sunglass retailers and optical retailers in major global markets.
- Watches — Movado Group, Inc. ("Movado") has been Coach's watch licensee since 1998 and has developed a distinctive collection of watches inspired primarily by women's collections. The Coach watch collection is currently sold in Coach retail stores and on our Internet sales sites, department stores worldwide, and select watch retailers in major global markets.
- Fragrance — Interparfums SA ("Interparfums") has been Coach's fragrance licensee since 2015. Fragrance is distributed through Coach brand retail stores, our Internet sales sites, department and specialty stores worldwide, and select perfumeries in major global markets. Coach offers women's fragrance collections which include eau de perfume spray, eau de toilette spray, purse spray, and eau de parfum body cream.

DESIGN AND MERCHANDISING

Coach brand's design team, led by the Executive Creative Director, Stuart Vevers, and Stuart Weitzman brand's design team, led by Giovanni Morelli, are responsible for conceptualizing and directing the design of all products. Designers have access to the Company's extensive archives of product designs created since each brand's inception, which are a valuable resource for new product concepts. Our designers are also supported by a strong merchandising team that analyzes sales, market trends and consumer preferences to identify market opportunities that help guide each season's design process and create a globally relevant product assortment. Merchandisers also manage the product life cycle to maximize sales and profitability across all channels. The product category teams, each comprised of design, merchandising/product development and sourcing specialists help each brand execute design concepts that are consistent with the brand's strategic direction.

Our design and merchandising teams also work in close collaboration with all of our licensing partners to ensure that the licensed products are conceptualized and designed to address the intended market opportunity and convey the distinctive perspective and lifestyle associated with our brands.

MARKETING

Our global marketing strategy is to deliver a consistent, relevant and multi-layered message every time the consumer comes in contact with our brands through our communications and visual merchandising. Our image is created and executed by our creative marketing, visual merchandising and public relations teams, as well as with outside creative agencies. We also have a sophisticated consumer and market research capability, which helps us assess consumer attitudes and trends.

In conjunction with promoting a consistent global image, we use our extensive customer database and consumer knowledge to target specific products and communications to specific consumers to efficiently stimulate sales across all distribution channels.

We engage in several consumer communication initiatives, including direct marketing activities and national, regional and local advertising. Total expenses attributable to the Company's marketing-related events in fiscal 2017 were $178.3 million, or approximately 4% of net sales, compared to $202.2 million in fiscal 2016, or approximately 5% of net sales.

Our wide range of direct marketing activities include email contacts and catalogs targeted to promote sales to consumers in their preferred shopping venue. In addition to building brand awareness and driving online revenue, our websites serve as an effective brand communication vehicle by providing a showcase environment where consumers can browse through a strategic offering of the latest styles and colors, which drives store traffic and enables the collection of customer data.

As part of our direct marketing strategy, we use databases primarily consisting of approximately 45 million consumers in North America, approximately 18 million consumers in Asia and approximately 1 million consumers in Europe. Email contacts and direct mail pieces are an important part of our communication and are sent to selected consumers to stimulate consumer purchases and build brand awareness. Visitors to our e-commerce sites in the U.S., Canada, Japan, mainland China, the United Kingdom and South Korea provide an opportunity to increase the size of these databases, as well as point of sale transactions globally, except where restricted.

In fiscal 2017, Coach had informational websites in Mexico, Hong Kong, Korea, Malaysia, Singapore, Taiwan, France, Spain and Saudi Arabia, as well as a global informational website where customers from various other countries are directed. In addition, the Company utilizes and continues to explore digital technologies such as blogs and social media websites, including Twitter, Facebook, Instagram, Pinterest, WeChat and Sina Weibo, as a cost effective consumer communication opportunity to increase on-line and store sales, acquire new customers and build brand awareness.

The Coach brand and Stuart Weitzman brand also run national, regional and local marketing campaigns in support of major selling seasons. As a key pillar of the transformation plan, Coach brand has expanded its marketing initiatives to more clearly message the brand's unique modern luxury positioning, rooted in a 75 year history of authenticity and craftsmanship, augmented by Executive Creative Director Stuart Vevers's modern interpretation of American fashion. We plan to continue to support this strategy in the future through an increased presence in relevant fashion, media events and publications.

MANUFACTURING

Coach carefully balances its commitments to a limited number of “better brand” partners with demonstrated integrity, quality and reliable delivery. Our manufacturers are located in many countries, including Vietnam, mainland China, the Philippines, India, Thailand, Italy, Spain, Hong Kong, Myanmar and the United States. Coach continues to evaluate new manufacturing sources and geographies to deliver the finest quality products at the best cost and to mitigate the impact of manufacturing in inflationary markets. During fiscal 2017, the Coach brand had two vendors, both located in Vietnam, who individually provided over 10% of the brand's total units (or approximately 31% in the aggregate). During fiscal 2017, Stuart Weitzman had three vendors, all located in Spain, who individually provided over 10% of the brands total units (or approximately 42% in the aggregate).

Before partnering with a new vendor, the Company evaluates each facility by conducting a quality and business practice standards audit. Periodic evaluations of existing, previously approved facilities are conducted on a recurring basis. We believe that our manufacturing partners are in material compliance with the Company’s integrity standards.

These independent manufacturers each or in aggregate support a broad mix of product types, materials and a seasonal influx of new, fashion oriented styles, which allows us to meet shifts in marketplace demand and changes in consumer preferences.

Our raw material suppliers, independent manufacturers and licensing partners, must achieve and maintain high quality standards, which are an integral part of our identity. One of our keys to success lies in the rigorous selection of raw materials. We have longstanding relationships with purveyors of fine leathers and hardware. Although our products are manufactured by independent manufacturers, we maintain a strong level of oversight in the selection of the raw materials that are used in all of our products. Compliance with quality control standards is monitored through on-site quality inspections at independent manufacturing facilities.

We maintain control of the supply chain process from design through manufacture. We are able to do this by maintaining sourcing management offices in Vietnam, China, Hong Kong the Philippines, Singapore and Spain that work closely with our independent manufacturers. This broad-based, global manufacturing strategy is designed to optimize the mix of cost, lead times and construction capabilities.

DISTRIBUTION

In North America, the Company operates an 850,000 square foot distribution and consumer service facility in Jacksonville, Florida for Coach brand products. This automated facility uses a bar code scanning warehouse management system. Coach's distribution center employees use handheld scanners to read product bar codes, which allow them to more accurately process and pack orders, track shipments, manage inventory and generally provide excellent service to our customers. Coach brand products are primarily shipped to Coach retail stores and wholesale customers via express delivery providers and common carriers, and direct to consumers.

Outside of North America, the Company has established regional distribution centers through third-parties in Shanghai, China and Oldenzaal, The Netherlands for Coach brand products. The Company also operates local distribution centers through third-parties in Japan, China, Hong Kong, Macau, South Korea, Taiwan, Malaysia and Singapore for Coach brand products.

The Company operates local distribution centers through third-parties in the United States, Canada and Spain for Stuart Weitzman brand products.

INFORMATION SYSTEMS

The foundation of the Company's information systems is its Enterprise Resource Planning (“ERP”) system. Within the Coach brand, this integrated system supports finance and accounting, procurement, inventory control, sales and store replenishment. The system functions as a central repository for our transactional information. Complementing our current ERP system are several other solutions. The Company's data warehouse system summarizes the transaction information and provides a global platform for management reporting. The supply chain management systems support product development, procurement, inventory planning and reporting functions.

Under the Coach brand, in North America, product fulfillment is facilitated by our automated warehouse management system and electronic data interchange system, while the unique requirements of our Internet business are supported by Coach’s order management and e-commerce systems. Internationally, the Coach brand selectively relies on the warehouse and distribution systems owned by the third-parties that operate our international distributions centers. Additionally, our point-of-sale systems supports all in-store transactions, distributes management reporting to each store, and collects sales and payroll information on a daily basis. This daily collection of store sales and inventory information results in early identification of business trends and provides a detailed baseline for store inventory replenishment.

Stuart Weitzman warehouse and distribution fulfillment is facilitated by the brand's warehouse management system in North America and Europe. Stuart Weitzman's retail point-of-sale system supports all in-store transactions, including daily management sales reporting, payroll, sales tax, and store inventory management.

As discussed further within Note 3, "Restructuring Activities," in the fourth quarter of fiscal 2016, the Company announced a series of operational efficiency initiatives focused on creating an agile and scalable business model, including the replacing and updating our core technology platforms and the retirement of certain information systems. This project is a key area of focus and priority.

TRADEMARKS AND PATENTS

Coach owns all of the material worldwide trademark rights used in connection with the production, marketing, distribution and sale of all branded products for Coach, Stuart Weitzman and Kate Spade, which Coach acquired on July 11, 2017. In addition, it licenses trademarks and copyrights used in connection with the production, marketing and distribution of certain categories of

goods and limited edition collaborative special projects. Coach also owns and maintains worldwide registrations for trademarks in all relevant classes of products in each of the countries in which all of its products are sold. Major trademarks include COACH, COACH NEW YORK, COACH and Horse & Carriage Design, COACH and Story Patch Design, COACH and Lozenge Design, COACH and Tag Design, Signature C Design, and Op Art C Design, COACH EST. 1941 and Designs, SW1, IN OUR SHOES, STUART WEITZMAN, KATE SPADE, kate spade new york, JACK SPADE, KATE SPADE SATURDAY, MARVELLA, MONET (international rights only) and TRIFARI. Coach is not dependent on any one particular trademark or design patent although Coach believes that the Coach, Stuart Weitzman and Kate Spade names are important for its business. In addition, Coach owns several design patents and utility patents for its branded products. Coach aggressively polices its trademarks and trade dress, and pursues infringers both domestically and internationally. It also pursues counterfeiters domestically and internationally through leads generated internally, as well as through its network of investigators, the Coach hotline and business partners around the world.

The Company expects that its material trademarks will remain in full force and effect for as long as we continue to use and renew them.

SEASONALITY

The Company's results are typically affected by seasonal trends. During the first fiscal quarter, we build inventory for the winter and holiday 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 season.

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.

GOVERNMENT REGULATION

Most of Coach's imported products are subject to duties, indirect taxes, quotas and non-tariff trade barriers that may limit the quantity of products that we may import into the U.S. and other countries or may impact the cost of such products. The Company is not materially restricted by quotas or other government restrictions in the operation of its business, however customs duties do represent a component of total product cost. To maximize opportunities, we operate complex supply chains through foreign trade zones, bonded logistic parks and other strategic initiatives such as free trade agreements. Additionally, the Company operates a direct import business in many countries worldwide. As a result, the Company is subject to stringent government regulations and restrictions with respect to its cross-border activity either by the various customs and border protection agencies or by other government agencies which control the quality and safety of the Company’s products. The Company maintains an internal global trade and customs organization to help manage its import/export activity.

COMPETITION

The global premium men's and women's handbag, accessories and footwear categories are highly competitive. Coach, Inc. competes primarily with European and American luxury and accessible luxury brands as well as private label retailers. Over the last several years these industries have grown, encouraging the entry of new competitors as well as increasing the competition from existing competitors. This increased competition drives interest in these brand loyal categories.

EMPLOYEES

As of July 1, 2017, Coach, Inc. employed approximately 14,400 globally, including both full and part time employees, but excluding seasonal and temporary employees. Of these employees, approximately 7,700 and 3,900 were full time and part time employees, respectively, in the global retail field.

Coach believes that its relations with its employees are good, and has never encountered a strike or work stoppage.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

See the Note 15, "Segment Information", presented in the Notes to the Consolidated Financial Statements for geographic information.

AVAILABLE INFORMATION

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge on our investor website, located at *www.coach.com/investors* under the caption “SEC Filings”, as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission. These reports are also available on the Securities and Exchange Commission’s website at *www.sec.gov.* No information contained on any of our websites is intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10-K.

The Company has included the Chief Executive Officer (“CEO”) and Chief Financial Officer certifications regarding its public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibit 31.1 to this report on Form 10-K. Additionally, the Company filed with the New York Stock Exchange (“NYSE”) the CEO’s certification regarding the Company’s compliance with the NYSE’s Corporate Governance Listing Standards (“Listing Standards”) pursuant to Section 303A.12(a) of the Listing Standards, which indicated that the CEO was not aware of any violations of the Listing Standards by the Company.

ITEM 1A. RISK FACTORS

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

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

One component of our growth strategy is acquisitions, such as our acquisition of Stuart Weitzman Holdings, LLC during fiscal 2015 and our recent acquisition of Kate Spade & Company on July 11, 2017. Our management team has and will consider growth strategies and expected synergies when considering any acquisition, and while we continually review potential acquisition opportunities, there can be no assurance that we will be able to identify suitable candidates or consummate these transactions on acceptable terms.

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

- failure of the business to perform as planned following the acquisition or achieve anticipated revenue or profitability targets;
- delays, unexpected costs or difficulties in completing the integration of acquired companies or assets;
- higher than expected costs, lower than expected cost savings or synergies and/or a need to allocate resources to manage unexpected operating difficulties;
- difficulties assimilating the operations and personnel of acquired companies into our operations;
- diversion of the attention and resources of management or other disruptions to current operations;
- the impact on our or an acquired business' internal controls and compliance with the requirements under the Sarbanes-Oxley Act of 2002;
- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- retaining key customers, suppliers and employees;
- retaining and obtaining required regulatory approvals, licenses and permits;
- operating risks inherent in the acquired business and our business;
- consumers' failure to accept product offerings by us or our licensees;
- assumption of liabilities not identified in due diligence; and
- other unanticipated issues, expenses and liabilities.

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

Completed acquisitions may result in additional goodwill and/or an increase in other intangible assets on our balance sheet. We are required annually, or as facts and circumstances exist, to test goodwill and other intangible assets to determine if impairment has occurred. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or the fair value of other intangible assets in the period the determination is made. We determined there was no impairment in fiscal 2017, fiscal 2016 and fiscal 2015; however, we cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be a material adverse effect on our financial condition and results of operations.

The successful execution of our operational efficiency and multi-year transformation initiatives is key to the long-term growth of our business.

During the fourth quarter of fiscal 2016, we announced a plan to enhance organizational efficiency, update core technology platforms and streamline the Company's supply chain network. These initiatives were undertaken as a result of a strategic review of the Company's corporate structure which focused on creating an agile and scalable business model. The charges under this plan

began in the fourth quarter of fiscal 2016 and were substantially completed by the end of fiscal year 2017. There is no assurance these actions will be successful in achieving our intended results.

During the fourth quarter of fiscal 2014, we announced a multi-year strategic plan with the objective of transforming the brand and reinvigorating growth, which will enable the Company to return to 'best-in-class' profitability. Key operational and cost elements in order to fund and execute this plan included: (i) the investment in capital improvements in our stores and wholesale locations to drive comparable sales improvement; (ii) the optimization and streamlining of our organizational model as well as the closure of underperforming stores in North America, and select International stores; (iii) the realignment of inventory levels and mix to reflect our elevated product strategy and consumer preferences; (iv) the investment in incremental advertising costs to elevate consumer perception of our Coach brand, drive sales growth and promote our new strategy; and (v) the significant scale-back of our promotional cadence in an increased global promotional environment, particularly within our outlet Internet sales site. The Company's execution of these key operational and cost measures concluded during fiscal 2016. The Company believes that long-term growth will be realized through these transformational efforts over time. There is no assurance that such efforts will be successful in achieving long-term growth or changing the perception of the Company from an accessories brand to a global lifestyle brand.

Actual costs incurred and the timeline of these initiatives may differ from our expectations. Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3, "Restructuring Activities" for further information regarding these initiatives.

The growth of our business depends on the successful execution of our growth strategies, including our efforts to expand internationally into a global lifestyle brand.

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

Additionally, our current growth strategy includes plans to expand in a number of international regions, including Asia and Europe. We currently plan to open additional Coach and Stuart Weitzman stores in mainland China, Europe and other international markets, both directly and through strategic partners. Our brands may not be well-established or widely sold in some of these markets, and we may have limited experience operating directly or working with our partners there. In addition, some of these markets have different operational characteristics, including but not limited to employment and labor, transportation, logistics, real estate, environmental regulations and local reporting or legal requirements.

Furthermore, consumer demand and behavior, as well as tastes and purchasing trends may differ in these countries, and as a result, sales of our product may not be successful, or the margins on those sales may not be in line with those we currently anticipate. Further, such markets will have upfront investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance and therefore may be dilutive to our brands in the short-term. In many of these countries, there is significant competition to attract and retain experienced and talented employees.

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

We face risks associated with operating in international markets.

We operate on a global basis, with approximately 46% of our net sales from the Coach and Stuart Weitzman brands coming from operations outside of United States. While geographic diversity helps to reduce the Company’s exposure to risks in any one country, we are subject to risks associated with international operations, including, but not limited to:

- political or economic instability or changing macroeconomic conditions in our major markets, including the potential impact of (1) new policies that may be implemented by the U.S. or other jurisdictions, particularly with respect to tax and trade policies or (2) the United Kingdom ("U.K.") voting to leave the European Union ("E.U."), commonly known as Brexit. On March 29, 2017, the U.K. triggered Article 50 of the Lisbon Treaty formally starting negotiations with the E.U. The U.K. has two years to complete these negotiations. Although the terms of the U.K.'s future relationship with the E.U. are still unknown, it is possible that there will be increased regulatory and legal complexities, including potentially divergent national laws and regulations between the U.K. and E.U. Brexit may also cause disruption and create uncertainty surrounding our business, including affecting our relationship with our existing and future customers, suppliers and employees;
- changes in exchange rates for foreign currencies, which may adversely affect the retail prices of our products, result in decreased international consumer demand, or increase our supply costs in those markets, with a corresponding negative impact on our gross margin rates;

- compliance with laws relating to foreign operations, including the Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act, and other global anti-corruption laws, which in general concern the bribery of foreign public officials;
- changes in tourist shopping patterns, particularly that of the Chinese consumer;
- natural and other disasters;
- changes in legal and regulatory requirements, including, but not limited to safeguard measures, anti-dumping duties, cargo restrictions to prevent terrorism, restrictions on the transfer of currency, climate change legislation, product safety regulations or other charges or restrictions
- changes to the U.S.'s participation in, withdrawal out of, renegotiation of certain international trade agreements or other major trade related issues including the non-renewal of expiring favorable tariffs granted to developing countries, tariff quotas, trade sanctions, new or onerous trade restrictions, retaliatory tariffs, embargoes and other stringent government controls

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

Our results can be impacted by a number of macroeconomic factors, including but not limited to consumer confidence and spending levels, unemployment, consumer credit availability, raw materials costs, fuel and energy costs (including oil prices), global factory production, commercial real estate market conditions, credit market conditions and the level of customer traffic in malls and shopping centers.

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

Unfavorable economic conditions may also reduce consumers’ willingness and ability to travel to major cities and vacation destinations in which our stores are located.

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

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

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

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

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

Significant competition in our industry could adversely affect our business.

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

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

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

Awareness and sensitivity to privacy breaches and cyber security threats by consumers, employees and lawmakers is at an all-time high. Any misappropriation of confidential or personally identifiable information gathered, stored or used by us, be it intentional or accidental, could have a material impact on the operation of our business, including severely damaging our reputation and our relationships with our customers, employees and investors. We may also incur significant costs implementing additional security measures to protect against new or enhanced data security or privacy threats, or to comply with state, federal and international laws governing the unauthorized disclosure of confidential information as well as increased cyber security protection costs such as organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants and lost revenues resulting from unauthorized use of proprietary information including our intellectual property. Lastly, we could face sizable fines, significant breach-notification costs and increased litigation as a result of cyber security breaches.

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

The Company has embarked on a multi-year ERP implementation. The Company began implementation in fiscal 2017 and will continue in fiscal 2018 and fiscal 2019. If the execution of our plans falls short, our business, financial condition and results of operation could be materially adversely affected.

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

We believe that the Coach brand, established over 75 years ago, is regarded as America's preeminent designer, producer, and marketer of fine accessories and gifts for women and men. We attribute the prominence of the Coach brand to the unique combination of our original American attitude and design, our heritage of fine leather goods and custom fabrics, our superior product quality and durability and our commitment to customer service. Furthermore, the Stuart Weitzman brand is viewed as a leading design house of women's luxury footwear within North America, with a strong opportunity for growth globally, and is built upon the idea of crafting a beautifully-constructed shoe, merging fashion and function. Any misstep in product quality or design, customer service, marketing, unfavorable publicity or excessive product discounting could negatively affect the image of our brands with our customers. Furthermore, the product lines we have historically marketed and those that we plan to market in the future are becoming increasingly subject to rapidly changing fashion trends and consumer preferences, including the increasing shift to digital brand engagement and social media communication. If we do not anticipate and respond promptly to changing customer preferences and fashion trends in the design, production, and styling of our products, as well as create compelling marketing campaigns that appeal to our customers, our sales and results of operations may be negatively impacted. Our success also depends in part on our ability to execute on our plans and strategies, including our operational efficiency initiatives and Transformation Plan. Even if our products, marketing campaigns and retail environments do meet changing customer preferences and/or stay ahead of changing fashion trends, our brand image could become tarnished or undesirable in the minds of our customers or target markets, which could materially adversely impact our business, financial condition, and results of operations.

Our business is exposed to foreign currency exchange rate fluctuations.

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

As a result of operating retail stores outside of the U.S., we are also exposed to market risk from fluctuations in foreign currency exchange rates. For example, the announcement of Brexit caused significant volatility in the global stock markets and currency exchange rate fluctuations. A substantial weakening of foreign currencies against the U.S. dollar could impact consumers' willingness or ability to travel abroad and/or purchase our products while traveling, as well as require us to raise our retail prices or reduce our profit margin in various locations outside of the U.S. In addition, our sales and profitability could be negatively impacted if consumers in those markets were unwilling to purchase our products at increased prices.

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

Our business and long-range planning process is designed to maximize our long-term strength, growth, and profitability, and not to achieve an earnings target in any particular fiscal quarter. We believe that this longer-term focus is in the best interests of the Company and our stockholders. At the same time, however, we recognize that it is helpful to provide investors with guidance as to our forecast of net sales, earnings per share and other financial metrics or projections. While we generally expect to provide updates to our financial guidance when we report our results each fiscal quarter, we do not have any responsibility to update any of our forward-looking statements at such times or otherwise. In addition, any longer-term guidance that we provide is based on goals that we believe, at the time guidance is given, are reasonably attainable for growth and performance over a number of years. However, such long-range targets are more difficult to predict than our current quarter and fiscal year expectations. If, or when, we announce actual results that differ from those that have been predicted by us, outside investment analysts, or others, our stock price could be adversely affected. Investors who rely on these predictions when making investment decisions with respect to our securities do so at their own risk. We take no responsibility for any losses suffered as a result of such changes in our stock price.

We periodically return value to investors through payment of quarterly dividends. Investors may have an expectation that we will continue to pay our quarterly dividend at certain levels. The market price of our securities could be adversely affected if our cash dividend rate differs from investors' expectations. See "*If we are unable to pay quarterly dividends at intended levels, our reputation and stock price may be harmed*" for addition discussion of our quarterly dividend.

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

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

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

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

- unavailability of, or significant fluctuations in the cost of, raw materials;
- compliance by us and our independent manufacturers and suppliers with labor laws and other foreign governmental regulations;

- imposition of additional duties, taxes and other charges on imports or exports;
- increases in the cost of labor, fuel (including volatility in the price of oil), travel and transportation;
- compliance with our Global Business Integrity Program;
- compliance by our independent manufacturers and suppliers with our Global Operating Principles and/or Supplier Code of Conduct, as applicable;
- compliance with U.S. laws regarding the identification and reporting on the use of "conflict minerals" sourced from the Democratic Republic of the Congo in the Company's products and the FCPA, U.K. Bribery Act and other global anti-corruption laws, as applicable;
- disruptions or delays in shipments;
- loss or impairment of key manufacturing or distribution sites;
- inability to engage new independent manufacturers that meet the Company's cost-effective sourcing model;
- product quality issues;
- political unrest;
- unforeseen public health crises, such as pandemic and epidemic diseases;
- natural disasters or other extreme weather events, whether as a result of climate change or otherwise; and
- acts of war or terrorism and other external factors over which we have no control.

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

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

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

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

We do not own any of our retail store locations. We lease the majority of our stores under long-term, non-cancelable leases, which usually have initial terms ranging from five and ten years, often with renewal options. We believe that the majority of the leases we enter into in the future will likely be long-term and non-cancelable. Generally, our leases are "net" leases, which require us to pay our proportionate share of the cost of insurance, taxes, maintenance and utilities. We generally cannot cancel these leases at our option. If we determine that it is no longer economical to operate a retail store subject to a lease and decide to close it as we have done in the past and will do in the future, we may remain obligated under the applicable lease for, among other things,

payment of the base rent for the balance of the lease term. In some instances, we may be unable to close an underperforming retail store due to continuous operation clauses in our lease agreements. In addition, as each of our leases expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close retail stores in desirable locations. Our inability to secure desirable retail space or favorable lease terms could impact our ability to grow. Likewise, our obligation to continue making lease payments in respect of leases for closed retail spaces could have a material adverse effect on our business, financial condition and results of operations.

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

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

We depend on the guidance of our senior management team and other key employees who have significant experience and expertise in our industry and our operations. In recent years, we have evolved our senior leadership team and have focused on retaining key roles. The unexpected loss of one or more of our key personnel or any negative public perception with respect to these individuals could have a material adverse effect on our business, results of operations and financial condition. We do not maintain key-person or similar life insurance policies on any of senior management team or other key personnel.

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

Our North American wholesale business comprised approximately 3% of total net sales for fiscal 2017. Continued fragmentation in the retail industry could further decrease the number of, or concentrate the ownership of, stores that carry our and our licensees' products. Furthermore, a decision by the controlling owner of a group of stores or any other significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease or eliminate the amount of merchandise purchased from us or our licensing partners could result in an adverse effect on the sales and profitability within this channel.

Additionally, certain of our wholesale customers, particularly those located in the U.S., have become highly promotional and have aggressively marked down their merchandise. Despite our reduction in markdown allowances during fiscal 2017, such promotional activity could negatively impact our brands, which could affect our business, results of operations, and financial condition.

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

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

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

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

U.S. lawmakers are evaluating proposals for substantial changes to U.S. fiscal and tax policies, which could include comprehensive tax reform. A variety of tax reform proposals that would significantly impact U.S. taxation of corporations are under consideration, including elimination of the interest deduction, taxation of previously unrepatriated foreign earnings and reductions in the U.S. corporate tax rate. We cannot predict which, if any, of these proposals will be enacted into law or the resulting impact any such enactment will have on our financial results. However, if new legislation were enacted, it could have a material adverse effect on our financial condition and results of operations.

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

The Company's results are typically affected by seasonal trends. We have historically realized, and expect to continue to realize, higher sales and operating income in the second quarter of our fiscal year. Poor sales in the Company's second fiscal quarter would have a material adverse effect on its full year operating results and result in higher inventories. In addition, fluctuations in net sales, operating income and operating cash flows of the Company in any fiscal quarter may be affected by the timing of wholesale shipments and other events affecting retail sales, including adverse weather conditions or other macroeconomic events.

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

The Coach brand currently has multi-year agreements with licensing partners for our eyewear, watches and fragrance products. See Item 1 - "*Business - Products*" for additional discussion of our licensing arrangements. In the future, we may enter into additional licensing arrangements. The risks associated with our own products also apply to our licensed products as well as unique problems that our licensing partners may experience, including risks associated with each licensing partner's ability to obtain capital, manage its labor relations, maintain relationships with its suppliers, manage its credit and bankruptcy risks, and maintain customer relationships. While we maintain significant control over the products produced for us by our licensing partners, any of the foregoing risks, or the inability of any of our licensing partners to execute on the expected design and quality of the licensed products or otherwise exercise operational and financial control over its business, may result in loss of revenue and competitive harm to our operations in the product categories where we have entered into such licensing arrangements. Further, while we believe that we could replace our existing licensing partners if required, our inability to do so for any period of time could materially adversely affect our revenues and harm our business.

We also may decide not to renew our agreements with our licensing partners. For example, we did not renew our agreement with our prior footwear licensing partner when it expired in late fiscal 2017 and brought the category in-house. While we believe we have the infrastructure and systems in place to successfully bring this category in-house, we may face unexpected difficulties or costs in connection with this process or any future action to bring currently licensed categories in-house.

If we are unable to pay quarterly dividends at intended levels, our reputation and stock price may be harmed.

The dividend program requires the use of a moderate portion of our cash flow. Our ability to pay dividends will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Our Board of Directors ("Board") may, at its discretion, decrease the intended level of dividends or entirely discontinue the payment of dividends at any time. Any failure to pay dividends after we have announced our intention to do so may negatively impact our reputation, investor confidence in us and negatively impact our stock price.

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

As of July 1, 2017, our consolidated indebtedness was approximately $1.6 billion. Subsequent to fiscal year 2017, we borrowed $1.1 billion in term loans. Together with our cash on hand and cash on hand at Kate Spade, along with the $1.0 billion of Senior Notes and $1.1 billion in term loans, we financed our acquisition of Kate Spade. We also have $600 million of additional senior unsecured notes outstanding and capacity to borrow up to $900 million of additional indebtedness under our undrawn revolving credit facility, which may be used to finance our working capital needs, capital expenditures, permitted investments, share purchases, dividends and other general corporate purposes. This substantial level of indebtedness could have important consequences to our business including making it more difficult to satisfy our debt obligations, increasing our vulnerability to general adverse economic and industry conditions, limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and restricting us from pursuing certain business opportunities. In addition, the terms of our credit facility contain affirmative and negative covenants, including a leverage ratio, as well as limitations on our ability to incur debt, grant liens, engage in mergers and dispose of assets. These consequences and limitations could reduce the benefits we expect to achieve from the acquisition of Kate Spade or impede our ability to engage in future business opportunities or strategic acquisitions.

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

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

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

The Company's bylaws can only be amended by our Board. The Company's bylaws provide that nominations of persons for election to the Company's Board and the proposal of business to be considered at an annual meeting of stockholders may be made only in the notice of the meeting, by the Company's Board or by a stockholder who is a stockholder of record as of the record date set by the Company's Board for purposes of determining stockholders entitled to vote at the meeting, at the time of giving notice and at the time of the meeting and has complied with the advance notice procedures of the Company's bylaws. Also, under Maryland law, business combinations, including, in certain circumstances specified in the statute, issuances of equity securities, between the Company and any person who beneficially owns, directly or indirectly, 10% or more of the Company's common stock or an affiliate of such person are prohibited for a five-year period, beginning on the date such person last becomes a 10% stockholder, unless exempted in accordance with the statute. After this period, a combination of this type must be approved by two super-majority stockholder votes, unless some conditions are met or the business combination is exempted by the Company's Board.

Risks relating to our Hong Kong Depositary Receipts (“HDRs”)

An active trading market for the Hong Kong Depositary Receipts on the Hong Kong Stock Exchange might not develop or be sustained and their trading prices might fluctuate significantly.

We cannot assure you that an active trading market for the HDRs on the Hong Kong Stock Exchange will develop or be sustained. If an active trading market of the HDRs on the Hong Kong Stock Exchange does not develop or is not sustained, the market price and liquidity of the HDRs could be materially and adversely affected. As a result, the market price for HDRs in Hong Kong might not be indicative of the trading prices of Coach’s common stock on the NYSE, even allowing for currency differences.

The characteristics of the U.S. capital markets and the Hong Kong capital markets are different.

The NYSE and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of common stock and the HDRs representing them might not be the same, even allowing for currency differences. Fluctuations in the price of our common stock due to circumstances particular to the U.S. capital markets could materially and adversely affect the price of the HDRs. Because of the different characteristics of the U.S. and Hong Kong equity markets, the historic market prices of our common stock may not be indicative of the performance of the HDRs.

We are a corporation incorporated in the State of Maryland in the United States and our corporate governance practices are principally governed by U.S. federal and Maryland state laws and regulations.

We are a corporation incorporated in the State of Maryland in the United States and our HDRs are listed on the Hong Kong Stock Exchange. Our corporate governance practices are primarily governed by and subject to U.S. federal and Maryland laws and regulations. U.S. federal and Maryland laws and regulations differ in a number of respects from comparable laws and regulations in Hong Kong. There are certain differences between the stockholder protection regimes in Maryland and the United States and in Hong Kong.

We have obtained a ruling from the Securities and Futures Commission of Hong Kong (the “SFC”) that we will not be regarded as a public Company in Hong Kong for the purposes of the Code on Takeovers and Mergers and the Share Repurchases Code of Hong Kong and hence, these codes will not apply to us. We have also obtained a partial exemption from the SFC in respect of the disclosure of interest provisions set out in the Securities and Futures Ordinance of Hong Kong. In addition, we have been granted waivers or exemptions by the Hong Kong Stock Exchange from certain requirements under its listing rules. Neither our stockholders nor the HDR holders will have the benefit of those Hong Kong rules, regulations and the listing rules of the Hong Kong Stock Exchange for which we have applied, and been granted, waivers or exemptions by the Hong Kong Stock Exchange and SFC.

Additionally, if any of these waivers or exemptions were to be revoked in circumstances including our non-compliance with applicable undertakings for any reason, additional legal and compliance obligations might be costly and time consuming, and might result in issues of interjurisdictional compliance, which could adversely affect us and HDR holders.

As the SFC does not have extra-territorial jurisdiction on any of its powers of investigation and enforcement, it will also have to rely on the regulatory regimes of Maryland state authorities and the SEC to enforce any corporate governance breaches committed by us in the United States. Investors in the HDRs should be aware that it could be difficult to enforce any judgment obtained outside the United States against us or any of our associates.

Furthermore, prospective investors in the HDRs should be aware, among other things, that there are U.S. federal withholding and estate tax implications for HDR holders.

HDR holders are not stockholders of the Company and must rely on the depositary for the HDRs (the "HDR Depositary") to exercise on their behalf the rights that are otherwise available to the stockholders of the Company.

HDR holders do not have the rights of stockholders. They only have the contractual rights set forth for their benefit under the deposit agreement for the HDRs (the "Deposit Agreement"). Holders of HDRs are not permitted to vote at stockholders' meetings, and they may only vote by providing instructions to the HDR Depositary. There is no guarantee that holders of HDRs will receive voting materials in time to instruct the HDR Depositary to vote and it is possible that holders of HDRs, or persons who hold their Hong Kong depositary shares through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote, although both we and the HDR Depositary will endeavor to make arrangements to ensure as far as practicable that all holders of HDRs will be able to vote. As the HDR Depositary or its nominee will be the registered owner of the common stock underlying their HDRs, holders of HDRs must rely on the HDR Depositary (or its nominee) to exercise rights on their behalf. In addition, holders of HDRs will also incur charges on any cash distribution made pursuant to the Deposit Agreement and on transfers of certificated HDRs.

Holders of HDRs will experience dilution in their indirect interest in the Company in the event of an equity offering which is not extended to them.

If we decide to undertake an equity offering (that is not a rights or other offering that is extended to HDR holders), HDR holders may suffer a dilution in their indirect ownership and voting interest in the common stock, as compared to their holdings in the HDRs immediately prior to such an offering.

Holders of HDRs will be reliant upon the performance of several service providers. Any breach of those service providers of their contractual obligations could have adverse consequences for an investment in HDRs.

An investment in HDRs will depend for its continuing viability on the performance of several service providers, including but not limited to the HDR Depositary, the registrar for the HDRs, the custodian and any sub-custodian appointed in respect of the underlying common stock. A failure by any of those service providers to meet their contractual obligations, whether or not by culpable default, could detract from the continuing viability of the HDRs as an investment. The Company will not have direct contractual recourse against the custodian, any sub-custodian or the registrar; hence the potential for redress in circumstances of default will be limited. However, the Company and the HDR Depositary have executed a deed poll in favor of HDR holders in relation to the exercise by them of their rights as HDR holders under the Deposit Agreement against the Company or the HDR Depositary.

Withdrawals and exchanges of HDRs into common stock traded on the NYSE might adversely affect the liquidity of the HDRs.

Our common stock is presently traded on the NYSE. Any HDR holder may at any time request that their HDRs be withdrawn and exchanged into common stock for trading on the NYSE. Upon the exchange of HDRs into common stock, the relevant HDRs will be canceled. In the event that a substantial number of HDRs are withdrawn and exchanged into Common Stock and subsequently canceled, the liquidity of the HDRs on the Hong Kong Stock Exchange might be adversely affected.

The time required for HDRs to be exchanged into common stock (and vice versa) might be longer than expected and investors might not be able to settle or effect any sales of their securities during this period.

There is no direct trading or settlement between the NYSE and the Hong Kong Stock Exchange on which the common stock and the HDRs are respectively traded. In addition, the time differences between Hong Kong and New York and unforeseen market circumstances or other factors may delay the exchange of HDRs into common stock (and vice versa). Investors will be prevented from settling or effecting the sale of their securities across the various stock exchanges during such periods of delay. In addition, there is no assurance that any exchange of HDRs into common stock (and vice versa) will be completed in accordance with the timelines investors might anticipate.

Investors are subject to exchange rate risk between Hong Kong dollars and U.S. dollars.

The value of an investment in the HDRs quoted in Hong Kong dollars and the value of dividend payments in respect of the HDRs could be affected by fluctuations in the U.S. dollar/Hong Kong dollar exchange rate. While the Hong Kong dollar is currently linked to the U.S. dollar using a specified trading band, no assurance can be given that the Hong Kong government will maintain the trading band at its current limits or at all.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the location, use and size of the Company's key distribution, corporate and product development facilities as of July 1, 2017. The majority of the properties are leased, with the leases expiring at various times through 2036, subject to renewal options.

Location	Use	Approximate Square Footage
Jacksonville, Florida	Coach North America distribution and customer service	850,000
New York, New York	Corporate, design, sourcing and product development	694,000
Carlstadt, New Jersey	Corporate offices	65,000
Tokyo, Japan	Coach Japan regional management	24,900
Shanghai, China	Coach Greater China (including Hong Kong, Macau, and mainland China) regional management	23,400
Hong Kong, China	Corporate regional management	20,300
Shanghai, China	Coach Asia regional management	17,700
Hong Kong, China	Coach sourcing and quality control	17,000[1]
Dongguan, China	Coach sourcing, quality control and product development	16,700
Alicante, Spain	Stuart Weitzman regional management, sourcing and quality control	13,000
London, U.K.	Coach Europe regional management	12,400
Fort Lauderdale, Florida	Stuart Weitzman corporate management	12,100
Seoul, South Korea	Corporate South Korea regional management	11,700
Ho Chi Minh City, Vietnam	Coach sourcing and quality control	8,500
Ngee Ann City, Singapore	Coach Singapore regional management	7,600
Paris, France	Coach Europe regional management	6,900
Taipei City, Taiwan	Coach Taiwan regional management	6,400
Kuala Lumpur, Malaysia	Coach Malaysia regional management	4,500
Beijing, China	Coach Greater China regional management	2,800
Clark, Philippines	Coach sourcing and quality control	2,400

(1) Represents a Coach-owned location.

As of July 1, 2017, the Company also occupied 221 Coach retail and 198 Coach outlet leased stores located in North America, 543 Coach-operated concession shop-in-shops within department stores, Coach retail and outlet stores in our international locations, and 81 Stuart Weitzman stores globally. These leases expire at various times through 2031. Coach considers these properties to be in generally good condition and believes that its facilities are adequate for its operations and provide sufficient capacity to meet its anticipated requirements.

ITEM 3. 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 Coach 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, and litigation with present or former employees.

As part of Coach’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, Coach 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 Coach’s intellectual properties.

Although the Company's litigation as a defendant is routine and incidental to the conduct of Coach’s business, as well as for any business of its size, such litigation can result in large monetary awards 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 consolidated financial statements.

Coach has not entered into any transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose. Accordingly, we have not been required to pay a penalty to the IRS for failing to make disclosures required with respect to certain transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market and Dividend Information

Coach, Inc.'s common stock is listed on the New York Stock Exchange and is traded under the symbol "COH." Coach's Hong Kong Depositary Receipts have been listed on the Hong Kong Stock Exchange since December 2011 and the issuance from time-to-time of these Hong Kong Depositary Receipts has not been registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and is being made pursuant to Regulation S of the Securities Act. Accordingly, they may not be re-offered, resold, pledged or otherwise transferred in the United States or to, or for the account of, a "U.S. person" (within the meaning of Regulation S promulgated under the Securities Act), unless the securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and hedging transactions involving the Hong Kong Depositary Receipts may not be conducted unless in compliance with the Securities Act. No additional common stock was issued, nor capital raised through this listing.

The following table sets forth, for the fiscal periods indicated, the high, low and closing prices per share of the Company's common stock as reported on the New York Stock Exchange Composite Index.

	High	Low	Closing	Dividends Declared per Common Share
Fiscal 2017 Quarter ended:				
October 1, 2016	$ 43.71	$ 34.55		$ 0.3375
December 31, 2016	38.86	34.07		0.3375
April 1, 2017	41.70	34.33		0.3375
July 1, 2017	47.76	38.47	$ 47.34	0.3375
Fiscal 2016 Quarter ended:				
September 26, 2015	$ 35.98	$ 27.62		$ 0.3375
December 26, 2015	33.45	27.22		0.3375
March 26, 2016	39.95	30.06		0.3375
July 2, 2016	42.13	36.64	$ 40.73	0.3375

As of August 4, 2017, there were 3,964 holders of record of Coach's common stock.

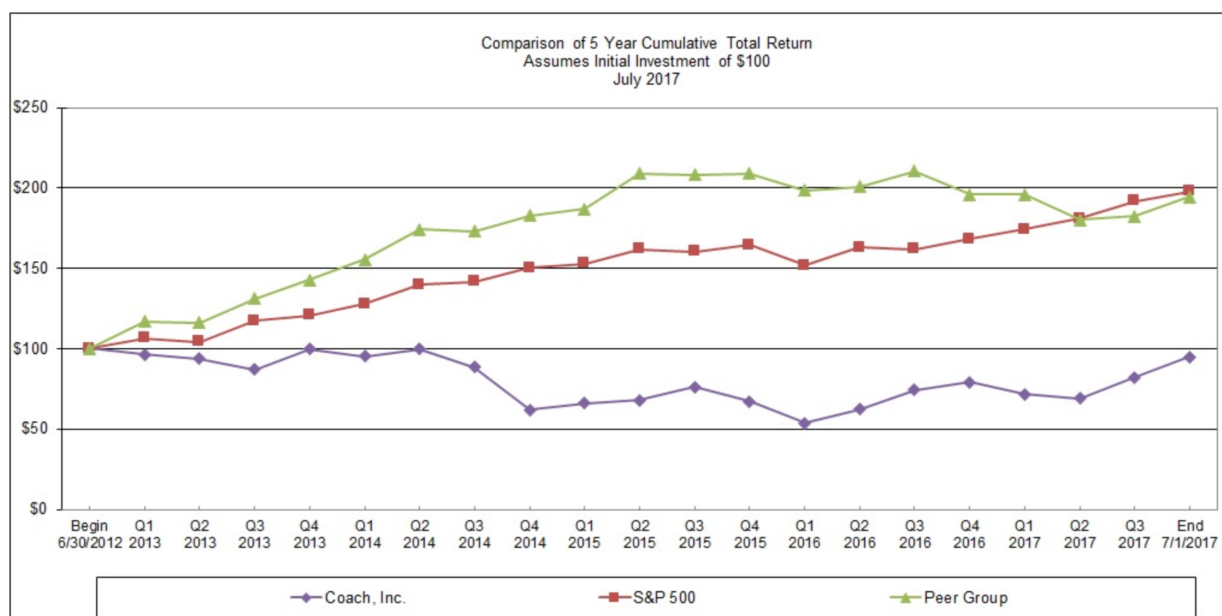
Any future determination to pay cash dividends will be at the discretion of Coach's Board and will be dependent upon Coach's financial condition, operating results, capital requirements and such other factors as the Board deems relevant.

The information under the principal heading "Securities Authorized For Issuance Under Equity Compensation Plans" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on November 9, 2017, to be filed with the Securities and Exchange Commission (The "Proxy Statement"), is incorporated herein by reference.

Performance Graph

The following graph compares the cumulative total stockholder return (assuming reinvestment of dividends) of the Company's common stock with the cumulative total return of the S&P 500 Stock Index and the “peer set" companies listed below over the five-fiscal-year period ending July 1, 2017, the last day of Coach’s most recent fiscal year. The graph assumes that $100 was invested on June 30, 2012 at the per share closing price in each of Coach’s common stock, the S&P 500 Stock Index and a peer set index tracking the peer group companies listed below, and that all dividends were reinvested. The stock performance shown in the graph is not intended to forecast or be indicative of future performance.

- L Brands, Inc.,
- PVH Corp.,
- Ralph Lauren Corporation,
- Tiffany & Co.,
- V.F. Corporation,
- Estee Lauder, Inc.,
- Kate Spade & Company,
- Abercrombie & Fitch Co., and
- Michael Kors Holdings Limited



	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
COH	$100.00	$99.80	$61.98	$67.33	$78.99	$94.99
Peer Set	$100.00	$142.87	$182.70	$208.95	$195.78	$194.52
S&P 500	$100.00	$120.60	$150.32	$164.41	$168.23	$197.92

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data presented below as of and for each of the fiscal years in the five-year period ended July 1, 2017 has been derived from Coach's audited Consolidated Financial Statements. The financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and Notes thereto and other financial data included elsewhere herein.

	Fiscal Year Ended(1)(5)				
	July 1, 2017	July 2, 2016(2)	June 27, 2015(3)	June 28, 2014(4)	June 29, 2013(4)
	(millions, except per share data)				
Consolidated Statements of Income:					
Net sales	**$ 4,488.3**	$ 4,491.8	$ 4,191.6	$ 4,806.2	$ 5,075.4
Gross profit	**3,081.1**	3,051.3	2,908.6	3,297.0	3,698.1
Selling, general and administrative ("SG&A") expenses	**2,293.7**	2,397.8	2,290.6	2,176.9	2,173.6
Operating income	**787.4**	653.5	618.0	1,120.1	1,524.5
Net income	**591.0**	460.5	402.4	781.3	1,034.4
Net income per share:					
Basic	**$ 2.11**	$ 1.66	$ 1.46	$ 2.81	$ 3.66
Diluted	**$ 2.09**	$ 1.65	$ 1.45	$ 2.79	$ 3.61
Weighted-average basic shares outstanding	**280.6**	277.6	275.7	277.8	282.5
Weighted-average diluted shares outstanding	**282.8**	279.3	277.2	280.4	286.3
Dividends declared per common share	**$ 1.350**	$ 1.350	$ 1.350	$ 1.350	$ 1.238
Consolidated Percentage of Net Sales Data:					
Gross margin	**68.6%**	67.9%	69.4%	68.6%	72.9%
SG&A expenses	**51.1%**	53.4%	54.6%	45.3%	42.8%
Operating margin	**17.5%**	14.5%	14.7%	23.3%	30.0%
Net income	**13.2%**	10.3%	9.6%	16.3%	20.4%
Consolidated Balance Sheet Data:					
Working capital	**$ 3,199.5**	$ 1,346.2	$ 1,671.8	$ 1,042.1	$ 1,348.4
Total assets	**5,831.6**	4,892.7	4,666.9	3,663.1	3,531.9
Cash, cash equivalents and investments	**3,158.7**	1,878.0	1,931.8	1,353.1	1,332.2
Inventory	**469.7**	459.2	485.1	526.2	524.7
Total debt	**1,579.5**	876.2	890.4	140.5	1.0
Stockholders' equity	**3,001.9**	2,682.9	2,489.9	2,420.6	2,409.2

	Fiscal Year Ended[1]				
	July 1, 2017	July 2, 2016[2]	June 27, 2015[3]	June 28, 2014[4]	June 29, 2013[4]
Store Data:					
Stores open at fiscal year-end:					
North America retail stores	**221**	228	258	332	351
North America outlet stores	**198**	204	204	207	193
Coach International	**543**	522	503	475	409
Stuart Weitzman stores	**81**	75	54	—	—
Total stores open at fiscal year-end	**1,043**	1,029	1,019	1,014	953
Store square footage at fiscal year-end:					
North America retail stores	**664,382**	659,376	728,833	910,003	952,422
North America outlet stores	**1,219,822**	1,232,770	1,189,018	1,132,714	982,202
Coach International	**1,166,920**	1,086,315	1,030,695	918,995	768,567
Stuart Weitzman stores	**136,752**	117,820	91,101	—	—
Total store square footage at fiscal year-end	**3,187,876**	3,096,281	3,039,647	2,961,712	2,703,191
Average store square footage at fiscal year-end:					
North America retail stores	**3,006**	2,892	2,825	2,741	2,713
North America outlet stores	**6,161**	6,043	5,829	5,472	5,089
Coach International	**2,149**	2,081	2,049	1,935	1,879
Stuart Weitzman stores	**1,688**	1,571	1,687	—	—

(1) The Company’s fiscal year ends on the Saturday closest to June 30. Fiscal year 2017 was a 52-week year. Fiscal year 2016 was a 53-week year. Fiscal years 2015, 2014 and 2013 were each 52-week years.

(2) The Company acquired the Stuart Weitzman Canada distributor in the fourth quarter of fiscal 2016 (which included the impact of an additional 14 retail stores).

(3) The Company acquired Stuart Weitzman in the fourth quarter of fiscal 2015.

(4) The Company acquired its international businesses from its former distributors as follows: fiscal 2014 — the remaining 50% interest in Europe; fiscal 2013 — Malaysia and South Korea.

(5) For all fiscal years presented below, the Company recorded certain items which affect the comparability of our results. See item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” for further information on the items related to fiscal 2017, fiscal 2016, and fiscal 2015. During fiscal 2014, the Company recorded adjustments in cost of sales and SG&A expenses of $82.2 million and $49.3 million, respectively, related to inventory and fleet related costs, including impairment, accelerated depreciation and severance related to store closures. During fiscal 2013, the Company recorded adjustments in SG&A expenses and cost of sales of $48.4 million and $4.8 million, respectively, related to the strategic reassessment of the Reed Krakoff business, streamlining our organizational model and reassessing the fleet of our retail stores and inventories. The following table reconciles the Company's reported results presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") to our adjusted results that exclude these items:

				Net Income	
Fiscal 2017	**Gross Profit**	**SG&A Expenses**	**Operating Income**	**Amount**	**Per Diluted Share**
As Reported: (GAAP Basis)	**$ 3,081.1**	**$ 2,293.7**	**$ 787.4**	**$ 591.0**	**$ 2.09**
Excluding Non-GAAP Adjustments	**2.9**	**(22.3)**	**25.2**	**18.3**	**0.06**
Adjusted: (Non-GAAP Basis)	**$ 3,084.0**	**$ 2,271.4**	**$ 812.6**	**$ 609.3**	**$ 2.15**

				Net Income	
Fiscal 2016	Gross Profit	SG&A Expenses	Operating Income	Amount	Per Diluted Share
As Reported: (GAAP Basis)	$ 3,051.3	$ 2,397.8	$ 653.5	$ 460.5	$ 1.65
Excluding Non-GAAP Adjustments	1.1	(122.0)	123.1	91.2	0.33
Adjusted: (Non-GAAP Basis)	$ 3,052.4	$ 2,275.8	$ 776.6	$ 551.7	$ 1.98

				Net Income	
Fiscal 2015	Gross Profit	SG&A Expenses	Operating Income	Amount	Per Diluted Share
As Reported: (GAAP Basis)	$ 2,908.6	$ 2,290.6	$ 618.0	$ 402.4	$ 1.45
Excluding Non-GAAP Adjustments	9.7	(160.8)	170.5	128.8	0.47
Adjusted: (Non-GAAP Basis)	$ 2,918.3	$ 2,129.8	$ 788.5	$ 531.2	$ 1.92

				Net Income	
Fiscal 2014	Gross Profit	SG&A Expenses	Operating Income	Amount	Per Diluted Share
As Reported: (GAAP Basis)	$ 3,297.0	$ 2,176.9	$ 1,120.1	$ 781.3	$ 2.79
Excluding Non-GAAP Adjustments	82.2	(49.3)	131.5	88.3	0.31
Adjusted: (Non-GAAP Basis)	$ 3,379.2	$ 2,127.6	$ 1,251.6	$ 869.6	$ 3.10

				Net Income	
Fiscal 2013	Gross Profit	SG&A Expenses	Operating Income	Amount	Per Diluted Share
As Reported: (GAAP Basis)	$ 3,698.1	$ 2,173.6	$ 1,524.5	$ 1,034.4	$ 3.61
Excluding Non-GAAP Adjustments	4.8	(48.4)	53.2	32.6	0.11
Adjusted: (Non-GAAP Basis)	$ 3,702.9	$ 2,125.2	$ 1,577.7	$ 1,067.0	$ 3.73

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of Coach's financial condition and results of operations should be read together with Coach's consolidated financial statements and notes thereto, included elsewhere in this document. When used herein, the terms "Company," "Coach," "we," "us" and "our" refer to Coach, Inc., including consolidated subsidiaries. Unless the context requires otherwise, references to the "Coach brand" do not include the Stuart Weitzman brand and references to the "Stuart Weitzman brand" do not include the Coach brand and references to the Company, Coach, we, our or us do not include Kate Spade & Company ("Kate Spade").

EXECUTIVE OVERVIEW

The fiscal year ended July 1, 2017 was a 52-week period, the fiscal year ended July 2, 2016 was a 53-week period and the fiscal year ended June 27, 2015 was a 52-week period.

Coach, Inc. is a leading New York-based house of modern luxury accessories and lifestyle brands. The Coach brand was established in New York City in 1941, and has a rich heritage of pairing exceptional leathers and materials with innovative design. Coach, Inc. acquired Stuart Weitzman, a leader in women's designer footwear, during the fourth quarter of fiscal 2015.

Coach, Inc. operates in three segments:

- *North America* - The North America segment includes sales of Coach brand products to customers through Coach-operated stores, including the Internet, and sales to wholesale customers in North America.
- *International* - The International segment includes sales of Coach brand products to customers through Coach-operated stores and concession shop-in-shops in Japan, mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands and Switzerland. Additionally, International includes sales to consumers through the Internet in Japan, mainland China, South Korea, the United Kingdom, France, Spain, Germany and Italy, as well as sales to wholesale customers and distributors in approximately 55 countries.
- *Stuart Weitzman* - The Stuart Weitzman segment includes global sales generated by the Stuart Weitzman brand, primarily through department stores in North America and international locations, within numerous independent third party distributors and within Stuart Weitzman operated stores, including the Internet, in the United States, Canada and Europe.

Other, which is not a reportable segment, consists of sales and expenses generated by the Coach brand other ancillary channels, licensing and disposition.

As the Company's business model is based on multi-channel and brand global distribution, our success does not depend solely on the performance of a single channel or geographic area.

We are focused on driving long-term growth and profitability through the following key initiatives:

Build an infrastructure to support future growth initiatives

- Through the acquisition of Kate Spade, we created the first New York-based house of modern luxury lifestyle brands, defined by authentic, distinctive products and fashion innovation.
- Create an agile and scalable business model to support sustainable/future growth for a multi-brand Coach, Inc.

Drive brand relevance

- Continue to evolve the Coach brand across the key consumer touchpoints of product, stores and marketing.
- Reinvigorate growth and brand relevance through our differentiated positioning, which combines our history of heritage and craftsmanship with Stuart Vevers's modern creative vision.
- Raise brand awareness and increase market share for the Stuart Weitzman brand globally, building upon the company's strong momentum and core brand equities of fusing fashion with fit.

Grow our business internationally

- Continue to increase the Coach brand's penetration internationally.
- Support the development of the Stuart Weitzman brand, particularly in Asia.

Harness the power of the digital world

- Continue to accelerate the development of our digital programs and capabilities world-wide, reflecting the change in consumer shopping behavior globally.

Recent Developments

Kate Spade Acquisition

On July 11, 2017, the Company completed its acquisition of Kate Spade & Company for $18.50 per share in cash for a total of approximately $2.4 billion. The combination of Coach, Inc. and Kate Spade & Company creates a leading luxury lifestyle company with a more diverse multi-brand portfolio supported by significant expertise in handbag design, merchandising, supply chain and retail operations as well as solid financial acumen.

Strategic Repositioning of Coach Brand in North America Department Stores

In the beginning of fiscal 2017, the Company implemented a deliberate and strategic decision to elevate the Coach brand's positioning in the channel by limiting participation in promotional events and closing approximately 25% of its wholesale doors during fiscal 2017.

Operational Efficiency Plan

During the fourth quarter of fiscal 2016, the Company announced a series of operational efficiency initiatives focused on creating an agile and scalable business model (the "Operational Efficiency Plan"). The significant majority of the charges under this plan will be recorded within SG&A expenses, and was substantially completed by the end of fiscal 2017. These charges are associated with organizational efficiencies, primarily related to the reduction of corporate staffing levels globally, as well as accelerated depreciation, mainly associated with information systems retirement, technology infrastructure charges related to the initial costs of replacing and updating our core technology platforms, and international supply chain and office location optimization. The remaining charges under this plan approximate $10-15 million which will be incurred in fiscal 2018.

Refer to Note 3, "Restructuring Activities" and "GAAP to Non-GAAP Reconciliation" for further information.

Transformation Plan

During the fourth quarter of fiscal 2014, Coach, Inc. announced a multi-year strategic plan with the objective of transforming the Coach brand and reinvigorating growth (the "Transformation Plan"). Key operational and cost measures of the Transformation Plan included: (i) the investment in capital improvements in our stores and wholesale locations to drive comparable sales improvement; (ii) the optimization and streamlining of our organizational model as well as the closure of underperforming stores in North America, and select International stores; (iii) the realignment of inventory levels and mix to reflect our elevated product strategy and consumer preferences; (iv) the investment in incremental advertising costs to elevate consumer perception of the Coach brand, drive sales growth and promote our new strategy, which started in fiscal 2015; and (v) the significant scale-back of our promotional cadence in an increased global promotional environment, particularly within our outlet Internet sales site, which began in fiscal 2014. The Company's execution of these key operational and cost measures was concluded during fiscal 2016, and we believe that long-term growth will be realized through these transformational efforts over time.

Refer to Note 3, "Restructuring Activities" and "GAAP to Non-GAAP Reconciliation" for further information.

Current Trends and Outlook

Global consumer retail traffic remains relatively weak and inconsistent, which has led to a more promotional environment in the fragmented retail industry due to increased competition and a desire to offset traffic declines with increased levels of conversion. While certain developed geographic regions are withstanding these pressures better than others, the level of consumer travel and spending on discretionary items remains constrained due to the economic uncertainty. Declines in traffic could result in store impairment charges if expected future cash flows of the related asset group do not exceed the carrying value.

Political and economic instability or changing macroeconomic conditions that exist in our major markets have further contributed to this uncertainty, including the potential impact of (1) new policies that may be implemented by the U.S. presidential administration and government, particularly with respect to tax and trade policies or (2) the United Kingdom ("U.K.") voting to leave the European Union ("E.U."), commonly known as “Brexit.” On March 29, 2017, the U.K. triggered Article 50 of the Lisbon Treaty formally starting negotiations with the E.U. The U.K. has two years to complete these negotiations. Although the terms of the U.K.'s future relationship with the E.U. are still unknown, it is possible that there will be increased regulatory and legal complexities, including potentially divergent national laws and regulations between the U.K. and E.U. Brexit may also cause disruption and create uncertainty surrounding our business, including affecting our relationship with our existing and future customers, suppliers and employees.

Additional macroeconomic events including foreign exchange rate volatility in various parts of the world, recent and evolving impacts of economic and geopolitical events in Hong Kong, Macau and mainland China ("Greater China"), the impact of terrorist

acts (particularly in Europe), disease epidemics and a slowdown in emerging market growth (particularly in Asia) have contributed to this uncertainty. Our results have been impacted by foreign exchange rate fluctuations, and will continue to fluctuate with future volatility.

Certain limited and recent factors within the U.S., including an improvement in the labor and housing markets and modest growth in overall consumer spending, suggest a potential moderate strengthening in the U.S. economic outlook. It is still, however, too early to understand what kind of sustained impact this will have on consumer discretionary spending. If the global macroeconomic environment remains volatile or worsens, the constrained level of worldwide consumer spending and modified consumption behavior may continue to have a negative effect on our outlook. Several organizations that monitor the world's economy, including the International Monetary Fund, are projecting slightly accelerated economic strengthening with modest overall global growth for the remainder of calendar 2017 but caution that there is considerable uncertainty surrounding the underlying assumptions of the forecast.

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.

Furthermore, refer to Part I, Item 1 - "Business" for additional discussion on our expected store openings and closures within each of our segments. 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 I, Item 1A - "Risk Factors" included in this Annual Report on Form 10-K.

FISCAL 2017 COMPARED TO FISCAL 2016

The following table summarizes results of operations for fiscal 2017 compared to fiscal 2016. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Fiscal Year Ended					
	July 1, 2017		July 2, 2016		Variance	
	(millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 4,488.3**	**100.0%**	$ 4,491.8	100.0%	$ (3.5)	(0.1)%
Gross profit	**3,081.1**	**68.6**	3,051.3	67.9	29.8	1.0
SG&A expenses	**2,293.7**	**51.1**	2,397.8	53.4	(104.1)	(4.3)
Operating income	**787.4**	**17.5**	653.5	14.5	133.9	20.5
Interest expense, net	**28.4**	**0.6**	26.9	0.6	1.5	5.5
Income before provision for income taxes	**759.0**	**16.9**	626.6	14.0	132.4	21.1
Provision for income taxes	**168.0**	**3.7**	166.1	3.7	1.9	1.2
Net income	**591.0**	**13.2**	460.5	10.3	130.5	28.3
Net income per share:						
Basic	**$ 2.11**		$ 1.66		$ 0.45	27.0 %
Diluted	**$ 2.09**		$ 1.65		$ 0.44	26.7 %

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 fiscal 2017 and 2016 reflect the impact of the Operational Efficiency Plan, Stuart Weitzman and Kate Spade Acquisition-Related Costs and the Transformation Plan, as noted in the following tables. Refer to page 44 for further discussion on the Non-GAAP Measures.

COACH, INC.

GAAP TO NON-GAAP RECONCILIATION
For the Years Ended July 1, 2017 and July 2, 2016

	July 1, 2017				
	GAAP Basis (As Reported)	**Operational Efficiency Plan**	**Stuart Weitzman Acquisition-Related Costs**	**Kate Spade Acquisition-Related Costs**	**Non-GAAP Basis (Excluding Items)**
	(millions, except per share data)				
Gross profit	**$ 3,081.1**	**$ —**	**$ (2.9)**	**$ —**	**$ 3,084.0**
SG&A expenses	**2,293.7**	**24.0**	**(9.1)**	**7.4**	**2,271.4**
Operating income	**787.4**	**(24.0)**	**6.2**	**(7.4)**	**812.6**
Income before provision for income taxes	**759.0**	**(24.0)**	**6.2**	**(16.9)**	**793.7**
Provision for income taxes	**168.0**	**(8.3)**	**(1.5)**	**(6.6)**	**184.4**
Net income	**591.0**	**(15.7)**	**7.7**	**(10.3)**	**609.3**
Diluted net income per share	**2.09**	**(0.05)**	**0.03**	**(0.04)**	**2.15**

	July 2, 2016				
	GAAP Basis (As Reported)	Transformation and Other Actions	Operational Efficiency Plan	Stuart Weitzman Acquisition-Related Costs	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Gross profit	$ 3,051.3	$ —	$ —	$ (1.1)	$ 3,052.4
SG&A expenses	2,397.8	44.1	43.9	34.0	2,275.8
Operating income	653.5	(44.1)	(43.9)	(35.1)	776.6
Income before provision for income taxes	626.6	(44.1)	(43.9)	(35.1)	749.7
Provision for income taxes	166.1	(10.7)	(10.3)	(10.9)	198.0
Net income	460.5	(33.4)	(33.6)	(24.2)	551.7
Diluted net income per share	1.65	(0.12)	(0.12)	(0.09)	1.98

Fiscal 2017 Items

In fiscal 2017 the Company recorded pre-tax adjustments as follows:

- *Operational Efficiency Plan* - Total charges of $24.0 million primarily related to organizational efficiency costs, technology infrastructure costs and, to a lesser extent, network optimization costs. The Company expects that the remaining charges under this plan will approximate $10-15 million and will be incurred in fiscal 2018. Refer to the "Executive Overview" herein and Note 3, "Restructuring Activities," for further information regarding this plan.
- *Stuart Weitzman Acquisition-Related Costs* - Total income of $6.2 million, primarily related to:
  - Income of $26.8 million was recorded within the Coach brand as corporate unallocated expense in SG&A expenses. This includes the reversal of an accrual of $35.2 million related to estimated contingent purchase price payments which are not expected to be paid, partially offset by integration-related costs of $8.4 million.
  - Integration charges of $17.7 million were recorded in SG&A expenses and $2.9 million was recorded to cost of sales within the Stuart Weitzman brand.
- *Kate Spade Acquisition-Related Costs* - Total charges of $16.9 million, of which $9.5 million is related to bridge financing fees and recorded in interest expense and $7.4 million is related to professional fees, all of which were recorded in corporate unallocated expenses within the Coach brand.

These actions taken together increased the Company's SG&A expenses by $22.3 million and cost of sales by $2.9 million, negatively impacting net income by $18.3 million, or $0.06 per diluted share.

Fiscal 2016 Items

In fiscal 2016 the Company incurred pre-tax charges as follows:

- *Transformation and Other Actions* - $44.1 million under our Coach brand Transformation Plan primarily due to organizational efficiency costs, lease termination charges and accelerated depreciation as a result of store renovations within North America and select International stores.
- *Operational Efficiency Plan* - $43.9 million primarily related to organizational efficiency costs and, to a lesser extent, network optimization costs.
- *Acquisition-Related Costs* - $35.1 million total charges related to the acquisition of Stuart Weitzman Holdings LLC, of which $27.6 million is primarily related to charges attributable to contingent payments and integration-related activities (of which $19.4 million is recorded within unallocated corporate expenses within the Coach brand and $8.2 million is recorded within the Stuart Weitzman segment, resulting in a decrease in operating income of $19.4 million and $8.2 million, respectively), and $7.5 million is related to the limited life impact of purchase accounting, primarily due to the amortization of the fair value of the order backlog asset, distributor relationships and inventory step-up, all recorded within the Stuart Weitzman segment resulting in a $7.5 million decrease in operating income.

Total Transformation Plan, Operational Efficiency Plan and Acquisition-Related Costs taken together increased the Company's SG&A expenses by $122.0 million and cost of sales by $1.1 million, negatively impacting net income by $91.2 million, or $0.33 per diluted share.

Summary - Fiscal 2017

Net sales in fiscal 2017 decreased slightly by 0.1% to $4.49 billion, with no material impact from foreign currency. Net sales in fiscal 2016 includes the favorable impact of the 53rd week in fiscal 2016, which resulted in incremental net sales of $84.4 million. Excluding the impact of the 53rd week in fiscal 2016, net sales increased by $80.9 million or 1.8%. Gross profit increased by 1.0% to $3.08 billion during fiscal 2017 as compared to $3.05 billion in fiscal 2016. SG&A expenses decreased by 4.3% to $2.29 billion in fiscal 2017. Excluding non-GAAP charges, SG&A expenses decreased by 0.2% to $2.27 billion.

Net income increased 28.3% in fiscal 2017 as compared to fiscal 2016, primarily due to an increase in operating income of $133.9 million. Net income per diluted share increased 26.7% to $2.09, primarily due to higher net income. Excluding non-GAAP charges, net income and net income per diluted share increased 10.4% and 9.1%, respectively. The impact of the 53rd week in fiscal 2016 contributed approximately $0.07 to net income per diluted share.

Currency Fluctuation Effects

The change in net sales in fiscal 2017 has been presented both including and excluding currency fluctuation effects.

Net Sales

The following table presents net sales by reportable segment for fiscal 2017 compared to fiscal 2016:

	Fiscal Year Ended				
	Total Net Sales			**Percentage of Total Net Sales**	
	July 1, 2017	July 2, 2016	Rate of Change	**July 1, 2017**	July 2, 2016
	(millions)				
North America	**$ 2,349.5**	$ 2,397.1	(2.0) %	**52.3 %**	53.4 %
International	**1,715.2**	1,704.0	0.7	**38.2**	37.9
Other[1]	**50.0**	46.0	8.7	**1.2**	1.0
Coach brand	**$ 4,114.7**	$ 4,147.1	(0.8)	**91.7 %**	92.3 %
Stuart Weitzman	**373.6**	344.7	8.4	**8.3**	7.7
Total net sales	**$ 4,488.3**	$ 4,491.8	(0.1)	**100.0 %**	100.0 %

(1) Net sales in the Other category, which is not a reportable segment, consists of sales generated by the Coach brand other ancillary channels, licensing and disposition.

Net sales for the Coach brand decreased 0.8% or $32.4 million in fiscal 2017 as compared to fiscal 2016, as described below. Net sales for the Coach brand was not materially impacted by foreign currency. Excluding the impact of the 53rd week in fiscal 2016, net sales increased 1.1%.

North America Net Sales decreased 2.0% or $47.6 million to $2.35 billion in fiscal 2017, which was not materially impacted by changes in foreign currency. Excluding the impact of the 53rd week of $43.7 million in fiscal 2016, net sales decreased by $3.9 million. This decrease was primarily driven by lower sales to wholesale customers of $56.3 million due to the Company's strategic decision to elevate the Coach's brand positioning in the channel by limiting participation in promotional events and closing approximately 25% of its wholesale doors by the end of fiscal 2017 and a decrease in non-comparable store sales of $9.1 million primarily due to the impact of net store closures. These decreases were offset by higher comparable store sales, which increased by $64.2 million or 3.1% primarily due to higher conversion. Our bricks and mortar comparable store sales increased 3.8%. Comparable store sales measure sales performance at stores that have been opened for at least 12 months and include sales from the Internet. In certain instances, orders placed via the Internet may be fulfilled by a physical store; such sales are recorded by the physical store. Comparable store sales have not been adjusted for store expansions. North America comparable store sales are presented for the 52-weeks ending July 1, 2017 versus the analogous 52-weeks ended July 2, 2016 for comparability. Since the end of fiscal 2016, North America closed a net 13 stores.

International Net Sales increased 0.7% or $11.2 million to $1.72 billion in fiscal 2017. Excluding the favorable impact of foreign currency, primarily within Japan, net sales increased $5.7 million or 0.3%. Fiscal 2016 included net sales of $32.1 million as a result of the 53rd week. This $5.7 million increase is primarily due to an increase in net sales in Europe of $23.3 million due to positive comparable store sales as well as an expanded store distribution network and an increase in Greater China of $20.8 million due to the impact of net new stores and positive comparable store sales in mainland China. These increases were partially

offset by a decrease in Japan of $23.7 million and in South Korea of $11.5 million primarily due to decreased store traffic in these regions. Since the end of fiscal 2016, we opened a net 21 stores, primarily in Europe and mainland China.

Stuart Weitzman Net Sales increased $28.9 million to $373.6 million in fiscal 2017, which was not materially impacted by changes in foreign currency. Fiscal 2016 included net sales of $7.4 million as a result of the 53rd week. This increase was primarily due to $35.2 million in the retail channel due to the acquisition of the Stuart Weitzman Canadian distributor in the fourth quarter of fiscal 2016, positive comparable store sales and net store openings. This was partially offset by lower wholesale net sales of $7.0 million. Prior year wholesale net sales included shipments into the Canadian distributor. Since the end of the fiscal 2016, Stuart Weitzman opened a net 6 new stores.

Gross Profit

Gross profit increased 1.0% or $29.8 million to $3.08 billion in fiscal 2017 from $3.05 billion in fiscal 2016. Gross margin for fiscal 2017 was 68.6% as compared to 67.9% in fiscal 2016. Excluding Non-GAAP charges of $2.9 million in fiscal 2017 and $1.1 million in fiscal 2016, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, gross profit increased 1.0% or $31.6 million to $3.08 billion from $3.05 billion in fiscal 2016, and gross margin was 68.7% in fiscal 2017 as compared to 68.0% in fiscal 2016, an increase of 70 basis points.

Gross profit for the Coach brand increased slightly by 0.2% or $6.1 million to $2.86 billion in fiscal 2017. Excluding the 53rd week in fiscal 2016, gross profit increased by $55.1 million. Gross margin for the Coach brand increased 70 basis points to 69.4% in fiscal 2017 from 68.7% in fiscal 2016, which was not materially impacted by the year over year change in foreign currency rates.

North America Gross Profit decreased 1.7% or $25.0 million to $1.45 billion in fiscal 2017. Gross margin increased 20 basis points to 61.9% in fiscal 2017 from 61.7% in fiscal 2016. Fiscal 2016 gross profit included $26.1 million attributable to the 53rd week. The increase in gross margin is due to favorable channel mix as a result of wholesale door closures and to a lesser extent, improved costing and product mix which was offset by promotional activity.

International Gross Profit increased 1.4% or $17.7 million to $1.30 billion in fiscal 2017. Excluding the impact of the 53rd week in fiscal 2016, gross profit increased $40.8 million. Gross margin increased 50 basis points to 76.0% in fiscal 2017 from 75.5% in fiscal 2016. Foreign currency positively impacted gross margin by 10 basis points, primarily due to the Japanese Yen offset by the Chinese Renminbi. Excluding the impact of foreign currency, International gross margin increased 40 basis points. This increase was due to favorable effects of decreased duty costs.

Corporate Unallocated Gross Profit increased $7.8 million to $59.8 million in fiscal 2017 from $52.0 million in fiscal 2016, primarily due to the impact of favorable inventory production variances partially offset by higher inventory reserves and royalty payments.

Stuart Weitzman Gross Profit increased 11.7% or $23.7 million to $226.1 million in fiscal 2017. Gross profit in the 53rd week of fiscal 2016 was $4.0 million. Gross margin increased 180 basis points to 60.5% in fiscal 2017 from 58.7% in fiscal 2016. The increase in gross margin is primarily attributable to a shift in channel mix.

Selling, General and Administrative Expenses

SG&A expenses are comprised of four categories: (i) selling; (ii) advertising, marketing and design; (iii) distribution and customer service; and (iv) administrative. Selling expenses include store employee compensation, occupancy costs, supply costs, wholesale and retail account administration compensation globally and Coach international operating expenses. These expenses are affected by the number of stores open during any fiscal period and store performance, as compensation and rent expenses vary with sales. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design costs, public relations, special events and market research expenses. Distribution and customer service expenses include warehousing, order fulfillment, shipping and handling, customer service, employee compensation and bag repair costs. Administrative expenses include compensation costs for “corporate” functions including: executive, finance, human resources, legal and information systems departments, as well as corporate headquarters occupancy costs, consulting fees and software expenses. Administrative expenses also include global equity compensation expense.

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 related 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.

SG&A expenses decreased 4.3% or $104.1 million to $2.29 billion in fiscal 2017 as compared to $2.40 billion in fiscal 2016. As a percentage of net sales, SG&A expenses decreased to 51.1% during fiscal 2017 as compared to 53.4% during fiscal 2016. Excluding non-GAAP adjustments of $22.3 million in fiscal 2017 and $122.0 million in fiscal 2016, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, SG&A expenses decreased 0.2% or $4.4 million from fiscal 2016; and SG&A expenses as a percentage of net sales remained relatively consistent at 50.6% in fiscal 2017 compared to 50.7% in fiscal 2016.

Selling expenses were $1.60 billion, or 35.7% of net sales, in fiscal 2017 compared to $1.57 billion, or 35.1% of net sales, in fiscal 2016. This $29.6 million increase is primarily due to a $24.6 million increase attributable to the Stuart Weitzman segment, primarily due to increased store investments.

Advertising, marketing, and design costs were $261.6 million, or 5.8% of net sales, in fiscal 2017, compared to $285.7 million, or 6.4% of net sales, during fiscal 2016. This was primarily due to a decrease of $26.8 million attributable to lower costs for Coach brand advertising related events, including lower costs associated with promotional events and New York fashion week, partially offset by higher Stuart Weitzman marketing costs.

Distribution and customer service expenses were $60.2 million, or 1.3% of net sales in fiscal 2017, consistent with fiscal 2016 expenses of $67.7 million, or 1.5% of net sales.

Administrative expenses were $367.9 million, or 8.2% of net sales, in fiscal 2017 compared to $469.9 million, or 10.5% of net sales, during fiscal 2016. Excluding non-GAAP adjustments of $22.3 million in fiscal 2017 and $122.0 million in fiscal 2016, administrative expenses were $345.6 million, or 7.7% of net sales, in fiscal 2017 and $347.9 million, or 7.7% of net sales, in fiscal 2016. The decrease was primarily due to lower employee related costs and litigation costs.

Operating Income

Operating income increased 20.5% or $133.9 million to $787.4 million during fiscal 2017 as compared to $653.5 million in fiscal 2016. Operating margin increased to 17.5% as compared to 14.5% in fiscal 2016. Excluding non-GAAP adjustments of $25.2 million in fiscal 2017 and $123.1 million in fiscal 2016, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, operating income increased 4.6% or $36.0 million to $812.6 million from $776.6 million in fiscal 2016; and operating margin was 18.1% in fiscal 2017 as compared to 17.3% in fiscal 2016.

The following table presents operating income by reportable segment for fiscal 2017 compared to fiscal 2016:

	Fiscal Year Ended			
	Operating Income		Variance	
	July 1, 2017	July 2, 2016	Amount	%
	(millions)			
North America	**$ 697.0**	$ 737.3	$ (40.3)	(5.5) %
International	**535.9**	512.7	23.2	4.5
Other[1]	**31.4**	22.9	8.5	37.1
Corporate unallocated	**(497.5)**	(651.9)	154.4	23.7
Coach brand	**$ 766.8**	$ 621.0	$ 145.8	23.5 %
Stuart Weitzman	**20.6**	32.5	(11.9)	(36.6)
Total operating income	**$ 787.4**	$ 653.5	$ 133.9	20.5 %

(1) Operating income in the Other category, which is not a reportable segment, consists of Coach brand sales generated in other ancillary channels, licensing and disposition.

Operating income for the Coach brand increased 23.5% or $145.8 million to $766.8 million in fiscal 2017. Furthermore, operating margin for the Coach brand increased 360 basis points to 18.6% in fiscal 2017 when compared to fiscal 2016. Excluding non-GAAP adjustments, Coach brand operating income totaled $771.4 million in fiscal 2017, resulting in an operating margin of 18.7%, compared to Coach brand operating income of $728.4 million in fiscal 2016, or an operating margin of 17.6%.

North America Operating Income decreased 5.5% or $40.3 million to $697.0 million in fiscal 2017, reflecting the decrease in gross profit of $25.0 million and higher SG&A expenses of $15.3 million. The increase in SG&A expenses was due to higher occupancy costs, primarily due to the 5th Avenue store, as well as higher depreciation expense. Operating margin decreased 110 basis points to 29.7% in fiscal 2017 from 30.8% during the same period in the prior year due to higher SG&A expense as a percentage of net sales of 130 basis points, partially offset by higher gross margin of 20 basis points.

International Operating Income increased 4.5% or $23.2 million to $535.9 million in fiscal 2017, primarily reflecting an increase in gross profit of $17.7 million and lower SG&A expenses of $5.5 million. The decrease in SG&A expenses is primarily related to reduced marketing and occupancy costs in Greater China, as well as lower employee related costs in international wholesale, partially offset by unfavorable foreign currency effects in Japan and increased occupancy costs in Europe to support the growth of the business. Operating margin increased 110 basis points to 31.2% in fiscal 2017 from 30.1% during the same

period in the prior year primarily due to lower overall SG&A as a percentage of net sales of 60 basis points and increased gross margin of 50 basis points.

Corporate Unallocated Operating Expense decreased $154.4 million to $497.5 million in fiscal 2017, a decrease of 23.7% from $651.9 million in fiscal 2016. This decrease was primarily attributable to lower non-GAAP charges incurred by the Company in fiscal 2017 as compared to fiscal 2016, as discussed in the "GAAP to Non-GAAP Reconciliation" herein. Excluding non-GAAP adjustments, unallocated operating expenses decreased by $51.7 million to $492.8 million. This decrease is primarily due to lower employee costs related to headcount and litigation costs, partially offset by higher occupancy costs.

Stuart Weitzman Operating Income decreased $11.9 million to $20.6 million in fiscal 2017, resulting in an operating margin of 5.5%, compared to an operating income of $32.5 million in fiscal 2016. Excluding non-GAAP adjustments as discussed in the "GAAP to Non-GAAP Reconciliation" herein, which reflect acquisition and integration-related costs, Stuart Weitzman operating income totaled $41.2 million in fiscal 2017, resulting in an operating margin of 11.0%. This compared to Stuart Weitzman operating income of $48.2 million in fiscal 2016, resulting in an operating margin of 14.0%.

Provision for Income Taxes

The effective tax rate was 22.1% in fiscal 2017, as compared to 26.5% in fiscal 2016. Excluding non-GAAP charges as discussed in the "GAAP to Non-GAAP Reconciliation" herein, the effective tax rate was 23.2% in fiscal 2017, as compared to 26.4% in fiscal 2016. The decrease in our effective tax rate was primarily attributable to the geographical mix of earnings and the U.S. income earned on foreign investments.

Net Income

Net income increased 28.3% or $130.5 to $591.0 million in fiscal 2017 as compared to $460.5 million in fiscal 2016. Excluding non-GAAP charges as discussed in the "GAAP to Non-GAAP Reconciliation" herein, net income increased 10.4% or $57.5 million to $609.3 million in fiscal 2017 from $551.7 million in fiscal 2016. This increase was primarily due to higher operating income.

Earnings per Share

Net income per diluted share increased 26.7% to $2.09 in fiscal 2017 as compared to $1.65 in fiscal 2016. Excluding non-GAAP charges as discussed in the "GAAP to Non-GAAP Reconciliation" herein, net income per diluted share increased 9.1% or $0.17 to $2.15 in fiscal 2017 from $1.98 in fiscal 2016, due to higher net income. The impact of the 53rd week in fiscal 2016 contributed approximately $0.07 to net income per diluted share.

FISCAL 2016 COMPARED TO FISCAL 2015

The following table summarizes results of operations for fiscal 2016 compared to fiscal 2015. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Fiscal Year Ended					
	July 2, 2016		June 27, 2015		Variance	
	(millions, except per share data)					
	Amount	% of net sales	Amount	% of net sales	Amount	%
Net sales	$ 4,491.8	100.0%	$ 4,191.6	100.0%	$ 300.2	7.2 %
Gross profit	3,051.3	67.9	2,908.6	69.4	142.7	4.9
SG&A expenses	2,397.8	53.4	2,290.6	54.6	107.2	4.7
Operating income	653.5	14.5	618.0	14.7	35.5	5.7
Interest expense, net	26.9	0.6	6.4	0.2	20.5	NM
Income before provision for income taxes	626.6	14.0	611.6	14.6	15.0	2.5
Provision for income taxes	166.1	3.7	209.2	5.0	(43.1)	(20.6)
Net income	460.5	10.3	402.4	9.6	58.1	14.4
Net Income per share:						
Basic	$ 1.66		$ 1.46		$ 0.20	13.7 %
Diluted	$ 1.65		$ 1.45		$ 0.20	13.6 %

NM - Not meaningful

GAAP to Non-GAAP Reconciliation

The Company's reported results are presented in accordance with GAAP. The reported results during fiscal 2016 and 2015 reflect certain items, including the impact of the Transformation Plan, the Operational Efficiency Plan and Acquisition-Related Costs, as noted in the following tables. Refer to page 44 for a discussion on the Non-GAAP Measures.

COACH, INC.

GAAP TO NON-GAAP RECONCILIATION
For the Years Ended July 2, 2016 and June 27, 2015

	July 2, 2016				
	GAAP Basis (As Reported)	Transformation and Other Actions	Operational Efficiency Plan	Acquisition-Related Costs	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Gross profit	$ 3,051.3	$ —	$ —	$ (1.1)	$ 3,052.4
SG&A expenses	2,397.8	44.1	43.9	34.0	2,275.8
Operating income	653.5	(44.1)	(43.9)	(35.1)	776.6
Provision for income taxes	166.1	(10.7)	(10.3)	(10.9)	198.0
Net income	460.5	(33.4)	(33.6)	(24.2)	551.7
Diluted net income per share	1.65	(0.12)	(0.12)	(0.09)	1.98

	June 27, 2015				
	GAAP Basis (As Reported)	Transformation and Other Actions	Operational Efficiency Plan	Acquisition-Related Costs	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Gross profit	$ 2,908.6	$ (5.0)	$ —	$ (4.7)	$ 2,918.3
SG&A expenses	2,290.6	140.9	—	19.9	2,129.8
Operating income	618.0	(145.9)	—	(24.6)	788.5
Provision for income taxes	209.2	(38.1)	—	(3.6)	250.9
Net income	402.4	(107.8)	—	(21.0)	531.2
Diluted net income per share	1.45	(0.39)	—	(0.08)	1.92

Fiscal 2016 Items

In fiscal 2016, the Company incurred pre-tax charges as follows:

- *Transformation and Other Actions* - $44.1 million under our Coach brand Transformation Plan primarily due to organizational efficiency costs, lease termination charges and accelerated depreciation as a result of store renovations within North America and select International stores;
- *Operational Efficiency Plan* - $43.9 million primarily related to organizational efficiency costs and, to a lesser extent, network optimization costs; and
- *Acquisition-Related Costs* - $35.1 million total charges related to the acquisition of Stuart Weitzman Holdings LLC, of which $27.6 million is primarily related to charges attributable to contingent payments and integration-related activities (of which $19.4 million is recorded within unallocated corporate expenses within the Coach brand and $8.2 million is recorded within the Stuart Weitzman segment, resulting in a decrease in operating income of $19.4 million and $8.2 million, respectively), and $7.5 million is related to the limited life impact of purchase accounting, primarily due to the amortization of the fair value of the order backlog asset, distributor relationships and inventory step-up, all recorded within the Stuart Weitzman segment resulting in a $7.5 million decrease in operating income.

Total Transformation Plan, Operational Efficiency Plan and Acquisition-Related Costs taken together increased the Company's SG&A expenses by $122.0 million and cost of sales by $1.1 million, negatively impacting net income by $91.2 million, or $0.33 per diluted share.

Fiscal 2015 Items

In fiscal 2015, the Company incurred charges as follows:

- *Transformation and Other Actions* - $145.9 million under our Coach brand Transformation Plan due to accelerated depreciation and lease termination charges as a result of store updates and closures within North America and select International stores, organizational efficiency charges, and charges related to the destruction of inventory;
- *Acquisition-Related Costs* - $24.6 million total acquisition-related costs, of which $17.1 million primarily related to consulting and legal costs related to the acquisition of Stuart Weitzman Holdings LLC, as well as costs attributable to contingent payments related to the acquisition (of which $15.8 million was recorded within unallocated corporate expenses within the Coach brand and $1.3 million was recorded within the Stuart Weitzman segment, resulting in a decrease in operating income of $15.8 million and $1.3 million, respectively), and $7.5 million was related to the limited life impact of purchase accounting, primarily due to the amortization of the fair value of the inventory step-up and order backlog asset, all recorded within the Stuart Weitzman segment resulting in a $7.5 million decrease in operating income.

These fiscal 2015 actions taken together increased the Company's SG&A expenses by $160.8 million and cost of sales by $9.7 million, negatively impacting net income by $128.8 million, or $0.47 per diluted share.

Currency Fluctuation Effects

The change in net sales in fiscal 2016 has been presented both including and excluding currency fluctuation effects.

Net Sales

Net sales increased 7.2% or $300.2 million to $4.49 billion in fiscal 2016, inclusive of the favorable impact of the 53rd week in fiscal 2016, which resulted in incremental net revenues of $84.4 million. Excluding the effects of foreign currency, net sales increased 9.1% or $382.1 million. This increase was primarily due to the inclusion of a full year impact of the Stuart Weitzman brand and gains in the International business, partially offset by lower sales in North America. The following table presents net sales by reportable segment for fiscal 2016 compared to fiscal 2015:

	Fiscal Year Ended				
	Total Net Sales			Percentage of Total Net Sales	
	July 2, 2016	June 27, 2015	Rate of Change	July 2, 2016	June 27, 2015
	(millions)				
North America	$ 2,397.1	$ 2,467.5	(2.9) %	53.4 %	58.9 %
International	1,704.0	1,622.0	5.1	37.9	38.7
Other[(1)]	46.0	59.1	(22.2)	1.0	1.4
Coach brand	$ 4,147.1	$ 4,148.6	—	92.3 %	99.0 %
Stuart Weitzman	344.7	43.0	NM	7.7	1.0
Total net sales	$ 4,491.8	$ 4,191.6	7.2	100.0 %	100.0 %

NM - Not meaningful

(1) Net sales in the Other category, which is not a reportable segment, consists of Coach brand sales generated in licensing and disposition channels.

Net sales for the Coach brand, which includes the North America and International segments, as well as sales in the Other category, remained relatively flat in fiscal 2016 as compared to fiscal 2015, as described below. Excluding the unfavorable impact of foreign currency, net sales increased 1.8%.

North America Net Sales decreased 2.9% or $70.4 million to $2.40 billion in fiscal 2016. Excluding the unfavorable impact of foreign currency due to the Canadian dollar, net sales decreased $50.7 million or 2.1%. The following discussion is presented excluding the favorable impact of the 53rd week to net sales of $43.7 million and the impact of foreign currency. The decrease in net sales was primarily driven by lower comparable store sales of $70.0 million or 3.3%, primarily due to lower traffic, partially offset by higher transaction size and improved conversion. Excluding the negative impact of the Internet business on comparable store sales, which was primarily attributable to the impact of reduced outlet Internet events, comparable store sales decreased 3.0%. Comparable store sales measure sales performance at stores that have been open for at least 12 months, and includes sales from the Internet. Coach excludes new locations from the comparable store base for the first twelve months of operation. Comparable store sales have not been adjusted for store expansions. Additionally, North America net sales declined by approximately $14

million due to the net impact of store closures and openings. Since the end of fiscal 2015, North America closed a net 30 retail stores. North America sales were also negatively impacted by lower wholesale sales of approximately $10.1 million, due to lower volume of shipments.

International Net Sales increased 5.1% or $82.0 million to $1.70 billion in fiscal 2016. Excluding the unfavorable impact of foreign currency, primarily within Asia, net sales increased $139.9 million or 8.6%. The following discussion is presented excluding the favorable impact of the 53rd week to net sales of $32.1 million and the impact of foreign currency. This increase was primarily due to an increase of $53.8 million in Europe due to an expanded wholesale and store distribution network and higher comparable store sales, an increase in Greater China (which includes Hong Kong and Macau) of $30.7 million due to net new stores and positive comparable store sales in mainland China, partially offset by declines in Hong Kong and Macau due to a continued slowdown in inbound tourist traffic, an increase in Asia (excluding Greater China and Japan) of $14.7 million due to the impact of net new store openings and an increase in Japan of $11.9 million due to overall higher transaction size and improved levels of customer conversion (particularly in retail) contributing to higher comparable store sales. Since the end of fiscal 2015, we opened 19 net new stores, with 13 net new stores in mainland China, Hong Kong and Macau and Japan, and 6 net new stores in the other regions.

Stuart Weitzman Net Sales increased $301.7 million to $344.7 million in fiscal 2016, including the favorable impact of the 53rd week in fiscal 2016, which resulted in incremental net revenues of $7.4 million. This increase was due to the inclusion of a full fiscal year impact of the Stuart Weitzman brand, compared to approximately two months in the prior fiscal year.

Gross Profit

Gross profit increased 4.9% or $142.7 million to $3.05 billion in fiscal 2016 from $2.91 billion in fiscal 2015. Gross margin for fiscal 2016 was 67.9% as compared to 69.4% in fiscal 2015. Excluding Non-GAAP charges of $1.1 million in fiscal 2016 and $9.7 million in fiscal 2015, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, gross profit increased 4.6% or $134.1 million to $3.05 billion from $2.92 billion in fiscal 2015, and gross margin was 68.0% in fiscal 2016 as compared to 69.6% in fiscal 2015. The gross margin decline of 150 basis points (or 160 basis points excluding non-GAAP items) was primarily due to the unfavorable effects of foreign currency on the Coach brand, and the inclusion of the Stuart Weitzman business in our full year fiscal 2016 results (which contains lower gross margins compared to the Coach brand).

Gross profit for the Coach brand, which includes the North America and International segments, as well as Other and Corporate Unallocated results, decreased 1.4% or $39.8 million to $2.85 billion in fiscal 2016. Furthermore, gross margin for the Coach brand decreased 90 basis points from 69.6% in fiscal 2015 to 68.7% in the fiscal 2016, inclusive of an unfavorable 100 basis point foreign currency impact, as described below.

North America Gross Profit decreased 6.1% or $96.2 million to $1.48 billion in fiscal 2016. Gross margin decreased 210 basis points from 63.8% in fiscal 2015 to 61.7% in fiscal 2016. The decrease in gross margin is primarily attributable to increased promotional activity, primarily in our outlet and wholesale channels, negatively impacting gross margin by 240 basis points, partially offset by the impact of an improved mix of elevated product sales and higher initial mark-ups, primarily in our outlet stores, favorably impacting gross margin by 40 basis points.

International Gross Profit increased 3.0% or $37.4 million to $1.29 billion in fiscal 2016. Gross margin decreased 150 basis points from 77.0% in fiscal 2015 to 75.5% in fiscal 2016. Foreign currency negatively impacted gross margin by 210 basis points, primarily due to the Japanese Yen. Excluding the impact of foreign currency, International gross margin increased 60 basis points, primarily due to the favorable effects of decreased duty costs, positively impacting gross margin by 70 basis points. Furthermore, an improved mix of elevated product sales, particularly in Greater China and Japan, positively impacted gross margin by 50 basis points. These increases were partially offset by a less favorable geographic mix of our sales, negatively impacting gross margin by 40 basis points, particularly as a result of the growth of our Europe and international wholesale businesses.

Corporate Unallocated Gross Profit increased $24.8 million from $27.2 million in fiscal 2015 to $52.0 million in fiscal 2016, primarily due to the impact of favorable inventory production variances, decreased transformation-related charges and decreased inventory reserve charges.

Stuart Weitzman Gross Profit was $202.4 million in fiscal 2016, and $19.9 in fiscal 2015, due to the inclusion of a full fiscal year impact of the Stuart Weitzman brand, compared to approximately two months in the prior fiscal year. Furthermore, gross margin was 58.7% in fiscal 2016, compared to 46.4% in the short acquisition year of fiscal 2015 (which included the short-term impact of the amortization of the fair value of the inventory step-up).

Selling, General and Administrative Expenses

SG&A expenses increased 4.7% or $107.2 million to $2.40 billion in fiscal 2016 as compared to $2.29 billion in fiscal 2015. As a percentage of net sales, SG&A expenses decreased to 53.4% during fiscal 2016 as compared to 54.6% during fiscal 2015. Excluding Non-GAAP adjustments of $122.0 million in fiscal 2016 and $160.8 million in fiscal 2015, as discussed in the "GAAP

to Non-GAAP Reconciliation" herein, SG&A expenses increased 6.9% or $146.0 million from fiscal 2015; and SG&A expenses as a percentage of net sales remained relatively flat at 50.7% in fiscal 2016 compared to 50.8% in fiscal 2015.

Selling expenses were $1.57 billion, or 35.1% of net sales, in fiscal 2016 compared to $1.53 billion, or 36.6% of net sales, in fiscal 2015. This $41.8 million increase is primarily due to a $47.3 million increase attributable to the Stuart Weitzman segment as well as increases in Europe and mainland China to support growth in the business, partially offset by lower store-related costs in Japan, Asia (excluding Greater China) and North America including decreased employee compensation costs and occupancy costs, as well as the impact of favorable foreign currency. Excluding Non-GAAP charges of $4.1 million in fiscal 2015, selling expenses were 36.5% of net sales.

Advertising, marketing, and design costs were $285.7 million, or 6.4% of net sales, in fiscal 2016, compared to $246.8 million, or 5.9% of net sales, during fiscal 2015. This was primarily due to an increase of $25.4 million attributable to Stuart Weitzman, as well as higher costs for Coach brand marketing and advertising-related events, including our first true New York fashion week show in the first quarter of fiscal 2016, which increased by $17.9 million as compared to the same period prior year, partially offset by decreased employee-related costs.

Distribution and customer service expenses were $67.7 million, or 1.5% of net sales in fiscal 2016, relatively in-line with fiscal 2015 expenses of $69.6 million, or 1.7% of net sales.

Administrative expenses were $469.9 million, or 10.5% of net sales, in fiscal 2016 compared to $441.5 million, or 10.5% of net sales, during fiscal 2015. Excluding non-GAAP adjustments of $122.0 million in fiscal 2016 and $156.7 million in fiscal 2015, administrative expenses were $347.9 million, or 7.7% of net sales, in fiscal 2016 and $284.8 million, or 6.8% of net sales, in fiscal 2015. The increase is primarily due to the impact of Stuart Weitzman, contributing to $55.5 million of this increase, as well as increased Coach brand information system costs and litigation costs, partially offset by lower Coach brand occupancy costs.

Operating Income

Operating income increased 5.7% or $35.5 million to $653.5 million during fiscal 2016 as compared to $618.0 million in fiscal 2015. Operating margin decreased to 14.5% as compared to 14.7% in fiscal 2015. Excluding non-GAAP adjustments of $123.1 million in fiscal 2016 and $170.5 million in fiscal 2015, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, operating income decreased 1.5% or $11.9 million to $776.6 million from $788.5 million in fiscal 2015; and operating margin was 17.3%, in fiscal 2016 as compared to 18.8% in fiscal 2015.

The following table presents operating income by reportable segment for fiscal 2016 compared to fiscal 2015:

	July 2, 2016	June 27, 2015	Variance	
			Amount	%
		(millions)		
North America	$ 737.3	$ 820.5	$ (83.2)	(10.1) %
International	512.7	480.6	32.1	6.7
Other[1]	22.9	30.1	(7.2)	(23.9)
Corporate unallocated	(651.9)	(708.6)	56.7	(8.0)
Coach brand	$ 621.0	$ 622.6	$ (1.6)	(0.3) %
Stuart Weitzman	32.5	(4.6)	37.1	NM
Total operating income	$ 653.5	$ 618.0	$ 35.5	5.7 %

NM - Not meaningful

(1) Operating income in the Other category, which is not a reportable segment, consists of Coach brand sales generated in licensing and disposition channels.

Operating income for the Coach brand decreased 0.3% or $1.6 million to $621.0 million in fiscal 2016. Furthermore, operating margin for the Coach brand remained flat at 15.0% in fiscal 2016 when compared to fiscal 2015. Excluding non-GAAP adjustments, Coach brand operating income totaled $728.4 million in fiscal 2016, resulting in an operating margin of 17.6%. This compared to Coach brand operating income of $784.3 million in fiscal 2015, or an operating margin of 18.9%.

North America Operating Income decreased 10.1% or $83.2 million to $737.3 million in fiscal 2016, reflecting the decrease in gross profit of $96.2 million which was partially offset by lower SG&A expenses of $13.0 million. The decrease in SG&A expenses was due to lower store-related costs, largely driven by net store closures, as well as decreased variable selling costs as a result of lower sales in North America stores, the Internet business and the wholesale channel. Operating margin decreased 250

basis points to 30.8% in fiscal 2016 from 33.3% during the same period in the prior year due to lower gross margin of 210 basis points and higher SG&A expense as a percentage of net sales of 40 basis points.

International Operating Income increased 6.7% or $32.1 million to $512.7 million in fiscal 2016, primarily reflecting an increase in gross profit of $37.4 million partially offset by higher SG&A expenses of $5.3 million. The increase in SG&A expenses is primarily related to an increase in employee compensation, depreciation expense related to our new modern luxury investments and increased occupancy costs in Europe and Greater China to support the growth of the business, partially offset by lower expenses in Japan and Asia (excluding Greater China) primarily due to decreased occupancy and employee compensation costs, as well as favorable foreign currency effects. Operating margin increased 50 basis points to 30.1% in fiscal 2016 from 29.6% during the same period in the prior year primarily due to lower overall SG&A as a percentage of net sales which increased operating margin by 200 basis points, partially offset by lower gross margin of 150 basis points.

Corporate Unallocated Operating Expense decreased $56.7 million to $651.9 million in fiscal 2016, a decrease of 8.0% from $708.6 million in fiscal 2015. This decrease was primarily attributable to lower non-GAAP charges incurred by the Company in fiscal 2016 as compared to fiscal 2015, as discussed in the "GAAP to Non-GAAP Reconciliation" herein. Excluding non-GAAP adjustments, unallocated operating expenses decreased by $2.5 million to $544.5 million. This decrease is primarily due to more favorable inventory production variances, lower Coach brand occupancy costs and lower inventory reserve charges, partially offset by increased information system and legal costs.

Stuart Weitzman Operating Income increased $37.1 million to $32.5 million in fiscal 2016, resulting in an operating margin of 9.4%, compared to an operating loss of $4.6 million in fiscal 2015, including the impact of non-GAAP charges as discussed in the "GAAP to Non-GAAP Reconciliation" herein. Excluding non-GAAP adjustments, including acquisition and integration-related costs as well as the short-term impact of purchase accounting, Stuart Weitzman operating income totaled $48.2 million in fiscal 2016, resulting in an operating margin of 14.0%. This compared to Stuart Weitzman operating income of approximately $4 million in fiscal 2015.

Provision for Income Taxes

The effective tax rate was 26.5% in fiscal 2016, as compared to 34.2% in fiscal 2015. Excluding non-GAAP charges as discussed in the "GAAP to Non-GAAP Reconciliation" herein, the effective tax rate was 26.4% in fiscal 2016, as compared to 32.1% in fiscal 2015. The decrease in our effective tax rate was primarily attributable to the expiration of certain statutes partially offset by the impact of certain ongoing audits, the benefit of available foreign tax credits, and the geographic mix of earnings.

Net Income

Net income increased 14.4% or $58.1 million to $460.5 million in fiscal 2016 as compared to $402.4 million in fiscal 2015. Excluding non-GAAP charges as discussed in the "GAAP to Non-GAAP Reconciliation" herein, net income increased 3.8% or $20.5 million to $551.7 million in fiscal 2016 from $531.2 million in fiscal 2015. This increase was primarily due to lower provision for income taxes, partially offset by the impact of increased interest expense attributable to our debt as well as lower operating income.

Earnings per Share

Net income per diluted share increased 13.6% to $1.65 in fiscal 2016 as compared to $1.45 in fiscal 2015. Excluding non-GAAP charges as discussed in the "GAAP to Non-GAAP Reconciliation" herein, net income per diluted share increased 3.1% or $0.06 to $1.98 in fiscal 2016 from $1.92 in fiscal 2015, due to higher net income. The impact of the 53rd week contributed approximately $0.07 to net income per diluted share.

NON-GAAP MEASURES

The Company’s reported results are presented in accordance with GAAP. The reported gross profit, SG&A expenses, operating income, provision for income taxes, net income and earnings per diluted share in fiscal 2017, fiscal 2016 and fiscal 2015 reflect certain items, including the impact of the Transformation Plan, the Operational Efficiency Plan and Acquisition-Related Charges. 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.

Furthermore, the Company’s sales and earnings per diluted share results are presented both including and excluding the impact of the 53rd week in fiscal year 2016.

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 primary internal financial reporting excluded these items. In addition, the compensation committee of the Company’s Board will use 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 increases and decreases in operating results for the Company, the Coach brand and the Company's North America and International segment have been presented both including and excluding currency fluctuation effects from translating foreign-denominated amounts into U.S. dollars and compared 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 monthly average 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, U.S. 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 6. "Selected Financial Data," and the Results of Operations section within Item 7. "Management’s Discussion and Analysis of Financial Condition and Results of Operations."

FINANCIAL CONDITION

Cash Flows - Fiscal 2017 Compared to Fiscal 2016

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	Change
		(millions)	
Net cash provided by operating activities	**$ 853.8**	$ 758.6	$ 95.2
Net cash provided by (used in) investing activities	**593.0**	(810.0)	1,403.0
Net cash provided by (used in) financing activities	**369.5**	(384.9)	754.4
Effect of exchange rate changes on cash and cash equivalents	**(2.4)**	3.5	(5.9)
Net increase (decrease) in cash and cash equivalents	**$ 1,813.9**	$ (432.8)	$ 2,246.7

The Company’s cash and cash equivalents increased by $1.81 billion in fiscal 2017 compared to a decrease of $432.8 million in fiscal 2016, as discussed below.

Net cash provided by operating activities

Net cash provided by operating activities increased $95.2 million primarily due to higher net income of $130.5 million and higher non-cash charges of $98.5 million, partially offset by changes in operating assets and liabilities of $133.8 million.

The $133.8 million decline in changes in our operating asset and liability balances was primarily driven by changes in other liabilities, accrued liabilities and inventories, partially offset by changes in accounts payable and other assets. Other liabilities were a use of cash of $53.4 million in fiscal 2017 compared to a source of cash of $49.5 million in fiscal 2016, primarily driven by changes in tax liabilities (including the expiration of statutes during the quarter), partially offset by higher store-related liabilities in fiscal 2016. Accrued liabilities were a use of cash of $50.1 million in fiscal 2017 as compared to a source of cash of $30.1 million in fiscal 2016, primarily driven by changes in derivative positions due to foreign currency fluctuations and timing of other operating payments. Inventories were a use of cash of $20.0 million in fiscal 2017 as compared to a source of cash of $40.7 million in fiscal 2016, primarily driven by increased inventory purchases. Accounts payable were a source of cash of $8.4 million in fiscal 2017 as compared to a use of cash in fiscal 2016 of $48.4 million, primarily driven by timing of inventory payments and other expenses. Other assets were a source of cash of $48.0 million in fiscal 2017 as compared to a use of cash of $6.3 million in fiscal 2016, primarily driven by lower prepaid assets when compared to prior year.

Net cash provided by (used in) investing activities

Net cash provided by investing activities was $593.0 million in fiscal 2017 compared to a use of cash of $810.0 million in fiscal 2016. The $1.40 billion increase in net cash was primarily due to proceeds from the sale of the Company's equity method investment in Hudson Yards of $680.6 million in fiscal 2017, the impact of net cash proceeds from maturities and sales of investments of $67.7 million in fiscal 2017, compared to net purchases of investments of $238.8 million in fiscal 2016. This increase is also due to the absence of an equity method investment in fiscal 2017 as compared to a $140.3 million investment in fiscal 2016. Furthermore, in fiscal 2017, the Company received proceeds from the sale of its prior headquarters of $126.0 million. The Company spent $283.1 million on capital expenditures in fiscal 2017 as compared to $396.4 million in fiscal 2016.

Net cash provided by (used in) financing activities

Net cash provided by financing activities was $369.5 million in fiscal 2017 as compared to a use of cash of $384.9 million in fiscal 2016. This net increase of $754.4 million was primarily due to the net proceeds of the issuance of Senior Notes in fiscal 2017 of $997.2 million, partially offset by the repayment of long-term debt of $285.0 million.

Cash Flows - Fiscal 2016 Compared to Fiscal 2015

	Fiscal Year Ended		
	July 2, 2016	June 27, 2015	Change
		(millions)	
Net cash provided by operating activities	**$ 758.6**	$ 937.4	$ (178.8)
Net cash used in investing activities	**(810.0)**	(612.9)	(197.1)
Net cash (used in) provided by financing activities	**(384.9)**	389.3	(774.2)
Effect of exchange rate changes on cash and cash equivalents	**3.5**	(13.9)	17.4
Net (decrease) increase in cash and cash equivalents	**$ (432.8)**	$ 699.9	$ (1,132.7)

The Company’s cash and cash equivalents decreased $432.8 million in fiscal 2016 compared to an increase of $699.9 million in fiscal 2015, as discussed below.

Net cash provided by operating activities

Net cash provided by operating activities decreased $178.8 million primarily due to the year-over-year declines in cash sources from operating assets and liabilities (decrease of $131.7 million) and noncash charges (decrease of $105.2 million), partially offset by higher net income of $58.1 million.

The overall decline in changes in our operating asset and liability balances were primarily driven by changes in accounts payable, other liabilities, accrued liabilities, accounts receivable and other balance sheet changes. Accounts payable were a use of cash of $48.4 million in fiscal 2016 as compared to a source of cash in fiscal 2015 of $64.4 million, driven by an overall decrease in inventory purchases (as well as timing of inventory payments), the timing of transformation-related payments and a decrease in payables due to timing of payments. Other liabilities were a source of cash of $49.5 million in fiscal 2016 compared to a use of cash of $5.9 million in fiscal 2015, primarily driven by additional store-related liabilities, largely due to the execution of two new store leases in the third quarter of fiscal 2016 on Fifth Avenue in New York City and Regent Street in London. Accrued liabilities was a source of cash of $30.1 million in fiscal 2016 as compared to a source of cash of $63.2 million in fiscal 2015. This decrease is primarily driven by higher bonus payments in the first quarter of fiscal 2016 compared to fiscal 2015, partially offset by an increase in accrued duties. Accounts receivable was a use of cash of $28.3 million in fiscal 2016 compared to a source of cash of $0.3 million in fiscal 2015, primarily driven by increased wholesale shipments for Coach brand and an increase in credit card receivables in fiscal 2016 as compared to fiscal 2015 driven by the timing of sales in the last week of fiscal 2016. Other

balance sheet changes, net, were a use of cash of $6.3 million in fiscal 2016 as compared to a source of cash of $17.8 million in fiscal 2015, primarily due to increased store-related related receivables during fiscal 2016 as compared to fiscal 2015 as a result of select new store openings, including our Fifth Avenue and Regent Street stores, described above.

Net cash used in investing activities

Net cash used in investing activities was $810.0 million in fiscal 2016 compared to a use of cash of $612.9 million in fiscal 2015. The increase in net cash used of $197.1 million was primarily due to the impact of net cash used for purchase of investments of $238.8 million in fiscal 2016, compared to net proceeds from investments of $255.6 million in fiscal 2015, as well as increased capital expenditures in fiscal 2016, partially offset by a $494.0 million decrease in cash used for acquisitions, primarily related to the Stuart Weitzman acquisition that occurred in the fourth quarter of fiscal 2015.

Net cash (used in) provided by financing activities

Net cash used in financing activities was $384.9 million in fiscal 2016 as compared to a source of cash of $389.3 million in fiscal 2015. This increase in cash used of $774.2 million was primarily due to the absence of proceeds in fiscal 2016 from the issuance of long-term debt in fiscal 2015. In fiscal 2015, the Company had proceeds from the issuance of long-term debt of $896.7 million, partially offset by net repayments of $140.0 million under the Company's Amended and Restated Credit Agreement.

Working Capital and Capital Expenditures

As of July 1, 2017, 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[2]	**$ 2,672.9**	**$ —**	**$ 2,672.9**
Short-term investments[2]	**410.7**	**—**	**410.7**
Non-current investments	**75.1**	**—**	**75.1**
Revolving Credit Facility[1][3]	**900.0**	**—**	**900.0**
Term Loans[1]	**1,100.0**	**—**	**1,100.0**
3.000% Senior Notes due 2022[4]	**400.0**	**400.0**	**—**
4.250% Senior Notes due 2025[4]	**600.0**	**600.0**	**—**
4.125% Senior Notes due 2027[4]	**600.0**	**600.0**	**—**
Total	**$ 6,758.7**	**$ 1,600.0**	**$ 5,158.7**

(1) On May 30, 2017, 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 (i) committed to lend to the Company, subject to the satisfaction or waiver of the conditions set forth in the agreement, an $800.0 million term loan facility maturing six months after the term loans thereunder are borrowed (the “Six-Month Term Loan Facility”), and a $300.0 million term loan facility maturing three years after the term loans thereunder are borrowed (collectively with the Six-Month Term Loan Facility, the “Term Loan Facilities”) and (ii) made available to the Company a $900.0 million revolving credit facility, including sub-facilities for letters of credit, with a maturity date of May 30, 2022 (the "Revolving Credit Facility" and collectively with the Term Loan Facilities, the "Facility"). Subsequent to fiscal 2017 year end, in connection with the acquisition of Kate Spade, the Company borrowed $800.0 million under the six-month term loan credit facility and $300.0 million under the three-year term loan credit facility for a total of $1.1 billion. Refer to Note 20, "Subsequent Events" for further information.

(2) As of July 1, 2017, approximately 39% of our cash and short-term investments were held outside the U.S. in jurisdictions where we intend to permanently reinvest our undistributed earnings to support our continued growth. We are not dependent on foreign cash to fund our domestic operations. If we choose to repatriate any funds to the U.S. in the future, we would be subject to applicable U.S. and foreign taxes.

(3) On May 30, 2017, the Revolving Credit Facility replaced the Company's previously existing revolving credit facility agreement under the Amendment and Restatement Agreement, dated as of March 18, 2015, by and between the Company, certain lenders and JPMorgan Chase Bank, N.A., as administrative agent. Borrowings under the 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 600% of consolidated lease expense 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 had no outstanding borrowings under the Revolving Credit Facility at fiscal year end. Refer to Note 10, "Debt" for further information on our existing debt instruments.

(4) In March 2015, the Company issued $600.0 million aggregate principal amount of 4.250% senior unsecured notes due April 1, 2025 at 99.445% of par (the "2025 Senior Notes"). Furthermore, 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"), and $600.0 million aggregate principal amount of 4.125% senior unsecured notes due April 15, 2027 at 99.858% of par (the "2027 Senior Notes"). Furthermore, the indentures for the 2025 Senior Notes, 2022 Senior Notes and 2027 Senior Notes contain certain covenants limiting the Company's ability to: (i) create certain liens, (ii) enter into certain sale and leaseback transactions and (iii) merge, or consolidate or transfer, sell or lease all or substantially all of the Company's assets. As of July 1, 2017, no known events of default have occurred. Refer to Note 10, "Debt" for further information on our existing debt instruments.

We believe that our Revolving Credit Facility and Term Loans are adequately diversified with no undue concentrations in any one financial institution. As of July 1, 2017, there were 13 financial institutions participating in the Revolving Credit Facility and Term Loans, with no one participant maintaining a combined maximum commitment percentage in excess of 13%. We have no reason to believe at this time that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the facility in the event we elect to draw funds in the foreseeable future.

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, our restructuring initiatives, acquisition or integration-related costs, 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 foreseeable future, our plans for acquisitions, further business expansion and restructuring-related initiatives. We expect total capital expenditures to be in the area of $325 million in fiscal 2018. Future events, such as acquisitions or joint ventures, and other similar transactions may require additional capital. 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, dividend payments 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, which in turn are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond the Company's control.

Kate Spade Acquisition

On July 11, 2017, the Company completed its acquisition of Kate Spade & Company for $18.50 per share in cash for a total of approximately $2.4 billion. As a result, Kate Spade has become a wholly owned subsidiary of Coach, Inc. The combination of Coach, Inc. and Kate Spade & Company creates a leading luxury lifestyle company with a more diverse multi-brand portfolio supported by significant expertise in handbag design, merchandising, supply chain and retail operations as well as solid financial acumen.

Stuart Weitzman Acquisition

On May 4, 2015, pursuant to the terms of the purchase agreement dated January 5, 2015, the Company acquired all of the equity interests of Stuart Weitzman Intermediate LLC, a luxury footwear company and the parent of Stuart Weitzman Holdings, LLC, from Topco for an aggregate payment of approximately $531.1 million in cash, subject to a potential earnout of up to $44.1 million of cash based on achievement of certain revenue targets. The company does not expect to achieve these revenue targets. As of July 1, 2017, the Company recorded a reversal of $35.2 million as there is no payout expected.

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.

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.

Contractual and Other Obligations

Firm Commitments

As of July 1, 2017, the Company's contractual obligations are as follows:

	Total	Fiscal 2018	Fiscal 2019 – 2020	Fiscal 2021 – 2022	Fiscal 2023 and Beyond
			(millions)		
Capital expenditure commitments	$ 78.0	$ 47.7	$ 22.7	$ 7.6	$ —
Inventory purchase obligations	167.5	167.5	—	—	—
Operating leases	2,458.7	295.4	512.4	400.0	1,250.9
Debt repayment	1,600.0	—	—	400.0	1,200.0
Interest on outstanding debt	514.0	46.4	124.5	124.5	218.6
Other	6.0	2.6	3.4	—	—
Total	$ 4,824.2	$ 559.6	$ 663.0	$ 932.1	$ 2,669.5

Excluded from the above contractual obligations table is the non-current liability for unrecognized tax benefits of $118.2 million as of July 1, 2017, as we cannot make a reliable estimate of the period in which the liability will be settled, if ever. The above table also excludes amounts included in current liabilities in the Consolidated Balance Sheet at July 1, 2017 as these items will be paid within one year, certain long-term liabilities not requiring cash payments and cash contributions for the Company’s pension plan.

On May 7, 2017, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Kate Spade & Company and Chelsea Merger Sub Inc., a Delaware corporation and direct wholly owned subsidiary of Coach (the “Merger Sub”). Pursuant to the Merger Agreement, on May 26, 2017, Merger Sub commenced an all-cash tender offer to acquire all of Kate Spade's outstanding shares of common stock, par value $1.00 per share, at a purchase price of $18.50 per share. The Company completed its acquisition on July 11, 2017. The purchase price was approximately $2.4 billion, which was funded by a combination of Senior Notes, Term Loan Facilities and cash on hand. The purchase price and Term Loan Facilities are excluded from the above table, as they occurred subsequent to July 1, 2017. Refer to the Working Capital and Capital Expenditures table above for more information on the Term Loan Facilities and Senior Notes.

The Company currently estimates that it will incur costs in the range of $150 - $200 million related to Kate Spade integration in fiscal 2018, which include severance, store closure costs and inventory realignment. The Company continues to fully develop its integration plan. Of these costs, the Company expects to incur approximately $60 million of severance and other costs related to agreements with certain Kate Spade executives. This amount is excluded from the above table, as these contractual obligations were created subsequent to July 1, 2017.

The Company also expects to incur costs of approximately $45 million of acquisition-related expenses, which is excluded from the above table, as these contractual obligations were created subsequent to July 1, 2017.

Refer to Note 7, "Acquisitions" and Note 20, "Subsequent Events" for further information.

Off-Balance Sheet Arrangements

In addition to the commitments included in the table above, we have outstanding letters of credit and bank guarantees of $9.0 million as of July 1, 2017, primarily serving to collateralize our obligation to third parties for insurance claims, leases and material used in product manufacturing. These letters of credit expire at various dates through 2039.

We do not maintain any other off-balance sheet arrangements, transactions, obligations, or other relationships with unconsolidated entities that would be expected to have a material current or future effect on our consolidated financial statements. Refer to Note 11, "Commitments and Contingencies," to the accompanying audited consolidated financial statements for further information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect our results of operations, financial condition and cash flows as well as the disclosure of contingent assets and liabilities as of the date of the Company's financial statements. Actual results could differ from estimates in amounts that may be material to the financial statements. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results could differ from estimates in amounts that may

be material to the financial statements. The development and selection of the Company's critical accounting policies and estimates are periodically reviewed with the Audit Committee of the Board.

The accounting policies discussed below are considered critical because changes to certain judgments and assumptions inherent in these policies could affect the financial statements. For more information on the Company's accounting policies, please refer to the Notes to Consolidated Financial Statements.

Revenue Recognition

Revenue is recognized by the Company when there is persuasive evidence of an arrangement, delivery has occurred (and risks and rewards of ownership have been transferred to the buyer), price has been fixed or is determinable, and collectability is reasonably assured.

Retail store and concession-based shop-in-shop revenues are recognized at the point of sale, which occurs when merchandise is sold in an over-the-counter consumer transaction. Internet revenue from sales of products ordered through the Company's e-commerce sites is recognized upon delivery and receipt of the shipment by its customers and includes shipping and handling charges paid by customers. Retail and internet revenues are also reduced by an estimate for returns at the time of sale.

Wholesale revenue is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of estimates of markdown allowances, returns and discounts. Estimates for markdown reserves are based on historical trends, actual and forecasted seasonal results, an evaluation of current economic and market conditions, retailer performance, and, in certain cases, contractual terms. Returns and allowances require pre-approval from management and discounts are based on trade terms. The Company reviews and refines these estimates on a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

At July 1, 2017, a 10% change in the allowances for estimated uncollectible accounts, markdowns and returns would not have resulted in a material change in the Company's reserves and net sales.

Inventories

Substantially all of the Company's inventories are comprised of finished goods, and are reported at the lower of cost or market. Inventory costs include material, conversion costs, freight and duties and are primarily determined by the first-in, first-out method. The Company reserves for inventory, including slow-moving and aged inventory, based on current product demand, expected future demand and historical experience. A decrease in product demand due to changing customer tastes, buying patterns or increased competition could impact the Company's evaluation of its inventory and additional reserves might be required. Estimates may differ from actual results due to the quantity, quality and mix of products in inventory, consumer and retailer preferences and market conditions. At July 1, 2017, a 10% change in the inventory reserve, would not have resulted in material change in inventory and cost of sales.

Business Combinations

In connection with an acquisition, the Company records all assets acquired and liabilities assumed of the acquired business at their acquisition date fair value, including the recognition of contingent consideration at fair value on the acquisition date. These fair value determinations require judgment and may involve the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, among other items. We may utilize independent third-party valuation firms to assist in making these fair value determinations. Refer to Note 7, "Acquisitions," for detailed disclosures related to our acquisitions.

Goodwill and Other Intangible Assets

Goodwill and certain other intangible assets deemed to have indefinite useful lives, including trademarks and trade names, are not amortized, but are assessed for impairment at least annually. Finite-lived intangible assets are amortized over their respective estimated useful lives and, and along with other long-lived assets as noted above, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying values may not be fully recoverable. Estimates of fair value for finite-lived and indefinite-lived intangible assets are primarily determined using discounted cash flows and the relief from royalty method, respectively, with consideration of market comparisons and recent transactions. This approach uses significant estimates and assumptions, including projected future cash flows, discount rates, royalty rates and growth rates.

The Company generally performs its annual goodwill and indefinite-lived intangible assets impairment analysis using a quantitative approach. The quantitative goodwill impairment test identifies the existence of potential impairment by comparing the fair value of each reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, the reporting unit's goodwill is considered not to be impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment charge is recognized in an amount equal to that excess. The impairment charge recognized is limited to the amount of goodwill allocated to that reporting unit.

Determination of the fair value of a reporting unit and intangible asset is based on management's assessment, considering independent third-party appraisals when necessary. Furthermore, this determination is judgmental in nature and often involves the use of significant estimates and assumptions, which may include projected future cash flows, discount rates, royalty rates, growth rates, and determination of appropriate market comparables and recent transactions. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and the amount of any such charge.

The Company performs its annual impairment assessment of goodwill, including trademarks and trade names, during the fourth quarter of each fiscal year. The Company determined that there was no impairment in fiscal 2017, fiscal 2016 or fiscal 2015 as the fair values of our Coach brand reporting units significantly exceeded their respective carrying values. Furthermore, given the recency of our Stuart Weitzman acquisition, the fair values of the Stuart Weitzman brand reporting unit and indefinite-lived trademarks and trade names exceeded their respective carrying values of $267.0 million and $156.0 million respectively, by approximately 20%. Several factors could impact the Stuart Weitzman brand's ability to achieve future cash flows, including the optimization of the store fleet productivity, the impact of promotional activity in department stores, the consolidation or take-back of certain distributor relationships, the simplification of certain corporate overhead structures and other initiatives aimed at expanding higher performing categories of the business. Given the relatively small excess of fair value over carrying value as noted above, if profitability trends decline during fiscal 2018 from those that are expected, it is possible that an interim test, or our annual impairment test, could result in an impairment of these assets.

Valuation of Long-Lived Assets

Long-lived assets, such as property and equipment, are evaluated for impairment whenever events or circumstances indicate that the carrying value of the assets may not be recoverable. In evaluating long-lived assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the asset and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than its carrying value, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value, considering external market participant assumptions.

In determining future cash flows, the Company takes various factors into account, including the effects of macroeconomic trends such as consumer spending, in-store capital investments, promotional cadence, the level of advertising and changes in merchandising strategy. Since the determination of future cash flows is an estimate of future performance, there may be future impairments in the event that future cash flows do not meet expectations.

Share-Based Compensation

The Company recognizes the cost of equity awards to employees and the non-employee Directors based on the grant-date fair value of those awards. The grant-date fair values of share unit awards are based on the fair value of the Company's common stock on the date of grant. The grant-date fair value of stock option awards is determined using the Black-Scholes option pricing model and involves several assumptions, including the expected term of the option, expected volatility and dividend yield. The expected term of options represents the period of time that the options granted are expected to be outstanding and is based on historical experience. Expected volatility is based on historical volatility of the Company’s stock as well as the implied volatility from publicly traded options on the Company's stock. Dividend yield is based on the current expected annual dividend per share and the Company’s stock price. Changes in the assumptions used to determine the Black-Scholes value could result in significant changes in the Black-Scholes value.

For stock options and share unit awards, the Company recognizes share-based compensation net of estimated forfeitures and revises the estimates in subsequent periods if actual forfeitures differ from the estimates. We estimate the forfeiture rate based on historical experience as well as expected future behavior.

The Company grants performance-based share awards to certain key executives, the vesting of which is subject to the executive’s continuing employment and the Company's achievement of certain performance goals. On a quarterly basis, the Company assesses actual performance versus the predetermined performance goals, and adjusts the share-based compensation expense to reflect the relative performance achievement. Actual distributed shares are calculated upon conclusion of the service and performance periods, and include dividend equivalent shares. If the performance-based award incorporates a market condition, the grant-date fair value of such award is determined using a pricing model, such as a Monte Carlo Simulation.

A hypothetical 10% change in our stock-based compensation expense would not have a material impact to our fiscal 2017 net income.

Income Taxes

The Company’s effective tax rate is based on pre-tax income, statutory tax rates, tax laws and regulations, and tax planning strategies available in the various jurisdictions in which the Company operates. The Company classifies interest and penalties on uncertain tax positions in the provision for income taxes. We record net deferred tax assets to the extent we believe that it is more likely than not that these assets will be realized. In making such determination, we consider all available evidence, including

scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent and expected future results of operation. We reduce our deferred tax assets by a valuation allowance if, based upon the weight of available evidence, it is more likely than not that some amount of deferred tax assets is not expected to be realized. Deferred taxes are not provided on the undistributed earnings of subsidiaries as such amounts are considered to be permanently invested.

The Company recognizes the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. Although we believe that the estimates and assumptions we use are reasonable and legally supportable, the final determination of tax audits could be different than that which is reflected in historical tax provisions and recorded assets and liabilities. Tax authorities periodically audit the Company's income tax returns, and in specific cases, the tax authorities may take a contrary position that could result in a significant impact on our results of operations. Significant management judgment is required in determining the effective tax rate, in evaluating our tax positions and in determining the net realizable value of deferred tax assets.

Recent Accounting Pronouncements

See Note 2, "Significant Accounting Policies," to the accompanying audited consolidated financial statements for a description of certain recently adopted, issued or proposed accounting standards which may impact our consolidated financial statements in future reporting periods.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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. Coach 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’ U.S. dollar and Euro denominated inventory purchases. To mitigate such risk, Coach Japan, Coach Canada and Stuart Weitzman enter into forward currency contracts, primarily forward currency contracts. As of July 1, 2017 and July 2, 2016, forward currency contracts designated as cash flow hedges with a notional amount of $146.9 million and $126.7 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 July 1, 2017.

The Company is also exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans which are not long term in investment nature. This primarily includes exposure to exchange rate fluctuations in the Euro, the Chinese Renminbi, the British Pound Sterling and the Singapore Dollar. To manage the exchange rate risk related to these loans, the Company primarily enters into forward currency contracts. As of July 1, 2017 and July 2, 2016, the total notional values of outstanding forward foreign currency contracts related to these loans were $95.5 million and $75.5 million, respectively.

The fair value of outstanding foreign currency contracts included in current assets at July 1, 2017 and July 2, 2016 was $3.5 million and $0.6 million, respectively. The fair value of outstanding foreign currency contracts included in current liabilities at July 1, 2017 and July 2, 2016 was $1.7 million and $11.1 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. As of July 1, 2017, a 10% devaluation of the U.S. Dollar against the exchange rates for foreign currencies under contract would result in an immaterial impact on derivative contract fair values.

Interest Rate Risk

The Company is exposed to interest rate risk in relation to its Revolving Credit Facility and the Term Loan Facilities (collectively "the Facility") entered into under the credit agreement dated May 30, 2017, the 2025 Senior Notes, 2022 Senior Notes, 2027 Senior Notes (collectively the "Senior Notes") and investments.

Our exposure to changes in interest rates is primarily attributable to debt outstanding under the Facility. Borrowings under the Facility bear interest at a rate per annum equal to, at Coach’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 defined in the Credit Agreement, based on the ratio of (a) consolidated debt plus 600% of consolidated lease expense to (b) consolidated EBITDAR. A hypothetical 10% change in the credit agreement interest rate would have resulted in an immaterial change in interest expense in fiscal 2017.

The Company is exposed to changes in interest rates related to the fair value of our Senior Notes. At July 1, 2017, the fair value of the 2025 Senior Notes, 2022 Senior Notes and 2027 Senior Notes was approximately $624 million, $395 million and $596 million, respectively. The interest rate payable on each series of the 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 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See “Index to Financial Statements,” appearing at the end of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure 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 July 1, 2017.

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal controls over financial reporting as defined in Rule 13a-15(f). The Company’s internal control system was designed to provide reasonable assurance to the Company’s management and Board regarding the preparation and fair presentation of published financial statements. Management evaluated the effectiveness of the Company’s internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework in 2013. Management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting as of July 1, 2017 and concluded that it is effective.

The Company’s independent auditors have issued an audit report on the Company's internal control over financial reporting as of July 1, 2017 as included elsewhere herein.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be included by Item 10 of Form 10-K will be included in the Proxy Statement for the 2017 Annual Meeting of Stockholders and such information is incorporated by reference herein. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive and director compensation set forth in the Proxy Statement for the 2017 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the headings "Securities Authorized for Issuance Under Equity Compensation Plans" and "Coach Stock Ownership by Certain Beneficial Owners and Management" in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders is incorporated herein by reference.

There are no arrangements known to the registrant that may at a subsequent date result in a change in control of the registrant.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be included by Item 13 of Form 10-K will be included in the Proxy Statement for the 2017 Annual Meeting of Stockholders and such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated herein by reference to the sections entitled "Fees For Audit and Other Services" and "Audit Committee Pre-Approval Policy" in the Proxy Statement for the 2017 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules. See “Index to Financial Statements,” appearing herein.

(b) Exhibits. See the exhibit index which is included herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

COACH, INC.

Date: August 18, 2017

By: /s/ Victor Luis
Name: Victor Luis
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated below on August 18, 2017.

Signature	Title
/s/ Victor Luis Victor Luis	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Kevin Wills Kevin Wills	Chief Financial Officer (Principal Financial Officer)
/s/ Melinda Brown Melinda Brown	Corporate Controller (Principal Accounting Officer)
/s/ Jide Zeitlin Jide Zeitlin	Chairman and Director
/s/ David Denton David Denton	Director
/s/ Andrea Guerra Andrea Guerra	Director
/s/ Susan Kropf Susan Kropf	Director
/s/ Annabelle Yu Long Annabelle Yu Long	Director
/s/ Ivan Menezes Ivan Menezes	Director
/s/ William Nuti William Nuti	Director
/s/ Stephanie Tilenius Stephanie Tilenius	Director

COACH, INC.

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All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Coach, Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Coach, Inc. and subsidiaries (the "Company") as of July 1, 2017 and July 2, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 1, 2017. Our audits also included the financial statement Schedule II listed in the Index to the Consolidated Financial Statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Coach, Inc. and subsidiaries at July 1, 2017 and July 2, 2016, and the results of their operations and their cash flows for each of the three years in the period ended July 1, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of July 1, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 18, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York
August 18, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Coach, Inc.
New York, New York

We have audited the internal control over financial reporting of Coach, Inc. and subsidiaries (the "Company") as of July 1, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 1, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement Schedule II as of and for the year ended July 1, 2017 of the Company and our report dated August 18, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

New York, New York
August 18, 2017

COACH, INC.
CONSOLIDATED BALANCE SHEETS

	July 1, 2017	July 2, 2016
	(millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,672.9	$ 859.0
Short-term investments	410.7	460.4
Trade accounts receivable, less allowances of $1.9 and $2.2, respectively	268.0	245.2
Inventories	469.7	459.2
Income tax receivable	41.5	13.6
Prepaid expenses	58.6	58.0
Other current assets	31.9	77.5
Total current assets	3,953.3	2,172.9
Property and equipment, net	691.4	919.5
Long-term investments	75.1	558.6
Goodwill	480.5	502.4
Intangible assets	340.8	346.8
Deferred income taxes	170.5	248.8
Other assets	120.0	143.7
Total assets	$ 5,831.6	$ 4,892.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 194.6	$ 186.7
Accrued liabilities	559.2	625.0
Current debt	—	15.0
Total current liabilities	753.8	826.7
Long-term debt	1,579.5	861.2
Other liabilities	496.4	521.9
Total liabilities	2,829.7	2,209.8
See Note 11 on commitments and contingencies		
Stockholders' Equity:		
Preferred stock: (authorized 25.0 million shares; $0.01 par value) none issued	—	—
Common stock: (authorized 1,000.0 million shares; $0.01 par value) issued and outstanding – 281.9 million and 278.5 million shares, respectively	2.8	2.8
Additional paid-in-capital	2,978.3	2,857.1
Retained earnings (accumulated deficit)	107.7	(104.1)
Accumulated other comprehensive loss	(86.9)	(72.9)
Total stockholders' equity	3,001.9	2,682.9
Total liabilities and stockholders' equity	$ 5,831.6	$ 4,892.7

See accompanying Notes.

COACH, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
	(millions, except per share data)		
Net sales	**$ 4,488.3**	$ 4,491.8	$ 4,191.6
Cost of sales	**1,407.2**	1,440.5	1,283.0
Gross profit	**3,081.1**	3,051.3	2,908.6
Selling, general and administrative expenses	**2,293.7**	2,397.8	2,290.6
Operating income	**787.4**	653.5	618.0
Interest expense, net	**28.4**	26.9	6.4
Income before provision for income taxes	**759.0**	626.6	611.6
Provision for income taxes	**168.0**	166.1	209.2
Net income	**$ 591.0**	$ 460.5	$ 402.4
Net income per share:			
Basic	**$ 2.11**	$ 1.66	$ 1.46
Diluted	**$ 2.09**	$ 1.65	$ 1.45
Shares used in computing net income per share:			
Basic	**280.6**	277.6	275.7
Diluted	**282.8**	279.3	277.2
Cash dividends declared per common share	**$ 1.350**	$ 1.350	$ 1.350

See accompanying Notes.

COACH, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
	(millions)		
Net Income	**$ 591.0**	$ 460.5	$ 402.4
Other comprehensive (loss) income, net of tax:			
Unrealized gains (losses) on cash flow hedging derivatives, net	**11.8**	(13.2)	3.8
Unrealized (losses) on available-for-sale debt investments, net	**(0.7)**	(0.2)	(1.3)
Change in pension liability, net	**1.1**	(0.6)	1.0
Foreign currency translation adjustments	**(26.2)**	18.8	(72.5)
Other comprehensive (loss) income, net of tax	**(14.0)**	4.8	(69.0)
Comprehensive income	**$ 577.0**	$ 465.3	$ 333.4

See accompanying Notes.

COACH, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY

	Shares of Common Stock	Common Stock	Additional Paid-in-Capital	(Accumulated Deficit)/ Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Equity
	(millions, except per share data)					
Balance at June 28, 2014	274.4	$ 2.7	$ 2,646.1	$ (219.5)	$ (8.7)	$ 2,420.6
Net income	—	—	—	402.4	—	402.4
Other comprehensive loss	—	—	—	—	(69.0)	(69.0)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	2.2	0.1	19.5	—	—	19.6
Share-based compensation	—	—	94.4	—	—	94.4
Excess tax effect from share-based compensation	—	—	(5.6)	—	—	(5.6)
Dividends declared ($1.350 per share)	—	—	—	(372.5)	—	(372.5)
Balance at June 27, 2015	276.6	2.8	2,754.4	(189.6)	(77.7)	2,489.9
Net income	—	—	—	460.5	—	460.5
Other comprehensive income	—	—	—	—	4.8	4.8
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	1.9	—	16.4	—	—	16.4
Share-based compensation	—	—	95.3	—	—	95.3
Excess tax effect from share-based compensation	—	—	(9.0)	—	—	(9.0)
Dividends declared ($1.350 per share)	—	—	—	(375.0)	—	(375.0)
Balance at July 2, 2016	**278.5**	**2.8**	**2,857.1**	**(104.1)**	**(72.9)**	**2,682.9**
Net income	—	—	—	**591.0**	—	**591.0**
Other comprehensive loss	—	—	—	—	**(14.0)**	**(14.0)**
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	**3.4**	**—**	**48.9**	—	—	**48.9**
Share-based compensation	—	—	**76.1**	—	—	**76.1**
Excess tax effect from share-based compensation	—	—	**(3.8)**	—	—	**(3.8)**
Dividends declared ($1.350 per share)	—	—	—	**(379.2)**	—	**(379.2)**
Balance at July 1, 2017	**281.9**	**$ 2.8**	**$ 2,978.3**	**$ 107.7**	**$ (86.9)**	**$ 3,001.9**

See accompanying Notes.

COACH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
		(millions)	
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Net income	**$ 591.0**	$ 460.5	$ 402.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**212.8**	210.6	191.8
Provision for bad debt	**1.7**	3.7	1.7
Share-based compensation	**73.6**	86.8	88.9
Excess tax effect from share-based compensation	**3.8**	9.0	5.6
Restructuring activities	**8.5**	17.7	59.7
Deferred income taxes	**78.0**	(52.3)	21.5
Other noncash charges, net	**(19.1)**	(14.7)	(3.2)
Changes in operating assets and liabilities:			
Trade accounts receivable	**(29.4)**	(28.3)	0.3
Inventories	**(20.0)**	40.7	29.2
Other liabilities	**(53.4)**	49.5	(5.9)
Accounts payable	**8.4**	(48.4)	64.4
Accrued liabilities	**(50.1)**	30.1	63.2
Other assets	**48.0**	(6.3)	17.8
Net cash provided by operating activities	**853.8**	758.6	937.4
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Hudson Yards sale of investments, net of expenses	**680.6**	—	—
Sale of former headquarters, net of expenses	**126.0**	—	—
Acquisition of interest in equity method investment	**—**	(140.3)	(139.1)
Acquisitions, net of cash acquired	**—**	(25.6)	(519.6)
Purchases of property and equipment	**(283.1)**	(396.4)	(199.3)
Purchases of investments	**(523.5)**	(664.7)	(49.6)
Proceeds from maturities and sales of investments	**591.2**	425.9	305.2
Acquisition of lease rights, net of proceeds	**1.8**	(8.9)	(10.5)
Net cash provided by (used in) investing activities	**593.0**	(810.0)	(612.9)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Dividend payments	**(378.0)**	(374.5)	(371.8)
Proceeds from issuance of long-term debt, net of discount	**997.2**	—	896.7
Debt issuance costs	**(9.8)**	—	(6.6)
Repayment of debt	**(285.0)**	(15.0)	(0.5)
Proceeds from share-based awards	**70.4**	29.1	36.5
Borrowings under revolving credit facility	**—**	—	340.0
Repayment of revolving credit facility	**—**	—	(480.0)
Taxes paid to net settle share-based awards	**(21.5)**	(15.5)	(15.6)
Excess tax effect from share-based compensation	**(3.8)**	(9.0)	(5.6)
Acquisition-related payment of contingent consideration	**—**	—	(3.8)
Net cash provided by (used in) financing activities	**369.5**	(384.9)	389.3
Effect of exchange rate changes on cash and cash equivalents	**(2.4)**	3.5	(13.9)
Increase (decrease) in cash and cash equivalents	**1,813.9**	(432.8)	699.9
Cash and cash equivalents at beginning of year	**859.0**	1,291.8	591.9
Cash and cash equivalents at end of year	**$ 2,672.9**	$ 859.0	$ 1,291.8
Supplemental information:			
Cash paid for income taxes, net	**$ 159.1**	$ 158.9	$ 180.3
Cash paid for interest	**$ 35.4**	$ 33.7	$ 1.4
Noncash investing activity – property and equipment obligations	**$ 39.7**	$ 48.0	$ 59.5

See accompanying Notes.

1. NATURE OF OPERATIONS

Coach, Inc. (the "Company") is a leading New York-based house of modern luxury accessories and lifestyle brands. The Company's primary product offerings, manufactured by third-party suppliers, include women's and men's bags, small leather goods, footwear, ready-to-wear including outerwear, watches, weekend and travel accessories, scarves, eyewear, fragrance, jewelry, travel bags and other lifestyle products. Coach branded products are primarily sold through its North America and International reportable segments. The North America segment includes sales to consumers through Coach-operated stores, including the Internet, and sales to wholesale customers in North America. The International segment includes sales to consumers through Coach-branded stores and concession shop-in-shops in Japan, mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands and Switzerland. Additionally, International includes sales to consumers through the Internet in Japan, mainland China, South Korea, the United Kingdom, France, Spain, Germany and Italy, as well as sales to wholesale customers and distributors in approximately 55 countries. The Stuart Weitzman segment includes global sales generated by the Stuart Weitzman brand, primarily through department stores in North America and international locations, within numerous independent third party distributors and within Stuart Weitzman operated stores, including the Internet, in the United States, Canada and Europe. The Company also records sales of Coach brand products generated in other ancillary channels, licensing and disposition in Other, which is not a reportable segment.

2. SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company's fiscal year ends on the Saturday closest to June 30. Unless otherwise stated, references to years in the financial statements relate to fiscal years. The fiscal year ended July 1, 2017 ("fiscal 2017") was a 52-week period, the fiscal year ended July 2, 2016 ("fiscal 2016") was a 53-week period and the fiscal year ended June 27, 2015 ("fiscal 2015") was a 52-week period. The fiscal year ending June 30, 2018 ("fiscal 2018") will be a 52-week period.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates in amounts that may be material to the financial statements.

Significant estimates inherent in the preparation of the consolidated financial statements include reserves for inventory; customer returns, end-of-season markdowns, and operational chargebacks; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes and related uncertain tax positions; the valuation of stock-based compensation awards and related expected forfeiture rates; reserves for restructuring; and accounting for business combinations, amongst others.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all 100% owned subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments with a maturity of three months or less at the date of purchase.

Investments

Short-term investments consist primarily of high-credit quality U.S. and non-U.S. issued corporate debt securities, and U.S. Treasuries and government agency securities with original maturities greater than three months and with maturities within one year of balance sheet date, classified as available-for-sale. Long-term investments primarily consist of high-credit quality U.S. and non-U.S. issued corporate debt securities, U.S. Treasuries and government agency securities, classified as available-for-sale, and recorded at fair value, with unrealized gains and losses recorded in other comprehensive income. Long-term investments as of July 2, 2016 also include the equity investment related to the Hudson Yards joint venture. Dividend and interest income are recognized when earned.

Investments in companies in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method. Significant influence is generally presumed to exist when the Company owns between 20% and 50% of the investee, however, other factors are considered, such as board representation and the rights to participate in the day-to-day operations of the business. During fiscal 2016, the Company had an equity method investment in Hudson Yards related to an equity interest in an entity formed for the purpose of developing a new office tower in Manhattan.

Additionally, GAAP requires the consolidation of all entities for which a Company has a controlling voting interest and all variable interest entities ("VIEs") for which a Company is deemed to be the primary beneficiary. An entity is generally a VIE if it meets any of the following criteria: (i) the entity has insufficient equity to finance its activities without additional subordinated financial support from other parties, (ii) the equity investors cannot make significant decisions about the entity's operations or (iii) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity or receive the expected returns of the entity and substantially all of the entity's activities involve or are conducted on behalf of the investor with disproportionately few voting rights.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. The Company places its cash investments with high-credit quality financial institutions and currently invests primarily in corporate debt securities, money market instruments, U.S. government and agency debt securities, municipal government debt securities, commercial paper and bank deposits placed with major banks and financial institutions. Accounts receivable is generally diversified due to the number of entities comprising the Company's customer base and their dispersion across many geographical regions. The Company believes no significant concentration of credit risk exists with respect to these investments and accounts receivable.

Inventories

The Company holds inventory that is sold through retail and wholesale distribution channels, including e-commerce sites. Substantially all of the Company's inventories are comprised of finished goods, and are reported at the lower of cost or market. Inventory costs include material, conversion costs, freight and duties and are primarily determined by the first-in, first-out method. The Company reserves for inventory, including slow-moving and aged inventory, based on current product demand, expected future demand and historical experience. A decrease in product demand due to changing customer tastes, buying patterns or increased competition could impact the Company's evaluation of its inventory and additional reserves might be required.

Property and Equipment, Net

Property and equipment, net is stated at cost less accumulated depreciation including the impact of long-lived asset impairment and disposals. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Buildings are depreciated over 40 years, and building improvements are depreciated over ten to 40 years. Machinery and equipment are depreciated over lives of five to seven years, furniture and fixtures are depreciated over lives of three to ten years, and computer software is depreciated over lives of three to seven years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease terms. Maintenance and repair costs are charged to earnings as incurred while expenditures for major renewals and improvements are capitalized.

Valuation of Long-Lived Assets

Long-lived assets, such as property and equipment, are evaluated for impairment whenever events or circumstances indicate that the carrying value of the assets may not be recoverable. In evaluating long-lived assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the related asset group and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than its carrying value, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value, considering external market participant assumptions. The Company recorded $14.2 million of impairment charges in fiscal 2017 and no material impairment charges in fiscal 2016.

In determining future cash flows, the Company takes various factors into account, including the effects of macroeconomic trends such as consumer spending, in-store capital investments, promotional cadence, the level of advertising and changes in merchandising strategy. Since the determination of future cash flows is an estimate of future performance, there may be future impairments in the event that future cash flows do not meet expectations.

Business Combinations

In connection with an acquisition, the Company records all assets acquired and liabilities assumed of the acquired business at their acquisition date fair value, including the recognition of contingent consideration at fair value on the acquisition date. These fair value determinations require judgment and may involve the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, among other items. Furthermore, the Company may utilize or consider independent third-party valuation firms when necessary. Refer to Note 7, "Acquisitions," for detailed disclosures related to our acquisitions.

Goodwill and Other Intangible Assets

Upon acquisition, the Company estimates and records the fair value of purchased intangible assets, which primarily consists of trademarks and trade names, customer relationships, lease rights and order backlog. The excess of the purchase consideration over the fair value of net assets acquired, both tangible and intangible, is recorded as goodwill. Finite-lived intangible assets are amortized over their respective estimated useful lives and, along with other long-lived assets as noted above, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying values may not be fully recoverable. Estimates of fair value for finite-lived and indefinite-lived intangible assets are primarily determined using discounted cash flows and the relief from royalty method, respectively, with consideration of market comparisons and recent transactions. This approach uses significant estimates and assumptions, including projected future cash flows, discount rates and growth rates.

Goodwill and certain other intangible assets deemed to have indefinite useful lives, including trademarks and trade names, are not amortized, but are assessed for impairment at least annually. The Company generally performs its annual goodwill and indefinite-lived intangible assets impairment analysis using a quantitative approach. The quantitative goodwill impairment test identifies the existence of potential impairment by comparing the fair value of each reporting unit with its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, the reporting unit's goodwill is considered not to be impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment charge is recognized in an amount equal to that excess. The impairment charge recognized is limited to the amount of goodwill allocated to that reporting unit.

Determination of the fair value of a reporting unit and intangible asset based on management's assessment, considering independent third-party appraisals when necessary. Furthermore, this determination is judgmental in nature and often involves the use of significant estimates and assumptions, which may include projected future cash flows, discount rates, royalty rates, growth rates, and determination of appropriate market comparables and recent transactions. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and the amount of any such charge.

The Company performs its annual impairment assessment of goodwill, including trademarks and trade names, during the fourth quarter of each fiscal year. The Company determined that there was no impairment in fiscal 2017, fiscal 2016 or fiscal 2015.

Operating Leases

The Company's leases for office space, retail locations and distribution facilities are accounted for as operating leases. Certain of the Company's leases contain renewal options, rent escalation clauses, and/or landlord incentives. Renewal terms generally reflect market rates at the time of renewal. Rent expense for non-cancelable operating leases with scheduled rent increases and/or landlord incentives is recognized on a straight-line basis over the lease term, including any applicable rent holidays, beginning with the lease commencement date, or the date the Company takes control of the leased space, whichever is sooner. The excess of straight-line rent expense over scheduled payment amounts and landlord incentives is recorded as a deferred rent liability. As of the end of fiscal 2017 and fiscal 2016, deferred rent obligations of $242.4 million and $172.9 million, respectively, were classified primarily within other non-current liabilities in the Company's consolidated balance sheets. Certain rentals are also contingent upon factors such as sales. Contingent rentals are recognized when the achievement of the target (i.e., sale levels), which triggers the related rent payment, is considered probable and estimable.

Asset retirement obligations represent legal obligations associated with the retirement of a tangible long-lived asset. The Company's asset retirement obligations are primarily associated with leasehold improvements in which the Company is contractually obligated to remove at the end of a lease to comply with the lease agreement. When such an obligation exists, the Company recognizes an asset retirement obligation at the inception of a lease at its estimated fair value. The asset retirement obligation is recorded in current liabilities or non-current liabilities (based on the expected timing of payment of the related costs) and is subsequently adjusted for any changes in estimates. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life. As of the end of fiscal 2017 and fiscal 2016, the Company had asset retirement obligations of $22.9 million and $23.9 million, respectively, primarily classified within other non-current liabilities in the Company's consolidated balance sheets.

Revenue Recognition

Revenue is recognized by the Company when there is persuasive evidence of an arrangement, delivery has occurred (and risks and rewards of ownership have been transferred to the buyer), price has been fixed or is determinable, and collectability is reasonably assured.

Retail store and concession-based shop-in-shop revenues are recognized at the point of sale, which occurs when merchandise is sold in an over-the-counter consumer transaction. Internet revenue from sales of products ordered through the Company's e-commerce sites is recognized upon delivery and receipt of the shipment by its customers and includes shipping and handling charges paid by customers. Retail and internet revenues are reduced by an estimate for returns at the time of sale.

Wholesale revenue is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of estimates of markdown allowances, returns and discounts. Estimates for markdown reserves are based on historical trends, actual and forecasted seasonal results, an evaluation of current economic and market conditions, retailer performance, and, in certain cases, contractual terms. Returns and allowances require pre-approval from management and discounts are based on trade terms. The Company reviews and refines these estimates on a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

Gift cards issued by the Company are recorded as a liability until they are redeemed, at which point revenue is recognized. The Company recognizes income for unredeemed gift cards when the likelihood of a gift card being redeemed by a customer is remote, which is generally approximately three years after the gift card is issued, and the Company determines that it does not have a legal obligation to remit the value of the unredeemed gift card to the relevant jurisdiction as unclaimed or abandoned property. Revenue associated with gift card breakage is not material to the Company's net operating results.

The Company accounts for sales taxes and other related taxes on a net basis, excluding such taxes from revenue.

Cost of Sales

Cost of sales consists of inventory costs and other related costs such as reserves for inventory realizability and shrinkage, destruction costs, damages and replacements.

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

SG&A expenses are comprised of four categories: (1) selling; (2) advertising, marketing and design; (3) distribution and customer service; and (4) administrative. Selling expenses include store employee compensation, occupancy costs, supply costs, wholesale and retail account administration compensation globally and the Company's international operating expenses. These expenses are affected by the number of stores open during any fiscal period and store performance, as compensation and rent expenses can vary with sales. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design costs, public relations and market research expenses. Distribution and customer service expenses include warehousing, order fulfillment, shipping and handling, customer service, employee compensation and bag repair costs. Administrative expenses include compensation costs for "corporate" functions including: executive, finance, human resources, legal and information systems departments, as well as corporate headquarters occupancy costs, consulting fees and software expenses. Administrative expenses also include global equity compensation expense.

Shipping and Handling

Shipping and handling costs incurred were $45.8 million, $43.6 million and $41.2 million in fiscal 2017, fiscal 2016 and fiscal 2015, respectively, and are included in SG&A expenses. The Company includes inbound product-related transportation costs from manufacturers within cost of sales. The balance of the Company's transportation-related costs related to its distribution network is included in SG&A expenses rather than in cost of sales.

Advertising

Advertising costs include expenses related to direct marketing activities, such as direct mail pieces, digital and other media and production costs. In fiscal 2017, fiscal 2016 and fiscal 2015, advertising expenses for the Company totaled $178.3 million, $202.2 million and $160.9 million respectively. Advertising costs are generally expensed when the advertising first appears.

Share-Based Compensation

The Company recognizes the cost of equity awards to employees and the non-employee Directors based on the grant-date fair value of those awards. The grant-date fair values of share unit awards are based on the fair value of the Company's common stock on the date of grant. The grant-date fair value of stock option awards is determined using the Black-Scholes option pricing model and involves several assumptions, including the expected term of the option, expected volatility and dividend yield. The expected term of options represents the period of time that the options granted are expected to be outstanding and is based on historical experience. Expected volatility is based on historical volatility of the Company's stock as well as the implied volatility from publicly traded options on the Company's stock. Dividend yield is based on the current expected annual dividend per share and the Company's stock price. Changes in the assumptions used to determine the Black-Scholes value could result in significant changes in the Black-Scholes value.

For stock options and share unit awards, the Company recognizes share-based compensation net of estimated forfeitures and revises the estimates in subsequent periods if actual forfeitures differ from the estimates. The Company estimates the forfeiture rate based on historical experience as well as expected future behavior.

The Company grants performance-based share awards to key executives, the vesting of which is subject to the executive's continuing employment and the Company's or individual's achievement of certain performance goals. On a quarterly basis, the Company assesses actual performance versus the predetermined performance goals, and adjusts the share-based compensation expense to reflect the relative performance achievement. Actual distributed shares are calculated upon conclusion of the service and performance periods, and include dividend equivalent shares. If the performance-based award incorporates a market condition, the grant-date fair value of such award is determined using a Monte Carlo Simulation.

Income Taxes

The Company's effective tax rate is based on pre-tax income, statutory tax rates, tax laws and regulations, and tax planning strategies available in the various jurisdictions in which the Company operates. The Company classifies interest and penalties on uncertain tax positions in the provision for income taxes. The Company records net deferred tax assets to the extent it believes that it is more likely than not that these assets will be realized. In making such determination, the Company considers all available evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent and expected future results of operation. The Company reduces deferred tax assets by a valuation allowance if, based upon the weight of available evidence, it is more likely than not that some amount of deferred tax assets is not expected to be realized. Deferred taxes are not provided on the undistributed earnings of subsidiaries as such amounts are considered to be permanently invested.

The Company recognizes the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. Although the Company believes that the estimates and assumptions used are reasonable and legally supportable, the final determination of tax audits could be different than that which is reflected in historical tax provisions and recorded assets and liabilities. Tax authorities periodically audit the Company's income tax returns and the tax authorities may take a contrary position that could result in a significant impact on the Company's results of operations. Significant management judgment is required in determining the effective tax rate, in evaluating tax positions and in determining the net realizable value of deferred tax assets.

See Note 13, "Income Taxes" herein for further discussion on the Company's income taxes.

Derivative Instruments

The majority of the Company's purchases and sales involving international parties, excluding international consumer sales, are denominated in U.S. dollars, which limits the Company's exposure to the transactional effects of foreign currency exchange rate fluctuations. However, the Company is exposed to foreign currency exchange risk related to its foreign operating subsidiaries' U.S. dollar-denominated inventory purchases and various cross-currency intercompany loans which are not long term in investment nature. The Company uses derivative financial instruments to manage these risks. These derivative transactions are in accordance with the Company's risk management policies. The Company does not enter into derivative transactions for speculative or trading purposes.

The Company records all derivative contracts at fair value on the consolidated balance sheet. The fair values of foreign currency derivatives are based on the forward curves of the specific indices upon which settlement is based and include an adjustment for the Company's credit risk. Judgment is required of management in developing estimates of fair value. The use of different market assumptions or methodologies could affect the estimated fair value.

For derivative instruments that qualify for hedge accounting, the effective portion of changes in the fair value of these instruments is either (i) offset against the changes in fair value of the hedged assets or liabilities through earnings or (ii) recognized as a component of accumulated other comprehensive income (loss) ("AOCI") until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows, respectively.

Each derivative instrument entered into by the Company that qualifies for hedge accounting is expected to be highly effective at reducing the risk associated with the exposure being hedged. For each derivative that is designated as a hedge, the Company documents the related risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, as well as how hedge effectiveness will be assessed over the term of the instrument. The extent to which a hedging instrument has been and is expected to remain highly effective in achieving offsetting changes in fair value or cash flows is assessed and documented by the Company on at least a quarterly basis.

To the extent that a derivative designated as a cash flow hedge is not considered to be effective, any change in its fair value related to such ineffectiveness is immediately recognized in earnings within foreign currency gains (losses). If it is determined that a derivative instrument has not been highly effective, and will continue not to be highly effective in hedging the designated exposure, hedge accounting is discontinued and further gains (losses) are recognized in earnings within foreign currency gains (losses). Upon discontinuance of hedge accounting, the cumulative change in fair value of the derivative previously recorded in AOCI is recognized in earnings when the related hedged item affects earnings, consistent with the original hedging strategy, unless the forecasted transaction is no longer probable of occurring, in which case the accumulated amount is immediately recognized in earnings within foreign currency gains (losses).

As a result of the use of derivative instruments, the Company may be exposed to the risk that the counterparties to such contacts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings, among other factors.

The fair values of the Company’s derivative instruments are recorded on its consolidated balance sheets on a gross basis. For cash flow reporting purposes, the Company classifies proceeds received or amounts paid upon the settlement of a derivative instrument in the same manner as the related item being hedged, primarily within cash from operating activities.

Hedging Portfolio

The Company enters into forward currency contracts primarily to reduce its risks related to exchange rate fluctuations on U.S. dollar and Euro-denominated inventory purchases, as well as various cross-currency intercompany loans. To the extent its derivative contracts designated as cash flow hedges are highly effective in offsetting changes in the value of the hedged items, the related gains (losses) are initially deferred in AOCI and subsequently recognized in the consolidated statements of income as follows:

- *Forward currency contracts* - These derivatives are recognized as part of the cost of the inventory purchases being hedged within cost of sales, when the related inventory is sold to a third party. Current maturity dates range from July 2017 to April 2018.

Forward foreign currency exchange contracts, designated as fair value hedges and associated with intercompany and other contractual obligations, are recognized within foreign currency gains (losses) generally in the period in which the related payments being hedged are revalued. Current maturity dates are in August 2017, and are renewed monthly when applicable.

Foreign Currency

The functional currency of the Company's foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the weighted-average exchange rates for the period. The resulting translation adjustments are included in the consolidated statements of comprehensive income as a component of other comprehensive income (loss) (“OCI”) and in the consolidated statements of equity within AOCI. Gains and losses on the translation of intercompany loans made to foreign subsidiaries that are of a long-term investment nature also are included within this component of equity.

The Company recognizes gains and losses on transactions that are denominated in a currency other than the respective entity's functional currency in earnings. Foreign currency transaction gains and losses also include amounts realized on the settlement of certain intercompany loans with foreign subsidiaries.

Stock Repurchase and Retirement

The Company accounts for stock repurchases and retirements by allocating the repurchase price to common stock and retained earnings. The repurchase price allocation is based upon the equity contribution associated with historical issuances, beginning with the earliest issuance. Under Maryland law, the Company's state of incorporation, treasury shares are not allowed. As a result, all repurchased shares are retired when acquired. The Company's stock repurchase plan expired at the end of fiscal 2015. Since its initial public offering, the Company has not experienced a net loss in any fiscal year.

Reclassifications

Certain reclassifications on the Consolidated Balance Sheet have been made to the prior period's financial information in order to conform to the current period's presentation.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-04, "*Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*," which simplifies the subsequent measurement of goodwill by eliminating the second step from the quantitative goodwill impairment test. Under this guidance, annual or interim goodwill impairment testing will be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge will then be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, up to the total amount of goodwill allocated to that reporting unit. The requirements of the new standard will be effective for interim and annual goodwill impairment tests performed in fiscal years beginning after December 15, 2019. The Company elected to early adopt this guidance in the fourth quarter of fiscal 2017, with no impact on the Company's consolidated financial statements or notes thereto.

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2016, the FASB issued ASU No. 2016-09, "*Improvements to Employee Share-Based Payment Accounting (Topic 718)*," which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. Most notably, the Company will be required to recognize all excess tax benefits and shortfalls as income tax expense or benefit in the income statement within the reporting period in which they occur. Therefore, the impact on the consolidated financial statements will be dependent upon future events which are unpredictable. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. The Company will adopt this standard in the first quarter of fiscal 2018.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*," which is intended to increase transparency and comparability among companies that enter into leasing arrangements. This ASU requires recognition of lease assets and lease liabilities on the balance sheet for nearly all leases (other than short-term leases), as well as a retrospective recognition and measurement of existing impacted leases. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2020. Early adoption is permitted. The new standard is required to be applied with a modified retrospective approach to each prior reporting period with various optional practical expedients. The Company is currently performing a comprehensive evaluation of the impact of adopting this guidance on its consolidated financial statements and notes thereto. The Company expects the guidance will result in a significant increase to long-term assets and long-term liabilities on its consolidated balance sheets and does not expect it to have a material impact on the consolidated statements of income. This guidance is not expected to have a material impact on the Company's liquidity.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," which provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized. The model will supersede most existing revenue recognition guidance, and also requires enhanced revenue-related disclosures. The FASB has also issued several related ASUs which provide additional implementation guidance and clarify the requirements of the model. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2019. Early adoption will be permitted for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods.

The Company is currently in the process of evaluating the impact that adopting ASU 2014-09 will have on its consolidated financial statements and notes thereto. The Company currently has a cross-functional implementation team in place that is performing a comprehensive evaluation of the impact. The Company’s evaluation efforts to date have included a review of current

accounting policies and processes, as well as typical terms in contracts with customers, to identify potential differences upon the adoption of the new standard. Based on these efforts, the Company currently anticipates that the performance obligations underlying its core revenue streams (i.e., its retail and wholesale businesses), and the timing of revenue recognition thereof, will remain substantially unchanged. The Company is in the process of evaluating the impact of the new standard on ancillary sources of revenue, such as its licensing business, which represented approximately 1% of total net sales in fiscal 2017. The Company is currently assessing whether the timing of recognizing contractually guaranteed minimum royalty amounts will change. The Company has not yet determined whether the guidance will be adopted using the full retrospective restatement of all prior periods presented, or using the modified retrospective basis with a cumulative adjustment to opening retained earnings in the year of initial adoption.

3. RESTRUCTURING ACTIVITIES

Operational Efficiency Plan

During the fourth quarter of fiscal 2016, the Company announced a plan (the “Operational Efficiency Plan”) to enhance organizational efficiency, update core technology platforms, and streamline its supply chain network. The Operational Efficiency Plan was adopted as a result of a strategic review of the Company’s corporate structure which focused on creating an agile and scalable business model. As a result of this Operational Efficiency Plan, the Company expects to incur overall pre-tax charges of approximately $65-80 million within corporate unallocated expenses. Approximately $55-65 million of these charges will be cash.

Approximately $45-55 million of these charges will be related to organizational efficiencies, which will consist primarily of corporate employee severance and related costs, as well as consulting fees related to process and organizational optimization and accelerated depreciation associated with the retirement of information technology systems. Approximately $15 million of these charges will be related to the initial costs of replacing and updating the Company’s core technology platforms, allowing the Company to support a scalable business model. The remaining $5-10 million of these charges will be related to network optimization, consisting of office location and supply chain consolidations.

During fiscal years 2017 and 2016, the Company incurred Operational Efficiency Plan related charges within SG&A expenses of $24.0 million and $43.9 million, respectively, primarily due to organizational efficiency costs, technology infrastructure costs and to a lesser extent, network optimization costs. Total cumulative charges incurred under the Operational Efficiency Plan to date are $67.9 million. The remaining charges under this plan approximate $10-15 million and will be incurred in fiscal 2018.

A summary of charges and related liabilities under the Company's Operational Efficiency Plan are as follows:

	Organizational Efficiency[1]	Technology Infrastructure[2]	Network Optimization[3]	Total
	(millions)			
Balance as of June 27, 2015	$ —	$ —	$ —	$ —
Fiscal 2016 charges	40.4	—	3.5	43.9
Cash payments	(9.7)	—	—	(9.7)
Non-cash charges	(8.5)	—	(0.3)	(8.8)
Balance as of July 2, 2016	$ 22.2	$ —	$ 3.2	$ 25.4
Fiscal 2017 charges	**15.6**	**8.0**	**0.4**	**24.0**
Cash payments	**(23.3)**	**(7.7)**	**(3.0)**	**(34.0)**
Non-cash charges	**(7.9)**	**—**	**(0.6)**	**(8.5)**
Balance at July 1, 2017	**$ 6.6**	**$ 0.3**	**$ —**	**$ 6.9**

(1) Organizational efficiency charges, recorded within SG&A expenses, primarily related to severance and related costs of corporate employees, accelerated depreciation associated with the retirement of information technology systems as well as consulting fees related to process and organizational optimization.

(2) Technology infrastructure costs, recorded within SG&A expenses, related to the initial costs of replacing and updating the Company's core technology platforms.

(3) Network optimization costs, recorded within SG&A expenses, related to lease termination costs.

The balance as of July 1, 2017 and July 2, 2016 are included within Accrued liabilities on the Company's Consolidated Balance Sheets. The above charges were recorded as corporate unallocated expenses within the Company's Consolidated Statements of Income. See Note 15, "Segment Information," for further information.

Transformation Plan

During the fourth quarter of fiscal year ended June 28, 2014 ("fiscal 2014"), the Company announced a multi-year strategic plan to transform the Coach brand and reinvigorate growth. This multi-faceted, multi-year transformation plan (the "Transformation Plan"), which continued through the end of fiscal 2016, included key operational and cost measures, including: (i) the investment in capital improvements in stores and wholesale locations to drive comparable sales improvement; (ii) the optimization and streamlining of the Company's organizational model as well as the closure of underperforming stores in North America, and select International stores; (iii) the realignment of inventory levels and mix to reflect the Company's elevated product strategy and consumer preferences; (iv) the investment in incremental advertising costs to elevate consumer perception of the Coach brand, drive sales growth and promote this new strategy, which started in fiscal 2015; and (v) the significant scale-back of promotional cadence in an increased global promotional environment, particularly within the outlet Internet sales site, which began in fiscal 2014.

Total cumulative charges incurred under the Transformation Plan through July 2, 2016 were $321.5 million. The fourth quarter of fiscal 2016 was the last reporting period in which charges were incurred under this plan.

There were no transformation-related charges incurred in fiscal 2017. In fiscal 2016, the Company recorded charges of $44.1 million ($33.4 million after-tax, or $0.12 per diluted share), which were largely related to the Company's North America business and recorded within SG&A expenses.

There are no remaining liabilities under the Company's Transformation Plan at July 1, 2017. The balance of liabilities under the Company's Transformation Plan at July 2, 2016 was $5.5 million, and was included within Accrued liabilities on the Company's Consolidated Balance Sheet.

4. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive loss, as of the dates indicated, are as follows:

	Unrealized Gains (Losses) on Cash Flow Hedges[1]	Unrealized Gains (Losses) on Available-for-Sale Debt Securities	Cumulative Translation Adjustment	Other[2]	Total
			(millions)		
Balances at June 27, 2015	$ 4.4	$ 0.5	$ (81.7)	$ (0.9)	$ (77.7)
Other comprehensive (loss) income before reclassifications	(10.2)	(0.4)	18.8	—	8.2
Less: gains (losses) reclassified from accumulated other comprehensive income	3.0	(0.2)	—	0.6	3.4
Net current-period other comprehensive (loss) income	(13.2)	(0.2)	18.8	(0.6)	4.8
Balances at July 2, 2016	$ (8.8)	$ 0.3	$ (62.9)	$ (1.5)	$ (72.9)
Other comprehensive income (loss) before reclassifications	**7.7**	**(0.7)**	**(26.2)**	**—**	**(19.2)**
Less: (losses) reclassified from accumulated other comprehensive income	**(4.1)**	**—**	**—**	**(1.1)**	**(5.2)**
Net current-period other comprehensive income (loss)	**11.8**	**(0.7)**	**(26.2)**	**1.1**	**(14.0)**
Balances at July 1, 2017	**$ 3.0**	**$ (0.4)**	**$ (89.1)**	**$ (0.4)**	**$ (86.9)**

(1) The ending balances of AOCI related to cash flow hedges are net of tax of $(1.8) million and $4.5 million as of July 1, 2017 and July 2, 2016, respectively. The amounts reclassified from AOCI are net of tax of $2.2 million and $(1.4) million as of July 1, 2017 and July 2, 2016, respectively.

(2) As of July 1, 2017 and July 2, 2016, Other represents the accumulated loss on the Company's minimum pension liability adjustment. The balances at July 1, 2017 and July 2, 2016 are net of tax of $0.2 million and $0.8 million, respectively.

5. SHARE-BASED COMPENSATION

The Company maintains several share-based compensation plans which are more fully described below. The following table shows the total compensation cost charged against income for these plans and the related tax benefits recognized in the Consolidated Statements of Income:

	July 1, 2017[1]	July 2, 2016[1]	June 27, 2015[1]
		(millions)	
Share-based compensation expense	**$ 76.1**	$ 95.3	$ 94.4
Income tax benefit related to share-based compensation expense	**24.4**	28.6	28.5

(1) During the fiscal years ended July 1, 2017 and July 2, 2016, the Company incurred $2.5 million (and $0.8 of income tax benefit) and $8.5 million (and $2.4 million of income tax benefit) of share-based compensation expense under the Company's Operational Efficiency Plan, respectively, primarily as a result of the accelerated vesting of certain awards. During the fiscal year ended June 27, 2015, the Company incurred $5.5 million (and $2.0 million of income tax benefit) of share-based compensation expense under the Company's Transformation Plan. See Note 3, "Restructuring Activities," for more information.

Stock-Based Plans

The Company maintains the Amended and Restated 2010 Stock Incentive Plan to award stock options and shares to certain members of management and the outside members of its Board of Directors (“Board”). The Company maintains the 2000 Stock

Incentive Plan and the 2004 Stock Incentive Plan for awards granted prior to the establishment of the 2010 Stock Incentive Plan. These plans were approved by the Company's stockholders. The exercise price of each stock option equals 100% of the market price of the Company's stock on the date of grant and generally has a maximum term of 10 years. Stock options and service based share awards that are granted as part of the annual compensation process generally vest ratably over three years. Stock option and share awards are subject to forfeiture until completion of the vesting period, which ranges from one to three years. The Company issues new shares upon the exercise of stock options or vesting of share awards.

Stock Options

A summary of stock option activity during the year ended July 1, 2017 is as follows:

	Number of Options Outstanding	Weighted-Average Exercise Price per Option	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
	(millions)			(millions)
Outstanding at July 2, 2016	15.1	$ 40.18		
Granted	**3.6**	**39.87**		
Exercised	**(2.1)**	**41.69**		
Forfeited or expired	**(1.6)**	**41.53**		
Outstanding at July 1, 2017	**15.0**	**39.75**	**6.2**	**$ 118.6**
Vested and expected to vest at July 1, 2017	**14.7**	**42.39**	**6.1**	**113.9**
Exercisable at July 1, 2017	**8.5**	**44.55**	**4.7**	**116.8**

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:

	July 1, 2017	July 2, 2016	June 27, 2015
Expected term (years)	**4.4**	4.2	3.6
Expected volatility	**30.5%**	32.2%	31.9%
Risk-free interest rate	**1.1%**	1.4%	1.1%
Dividend yield	**3.4%**	4.3%	3.7%

The expected term of options represents the period of time that the options granted are expected to be outstanding and is based on historical experience. Expected volatility is based on historical volatility of the Company’s stock as well as the implied volatility from publicly traded options on the Company's stock. The risk free interest rate is based on the zero-coupon U.S. Treasury issue as of the date of the grant. Dividend yield is based on the current expected annual dividend per share and the Company’s stock price.

The weighted-average grant-date fair value of options granted during fiscal 2017, fiscal 2016 and fiscal 2015 was $7.36, $5.65, and $6.41, respectively. The total intrinsic value of options exercised during fiscal 2017, fiscal 2016 and fiscal 2015 was $15.4 million, $6.2 million, and $12.1 million, respectively. The total cash received from option exercises was $68.2 million, $25.7 million, and $32.4 million in fiscal 2017, fiscal 2016 and fiscal 2015, respectively, and the cash tax benefit realized for the tax deductions from these option exercises was $4.9 million, $2.3 million, and $4.7 million, respectively.

At July 1, 2017, $22.3 million of total unrecognized compensation cost related to non-vested stock option awards is expected to be recognized over a weighted-average period of 1.1 years.

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

A summary of service-based RSU activity during the year ended July 1, 2017 is as follows:

	Number of Non-vested RSUs	Weighted-Average Grant- Date Fair Value per RSU
	(millions)	
Non-vested at July 2, 2016	3.7	$ 49.06
Granted	**2.1**	**39.57**
Vested	**(1.8)**	**39.18**
Forfeited	**(0.5)**	**35.33**
Non-vested at July 1, 2017	**3.5**	**50.28**

At July 1, 2017, $60.6 million of total unrecognized compensation cost related to non-vested share awards is expected to be recognized over a weighted-average period of 1.1 years.

The weighted-average grant-date fair value of share awards granted during fiscal 2017, fiscal 2016 and fiscal 2015 was $39.57, $31.65 and $36.38, respectively. The total fair value of shares vested during fiscal 2017, fiscal 2016 and fiscal 2015 was $68.9 million, $45.8 million and $48.4 million, respectively.

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

The Company grants PRSUs to key executives, the vesting of which is subject to the executive's continuing employment and the Company's achievement of certain performance goals. A summary of PRSU activity during the year ended July 1, 2017 is as follows:

	Number of Non-vested PRSUs	Weighted-Average Grant- Date Fair Value per PRSU
	(millions)	
Non-vested at July 2, 2016	1.4	$ 38.67
Granted	**0.3**	**39.61**
Change due to performance condition achievement[(1)]	**(0.1)**	**53.58**
Vested[(1)]	**—**	**39.72**
Forfeited	**(0.1)**	**40.16**
Non-vested at July 1, 2017	**1.5**	**37.78**

(1) During fiscal 2017, there was less than 0.1 million shares of PRSU activity due to changes in performance conditions and shares vested, individually and in the aggregate.

At July 1, 2017, $9.8 million of total unrecognized compensation cost related to non-vested share awards is expected to be recognized over a weighted-average period of 0.9 years.

The weighted-average grant-date fair value of share awards granted during fiscal 2017, fiscal 2016 and fiscal 2015 was $39.61, $31.67 and $36.43, respectively. The total fair value of awards that vested during fiscal 2017, fiscal 2016 and fiscal 2015 was $0.9 million, $1.4 million and $2.5 million, respectively.

During the fiscal years ended July 1, 2017 and July 2, 2016, the Company granted 0.3 million shares (with a fair value of $10.0 million) and 0.4 million shares (with a fair value of $11.6 million) of common stock to executives, respectively. The shares are subject to a three-year cliff vesting, subject to the employee's continuing employment and the Company's achievement of the performance goals established at the beginning of the performance period. The fair value of the PRSU's is based on the price of the Company's common stock on the date of grant.

Included in the non-vested amount at July 1, 2017 are approximately 0.6 million of PRSU awards that are based on performance criteria which compares the Company's total stockholder return over the performance period to the total stockholder return of the companies included in the Standard & Poor's 500 Index on the date of grant (excluding the Company). The remaining 0.9 million PRSU awards included in the non-vested amount are based on certain Company-specific financial and operational metrics.

In fiscal 2017, fiscal 2016 and fiscal 2015, the cash tax benefit realized for the tax deductions from all RSUs (service and performance-based) was $19.0 million, $14.2 million and $15.7 million, respectively.

Employee Stock Purchase Plan

Under the 2001 Employee Stock Purchase Plan, eligible employees are permitted to purchase a limited number of Company common shares at 85% of market value. Under this plan, the Company sold 0.1 million, 0.1 million, and 0.1 million shares to employees in fiscal 2017, fiscal 2016 and fiscal 2015, respectively. Compensation expense is calculated for the fair value of employees' purchase rights using the Black-Scholes model and the following weighted-average assumptions:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
Expected term (years)	**0.5**	0.5	0.5
Expected volatility	**24.7%**	28.6%	26.4%
Risk-free interest rate	**0.6%**	0.3%	0.1%
Dividend yield	**3.6%**	4.1%	3.5%

The weighted-average fair value of the purchase rights granted during fiscal 2017, fiscal 2016 and fiscal 2015 was $8.08, $7.43, and $8.41, respectively. The Company issues new shares for employee stock purchases.

6. INVESTMENTS

The following table summarizes the Company's primarily U.S. dollar-denominated investments, recorded within the consolidated balance sheets as of July 1, 2017 and July 2, 2016:

	July 1, 2017			July 2, 2016		
	Short-term	**Long-Term**	**Total**	Short-term	Long-term	Total
			(millions)			
Available-for-sale investments:						
Commercial paper[1]	**$ 68.8**	**$ —**	**$ 68.8**	$ 54.8	$ —	$ 54.8
Government securities – U.S.[2]	**130.4**	**—**	**130.4**	131.7	—	131.7
Corporate debt securities – U.S.[2]	**116.2**	**46.9**	**163.1**	161.4	64.2	225.6
Corporate debt securities – non-U.S.[2]	**92.6**	**28.2**	**120.8**	111.5	33.9	145.4
Available-for-sale investments, total	**$ 408.0**	**$ 75.1**	**$ 483.1**	$ 459.4	$ 98.1	$ 557.5
Other:						
Time deposits[1]	**0.6**	**—**	**0.6**	0.6	—	0.6
Other[3]	**2.1**	**—**	**2.1**	0.4	460.5	460.9
Total Investments	**$ 410.7**	**$ 75.1**	**$ 485.8**	$ 460.4	$ 558.6	$ 1,019.0

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

[2] The securities as of July 1, 2017 have maturity dates between calendar years 2017 and 2019 and are recorded at fair value.

[3] Long-Term Other as of July 2, 2016 relates to the equity method investment in Hudson Yards, related to an equity interest in an entity formed during fiscal 2013 for the purpose of developing a new office tower in Manhattan (the "Hudson Yards joint venture"), with the Company owning less than 43% of the joint venture. Refer to Note 19, "Headquarters Transactions" for further information.

There were no material gross unrealized gains or losses on available-for-sale securities as of the periods ended July 1, 2017 and July 2, 2016.

7. ACQUISITIONS

Kate Spade & Company Acquisition

On July 11, 2017, the Company completed its acquisition of Kate Spade & Company for $18.50 per share in cash for a total of $2.4 billion. As a result, Kate Spade has become a wholly owned subsidiary. Due to the limited time since the date of the acquisition, it is impracticable for the Company to make certain business combination disclosures at this time as the Company is still gathering information necessary to provide those disclosures. The Company plans to provide this information in its quarterly report on Form 10-Q for the quarter ending September 30, 2017. In conjunction with this acquisition, the Company incurred $16.9 million in pre-tax expenses in fiscal 2017. See Note 20, "Subsequent Events" herein for further discussion on the Kate Spade acquisition.

Fiscal 2016 Acquisition

On May 1, 2016, the Company acquired all of the outstanding equity interests of Franco Niro Holdings Inc./Les Placements Franco Niro Inc., the Stuart Weitzman Canadian retail distributor ("Stuart Weitzman Canada"), consisting of 14 retail stores and one e-commerce website. The results of the Stuart Weitzman Canada operations have been included in the consolidated financial statements since the date of acquisition within the Stuart Weitzman segment. The aggregate cash paid in connection with the acquisition of Stuart Weitzman Canada was $25.6 million, net of a 10% purchase price hold-back amount to be paid 18 months following the closing date if all conditions are satisfied.

The following table summarizes the fair value of the assets acquired and liabilities assumed as of the acquisition date:

Assets Acquired and Liabilities Assumed	**Fair Value**
	(millions)
Inventories and other current assets[1]	$ 5.3
Property and equipment, net	3.2
Goodwill[2]	24.6
Total assets acquired	33.1
Accounts Payable and accrued liabilities	4.8
Other liabilities[3]	2.7
Total liabilities assumed	7.5
Total cash paid	$ 25.6

[1] The balance primarily consists of inventories of $5.0 million, including a step-up adjustment of approximately $0.9 million, which was amortized over 6 months.

[2] The entire balance of acquired goodwill is not tax deductible.

[3] Included within Other liabilities is a $2.6 million liability attributable to the 10% purchase price hold-back amount.

There were no material pre-tax acquisition costs directly associated with the acquisition of Stuart Weitzman Canada.

8. LEASES

The Company leases retail, distribution and office facilities. The lease agreements, which expire at various dates through 2036, are subject, in most cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain store-related rent expense is also contingent upon sales.

Rent expense for the Company's operating leases consisted of the following:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
		(millions)	
Minimum rent[1]	**$ 295.1**	$ 229.9	$ 213.8
Contingent rent	**129.4**	134.8	142.8
Total rent expense	**$ 424.5**	$ 364.7	$ 356.6

[1] $0.2 million and $5.9 million of lease termination charges due to restructuring-related closures were included in fiscal 2017 and fiscal 2016, respectively.

Future minimum rental payments under non-cancelable operating leases, as of July 1, 2017, are as follows:

Fiscal Year	**Amount**
	(millions)
2018	$ 295.4
2019	270.1
2020	242.3
2021	205.9
2022	194.1
Subsequent to 2022	1,250.9
Total minimum future rental payments	**$ 2,458.7**

During the first quarter of fiscal 2017, the Company announced the lease of its new global headquarters. Refer to Note 19, "Headquarters Transactions," for further information.

9. 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 following table shows the fair value measurements of the Company's financial assets and liabilities at July 1, 2017 and July 2, 2016:

	Level 1		Level 2		Level 3	
	July 1, 2017	July 2, 2016	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
			(millions)			
Assets:						
Cash equivalents[1]	**$ 760.0**	$ 197.9	**$ 226.0**	$ 0.4	**$ —**	$ —
Short-term investments:						
Time deposits[2]	**—**	—	**0.6**	0.6	—	—
Commercial paper[2]	**—**	—	**68.8**	54.8	—	—
Government securities - U.S.[2]	**130.4**	119.9	**—**	11.8	—	—
Corporate debt securities - U.S.[2]	**—**	—	**116.2**	161.4	—	—
Corporate debt securities - non U.S.[2]	**—**	—	**92.6**	111.5	—	—
Other	**—**	—	**2.1**	0.4	—	—
Long-term investments:						
Corporate debt securities - U.S.[3]	**—**	—	**46.9**	64.2	—	—
Corporate debt securities - non U.S.[3]	**—**	—	**28.2**	33.9	—	—
Derivative Assets:						
Inventory-related instruments[4]	**—**	—	**3.5**	0.2	—	—
Intercompany loan hedges[4]	**—**	—	**—**	0.4	—	—
Liabilities:						
Contingent earnout obligation[5]	**$ —**	$ —	**$ —**	$ —	**$ —**	$ 28.4
Derivative liabilities:						
Inventory-related instruments[4]	**—**	—	**1.0**	11.0	**—**	—
Intercompany loan hedges[4]	**—**	—	**0.7**	0.1	**—**	—

(1) Cash equivalents consist of money market funds and time deposits with maturities of three months or less at the date of purchase. Due to their short term maturity, management believes that their carrying value approximates fair value.

(2) Short-term available-for-sale 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) Fair value is primarily determined using vendor or broker priced securities in active markets. These securities have maturity dates between calendar years 2018 and 2019.

(4) 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.

(5) As part of the purchase agreement for the Stuart Weitzman acquisition, the Company would be required to pay a potential earnout of $44.1 million if the Stuart Weitzman brand achieves certain revenue targets. As the Company does not expect to achieve these revenue targets, the Company recorded a reversal of an accrual of $35.2 million in SG&A, during the fourth quarter of fiscal 2017, as the payout is not expected.

Refer to Note 10, "Debt" for the fair value of the Company's outstanding debt instruments.

The following table presents a reconciliation of the liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended July 1, 2017 and July 2, 2016. Level 3 liabilities consisted of the contingent earnout obligation related to the Stuart Weitzman acquisition.

	July 1, 2017	July 2, 2016
	(millions)	
Beginning of year	**$ 28.4**	$ 19.4
Increase to contingent earnout obligation	**6.8**	9.0
Reversal of contingent earnout obligation	**(35.2)**	—
End of year	**$ —**	$ 28.4

Non-Financial Assets and Liabilities

The Company's non-financial instruments, which primarily consist of goodwill, intangible assets and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial instruments are assessed for impairment and, if applicable, written-down to and recorded at fair value, considering market participant assumptions. Refer to Note 7, "Acquisitions," for further discussion of the approaches used in valuing acquired assets and assumed liabilities.

The Company recorded $14.2 million of impairment charges in fiscal 2017 to reduce the carrying amount of certain store assets (primarily leasehold improvements at selected retail store locations) to their fair values of $3.1 million as of July 1, 2017. No material impairment charges were recorded in fiscal 2016 and fiscal 2015. The fair values of these assets were determined based on Level 3 measurements. Inputs to these fair value measurements included estimates of the amount and the timing of the stores' net future discounted cash flows based on historical experience, current trends, and market conditions.

10. DEBT

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

	July 1, 2017	July 2, 2016
	(millions)	
Current Debt:		
Term Loan[1]	$ —	$ 15.0
Total Current Debt	**$ —**	$ 15.0
Long-Term Debt:		
Term Loan[1]	$ —	$ 270.0
4.250% Senior Notes due 2025	**600.0**	600.0
3.000% Senior Notes due 2022	**400.0**	—
4.125% Senior Notes due 2027	**600.0**	—
Total Long-Term Debt	**1,600.0**	870.0
Less: Unamortized Discount and Debt Issuance Costs on Senior Notes	**(20.5)**	(8.8)
Total Long-Term Debt, net	**$ 1,579.5**	$ 861.2

(1) See Note 20, "Subsequent Events" herein for further discussion.

During fiscal 2017, 2016 and 2015 the Company recognized interest expense related to the outstanding debt of $26.8 million, $32.9 million and $11.9 million, respectively.

Bridge Facility

On May 7, 2017 Company entered into a bridge facility commitment letter (the "Bridge Facility") pursuant to which Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A. (together, "BofA Merrill Lynch") committed to provide up to $2.1 billion under a 364-day senior unsecured bridge term loan credit facility to finance the Kate Spade acquisition in the event that the Company had not issued senior unsecured notes and obtained term loans prior to the consummation of the acquisition. As consideration for the Bridge Facility, the Company paid a structuring fee of 0.225% and commitment fee of 0.225% on the aggregate commitment, for which the Company recorded approximately $9.5 million to interest expense in fiscal 2017. In connection with the issuance of the 2022 Senior Notes and 2027 Senior Notes, as described below, the Bridge Facility was reduced by $1.0 billion, in accordance with the commitment letter. As of July 1, 2017 there were no outstanding borrowings on the Bridge Facility, as the Company secured the senior notes and credit facilities as described below. In connection with the closing of the Kate Spade acquisition on July 11, 2017, the remainder of the Bridge Facility terminated in accordance with its terms. Refer to Note 20, "Subsequent Events" for further information.

Credit Facilities/Term Loans

On May 30, 2017, 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 (i) committed to lend to the Company, subject to the satisfaction or waiver of the conditions set forth in the agreement, an $800.0 million term loan facility maturing six months after the term loans thereunder are borrowed (the “Six-Month Term Loan Facility”), and a $300.0 million term loan facility maturing three years after the term loans thereunder are borrowed (collectively with the Six-Month Term Loan Facility, the “Term Loan Facilities”) and (ii) made available to the Company a $900.0 million revolving credit facility, including sub-facilities for letters of credit, with a maturity date of May 30, 2022 (the “Revolving Credit Facility”, collectively with the Term Loan Facilities, "the Facility"). The Revolving Credit Facility replaced the Company’s previously existing revolving credit facility under the Amendment and Restatement Agreement, dated as of March 18, 2015, by and between the Company, certain lenders and JPMorgan Chase Bank, N.A., as administrative agent. 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. There were no outstanding borrowings on either the Term Loan Facilities or the Revolving Credit Facility as of July 1, 2017.

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 600% of consolidated lease expense to (b) consolidated EBITDAR. Additionally, the Company pays a commitment fee at a rate determined by the reference to the aforementioned pricing grid.

Subsequent to the end of the fiscal year, the Company borrowed $1.1 billion on the Term Loan Facilities to pay a portion of the purchase price of the Company's announced acquisition of Kate Spade. Refer to Note 20, "Subsequent Events" for further information.

2025 Senior Notes

In March 2015, the Company issued $600.0 million aggregate principal amount of 4.250% senior unsecured notes due April 1, 2025 at 99.445% of par (the “2025 Senior Notes”). 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.

2022 Senior Notes

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 3.000% 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.

2027 Senior Notes

On June 20, 2017, the Company issued $600.0 million aggregate principal amount of 4.125% senior unsecured notes due April 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 month prior to the scheduled maturity date), the Company may redeem the 2027 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2027 Senior Notes to be redeemed or (2) as determined by a Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable in respect of the 2027 Senior Notes calculated as if the maturity date of the 2027 Senior Notes was April 15, 2027 (not including any portion of payments of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined in the Prospectus Supplement) plus 30 basis points, plus, in the case of each of (1) and (2), accrued and unpaid interest to the redemption date.

At July 1, 2017, the fair value of the 2025, 2022 and 2027 Senior Notes was approximately $624 million, $395 million, and $596 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 Level 2 measurements within the fair value hierarchy. At July 2, 2016, the fair value of the 2025 Senior Notes was approximately $622 million.

Debt Maturities

As of July 1, 2017, the Company's aggregate debt is $1.6 billion of which $400.0 million is due in 2022 and $1.2 billion is due subsequent to 2022.

11. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company had standby letters of credit and bank guarantees totaling $9.0 million and $7.5 million outstanding at both July 1, 2017 and July 2, 2016. The letters of credit, which expire at various dates through calendar 2039 primarily collateralize the Company’s obligation to third parties for insurance claims, leases and materials used in product manufacturing. The Company pays certain fees with respect to letters of credit that are issued.

Other

The Company had other contractual cash obligations as of July 1, 2017, including $167.5 million related to inventory purchase obligations, $78.0 million related to capital expenditure purchase obligations, $6.0 million of other purchase obligations, of $1.6 billion of debt repayments and $514.0 million of interest payments on the 2022 Senior Notes, 2025 Senior Notes and 2027 Senior Notes. Refer to Note 8, "Leases," for a summary of the Company's future minimum rental payments under non-cancelable leases.

In the ordinary course of business, the Company is a party to several pending legal proceedings and claims. Although the outcome of such items cannot be determined with certainty, the Company's management believes that the final outcome will not have a material effect on the Company's cash flow, results of operations or financial position.

Kate Spade & Company Acquisition

On May 7, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Kate Spade & Company and Chelsea Merger Sub Inc., a Delaware corporation and direct wholly owned subsidiary of Coach (the "Merger Sub"). Pursuant to the Merger Agreement, on May 26, 2017, Merger Sub commenced an all-cash tender offer to acquire all of Kate Spade's outstanding shares of common stock, par value of $1.00 per share, at a purchase price of $18.50. The Company completed its acquisition on July 11, 2017. The purchase price was approximately $2.4 billion, which was funded by a combination of Senior Notes, Term Loan Facilities and cash on hand. Refer to Note 10, "Debt" for more information on the Term Loan Facilities and Senior Notes.

The Company currently estimates that it will incur costs in the range of $150 - $200 million related to Kate Spade integration in fiscal 2018, which include severance, store closure costs and inventory realignment. The Company continues to fully develop its integration plan. Of these costs, the Company expects to incur approximately $60 million of severance and other costs related to agreements with certain Kate Spade executives. The Company also expects to incur costs of approximately $45 million of acquisition-related expenses.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The change in the carrying amount of the Company’s goodwill, is as follows:

	International	Stuart Weitzman	Total
		(millions)	
Balance at June 27, 2015	$ 308.4	$ 125.8	$ 434.2
Acquisition of Stuart Weitzman Canada	—	24.6	24.6
Foreign exchange impact	38.5	(0.1)	38.4
Purchase accounting adjustment[1]	—	5.2	5.2
Balance at July 2, 2016	346.9	155.5	502.4
Foreign exchange impact	**(22.4)**	**—**	**(22.4)**
Purchase accounting adjustment[1]	—	**0.5**	**0.5**
Balance at July 1, 2017	**$ 324.5**	**$ 156.0**	**$ 480.5**

(1) Refer to Note 7, "Acquisitions," for further information.

Intangible Assets

Intangible assets consist of the following:

	Fiscal Year Ended[1]					
	July 1, 2017			July 2, 2016		
	Gross Carrying Amount	**Accum. Amort.**	**Net**	Gross Carrying Amount	Accum. Amort.	Net
	(millions)					
Intangible assets subject to amortization:						
Customer relationships	**$ 54.7**	**$ (9.7)**	**$ 45.0**	$ 54.7	$ (5.8)	$ 48.9
Favorable lease rights, net	**26.1**	**(7.1)**	**19.0**	24.7	(3.6)	21.1
Total intangible assets subject to amortization	**80.8**	**(16.8)**	**64.0**	79.4	(9.4)	70.0
Intangible assets not subject to amortization:						
Trademarks and trade names	**276.8**	**—**	**276.8**	276.8	—	276.8
Total intangible assets	**$ 357.6**	**$ (16.8)**	**$ 340.8**	$ 356.2	$ (9.4)	$ 346.8

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[1] Refer to Note 7, "Acquisitions," for further information.

As of July 1, 2017, the expected amortization expense for intangible assets is as follows:

	Amortization Expense
	(millions)
Fiscal 2018	$ 6.8
Fiscal 2019	6.7
Fiscal 2020	6.5
Fiscal 2021	6.1
Fiscal 2022	5.5
Thereafter	32.4
Total	**$ 64.0**

The expected future amortization expense above reflects remaining useful lives of 12.8 years for customer relationships and the remaining lease terms ranging from approximately six months to 8.3 years for favorable lease rights.

13. INCOME TAXES

The provisions for income taxes, computed by applying the U.S. statutory rate to income before taxes, as reconciled to the actual provisions were:

	Fiscal Year Ended					
	July 1, 2017		July 2, 2016		June 27, 2015	
	Amount	**Percentage**	Amount	Percentage	Amount	Percentage
	(millions)					
Income before provision for income taxes:						
United States	**$ 365.5**	**48.2 %**	$ 357.5	57.1 %	$ 361.2	59.1 %
Foreign	**393.5**	**51.8**	269.1	42.9	250.4	40.9
Total income before provision for income taxes	**$ 759.0**	**100.0 %**	$ 626.6	100.0 %	$ 611.6	100.0 %
Tax expense at U.S. statutory rate	**$ 265.7**	**35.0 %**	$ 219.3	35.0 %	$ 214.0	35.0 %
State taxes, net of federal benefit	**15.1**	**2.0**	11.2	1.8	26.4	4.3
Effects of foreign operations	**(86.7)**	**(11.4)**	(53.7)	(8.6)	(79.7)	(13.0)
Effects of foreign tax credits and acquisition reorganization	**(12.3)**	**(1.6)**	(19.6)	(3.1)	9.3	1.5
Other, net	**(13.8)**	**(1.9)**	8.9	1.4	39.2	6.4
Taxes at effective worldwide rates	**$ 168.0**	**22.1 %**	$ 166.1	26.5 %	$ 209.2	34.2 %

Current and deferred tax provision (benefit) was:

	Fiscal Year Ended					
	July 1, 2017		July 2, 2016		June 27, 2015	
	Current	**Deferred**	Current	Deferred	Current	Deferred
	(millions)					
Federal	**$ 42.9**	**$ 56.4**	$ 145.8	$ (52.0)	$ 142.9	$ 10.5
Foreign	**39.7**	**7.4**	46.8	2.2	9.8	13.8
State	**7.4**	**14.2**	25.8	(2.5)	35.0	(2.8)
Total current and deferred tax provision (benefit)	**$ 90.0**	**$ 78.0**	$ 218.4	$ (52.3)	$ 187.7	$ 21.5

The components of deferred tax assets and liabilities were:

	July 1, 2017	July 2, 2016
	(millions)	
Share-based compensation	**$ 64.8**	$ 68.5
Reserves not deductible until paid	**39.2**	54.1
Deferred rent	**22.7**	27.9
Employee benefits	**40.9**	48.3
Basis difference in foreign investments	**1.1**	21.5
Net operating loss	**199.2**	176.7
Other	**10.4**	4.2
Prepaid expenses	**0.6**	0.8
Property and equipment	**—**	34.3
Inventory	**21.6**	15.5
Gross deferred tax assets	**400.5**	451.8
Valuation allowance	**196.1**	173.4
Deferred tax assets after valuation allowance	**$ 204.4**	$ 278.4
Goodwill	**82.6**	88.2
Property and equipment	**8.4**	—
Other	**6.2**	(1.3)
Gross deferred tax liabilities	**97.2**	86.9
Net deferred tax assets	**$ 107.2**	$ 191.5
Consolidated Balance Sheets Classification		
Deferred income taxes – noncurrent asset	**170.5**	248.8
Deferred income taxes – noncurrent liability (included within "Other Liabilities")	**(63.3)**	(57.3)
Net deferred tax asset	**$ 107.2**	$ 191.5

Significant judgment is required in determining the worldwide provision for income taxes, and there are many transactions for which the ultimate tax outcome is uncertain. It is the Company’s policy to establish provisions for taxes that may become payable in future years, including those due to an examination by tax authorities. The Company establishes the provisions based upon management’s assessment of exposure associated with uncertain tax positions. The provisions are analyzed at least quarterly and adjusted as appropriate based on new information or circumstances in accordance with the requirements of ASC 740.

A reconciliation of the beginning and ending gross amount of unrecognized tax benefits is as follows:

	July 1, 2017	July 2, 2016	June 27, 2015
	(millions)		
Balance at beginning of fiscal year	**$ 138.6**	$ 168.1	$ 170.7
Gross increase due to tax positions related to prior periods	**2.7**	25.5	5.4
Gross decrease due to tax positions related to prior periods	**(2.7)**	(4.4)	(1.1)
Gross increase due to tax positions related to current period	**8.1**	8.7	16.5
Decrease due to lapse of statutes of limitations	**(39.5)**	(59.0)	(21.1)
Decrease due to settlements with taxing authorities	**(13.1)**	(0.3)	(2.3)
Balance at end of fiscal year	**$ 94.1**	$ 138.6	$ 168.1

Of the $94.1 million ending gross unrecognized tax benefit balance as of July 1, 2017, $83.6 million relates to items which, if recognized, would impact the effective tax rate. Of the $138.6 million ending gross unrecognized tax benefit balance as of July 2, 2016, $111.1 million relates to items which, if recognized, would impact the effective tax rate. As of July 1, 2017 and July 2, 2016, gross interest and penalties payable was $24.1 million and $29.0 million, respectively, which are included in Other liabilities. During fiscal 2017, fiscal 2016 and fiscal 2015, the Company recognized gross interest and penalty income of $2.8 million, gross interest and penalty expense of $11.5 million and gross interest and penalty income of $0.1 million, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, as well as various state and foreign jurisdictions. Tax examinations are currently in progress in select foreign and state jurisdictions that are extending the years open under the statutes of limitation. Fiscal years 2014 to present are open to examination in the U.S. federal jurisdiction, fiscal 2009 to present in select state jurisdictions and fiscal 2004 to present in select foreign jurisdictions. The Company anticipates that one or more of these audits may be finalized and certain statutes of limitation may expire in the foreseeable future. However, based on the status of these examinations, and the average time typically incurred in finalizing audits with the relevant tax authorities, we cannot reasonably estimate the impact these audits may have in the next 12 months, if any, to previously recorded uncertain tax positions. We accrue for certain known and reasonably anticipated income tax obligations after assessing the likely outcome based on the weight of available evidence. Although we believe that the estimates and assumptions we have used are reasonable and legally supportable, the final determination of tax audits could be different than that which is reflected in historical income tax provisions and recorded assets and liabilities. With respect to all jurisdictions, we believe we have made adequate provision for all income tax uncertainties.

For the years ended July 1, 2017 and July 2, 2016, the Company had net operating loss carryforwards in foreign tax jurisdictions of $715.3 million and $593.4 million, the majority of which can be carried forward indefinitely. The deferred tax assets related to the carryforwards have been reflected net of $196.1 million and $173.4 million valuation allowances at July 1, 2017 and July 2, 2016, respectively. The Company's valuation allowance increased by $22.7 million in fiscal 2017 and increased by $3.6 million in fiscal 2016, primarily as a result of actual or anticipated results in foreign jurisdictions.

The total amount of undistributed earnings of foreign subsidiaries as of July 1, 2017 and July 2, 2016, was $2.91 billion and $2.39 billion, respectively. It is the Company’s intention to permanently reinvest undistributed earnings of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes or United States income taxes which may become payable if undistributed earnings of foreign subsidiaries are paid as dividends. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, is subject to many variables and is dependent on circumstances existing if and when remittance occurs.

14. DEFINED CONTRIBUTION PLAN

The Company maintains the Coach, Inc. 401(k) Savings Plan, which is a defined contribution plan. Employees who meet certain eligibility requirements and are not part of a collective bargaining agreement may participate in this program. The annual expense incurred by the Company for this defined contribution plan was $9.1 million, $8.3 million, and $7.2 million in fiscal 2017, fiscal 2016 and fiscal 2015, respectively.

15. SEGMENT INFORMATION

In fiscal 2017, the Company has three reportable segments based on its business activities and organization:

- North America, which is composed of Coach brand sales to consumers through stores, including the Internet, and sales to wholesale customers in North America.
- International, which is composed of Coach brand sales to consumers through stores and concession shop-in-shops in Japan, mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands and Switzerland. Additionally, International includes Coach brand sales to consumers through the Internet in Japan, mainland China, South Korea, the United Kingdom, France, Spain, Germany and Italy, as well as sales to wholesale customers and distributors in approximately 55 countries.
- Stuart Weitzman, which includes global sales generated by the Stuart Weitzman brand, primarily through department stores in North America and international locations, within numerous independent third party distributors and within Stuart Weitzman operated stores, including the Internet, in the United States, Canada and Europe.

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. Unallocated corporate expenses include inventory-related costs (such as production variances), advertising, marketing, design, administration and information systems, as well as distribution and consumer service expenses. Additionally, costs incurred by the Company as described in Note 3, "Restructuring Activities" and certain acquisition-related costs are included as unallocated corporate expenses.

The following table summarizes segment performance for fiscal 2017, fiscal 2016 and fiscal 2015:

	North America	International	Other[1]	Corporate Unallocated[2]	Stuart Weitzman	Total
			(millions)			
Fiscal 2017						
Net sales	**$ 2,349.5**	**$ 1,715.2**	**$ 50.0**	**$ —**	**$ 373.6**	**$ 4,488.3**
Gross profit	**1,453.4**	**1,303.9**	**37.9**	**59.8**	**226.1**	**3,081.1**
Operating income (loss)	**697.0**	**535.9**	**31.4**	**(497.5)**	**20.6**	**787.4**
Income (loss) before provision for income taxes	**697.0**	**535.9**	**31.4**	**(525.9)**	**20.6**	**759.0**
Depreciation and amortization expense[3]	**78.0**	**73.1**	**—**	**48.9**	**18.9**	**218.9**
Total assets	**447.8**	**1,116.1**	**15.5**	**3,623.8**	**628.4**	**5,831.6**
Additions to long-lived assets	**64.4**	**80.1**	**—**	**118.4**	**20.2**	**283.1**

	North America	International	Other[1]	Corporate Unallocated[2]	Stuart Weitzman	Total
			(millions)			
Fiscal 2016						
Net sales	$ 2,397.1	$ 1,704.0	$ 46.0	$ —	$ 344.7	$ 4,491.8
Gross profit	1,478.4	1,286.2	32.3	52.0	202.4	3,051.3
Operating income (loss)	737.3	512.7	22.9	(651.9)	32.5	653.5
Income (loss) before provision for income taxes	737.3	512.7	22.9	(678.8)	32.5	626.6
Depreciation and amortization expense[3]	64.0	70.6	—	64.9	19.6	219.1
Total assets	435.2	1,033.9	9.9	2,782.5	631.2	4,892.7
Additions to long-lived assets	91.6	112.8	—	180.5	11.5	396.4

	North America	International	Other[1]	Corporate Unallocated[2]	Stuart Weitzman	Total
			(millions)			
Fiscal 2015						
Net sales	$ 2,467.5	$ 1,622.0	$ 59.1	$ —	$ 43.0	$ 4,191.6
Gross profit	1,574.6	1,248.8	38.1	27.2	19.9	2,908.6
Operating income (loss)	820.5	480.6	30.1	(708.6)	(4.6)	618.0
Income (loss) before provision for income taxes	820.5	480.6	30.1	(715.0)	(4.6)	611.6
Depreciation and amortization expense[3]	61.8	63.1	—	110.5	5.2	240.6
Total assets	385.1	1,057.6	7.4	2,614.2	602.6	4,666.9
Additions to long-lived assets	89.9	73.9	—	34.0	1.5	199.3

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(1) Other, which is not a reportable segment, consists of Coach brand sales and expenses generated in other ancillary channels, licensing and disposition.

(2) Corporate unallocated includes certain centrally managed Coach brand inventory-related amounts, advertising, marketing, design, administration and information systems, as well as distribution and consumer service expenses. Furthermore, Operational Efficiency Plan and Transformation Plan charges incurred by the Company as described in Note 3, "Restructuring Activities" and charges associated with the reversal of the accrued earnout payments of the Stuart Weitzman acquisition and other integration-related activities are also included as unallocated corporate expenses.

(3) Depreciation and amortization expense includes $6.1 million of Operational Efficiency Plan charges for the fiscal year ended July 1, 2017. Depreciation and amortization expense includes $8.5 million of Operational Efficiency Plan and Transformation Plan charges for the fiscal year ended July 2, 2016. Depreciation and amortization expense includes $48.8 million of transformation-related charges for the fiscal year ended June 27, 2015. These charges are recorded as corporate unallocated expenses.

The following table shows net sales for each product category represented:

	Fiscal Year Ended					
	July 1, 2017	**% of Total**	July 2, 2016	% of Total	June 27, 2015	% of Total
	(millions)					
Women's Handbags	**$ 2,308.0**	**52%**	$ 2,392.9	53%	$ 2,389.6	57%
Men's	**808.0**	**18**	725.7	16	680.4	16
Women's Accessories	**721.0**	**16**	721.6	16	709.4	17
Women's Other Products	**277.7**	**6**	306.9	7	369.2	9
Total Coach brand	**$ 4,114.7**	**92%**	$ 4,147.1	92%	$ 4,148.6	99%
Stuart Weitzman brand[1]	**373.6**	**8**	344.7	8	43.0	1
Total Sales	**$ 4,488.3**	**100%**	$ 4,491.8	100%	$ 4,191.6	100%

(1) The significant majority of sales for the Stuart Weitzman brand is attributable to women's footwear.

The following is a summary of the costs not allocated in the determination of segment operating income performance:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
	(millions)		
Inventory-related [1]	**$ 59.8**	$ 52.0	$ 27.2
Advertising, marketing and design[2]	**(233.5)**	(260.3)	(246.7)
Administration and information systems[2][3]	**(269.1)**	(381.6)	(422.8)
Distribution and customer service[2]	**(54.7)**	(62.0)	(66.3)
Total corporate unallocated	**$ (497.5)**	$ (651.9)	$ (708.6)

(1) Inventory-related amounts primarily consist of Coach brand production variances, which represent the difference between the expected standard cost and actual cost of inventory and inventory-related reserves which are recorded within cost of sales. In fiscal 2015 this amount also included transformation related costs of $(5.0) million.

(2) Costs recorded within SG&A expenses.

(3) Fiscal 2017 includes Operational Efficiency Plan charges recorded within SG&A expenses of $(24.0) million, $26.8 million of income related to the Stuart Weitzman contingent earnout reversal offset by other integration-related charges and $(7.4) million related to Kate Spade acquisition costs, all of which are recorded within corporate unallocated costs. Fiscal 2016 includes Transformation Plan, Operational Efficiency Plan and Stuart Weitzman acquisition-related charges of $(107.4) million. Fiscal 2015 includes charges of $(156.7) million related to Transformation Plan and Stuart Weitzman acquisition-related charges.

Geographic Area Information

As of July 1, 2017, the Company operated 247 retail stores and 192 outlet stores in the United States, 40 retail stores and 9 outlet stores in Canada. Outside of North America, the Company operated 184 concession shop-in-shops within department stores, retail stores and outlet stores in Japan, 199 in Greater China (including Hong Kong, Macau and mainland China), and 172 in other international locations. Geographic revenue information is based on the location of our customer sale. Geographic long-lived asset information is based on the physical location of the assets at the end of each fiscal year and includes property and equipment, net and other assets.

	United States	Japan	Greater China[2]	Other[3]	Total
	(millions)				
Fiscal 2017					
Net sales[1]	**$ 2,432.5**	**$ 572.8**	**$ 643.9**	**$ 839.1**	**$ 4,488.3**
Long-lived assets	**497.7**	**58.3**	**93.2**	**162.2**	**811.4**
Fiscal 2016					
Net sales[1]	$ 2,477.3	$ 559.8	$ 652.2	$ 802.5	$ 4,491.8
Long-lived assets	750.3	74.8	96.6	141.5	1,063.2
Fiscal 2015					
Net sales[1]	$ 2,372.8	$ 545.6	$ 635.8	$ 637.4	$ 4,191.6
Long-lived assets	559.5	55.4	91.2	138.4	844.5

(1) Includes net sales from our global travel retail business in locations within the specified geographic area.

(2) Greater China includes mainland China, Hong Kong and Macau.

(3) Other International sales reflect shipments to third-party distributors, primarily in East Asia, and sales from Company-operated stores and concession shop-in-shops in Canada, Europe, Taiwan, South Korea, Malaysia and Singapore.

16. 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:

	Fiscal Year Ended		
	July 1, 2017	July 2, 2016	June 27, 2015
	(millions, except per share data)		
Net income	**$ 591.0**	$ 460.5	$ 402.4
Weighted-average basic shares	**280.6**	277.6	275.7
Effect of dilutive securities	**2.2**	1.7	1.5
Weighted-average diluted shares	**282.8**	279.3	277.2
Net income per share:			
Basic	**$ 2.11**	$ 1.66	$ 1.46
Diluted	**$ 2.09**	$ 1.65	$ 1.45

At July 1, 2017, options to purchase 4.5 million shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from $45.13 to $78.46, were greater than the average market price of the common shares.

At July 2, 2016, options to purchase 5.1 million shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from $39.42 to $78.46, were greater than the average market price of the common shares.

At June 27, 2015, options to purchase 5.9 million shares of common stock were outstanding but not included in the computation of diluted earnings per share, as these options' exercise prices, ranging from $38.75 to $78.46, were greater than the average market price of the common shares.

Earnings per share amounts have been calculated based on unrounded numbers. Options to purchase shares of the Company's common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding restricted stock unit awards that are issuable only upon the achievement of certain performance goals. Performance-based restricted stock unit awards are included in the computation of diluted shares only to the extent that the underlying performance conditions (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 July 1, 2017, July 2, 2016 and June 27, 2015, there were approximately 5.6 million, 5.9 million, and 6.8 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.

17. RELATED PARTIES

The Stuart Weitzman brand owns approximately 50% of a factory and one of its former employees maintains a partial ownership interest of less than 50% in a factory, both of which are located in Spain, which are involved in the production of Stuart Weitzman inventory. Payments to these two factories represented $27.6 million and $39.2 million in fiscal 2017 and fiscal 2016, respectively. Amounts payable to these factories were not material at July 1, 2017 or July 2, 2016.

18. SUPPLEMENTAL BALANCE SHEET INFORMATION

The components of certain balance sheet accounts are as follows:

	July 1, 2017	July 2, 2016
	(millions)	
Property and equipment		
Land and building	$ 13.7	$ 168.5
Machinery and equipment	34.4	34.5
Furniture and fixtures	640.0	653.2
Leasehold improvements	729.7	898.7
Construction in progress	71.7	26.4
Less: accumulated depreciation	(798.1)	(861.8)
Total property and equipment, net	$ 691.4	$ 919.5
Accrued liabilities		
Payroll and employee benefits	$ 152.7	$ 180.5
Accrued rent	45.5	45.2
Dividends payable	95.1	93.9
Operating expenses	265.9	305.4
Total accrued liabilities	$ 559.2	$ 625.0
Other liabilities		
Deferred lease obligation	$ 204.2	$ 172.9
Gross unrecognized tax benefit	94.1	138.6
Deferred tax liabilities	63.3	57.3
Other	134.8	153.1
Total other liabilities	$ 496.4	$ 521.9

19. HEADQUARTERS TRANSACTIONS

Sale of Interest and Lease Transaction of Hudson Yards

During the first quarter of fiscal 2017, the Company sold its investments in 10 Hudson Yards, in New York City, and announced the lease of its new global headquarters. The Company sold its equity investment in the Hudson Yards joint venture as well as net fixed assets related to the design and build-out of the space. The Company received a purchase price of approximately $707 million (net of approximately $77 million due to the developer of Hudson Yards) before transaction costs of approximately $26 million, resulting in a gain of $28.8 million, which will be amortized through SG&A expenses over the lease term of 20 years, as discussed below.

The Company has simultaneously entered into a 20-year lease, accounted for as an operating lease, for the headquarters space in the building, comprised of approximately 694,000 square feet. Under the lease, the Company has the right to expand its premises to portions of the 24th and 25th floors of the building and has a right of first offer with respect to available space on the 26th floor of the building. The total commitment related to this lease was approximately $1.05 billion. Minimum lease payments of $45.1 million are due each year from fiscal 2018 through fiscal 2021, and $825.5 million total due for years subsequent to 2021. In addition to its fixed rent obligations, the Company is obligated to pay its percentage share for customary escalations for operating expenses attributable to the building and the Hudson Yards development, taxes and tax related payments. The Company is not obligated to pay any amount of contingent rent.

Sale of Former Headquarters

During the second quarter of fiscal 2017, the Company completed the sale of its former headquarters on West 34th Street. Net cash proceeds of $126.0 million were generated and the sale did not result in a material gain or loss.

20. SUBSEQUENT EVENTS

Kate Spade Acquisition

On July 11, 2017, the Company completed its acquisition of Kate Spade & Company for $18.50 per share in cash for a total of $2.4 billion. As a result, Kate Spade has become a wholly owned subsidiary of Coach, Inc. The combination of Coach, Inc. and Kate Spade & Company creates a leading New York-based luxury lifestyle company with a more diverse multi-brand portfolio supported by significant expertise in handbag design, merchandising, supply chain and retail operations as well as solid financial acumen. Refer to Note 11, "Commitments and Contingencies" for more information.

Term Loan Borrowings and Bridge Credit Facility

On July 10, 2017, the Company borrowed $800.0 million under the six-month term loan credit facility and $300.0 million under the three-year term loan credit facility, for a total of $1.1 billion. In connection with the closing of the Kate Spade acquisition on July 11, 2017, the remaining Bridge Facility terminated in accordance with its terms. Refer to Note, 10, "Debt", for more information.

Reportable Segments

Beginning in fiscal 2018, the Company aligned its reportable segments with the new structure of the business following the acquisition of Kate Spade. As a result of this realignment the Company will have three reportable segments: Coach, Kate Spade and Stuart Weitzman. The Company's former North America and International segments will be consolidated within the new Coach segment. The Company's newly acquired subsidiary, Kate Spade, will be a reportable segment.

COACH, INC.

Schedule II — Valuation and Qualifying Accounts
For the Fiscal Years Ended July 1, 2017, July 2, 2016 and June 27, 2015

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Additions Related to Acquisition	Write-offs/ Allowances Taken	Balance at End of Year
			(millions)		
Fiscal 2017					
Allowance for bad debts	**$ 2.2**	**$ 1.7**	**$ —**	**$ (2.0)**	**$ 1.9**
Allowance for returns	**6.0**	**10.3**	**—**	**(11.9)**	**4.4**
Allowance for markdowns	**15.2**	**36.9**	**—**	**(42.7)**	**9.4**
Valuation allowance	**173.4**	**22.7**	**—**	**—**	**196.1**
Total	**$ 196.8**	**$ 71.6**	**$ —**	**$ (56.6)**	**$ 211.8**
Fiscal 2016					
Allowance for bad debts	$ 3.1	$ 3.7	$ —	$ (4.6)	$ 2.2
Allowance for returns	7.5	11.5	—	(13.0)	6.0
Allowance for markdowns	18.0	54.1	—	(56.9)	15.2
Valuation allowance	169.8	3.6	—	—	173.4
Total	$ 198.4	$ 72.9	$ —	$ (74.5)	$ 196.8
Fiscal 2015					
Allowance for bad debts	$ 1.4	$ 1.7	$ 0.9	$ (0.9)	$ 3.1
Allowance for returns	2.9	8.9	0.7	(5.0)	7.5
Allowance for markdowns	11.6	42.5	3.8	(39.9)	18.0
Valuation allowance	131.8	38.0	—	—	169.8
Total	$ 147.7	$ 91.1	$ 5.4	$ (45.8)	$ 198.4

COACH, INC.

Quarterly Financial Data
(unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(millions, except per share data)			
Fiscal 2017[1]				
Net sales	**$ 1,037.6**	**$ 1,321.7**	**$ 995.2**	**$ 1,133.8**
Gross profit	**714.7**	**906.2**	**705.7**	**754.5**
Net income	**117.4**	**199.7**	**122.2**	**151.7**
Net income per common share:				
Basic	**$ 0.42**	**$ 0.71**	**$ 0.44**	**$ 0.54**
Diluted	**$ 0.42**	**$ 0.71**	**$ 0.43**	**$ 0.53**
Fiscal 2016[1][2]				
Net sales	$ 1,030.3	$ 1,273.8	$ 1,033.1	$ 1,154.6
Gross profit	696.5	859.1	713.0	782.7
Net income	96.4	170.1	112.5	81.5
Net income per common share:				
Basic	$ 0.35	$ 0.61	$ 0.40	$ 0.29
Diluted	$ 0.35	$ 0.61	$ 0.40	$ 0.29
Fiscal 2015[1]				
Net sales	$ 1,038.8	$ 1,219.4	$ 929.3	$ 1,004.1
Gross profit	715.4	840.0	665.5	687.7
Net income	119.1	183.5	88.1	11.7
Net income per common share:				
Basic	$ 0.43	$ 0.67	$ 0.32	$ 0.04
Diluted	$ 0.43	$ 0.66	$ 0.32	$ 0.04

(1) The sum of the quarterly earnings per share may not equal the full-year amount, as the computations of the weighted-average number of common basic and diluted shares outstanding for each quarter and the full year are performed independently.

(2) The fiscal year ended July 1, 2017 ("fiscal 2017") was a 52-week period, the fiscal year ended July 2, 2016 ("fiscal 2016") was a 53-week period and the fiscal year ended June 27, 2015 ("fiscal 2015") was a 52-week period. The fourth quarter of fiscal 2016 included the results of the 53rd week, contributing to $84.4 million in net revenues and $0.07 in net income per diluted share.

EXHIBITS TO FORM 10-K

(a)Exhibit Table (numbered in accordance with Item 601 of Regulation S-K)

Exhibit	Description
2.1	Agreement and Plan of Merger, dated as of May 7, 2017, by and among Coach, Inc., Kate Spade & Company and Chelsea Merger Sub, Inc., which is incorporated by reference from Exhibit 2.1 to Coach's Quarterly Report on Form 10-Q for the period ended April 1, 2017
3.1	Amended and Restated Bylaws of Coach, Inc., dated February 8, 2017, which is incorporated herein by reference from Exhibit 3.1 to Coach's Current Report on Form 8-K filed on February 10, 2017
3.2	Articles Supplementary of Coach, Inc., dated May 3, 2001, which is incorporated herein by reference from Exhibit 3.2 to Coach's Current Report on Form 8-K filed on May 9, 2001
3.3	Articles of Amendment of Coach, Inc., dated May 3, 2001, which is incorporated herein by reference from Exhibit 3.3 to Coach's Current Report on Form 8-K filed on May 9, 2001
3.4	Articles of Amendment of Coach, Inc., dated May 3, 2002, which is incorporated by reference from Exhibit 3.4 to Coach's Annual Report on Form 10-K for the fiscal year ended June 29, 2002
3.5	Articles of Amendment of Coach, Inc., dated February 1, 2005, which is incorporated by reference from Exhibit 99.1 to Coach's Current Report on Form 8-K filed on February 2, 2005
4.1	Specimen Certificate for Common Stock of Coach, which is incorporated herein by reference from Exhibit 4.1 to Coach's Registration Statement on Form S-1 (Registration No. 333-39502)
4.2	Deposit Agreement, dated November 24, 2011, between Coach, Inc. and JPMorgan Chase Bank, N.A., as depositary, which is incorporated by reference from Exhibit 4.1 to Coach's Current Report on Form 8-K filed on November 25, 2011
4.3	Deed Poll, dated November 24, 2011, executed by Coach, Inc. and JPMorgan Chase Bank, N.A., as depositary, pursuant to the deposit agreement in favor of and in relation to the rights of the holders of the depositary receipts, which is incorporated by reference from Exhibit 4.1 to Coach's Current Report on Form 8-K filed on November 25, 2011
4.4	Indenture, dated as of March 2, 2015, relating to the 4.250% senior unsecured notes due 2025, between Coach and U.S. Bank National Association, as trustee, which is incorporated herein by reference from Exhibit 4.1 to Coach's Current Report on Form 8-K filed on March 2, 2015
4.5	First Supplemental Indenture, dated as of March 2, 2015, relating to the 4.250% senior unsecured notes due 2025, between Coach and U.S. Bank National Association, as trustee, which is incorporated herein by reference from Exhibit 4.2 to Coach's Current Report on Form 8-K filed on March 2, 2015
4.6	Form of 4.250% senior unsecured notes due 2025 (included in the First Supplemental Indenture), which is incorporated herein by reference from Exhibit 4.3 to Coach's Current Report on Form 8-K filed on March 2, 2015
4.7	Second Supplemental Indenture, dated as of June 20, 2017, relating to the 3.000% senior unsecured notes due 2022, between the Company and U.S. Bank National Association, as trustee, which is incorporated by reference from Exhibit 4.1 to Coach's Current Report on Form 8-K, filed on June 20, 2017
4.8	Third Supplemental Indenture, dated as of June 20, 2017, relating to the 4.125% senior unsecured notes due 2027, between the Company and U.S. Bank National Association, as trustee, which is incorporated by reference from Exhibit 4.2 to Coach's Current Report on Form 8-K, filed on June 20, 2017
4.9	Form of 3.000% senior unsecured notes due 2022 (included in the Second Supplemental Indenture), which is incorporated by reference from Exhibit 4.3 to Coach's Current Report on Form 8-K, filed on June 20, 2017
4.10	Form of 4.125% senior unsecured notes due 2027 (included in the Third Supplemental Indenture), which is incorporated by reference from Exhibit 4.4 to Coach's Current Report on Form 8-K, filed on June 20, 2017
10.1	Purchase Agreement among Stuart Weitzman Topco LLC, Stuart Weitzman Intermediate LLC and Coach, dated January 5, 2015, which is incorporated by reference from Exhibit 10.1 to Coach's Quarterly Report on Form 10-Q for the period ended December 27, 2014
10.2	Letter Agreement between Stuart Weitzman and Coach, dated January 5, 2015, which is incorporated by reference from Exhibit 10.2 to Coach's Quarterly Report on Form 10-Q for the period ended December 27, 2014
10.3†	Coach, Inc. 2000 Stock Incentive Plan, which is incorporated by reference from Exhibit 10.10 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2003
10.4†	Coach, Inc. Non-Qualified Deferred Compensation Plan for Outside Directors, which is incorporated by reference from Exhibit 10.14 to Coach's Annual Report on Form 10-K for the fiscal year ended June 28, 2003

Exhibit	Description
10.5†	Amended and Restated Coach, Inc. 2001 Employee Stock Purchase Plan, which is incorporated by reference to Appendix C to Coach's Definitive Proxy Statement for the 2016 Annual Meeting of Stockholders filed on September 30, 2016
10.6†	Coach, Inc. 2004 Stock Incentive Plan, which is incorporated by reference from Appendix A to the Registrant’s Definitive Proxy Statement for the 2004 Annual Meeting of Stockholders, filed on September 29, 2004
10.7†	Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference from Appendix A to the Registrant’s Definitive Proxy Statement for the 2010 Annual Meeting of Stockholders, filed on September 24, 2010
10.8†	Amendment to the Coach, Inc. 2010 Stock Incentive Plan, which is incorporated herein by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on September 22, 2014
10.9†	Coach, Inc. Amended and Restated 2010 Stock Incentive Plan, which is incorporated herein by reference from Appendix B to the Registrant’s Definitive Proxy Statement for the 2014 Annual Meeting of Stockholders, filed on September 26, 2014
10.10†	Coach, Inc. Amended and Restated 2010 Stock Incentive Plan (Amended and Restated as of September 18, 2015), which is incorporated herein by reference from Appendix B to the Registrant’s Definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, filed on September 25, 2015
10.11†	Coach, Inc. Amended and Restated 2010 Stock Incentive Plan (Amended and Restated as of September 23, 2016), which is incorporated herein by reference from Appendix B to the Registrant's Definitive Proxy Statement for the 2016 Annual Meeting of the Stockholders, filed on September 30, 2016
10.12†	Form of Stock Option Grant Notice and Agreement under the Amended and Restated Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference from Exhibit 10.21 to Coach's Annual Report on Form 10-K for the period ended June 27, 2015
10.13†	Form of Restricted Stock Unit Award Grant Notice and Agreement under the Amended and Restated Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference from Exhibit 10.22 to Coach's Annual Report on Form 10-K for the period ended June 27, 2015
10.14†	Form of Performance Restricted Stock Unit Agreement Grant Notice and Agreement under the Amended and Restated Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference from Exhibit 10.23 to Coach's Annual Report on Form 10-K for the period ended June 27, 2015
10.15†	Form of Stock Option Grant Notice and Agreement for Outside Directors under the Amended and Restated Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference from Exhibit 10.24 to Coach's Annual Report on Form 10-K for the period ended June 27, 2015
10.16†	Form of Restricted Stock Unit Grant Notice and Agreement for Outside Directors under the Amended and Restated Coach, Inc. 2010 Stock Incentive Plan, which is incorporated by reference from Exhibit 10.25 to Coach's Annual Report on Form 10-K for the period ended June 27, 2015
10.17†	Coach, Inc. 2013 Performance-Based Annual Incentive Plan, which is incorporated herein by reference from Appendix B to the Registrant’s Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders, filed on September 27, 2013
10.18†	Letter Agreement, dated February 13, 2013, between Coach and Victor Luis, which is incorporated herein by reference from Exhibit 10.29 to Coach’s Annual Report on Form 10-K for the fiscal year ended June 29, 2013
10.19†	Employment Offer Letter, dated January 26, 2015, between Coach and Ian Bickley, which is incorporated by reference from Exhibit 10.2 to Coach’s Quarterly Report on Form 10-Q for the period ended March 28, 2015
10.20†	Employment Offer Letter, dated January 26, 2015, between Coach and Andre Cohen, which is incorporated by reference from Exhibit 10.2 to Coach’s Quarterly Report on Form 10-Q for the period ended March 28, 2015
10.21†	Letter Agreement, dated June 22, 2015, between Coach and Sarah Dunn, which is incorporated by reference from Exhibit 10.3 to Coach’s Current Report on Form 8-K, filed on June 22, 2015
10.22†	Letter Agreement, dated June 22, 2015, between Coach and Todd Kahn, which is incorporated by reference from Exhibit 10.2 to Coach’s Current Report on Form 8-K, filed on June 22, 2015
10.23†	Letter Agreement, dated August 22, 2016, between Coach and Victor Luis, which is incorporated by reference from Exhibit 10.1 to Coach's Current Report on Form 8-K, filed on August 26, 2016
10.24†	Letter Agreement, dated August 22, 2016, between Coach and Ian Bickley, which is incorporated by reference from Exhibit 10.1 to Coach's Current Report on Form 8-K, filed on August 26, 2016
10.25†	Letter Agreement, dated September 8, 2016, between Coach and Andre Cohen, which is incorporated by reference from Exhibit 10.1 to Coach's Current Report on Form 8-K, filed on September 9, 2016
10.26	Redemption Agreement and Amendment to Limited Liability Company Agreement, dated as of August 1, 2016, by and between Legacy Yards LLC, Coach Legacy Yards LLC and Podium Fund Tower C SPV LLC, which is incorporated by reference from Exhibit 10.1 to Coach's Quarterly Report on Form 10-Q for the period ended October 1, 2016

Exhibit	Description
10.27	Lease Agreement, dated as of August 1, 2016, by and between Coach, Inc. and Legacy Yards Tenant LP, which is incorporated by reference from Exhibit 10.2 to Coach's Quarterly Report on Form 10-Q for the period ended October 1, 2016
10.28	Amended and Restated Development Agreement, dated as of August 1, 2016, by and between ERY Developer LLC and Coach Legacy Yards LLC, which is incorporated by reference from Exhibit 10.3 to Coach's Quarterly Report on Form 10-Q for the period ended October 1, 2016
10.29	Termination and Release of the Coach Guaranty, dated as of August 1, 2016, by and between Podium Fund Tower C SPV LLC and ERY Developer LLC, which is incorporated by reference from Exhibit 10.4 to Coach's Quarterly Report on Form 10-Q for the period ended October 1, 2016
10.30†	Employment Offer Letter, dated December 12, 2016, between Coach and Kevin Wills, which is incorporated by reference from Exhibit 10.4 to Coach's Quarterly Report on Form 10-Q for the period ended December 31, 2016
10.31†	Employment Offer Letter, dated March 27, 2017, between Coach and Joshua Schulman, which is incorporated by reference from Exhibit 10.1 to Coach's Quarterly Report on Form 10-Q for the period ended April 1, 2017
10.32	Commitment Letter, dated May 7, 2017, among Coach, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A., which is incorporated by reference from Exhibit 10.2 to Coach's Quarterly Report on Form 10-Q for the period ended April 1, 2017
10.33	Credit Agreement, dated as of May 30, 2017, by and among Coach, Inc., Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. and HSBC Bank USA, National Association, as Co-Syndication Agents, and the other lenders party thereto, which is incorporated by reference from Exhibit 10.1 to Coach's Current Report on Form 8-K, filed on May 31, 2017
12*	Computation of Ratio of Earnings to Fixed Charges
18	Letter re: change in accounting principle, which is incorporated herein by reference from Exhibit 18 to Coach’s Quarterly Report on Form 10-Q for the period ended October 2, 2010
21.1*	List of Subsidiaries of Coach, Inc.
23.1*	Consent of Deloitte & Touche LLP
31.1*	Rule 13(a)-14(a)/15(d)-14(a) Certifications
32.1*	Section 1350 Certifications
101.INS*	XBRL Instance 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

† Management contract or compensatory plan or arrangement.

Coach, Inc. **EXHIBIT 12**

Computation of Ratio of Earnings to Fixed Charges

	Year Ended[1]				
	July 1, 2017	**July 2, 2016**	**June 27, 2015**	**June 28, 2014**	**June 29, 2013**
	(in millions)				
Determination of Earnings:					
Income before provision for income taxes and loss from equity investees	$ 759.0	$ 626.6	$ 611.6	$ 1,122.3	$ 1,526.9
Plus: Fixed charges	180.8	154.4	130.8	107.4	95.5
Earnings available to cover fixed charges	$ 939.8	$ 781	$ 742.4	$ 1,229.7	$ 1,622.4
Fixed Charges:					
Interest expense (none capitalized)	$ 39.3	$ 32.9	$ 11.9	$ 1.7	$ 1.4
Interest portion of rent expense (1/3)	141.5	121.5	118.9	105.7	94.1
Total fixed charges	$ 180.8	$ 154.4	$ 130.8	$ 107.4	$ 95.5
Ratio of earnings to fixed charges[2]	5.2	5.1	5.7	11.4	17.0

[1] Fiscal 2016 consisted of 53 weeks. All other fiscal years presented consisted of 52 weeks.

[2] All ratios shown in the above table have been calculated using unrounded numbers.

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF COACH, INC.

1. 504-514 West 34th Street Corp. (Maryland)
2. 516 West 34th Street LLC (Delaware)
3. B.B. SAS (France)
4. Chelsea Merger Sub Inc (Delaware)
5. Coach (Gibraltar) Limited (Gibraltar)
6. Coach (US) Partnership, LLC (Delaware)
7. Coach Brasil Participações Ltda (Brazil)
8. Coach Consulting Dongguan Co. Ltd. (China)
9. Coach Holdings Partnership (UK) LP (United Kingdom)
10. Coach Hong Kong Limited (Hong Kong)
11. Coach International Holdings, Sàrl (Luxembourg)
12. Coach International Limited (Hong Kong)
13. Coach Italy S.r.l. (Italy)
14. Coach Japan Investments, LLC (Delaware)
15. Coach Japan, LLC (Japan)
16. Coach Korea Limited (Korea)
17. Coach Leatherware (Thailand) Ltd. (Thailand)
18. Coach Leatherware India Private Limited (India)
19. Coach Legacy Yards Lender LLC (Delaware)
20. Coach Legacy Yards LLC (Delaware)
21. Coach Luxembourg Financing S.a.r.l (Luxembourg)
22. Coach Malaysia SDN. BHD. (Malaysia)
23. Coach Management (Shanghai) Co., Ltd. (China)
24. Coach Manufacturing Limited (Hong Kong)
25. Coach Netherlands B.V. (Netherlands)
26. Coach Operations Singapore Pte. Ltd. (Singapore)
27. Coach Services, Inc. (Maryland)
28. Coach Shanghai Limited (China)
29. Coach Singapore Pte. Ltd. (Singapore)
30. Coach Spain, S.L. (Spain)
31. Coach Stores Austria GmbH (Austria)
32. Coach Stores Belgium (Belgium)
33. Coach Stores Canada, Inc. (Canada)
34. Coach Stores France, SAS (France)
35. Coach Stores Germany GmbH (Germany)
36. Coach Stores Ireland Limited (Ireland)
37. Coach Stores Limited (United Kingdom)
38. Coach Stores Netherlands B.V. (Netherlands)

39. Coach Stores Puerto Rico, Inc. (Delaware)
40. Coach Stores Switzerland GmbH, Mendrisio (Switzerland)
41. Coach Stores, Unipessoal LDA (Portugal)
42. Coach Thailand Holdings, LLC (Delaware)
43. Coach Vietnam Company Limited (Ho Chi Minh City)
44. Karucci, LLC (Delaware)
45. Lizzy Mae, LLC (Delaware)
46. Shoe Heaven, S.L. (Spain)
47. Shoe Mania, S.L. (Spain)
48. Shoes by Stuart, S.L.U. (Spain)
49. Stuart Weitzman Canada Corporation (Canada)
50. Stuart Weitzman (France) S.A.R.L. (France)
51. Stuart Weitzman Canada Corporation (Nova Scotia)
52. Stuart Weitzman Germany GmbH (Germany)
53. Stuart Weitzman Holdings, LLC (Delaware)
54. Stuart Weitzman Intermediate LLC (Delaware)
55. Stuart Weitzman IP, LLC (Delaware)
56. Stuart Weitzman Italia S.R.L. (Italy)
57. Stuart Weitzman Korea Limited (Korea)
58. Stuart Weitzman Monaco, S.A.R.L (Monaco)
59. Stuart Weitzman Retail Stores, LLC (Delaware)
60. Stuart Weitzman Spain, LLC (Delaware)
61. Stuart Weitzman Switzerland GmbH (Switzerland)
62. Stuart Weitzman UK Limited (United Kingdom)
63. Stuart Weitzman UK Holdings Limited (United Kingdom)
64. Stuart Weitzman, LLC (Delaware)
65. SW Italy, LLC (Delaware)
66. SW Luxembourg Holdings Sarl (Luxembourg)

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-172699, 333-82102, 333-131750, 333-64610, 333-51706, 333-205331**,** 333-209393, 333-214562 and 333-219241 on Form S-8 and Registration Statement Nos. 333-162502, 333-200642 and 333-162454 on Form S-3 of our reports dated August 18, 2017, relating to the consolidated financial statements and consolidated financial statement schedule of Coach, Inc. and subsidiaries ("the Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Coach, Inc. for the year ended July 1, 2017.

/s/ DELOITTE & TOUCHE LLP

New York, New York
August 18, 2017

EXHIBIT 31.1

I, Victor Luis, certify that:

1. I have reviewed this Annual Report on Form 10-K of Coach, 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 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 fiscal 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 the 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 control 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: August 18, 2017

By: /s/ Victor Luis

Name: Victor Luis
Title: Chief Executive Officer

I, Kevin Wills, certify that:

1. I have reviewed this Annual Report on Form 10-K of Coach, 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 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 fiscal 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 the 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 control 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: August 18, 2017

By: /s/ Kevin Wills

Name: Kevin Wills
Title: Chief Financial Officer

EXHIBIT 32.1

Pursuant to 18 U.S.C. §1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Coach, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the fiscal year ended July 1, 2017 (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: August 18, 2017

By: /s/ Victor Luis
Name: Victor Luis
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 Coach, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the fiscal year ended July 1, 2017 (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: August 18, 2017

By: /s/ Kevin Wills
Name: Kevin Wills
Title: Chief Financial Officer