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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended December 31, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-16153

Tapestry, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**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) 946-8400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐						

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

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

On January 27, 2023, the Registrant had 236,075,634 outstanding shares of common stock, which is the Registrant's only class of common stock.

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In this Form 10-Q, references to “we,” “our,” “us,” "Tapestry" and the “Company” refer to Tapestry, Inc., including consolidated subsidiaries. References to "Coach," "Kate Spade," "kate spade new york" or "Stuart Weitzman" refer only to the referenced brand.

SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

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

Tapestry, Inc.’s actual results could differ materially from the results contemplated by these forward-looking statements and are subject to a number of risks, uncertainties, estimates and assumptions that may cause actual results to differ materially from current expectations due to a number of factors, including, but not limited to: (i) the impact of the novel coronavirus ("Covid-19") global pandemic on our business and financial results, including impacts on our supply chain due to temporary closures of our manufacturing partners and shipping and fulfillment constraints; (ii) our ability to successfully execute our multi-year growth agenda; (iii) the impact of economic conditions; (iv) our ability to control costs; (v) our exposure to international risks, including currency fluctuations and changes in economic or political conditions in the markets where we sell or source our products; (vi) the risk of cyber security threats and privacy or data security breaches; (vii) the effect of existing and new competition in the marketplace; (viii) our ability to retain the value of our brands and to respond to changing fashion and retail trends in a timely manner, including our ability to execute on our e-commerce and digital strategies; (ix) the effect of seasonal and quarterly fluctuations on our sales or operating results; (x) our ability to protect against infringement of our trademarks and other proprietary rights; (xi) the impact of legislation, including tax and trade legislation; (xii) our ability to achieve intended benefits, cost savings and synergies from acquisitions; (xiii) the risks associated with potential changes to international trade agreements and the imposition of additional duties on importing our products; (xiv) the impact of pending and potential future legal proceedings; and (xv) the risks associated with climate change and other corporate responsibility issues and (xvi) such other risk factors as set forth in Part II, Item 1A. "Risk Factors" and elsewhere in this report and in the Company’s Annual Report on Form 10-K for the fiscal year ended July 2, 2022. These factors are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements.

WHERE YOU CAN FIND MORE INFORMATION

Tapestry's quarterly financial results and other important information are available by calling the Investor Relations Department at (212) 629-2618.

Tapestry maintains its website at www.tapestry.com where investors and other interested parties may obtain, free of charge, press releases and other information as well as gain access to our periodic filings with the SEC.

TAPESTRY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2022	July 2, 2022
	(millions) (unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ **830.2**	$ 789.8
Short-term investments	**16.0**	163.4
Trade accounts receivable, less allowances for credit losses of $4.6 and $3.7, respectively	**252.8**	252.3
Inventories	**975.8**	994.2
Income tax receivable	**213.3**	217.2
Prepaid expenses	**130.9**	105.2
Other current assets	**79.6**	51.7
Total current assets	**2,498.6**	2,573.8
Property and equipment, net	**571.1**	544.4
Operating lease right-of-use assets	**1,358.8**	1,281.6
Goodwill	**1,249.0**	1,241.5
Intangible assets	**1,363.4**	1,366.6
Deferred income taxes	**46.8**	47.9
Other assets	**170.0**	209.5
Total assets	$ **7,257.7**	$ 7,265.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ **436.7**	$ 520.7
Accrued liabilities	**594.2**	628.2
Current portion of operating lease liabilities	**282.7**	288.7
Current debt	**25.0**	31.2
Total current liabilities	**1,338.6**	1,468.8
Long-term debt	**1,647.5**	1,659.2
Long-term operating lease liabilities	**1,348.4**	1,282.3
Deferred income taxes	**224.6**	221.7
Long-term income taxes payable	**74.1**	95.3
Other liabilities	**311.3**	252.5
Total liabilities	**4,944.5**	4,979.8
See Note 14 on commitments and contingencies		
Stockholders' Equity:		
Preferred stock: (authorized 25.0 million shares; $0.01 par value per share) none issued	**—**	—
Common stock: (authorized 1.0 billion shares; $0.01 par value per share) issued and outstanding - 236.0 million and 241.2 million shares, respectively	**2.4**	2.4
Additional paid-in-capital	**3,613.8**	3,620.2
Retained earnings (accumulated deficit)	**(1,085.2)**	(1,166.2)
Accumulated other comprehensive income (loss)	**(217.8)**	(170.9)
Total stockholders' equity	**2,313.2**	2,285.5
Total liabilities and stockholders' equity	$ **7,257.7**	$ 7,265.3

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended				Six Months Ended			
	December 31, 2022		January 1, 2022		**December 31, 2022**		January 1, 2022	
	(millions, except per share data) (unaudited)				**(millions, except per share data) (unaudited)**			
Net sales	**$**	**2,025.4**	$	2,141.2	**$**	**3,531.9**	$	3,622.1
Cost of sales		**636.1**		683.8		**1,088.0**		1,096.0
Gross profit		**1,389.3**		1,457.4		**2,443.9**		2,526.1
Selling, general and administrative expenses		**971.1**		994.6		**1,771.4**		1,768.3
Operating income (loss)		**418.2**		462.8		**672.5**		757.8
Loss on extinguishment of debt		**—**		53.7		**—**		53.7
Interest expense, net		**7.9**		15.9		**15.3**		32.0
Other expense (income)		**(6.6)**		3.1		**4.1**		5.3
Income (loss) before provision for income taxes		**416.9**		390.1		**653.1**		666.8
Provision (benefit) for income taxes		**87.0**		72.2		**127.9**		122.0
Net income (loss)	**$**	**329.9**	$	317.9	**$**	**525.2**	$	544.8
Net income (loss) per share:								
Basic	**$**	**1.38**	$	1.17	**$**	**2.19**	$	1.98
Diluted	**$**	**1.36**	$	1.15	**$**	**2.14**	$	1.94
Shares used in computing net income (loss) per share:								
Basic		**239.3**		271.1		**240.3**		274.5
Diluted		**243.3**		277.2		**245.0**		281.0

See accompanying Notes.

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

	Three Months Ended		Six Months Ended	
	December 31, 2022	January 1, 2022	**December 31, 2022**	January 1, 2022
	(millions) (unaudited)		(millions) (unaudited)	
Net income (loss)	**$ 329.9**	$ 317.9	**$ 525.2**	$ 544.8
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on cash flow hedging derivatives, net	**(22.5)**	(0.2)	**(14.8)**	(0.6)
Unrealized gains (losses) on available-for-sale investments, net	**—**	(0.1)	**0.5**	(0.3)
Foreign currency translation adjustments	**(2.4)**	(13.3)	**(32.6)**	(22.8)
Other comprehensive income (loss), net of tax	**(24.9)**	(13.6)	**(46.9)**	(23.7)
Comprehensive income (loss)	**$ 305.0**	$ 304.3	**$ 478.3**	$ 521.1

See accompanying Notes.

TAPESTRY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	December 31, 2022	January 1, 2022
	(millions)	
	(unaudited)	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss)	**$ 525.2**	$ 544.8
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**88.6**	99.6
Provision for bad debt	**2.8**	13.5
Loss on extinguishment of debt	**—**	53.7
Share-based compensation	**34.8**	33.5
Acceleration Program charges	**—**	6.0
Changes to lease related balances, net	**(16.5)**	(26.3)
Deferred income taxes	**32.1**	5.2
Other non-cash charges, net	**(23.1)**	17.7
Changes in operating assets and liabilities:		
Trade accounts receivable	**(19.5)**	(88.9)
Inventories	**11.5**	(17.4)
Accounts payable	**(60.2)**	(0.7)
Accrued liabilities	**(60.6)**	3.4
Other liabilities	**(7.6)**	(26.4)
Other assets	**(45.1)**	50.4
Net cash provided by (used in) operating activities	**462.4**	668.1
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of investments	**(4.3)**	(502.3)
Proceeds from maturities and sales of investments	**151.8**	118.3
Purchases of property and equipment	**(108.8)**	(71.7)
Settlement of net investment hedge	**41.9**	—
Net cash provided by (used in) investing activities	**80.6**	(455.7)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Payment of dividends	**(144.2)**	(137.5)
Repurchase of common stock	**(300.0)**	(750.0)
Proceeds from issuance of debt, net of discount	**—**	498.5
Payment of debt issuance costs	**—**	(4.5)
Payment of debt extinguishment costs	**—**	(50.7)
Proceeds from share-based awards	**13.8**	23.6
Repayment of debt	**(18.8)**	(500.0)
Taxes paid to net settle share-based awards	**(55.0)**	(31.0)
Payments of finance lease liabilities	**(0.5)**	(0.5)
Net cash provided by (used in) financing activities	**(504.7)**	(952.1)
Effect of exchange rate changes on cash and cash equivalents	**2.1**	(10.6)
Net (decrease) increase in cash and cash equivalents	**40.4**	(750.3)
Cash and cash equivalents at beginning of period	**789.8**	2,007.7
Cash and cash equivalents at end of period	**830.2**	1,257.4
Supplemental information:		
Cash paid for income taxes, net	**$ 138.3**	$ 78.6
Cash paid for interest	**$ 38.9**	$ 36.6
Noncash investing activity - property and equipment obligations	**$ 6.8**	$ 11.2

See accompanying Notes.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. NATURE OF OPERATIONS

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

The Coach segment includes global sales of Coach products to customers through Coach operated stores, including e-commerce sites and concession shop-in-shops, sales to wholesale customers and through independent third party distributors.

The Kate Spade segment includes global sales primarily of kate spade new york brand products to customers through Kate Spade operated stores, including e-commerce sites and concession shop-in-shops, sales to wholesale customers and through independent third party distributors.

The Stuart Weitzman segment includes global sales of Stuart Weitzman brand products primarily through Stuart Weitzman operated stores, sales to wholesale customers, through e-commerce sites and through independent third party distributors.

2. BASIS OF PRESENTATION AND ORGANIZATION

Interim Financial Statements

These unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and are unaudited. In the opinion of management, such condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the condensed consolidated financial position, results of operations, comprehensive income (loss) and cash flows of the Company for the interim periods presented. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading. This report should be read in conjunction with the audited consolidated financial statements and notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended July 2, 2022 ("fiscal 2022") and other filings filed with the SEC.

The results of operations, cash flows and comprehensive income for the six months ended December 31, 2022 are not necessarily indicative of results to be expected for the entire fiscal year, which will end on July 1, 2023 ("fiscal 2023").

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30. Fiscal 2023 will be a 52-week period. Fiscal 2022, ended on July 2, 2022, was also a 52-week period. The second quarter of fiscal 2023 ended on December 31, 2022 and the second quarter of fiscal 2022 ended on January 1, 2022, both of which were 13-week periods.

Covid-19 Pandemic

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

The global Covid-19 pandemic is continuously evolving and the extent to which this impacts the Company - including unforeseen increased costs to the Company's business - will depend on future developments, which cannot be predicted, including the ultimate duration, severity and continued geographic resurgence of the virus and the success of actions to contain the virus, including variants of the novel strain, or treat its impact, among others. As the full magnitude of the effects on the Company's business is difficult to predict, the Covid-19 pandemic has and may continue to have a material adverse impact on the Company's business, financial condition, results of operations and cash flows for the foreseeable future. The Company believes that cash flows from operations, access to the credit and capital markets and our credit lines, on-hand cash and cash equivalents and our investments provide adequate funds to support our operating, capital, and debt service requirements. There can be no assurance, however, that any such capital will be available to the Company on acceptable terms or at all. The Company could experience other potential adverse impacts as a result of the Covid-19 pandemic, including, but not limited to, further charges from adjustments to the carrying amount of goodwill and other intangible assets, long-lived asset impairment charges, reserves for uncollectible accounts receivable and reserves for the realizability of inventory.

In response to the Covid-19 pandemic, the Company took actions to reinforce its liquidity and financial flexibility. If stores are required to close again for an extended period of time due to a resurgence of increased infections, the Company's liquidity may be negatively impacted.

Use of Estimates

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

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

Principles of Consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and all 100% owned and controlled subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Share Repurchases

The Company accounts for stock repurchases by allocating the repurchase price to common stock and retained earnings. Under Maryland law, the Company's state of incorporation, there are no treasury shares. All repurchased shares are authorized but unissued shares and these shares may be issued in the future for general corporate and other purposes. The Company may terminate or limit the stock repurchase program at any time. The Company accrues for the shares purchased under the share repurchase plan based on the trade date. Purchases of the Company's common stock are executed through open market purchases, including through purchase agreements under Rule 10b5-1.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Issued Accounting Pronouncements

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2022-04, "Liabilities—Supplier Finance Programs (Subtopic 405-50)", which is intended to enhance the transparency of supplier finance programs. The ASU requires the buyer in a supplier finance program to disclose sufficient information about the program in order to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2022, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2024. Early adoption is permitted. The Company is currently in the process of evaluating the impact that adopting ASU 2022-04 will have on its condensed consolidated financial statements and notes thereto.

4. REVENUE

The Company recognizes revenue primarily from sales of the products of its brands through retail and wholesale channels, including e-commerce sites. The Company also generates revenue from royalties related to licensing its trademarks, as well as sales in ancillary channels. In all cases, revenue is recognized upon the transfer of control of the promised products or services to the customer, which may be at a point in time or over time. Control is transferred when the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the products or services. The amount of revenue recognized is the amount of consideration to which the Company expects to be entitled, including estimation of sale terms that may create variability in the consideration. Revenue subject to variability is constrained to an amount which will not result in a significant reversal in future periods when the contingency that creates variability is resolved.

The Company recognizes revenue in its retail stores, including concession shop-in-shops, at the point-of-sale when the customer obtains physical possession of the products. Digital revenue from sales of products ordered through the Company's e-commerce sites is recognized upon delivery and receipt of the shipment by its customers and includes shipping and handling charges paid by customers. Retail and digital revenues are recorded net of estimated returns, which are estimated by developing an expected value based on historical experience. Payment is due at the point of sale.

Gift cards issued by the Company are recorded as a liability until redeemed by the customer, at which point revenue is recognized. The Company also uses historical information to estimate the amount of gift card balances that will never be redeemed and recognizes that amount as revenue over time in proportion to actual customer redemptions if the Company does not have a legal obligation to remit unredeemed gift cards to any jurisdiction as unclaimed property.

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

The Company recognizes revenue within the wholesale channel at the time title passes and risk of loss is transferred to customers, which is generally at the point of shipment of products but may occur upon receipt of the shipment by the customer in certain cases. Payment is generally due 30 to 90 days after shipment. Wholesale revenue is recorded net of estimates for returns, discounts, end-of-season markdowns, cooperative advertising allowances and other consideration provided to the customer. Discounts are based on contract terms with the customer, while cooperative advertising allowances and other consideration may be based on contract terms or negotiated on a case-by-case basis. Returns and markdowns generally require approval from the Company and are estimated based on historical trends, current season results and inventory positions at the wholesale locations, current market and economic conditions as well as, in select cases, contractual terms. The Company's historical estimates of these variable amounts have not differed materially from actual results.

The Company recognizes licensing revenue over time during the contract period in which licensees are granted access to the Company's trademarks. These arrangements require licensees to pay a sales-based royalty and may include a contractually guaranteed minimum royalty amount. Revenue for contractually guaranteed minimum royalty amounts is recognized ratably over the license year and any excess sales-based royalties are recognized as earned once the minimum royalty threshold is achieved. Payments from the customer are generally due quarterly in an amount based on the licensee's sales of goods bearing the licensed trademarks during the period, which may differ from the amount of revenue recorded during the period thereby generating a contract asset or liability. Contract assets and liabilities and contract costs related to the licensing arrangements are immaterial as the licensing business represents approximately 1% of total net sales in the six months ended December 31, 2022.

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

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

Disaggregated Net Sales

The following table disaggregates the Company's net sales into geographies that depict how economic factors may impact the revenues and cash flows for the periods presented. Each geography presented includes net sales related to the Company's directly operated channels, global travel retail business and to wholesale customers, including distributors, in locations within the specified geographic area.

	North America	Greater China[1]	Other Asia[2]	Other[3]	Total
			(millions)		
Three Months Ended December 31, 2022					
Coach	**$ 985.4**	**$ 196.0**	**$ 200.6**	**$ 67.7**	**$ 1,449.7**
Kate Spade	**418.5**	**9.8**	**37.4**	**24.6**	**490.3**
Stuart Weitzman	**56.8**	**20.1**	**0.3**	**8.2**	**85.4**
Total	**$ 1,460.7**	**$ 225.9**	**$ 238.3**	**$ 100.5**	**$ 2,025.4**
Three Months Ended January 1, 2022					
Coach	$ 1,011.2	$ 258.7	$ 201.6	$ 53.5	$ 1,525.0
Kate Spade	415.7	11.6	42.4	30.7	500.4
Stuart Weitzman	67.2	38.2	—	10.4	115.8
Total	$ 1,494.1	$ 308.5	$ 244.0	$ 94.6	$ 2,141.2
Six Months Ended December 31, 2022					
Coach	**$ 1,654.5**	**$ 405.8**	**$ 368.5**	**$ 140.2**	**$ 2,569.0**
Kate Spade	**673.1**	**20.8**	**69.0**	**49.3**	**812.2**
Stuart Weitzman	**99.0**	**35.2**	**0.5**	**16.0**	**150.7**
Total	**$ 2,426.6**	**$ 461.8**	**$ 438.0**	**$ 205.5**	**$ 3,531.9**
Six Months Ended January 1, 2022					
Coach	$ 1,692.9	$ 500.7	$ 338.5	$ 107.8	$ 2,639.9
Kate Spade	647.9	23.3	69.2	59.5	799.9
Stuart Weitzman	102.9	60.9	0.3	18.2	182.3
Total	$ 2,443.7	$ 584.9	$ 408.0	$ 185.5	$ 3,622.1

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

(2) Other Asia includes Japan, Malaysia, Australia, New Zealand, Singapore, South Korea, and other countries within Asia.

(3) Other sales primarily represents sales in Europe, the Middle East and royalties earned from the Company's licensing partners.

Deferred Revenue

Deferred revenue results from cash payments received or receivable from customers prior to the transfer of the promised goods or services, and is generally comprised of unredeemed gift cards, net of breakage which has been recognized. Additional deferred revenue may result from sales-based royalty payments received or receivable which exceed the revenue recognized during the contractual period. The balance of such amounts as of December 31, 2022 and July 2, 2022 was $43.9 million and $41.5 million, respectively, which were primarily recorded within Accrued liabilities on the Company's Condensed Consolidated Balance Sheets and are generally expected to be recognized as revenue within a year. For the six months ended December 31, 2022, net sales of $17.0 million were recognized from amounts recorded as deferred revenue as of July 2, 2022. For the six months ended January 1, 2022, net sales of $8.1 million were recognized from amounts recorded as deferred revenue as of July 3, 2021.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The change in the carrying amount of the Company's goodwill by segment is as follows:

	Coach	Kate Spade	Stuart Weitzman[1]	Total
		(millions)		
Balance at July 2, 2022	$ 609.1	$ 632.4	$ —	$ 1,241.5
Foreign exchange impact	**7.2**	**0.3**	**—**	**$ 7.5**
Balance at December 31, 2022	**$ 616.3**	**$ 632.7**	**$ —**	**$ 1,249.0**

[1] Amount is net of accumulated goodwill impairment charges of $210.7 million as of December 31, 2022 and July 2, 2022.

Intangible Assets

Intangible assets consist of the following:

	December 31, 2022			July 2, 2022		
	Gross Carrying Amount	**Accum. Amort.**	**Net**	Gross Carrying Amount	Accum. Amort.	Net
			(millions)			
Intangible assets subject to amortization:						
Customer relationships	**$ 100.4**	**$ (46.8)**	**$ 53.6**	$ 100.3	$ (43.5)	$ 56.8
Intangible assets not subject to amortization:						
Trademarks and trade names	**1,309.8**	**—**	**1,309.8**	1,309.8	—	1,309.8
Total intangible assets	**$ 1,410.2**	**$ (46.8)**	**$ 1,363.4**	$ 1,410.1	$ (43.5)	$ 1,366.6

As of December 31, 2022, the expected amortization expense for intangible assets is as follows:

	Amortization Expense
	(millions)
Remainder of fiscal 2023	$ 3.2
Fiscal 2024	6.5
Fiscal 2025	6.5
Fiscal 2026	6.5
Fiscal 2027	6.5
Thereafter	24.4
Total	**$ 53.6**

The expected amortization expense above reflects remaining useful lives ranging from approximately 7.3 to 9.5 years for customer relationships.

6. STOCKHOLDERS' EQUITY

A reconciliation of stockholders' equity is presented below:

	Shares of Common Stock	Common Stock	Additional Paid-in-Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(millions, except per share data)					
Balance at July 3, 2021	279.5	$ 2.8	$ 3,487.0	$ (158.5)	$ (72.0)	3,259.3
Net income (loss)	—	—	—	226.9	—	226.9
Other comprehensive income (loss)	—	—	—	—	(10.1)	(10.1)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	1.6	—	(26.4)	—	—	(26.4)
Share-based compensation	—	—	19.9	—	—	19.9
Repurchase of common stock	(6.1)	—	—	(250.0)	—	(250.0)
Dividends declared ($0.25 per share)	—	—	—	(69.6)	—	(69.6)
Balance at October 2, 2021	$ 275.0	$ 2.8	$ 3,480.5	$ (251.2)	$ (82.1)	$ 3,150.0
Net income (loss)	—	—	—	317.9	—	317.9
Other comprehensive income (loss)	—	—	—	—	(13.6)	(13.6)
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	0.7	—	19.0	—	—	19.0
Share-based compensation	—	—	22.0	—	—	22.0
Repurchase and retirement of common stock	$ (11.7)	$ (0.2)	$ —	$ (499.8)	$ —	(500.0)
Dividends declared ($0.25 per share)	—	—	—	(67.9)	—	(67.9)
Balance at January 1, 2022	$ 264.0	$ 2.6	$ 3,521.5	$ (501.0)	$ (95.7)	$ 2,927.4

	Shares of Common Stock	Common Stock	Additional Paid-in-Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(millions, except per share data)					
Balance at July 2, 2022	**241.2**	**$ 2.4**	**$ 3,620.2**	**$ (1,166.2)**	**$ (170.9)**	**2,285.5**
Net income (loss)	**—**	**—**	**—**	**195.3**	**—**	**195.3**
Other comprehensive income (loss)	**—**	**—**	**—**	**—**	**(22.0)**	**(22.0)**
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	**2.7**	**—**	**(45.8)**	**—**	**—**	**(45.8)**
Share-based compensation	**—**	**—**	**15.1**	**—**	**—**	**15.1**
Repurchase of common stock	**(3.0)**	**—**	**—**	**(100.0)**	**—**	**(100.0)**
Dividends declared ($0.30 per share)	**—**	**—**	**—**	**(72.7)**	**—**	**(72.7)**
Balance at October 1, 2022	**$ 240.9**	**$ 2.4**	**$ 3,589.5**	**$ (1,143.6)**	**$ (192.9)**	**$ 2,255.4**
Net income (loss)	**—**	**—**	**—**	**329.9**	**—**	**329.9**
Other comprehensive income (loss)	**—**	**—**	**—**	**—**	**(24.9)**	**(24.9)**
Shares issued, pursuant to stock-based compensation arrangements, net of shares withheld for taxes	**0.5**	**—**	**4.6**	**—**	**—**	**4.6**
Share-based compensation	**—**	**—**	**19.7**	**—**	**—**	**19.7**
Repurchase of common stock	**(5.4)**	**—**	**—**	**(200.0)**	**—**	**(200.0)**
Dividends declared ($0.30 per share)	**—**	**—**	**—**	**(71.5)**	**—**	**(71.5)**
Balance at December 31, 2022	**$ 236.0**	**$ 2.4**	**$ 3,613.8**	**$ (1,085.2)**	**$ (217.8)**	**$ 2,313.2**

The components of accumulated other comprehensive income (loss) ("AOCI"), as of the dates indicated, are as follows:

	Unrealized Gains (Losses) on Cash Flow Hedging Derivatives[1]	Unrealized Gains (Losses) on Available-for-Sale Investments	Cumulative Translation Adjustment[2]	Total
		(millions)		
Balances at July 3, 2021	$ (0.7)	$ —	$ (71.3)	$ (72.0)
Other comprehensive income (loss) before reclassifications	(1.6)	(0.3)	(22.8)	(24.7)
Less: amounts reclassified from accumulated other comprehensive income to earnings	(1.0)	—	—	(1.0)
Net current-period other comprehensive income (loss)	(0.6)	(0.3)	(22.8)	(23.7)
Balances at January 1, 2022	$ (1.3)	$ (0.3)	$ (94.1)	$ (95.7)
Balances at July 2, 2022	**$ (2.3)**	**$ (0.5)**	**$ (168.1)**	**$ (170.9)**
Other comprehensive income (loss) before reclassifications	**(16.7)**	**0.5**	**(32.6)**	**(48.8)**
Less: amounts reclassified from accumulated other comprehensive income to earnings	**(1.9)**	**—**	**—**	**(1.9)**
Net current-period other comprehensive income (loss)	**(14.8)**	**0.5**	**(32.6)**	**(46.9)**
Balances at December 31, 2022	**$ (17.1)**	**$ —**	**$ (200.7)**	**$ (217.8)**

(1) The ending balances of AOCI related to cash flow hedges are net of tax of $0.3 million and $0.6 million as of December 31, 2022 and January 1, 2022, respectively. The amounts reclassified from AOCI are net of tax of $0.9 million and $0.3 million as of December 31, 2022 and January 1, 2022, respectively.

(2) The ending balances of AOCI related to foreign currency translation adjustments includes a loss of $66.0 million, net of tax of $0.1 million, as of December 31, 2022, related to changes in the fair values of instruments designated as hedges of the Company's net investment in certain foreign operations. As the Company began entering into net investment hedges in the fourth quarter of Fiscal 2022, there was no balance as of January 1, 2022.

7. LEASES

The Company leases retail space, office space, warehouse facilities, fulfillment centers, storage space, machinery, equipment and certain other items under operating leases. The Company's leases have initial terms ranging from 1 to 20 years and may have renewal or early termination options ranging from 1 to 10 years. These leases may also include rent escalation clauses or lease incentives. In determining the lease term used in the lease right-of-use ("ROU") asset and lease liability calculations, the Company considers various factors such as market conditions and the terms of any renewal or termination options that may exist. When deemed reasonably certain, the renewal and termination options are included in the determination of the lease term and calculation of the lease ROU asset and lease liability. The Company is typically required to make fixed minimum rent payments, variable rent payments primarily based on performance (i.e., percentage-of-sales-based payments), or a combination thereof, directly related to its ROU asset. The Company is also often required, by the lease, to pay for certain other costs including real estate taxes, insurance, common area maintenance fees, and/or certain other costs, which may be fixed or variable, depending upon the terms of the respective lease agreement. To the extent these payments are fixed, the Company has included them in calculating the lease ROU assets and lease liabilities.

The Company calculates lease ROU assets and lease liabilities as the present value of fixed lease payments over the reasonably certain lease term beginning at the commencement date. The Company is required to use the implicit rate to determine the present value of lease payments. As the rate implicit in the Company's leases is not readily determinable, the Company uses its incremental borrowing rate based on the information available at the lease commencement date, including the

Company's credit rating, credit spread and adjustments for the impact of collateral, lease tenors, economic environment and currency.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases and impaired operating leases, the ROU asset is depreciated on a straight-line basis over the remaining lease term, along with recognition of interest expense associated with accretion of the lease liability. For leases with a lease term of 12 months or less ("short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the Condensed Consolidated Balance Sheets. Variable lease cost for both operating and finance leases, if any, is recognized as incurred.

The Company acts as sublessor in certain leasing arrangements, primarily related to a sublease of a portion of the Company's leased headquarters space as well as certain retail locations. Fixed sublease payments received are recognized on a straight-line basis over the sublease term.

ROU assets, along with any other related long-lived assets, are periodically evaluated for impairment.

The following table summarizes the ROU assets and lease liabilities recorded on the Company's Condensed Consolidated Balance Sheets as of December 31, 2022 and July 2, 2022:

	December 31, 2022	July 2, 2022	**Location Recorded on Balance Sheet**
	(millions)		
Assets:			
Operating leases	**$ 1,358.8**	$ 1,281.6	Operating lease right-of-use assets
Finance leases	**1.6**	1.9	Property and equipment, net
Total lease assets	**$ 1,360.4**	$ 1,283.5	
Liabilities:			
Operating leases:			
Current lease liabilities	**$ 282.7**	$ 288.7	Current lease liabilities
Long-term lease liabilities	**1,348.4**	1,282.3	Long-term lease liabilities
Total operating lease liabilities	**$ 1,631.1**	$ 1,571.0	
Finance leases:			
Current lease liabilities	**$ 1.1**	$ 1.1	Accrued liabilities
Long-term lease liabilities	**1.8**	2.4	Other liabilities
Total finance lease liabilities	**$ 2.9**	$ 3.5	
Total lease liabilities	**$ 1,634.0**	$ 1,574.5	

The following table summarizes the composition of net lease costs, primarily recorded within SG&A expenses on the Company's Condensed Consolidated Statements of Operations for the three-month and six-month periods ended December 31, 2022 and January 1, 2022:

	Three Months Ended		Six Months Ended	
	December 31, 2022	January 1, 2022	**December 31, 2022**	January 1, 2022
	(millions)			
Finance lease cost:				
Amortization of right-of-use assets	**$ 0.2**	$ 0.3	**$ 0.5**	$ 0.5
Interest on lease liabilities[1]	**0.1**	0.1	**0.2**	0.2
Total finance lease cost	**0.3**	0.4	**0.7**	0.7
Operating lease cost	**78.5**	85.8	**157.8**	170.7
Short-term lease cost	**8.6**	5.1	**16.4**	9.6
Variable lease cost[2]	**48.9**	55.2	**98.4**	98.8
Less: sublease income	**(4.4)**	(5.2)	**(9.3)**	(10.1)
Total net lease cost	**$ 131.9**	$ 141.3	**$ 264.0**	$ 269.7

[1] Interest on lease liabilities is recorded within Interest expense, net on the Company's Condensed Consolidated Statement of Operations.

[2] Rent concessions negotiated related to Covid-19 are recorded in variable lease expense.

The following table summarizes certain cash flow information related to the Company's leases for the six months December 31, 2022 and January 1, 2022:

	Six Months Ended	
	December 31, 2022	January 1, 2022
	(millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 194.4**	$ 214.3
Operating cash flows from finance leases	**0.2**	0.2
Financing cash flows from finance leases	**0.5**	0.5
Non-cash transactions:		
Right-of-use assets obtained in exchange for operating lease liabilities	**224.9**	65.4

Additionally, the Company had approximately $6.0 million of future payment obligations related to executed lease agreements for which the related lease had not yet commenced as of December 31, 2022.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The majority of the Company’s purchases of finished goods 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 sale of U.S. dollar inventory to foreign operating subsidiaries in local currency, as well as risk related to various cross-currency intercompany loans and payables, and translation risk. The Company is also exposed to foreign currency risk related to changes in the U.S. dollar value of its net investment in foreign subsidiaries. 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 Condensed Consolidated Balance Sheets. 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 changes in the fair value of these instruments are 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. For derivative instruments that are designated as a net investment hedge, the changes in the fair value of the instruments are recognized as a component of AOCI, and upon discontinuation of the hedge remain in AOCI until the net investment is sold or liquidated.

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.

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 cash flow derivatives 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 Condensed 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 foreign currency denominated inventory transactions, as well as various cross-currency intercompany loans and payables. 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 Operations 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 January 2023 to September 2024. 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 balances being hedged are revalued. The maturity date of most instruments held as of December 31, 2022 are in February 2023, and such contracts are typically renewed upon maturity if the related balance has not been settled. The Company also enters into cross-currency swaps to reduce its risks related to exchange rate fluctuations on net investments in foreign subsidiaries. The related gains (losses) are deferred in AOCI until the net investment is sold or liquidated, and current maturity dates range from April 2025 to March 2032.

The following tables provide information related to the Company's derivative instruments recorded on the Company's Condensed Consolidated Balance Sheets as of December 31, 2022 and July 2, 2022

Designated Derivative Hedging Instruments	Notional Value		Derivative Assets			Derivative Liabilities		
				Fair Value			Fair Value	
	December 31, 2022	July 2, 2022	Balance Sheet Classification	**December 31, 2022**	July 2, 2022	Balance Sheet Classification	**December 31, 2022**	July 2, 2022
				(millions)				
FC - Inventory purchases[1]	**$ 556.8**	$ 41.5	Other Current Assets	**$ 5.1**	$ —	Accrued Liabilities	**$ 22.6**	$ 2.7
FC - Intercompany liabilities and loans[2]	**299.2**	274.1	Other Current Assets	**0.6**	0.4	Accrued Liabilities	**2.7**	0.5
CCS - Net investment hedges[3]	**1,200.0**	1,200.0	Other Assets	**—**	47.8	Other Liabilities	**94.5**	44.0
Total Hedges	**$ 2,056.0**	$ 1,515.6		**$ 5.7**	$ 48.2		**$ 119.8**	$ 47.2

(1) Represents forward foreign currency exchange contracts ("FC") designated as derivative instruments in cash flow hedging relationships.

(2) Represents forward foreign currency exchange contracts ("FC") designated as derivative instruments in fair value hedging relationships.

(3) Represents cross currency swap contracts ("CCS") designated as derivative instruments in net investment hedging relationships.

The following tables provides the pretax impact of gains and losses from the Company's designated derivative instruments on its Condensed Consolidated Financial Statements as of December 31, 2022 and January 1, 2022:

	Amount of Gain (Loss) Recognized in OCI on Derivatives	
	Six Months Ended	
	December 31, 2022	January 1, 2022
	(millions)	
Cash flow hedges:		
Inventory purchases[1]	**$ (17.0)**	$ (2.1)
Cash flow hedges, total	**$ (17.0)**	$ (2.1)
Other:		
Net investment hedges	**(69.9)**	—
Other, total	**$ (69.9)**	$ —
Total hedges	**$ (86.9)**	$ (2.1)

	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income		
	Statement of Operations Classification	Six Months Ended	
		December 31, 2022	January 1, 2022
		(millions)	
Cash flow hedges:			
Inventory purchases[1]	Cost of Sales	**$ (2.8)**	$ (1.3)
Total hedges		**$ (2.8)**	$ (1.3)

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[1] Represents forward foreign currency exchange contracts ("FC") designated as derivative instruments in cash flow hedging relationships.

For forward foreign currency exchange contracts that are designated as fair value hedges, both the gain (loss) on the derivative as well as the offsetting gain (loss) on the hedged item attributable to the hedged risk are recorded within Other expense (income) on the Company's Condensed Consolidated Statement of Operations.

The Company expects that $8.4 million of net derivative loss included in Accumulated other comprehensive income at December 31, 2022 will be reclassified into earnings within the next 12 months. This amount will vary due to fluctuations in foreign currency exchange rates.

The Company assesses the cross-currency swaps used as net investment hedges under the spot method. This results in the cross-currency basis spread being excluded from the assessment of hedge effectiveness and recorded as incurred as a reduction in interest expense in the Company’s consolidated statements of operations. Accordingly, the Company recorded net interest income of $13.8 million and $0.0 million during six months December 31, 2022 and January 1, 2022, respectively.

9. EARNINGS PER SHARE

Basic net income per share is calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted net income per share is calculated similarly but includes potential dilution from the exercise of stock options and restricted stock units and any other potentially dilutive instruments, only in the periods in which such effects are dilutive under the treasury stock method.

The following is a reconciliation of the weighted-average shares outstanding and calculation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	December 31, 2022	January 1, 2022	**December 31, 2022**	January 1, 2022
	(millions, except per share data)			
Net income (loss)	**$ 329.9**	$ 317.9	**$ 525.2**	$ 544.8
Weighted-average basic shares	**239.3**	271.1	**240.3**	274.5
Dilutive securities:				
Effect of dilutive securities	**4.0**	6.1	**4.7**	6.5
Weighted-average diluted shares	**243.3**	277.2	**245.0**	281.0
Net income (loss) per share:				
Basic	**$ 1.38**	$ 1.17	**$ 2.19**	$ 1.98
Diluted	**$ 1.36**	$ 1.15	**$ 2.14**	$ 1.94

Earnings per share amounts have been calculated based on unrounded numbers. Options to purchase shares of the Company's common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income (loss) per common share. In addition, the Company has outstanding restricted stock unit awards that are issuable only upon the achievement of certain performance goals. Performance-based restricted stock unit awards are included in the computation of diluted shares only to the 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 December 31, 2022 and January 1, 2022, there were 6.1 million and 5.2 million, respectively, of additional shares issuable upon exercise of anti-dilutive options and contingent vesting of performance-based restricted stock unit awards, which were excluded from the diluted share calculations.

10. SHARE-BASED COMPENSATION

The following table shows the share-based compensation expense and the related tax benefits recognized in the Company's Condensed Consolidated Statements of Operations for the periods indicated:

	Three Months Ended		Six Months Ended	
	December 31, 2022	January 1, 2022	**December 31, 2022**	January 1, 2022
	(millions)			
Share-based compensation expense[(1)]	**$ 19.7**	$ 22.0	**$ 34.8**	$ 41.9
Income tax benefit related to share-based compensation expense	**3.7**	4.2	**6.7**	8.0

(1) There was no share-based compensation expense under the Acceleration program during the six months ended December 31, 2022. During the three and six months ended January 1, 2022, the company incurred $3.4 million and $8.4 million of share-based compensation expense related to its Acceleration Program.

Stock Options

A summary of stock option activity during the six months ended December 31, 2022 is as follows:

	Number of Options Outstanding
	(millions)
Outstanding at July 2, 2022	10.0
Granted	**1.1**
Exercised	**(0.6)**
Forfeited or expired	**(0.9)**
Outstanding at December 31, 2022	**9.6**

The weighted-average grant-date fair value of options granted during the six months ended December 31, 2022 and January 1, 2022 was $12.03 and $13.94, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions:

	December 31, 2022	January 1, 2022
Expected term (years)	**4.9**	5.0
Expected volatility	**48.6 %**	46.9 %
Risk-free interest rate	**3.3 %**	0.8 %
Dividend yield	**3.4 %**	2.4 %

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

A summary of service-based RSU activity during the six months ended December 31, 2022 is as follows:

	Number of Non-vested RSUs
	(millions)
Non-vested at July 2, 2022	6.4
Granted	**2.3**
Vested	**(2.2)**
Forfeited	**(0.3)**
Non-vested at December 31, 2022	**6.2**

The weighted-average grant-date fair value of share awards granted during the six months ended December 31, 2022 and January 1, 2022 was $35.21 and $42.15, respectively.

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

A summary of PRSU activity during the six months ended December 31, 2022 is as follows:

	Number of Non-vested PRSUs
	(millions)
Non-vested at July 2, 2022	1.2
Granted	**0.4**
Change due to performance condition achievement	**0.8**
Vested	**(1.7)**
Forfeited	**—**
Non-vested at December 31, 2022	**0.7**

The PRSU awards included in the non-vested amount are based on certain Company-specific financial metrics. The effect of the change due to performance condition on the non-vested amount is recognized at the conclusion of the performance period, which may differ from the date on which the award vests.

The weighted-average grant-date fair value per share of PRSU awards granted during the six months ended December 31, 2022 and January 1, 2022 was $35.31 and $42.23, respectively.

11. DEBT

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

	December 31, 2022	July 2, 2022
	(millions)	
Current debt:		
Term Loan	**$ 25.0**	$ 31.2
Total current debt	**$ 25.0**	$ 31.2
Long-term debt:		
Term Loan	**$ 456.2**	$ 468.8
3.050% Senior Notes due 2032	**500.0**	500.0
4.125% Senior Notes due 2027	**396.6**	396.6
4.250% Senior Notes due 2025	**303.4**	303.4
Total long-term debt	**1,656.2**	1,668.8
Less: Unamortized discount and debt issuance costs on Senior Notes	**(8.7)**	(9.6)
Total long-term debt, net	**$ 1,647.5**	$ 1,659.2

During the three and six months ended December 31, 2022, the Company recognized interest expense related to its debt of $18.1 million and $34.4 million, respectively. During the three and six months ended January 1, 2022, the Company recognized interest expense related to its debt of $16.3 million and $33.1 million, respectively.

$1.25 Billion Revolving Credit Facility and $500.0 Million Term Loan

On May 11, 2022, the Company entered into a definitive credit agreement whereby Bank of America, N.A., as administrative agent, the other agents party thereto, and a syndicate of banks and financial institutions have made available to the Company a $1.25 billion revolving credit facility (the "$1.25 Billion Revolving Credit Facility") and an unsecured $500.0 million Term Loan (the "Term Loan"). Both the $1.25 Billion Revolving Credit Facility and Term Loan (collectively, the "Credit Facilities") will mature on May 11, 2027. The Company and its subsidiaries must comply on a quarterly basis with a maximum 4.0 to 1.0 ratio of (a) consolidated debt minus unrestricted cash and cash equivalents in excess of $300 million to (b) consolidated EBITDAR.

Borrowings under the $1.25 Billion Revolving Credit Facility bear interest at a rate per annum equal to, at the Company's option, (i) for borrowings in U.S. Dollars, either (a) an alternate base rate or (b) a term secured overnight financing rate, (ii) for borrowings in Euros, the Euro Interbank Offered Rate, (iii) for borrowings in Pounds Sterling, the Sterling Overnight Index Average Reference Rate and (iv) for borrowings in Japanese Yen, the Tokyo Interbank Offer Rate, plus, in each case, an applicable margin. The applicable margin will be adjusted by reference to a grid (the "Pricing Grid") based on the ratio of (a) consolidated debt to (b) consolidated EBITDAR (the "Gross Leverage Ratio"). Additionally, the Company will pay facility fees, calculated at a rate per annum determined in accordance with the Pricing Grid, on the full amount of the $1.25 Billion Revolving Credit Facility, payable quarterly in arrears, and certain fees with respect to letters of credit that are issued. The $1.25 Billion 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 backup). There were no outstanding borrowings on the $1.25 Billion Revolving Credit Facility as of December 31, 2022.

The Term Loan includes up to a two-month delayed draw period from the closing date. In the fourth quarter of fiscal 2022 the Company drew down on the Term Loan to satisfy the Company's remaining obligations under the 3.000% senior unsecured notes due 2022 and for general corporate purposes. The Term Loan amortizes in an amount equal to 5.00% per annum, with payments made quarterly. Borrowings under the Term Loan bear interest at a rate per annum equal to, at the Company's option, either (i) an alternate base rate or (ii) a term secured overnight financing rate plus, in each case, an applicable margin. The applicable margin will be adjusted by reference to a pricing grid based on the Gross Leverage Ratio. Additionally, the Company will pay a ticking fee on the undrawn amount of the Term Loan.

3.050% Senior Notes due 2032

On December 1, 2021, the Company issued $500.0 million aggregate principal amount of 3.050% senior unsecured notes due March 15, 2032 at 99.705% of par (the "2032 Senior Notes"). Interest is payable semi-annually on March 15 and September 15 beginning March 15, 2022. Prior to December 15, 2031 (the date that is three months prior to the scheduled maturity date), the Company may redeem the 2032 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2032 Senior Notes to be redeemed or (2) as determined by a Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable in respect of the 2032 Senior Notes calculated as if the maturity date of the 2032 Senior Notes was December 15, 2031 (not including any portion of payments of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined in the Prospectus Supplement) plus 25 basis points, plus, in the case of each of (1) and (2), accrued and unpaid interest to the redemption date.

Cash Tender Offer

On December 1, 2021, the proceeds from the 2032 Senior Notes were utilized to complete a cash tender offer of $203.4 million and $296.6 million of the outstanding aggregate principal amount of the Company's 2027 Senior Notes (defined below under "4.125% Senior Notes due 2027") and 2025 Senior Notes (defined below under "4.250% Senior Notes due 2025"), respectively. As a result of these cash tender offers completed prior to their scheduled maturities, the transactions were subject to a premium of $22.4 million and $26.8 million for the 2027 Senior Notes and 2025 Senior Notes, respectively. Additionally, the Company recognized $4.5 million of debt issuance costs, tender fees, and unamortized original discount in connection with the transaction. These premiums and costs, which totaled $53.7 million, were recorded as a pre-tax debt extinguishment charge during the second quarter of fiscal 2022.

4.125% Senior Notes due 2027

On June 20, 2017, the Company issued $600.0 million aggregate principal amount of 4.125% senior unsecured notes due July 15, 2027 at 99.858% of par (the "2027 Senior Notes"). Interest is payable semi-annually on January 15 and July 15 beginning January 15, 2018. Prior to April 15, 2027 (the date that is three 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. On December 1, 2021, the Company completed a cash tender offer for $203.4 million of the outstanding aggregate principal amount of its 2027 Senior Notes.

4.250% Senior Notes due 2025

On March 2, 2015, the Company issued $600.0 million aggregate principal amount of 4.250% senior unsecured notes due April 1, 2025 at 99.445% of par (the “2025 Senior Notes”). Interest is payable semi-annually on April 1 and October 1 beginning October 1, 2015. Prior to January 1, 2025 (90 days prior to the scheduled maturity date), the Company may redeem the 2025 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2025 Senior Notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable in respect of the 2025 Senior Notes calculated as if the maturity date of the 2025 Senior Notes was January 1, 2025 (not including any portion of payments of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate (as defined in the indenture for the 2025 Senior Notes) plus 35 basis points, plus, in the case of each of (1) and (2), accrued and unpaid interest to the redemption date. On and after January 1, 2025 (90 days prior to the scheduled maturity date), the

Company may redeem the 2025 Senior Notes in whole or in part, at its option at any time or from time to time, at a redemption price equal to 100% of the principal amount of the 2025 Senior Notes to be redeemed, plus accrued and unpaid interest to the redemption date. On December 1, 2021, the Company completed a cash tender offer for $296.6 million of the outstanding aggregate principal amount of its 2025 Senior Notes.

At December 31, 2022 the fair value of the 2032, 2027, and 2025 Senior Notes was approximately $390.0 million, $367.3 million and $297.3 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, 2022, the fair value of the 2032, 2027 and 2025 Senior Notes was approximately $409.0 million, $383.0 million and $304.1 million, respectively.

12. FAIR VALUE MEASUREMENTS

The Company categorizes its assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. The three levels of the hierarchy are defined as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1. Level 2 inputs include quoted prices for identical assets or liabilities in non-active markets, quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs reflecting management’s own assumptions about the input used in pricing the asset or liability. The Company does not have any Level 3 investments.

The following table shows the fair value measurements of the Company's financial assets and liabilities at December 31, 2022 and July 2, 2022:

	Level 1		Level 2	
	December 31, 2022	July 2, 2022	**December 31, 2022**	July 2, 2022
	(millions)			
Assets:				
Cash equivalents[1]	**$ 169.6**	$ 99.1	**$ 8.9**	$ 10.9
Short-term investments:				
Time deposits[2]	**—**	—	**0.6**	0.6
Commercial paper[2]	**—**	—	**—**	59.6
Government securities - U.S.[2]	**2.5**	39.4	**—**	—
Corporate debt securities - U.S.[2]	**—**	—	**—**	55.2
Other	**—**	—	**12.9**	8.6
Long-term investments:				
Other	**—**	—	**0.1**	0.1
Derivative assets:				
Inventory-related instruments[3]	**—**	—	**5.1**	—
Net investment hedges[3]	**—**	—	**—**	47.8
Intercompany loans and payables[3]	**—**	—	**0.6**	0.4
Liabilities:				
Derivative liabilities:				
Inventory-related instruments[3]	**—**	—	**22.6**	2.7
Net investment hedges[3]	**—**	—	**94.5**	44.0
Intercompany loans and payables[3]	**—**	—	**2.7**	0.5

(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 investments are recorded at fair value, which approximates their carrying value, and are primarily based upon quoted vendor or broker priced securities in active markets.

(3) The fair value of these hedges is primarily based on the forward curves of the specific indices upon which settlement is based and includes an adjustment for the counterparty's or Company's credit risk.

Refer to Note 11, "Debt," for the fair value of the Company's outstanding debt instruments.

Non-Financial Assets and Liabilities

The Company's non-financial instruments, which primarily consist of goodwill, intangible assets, right-of-use assets and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial instruments are assessed for impairment and, if applicable, written-down to and recorded at fair value, considering market participant assumptions. There were no impairment charges recorded during the three and six months ended December 31, 2022 and January 1, 2022.

13. INVESTMENTS

The following table summarizes the Company’s U.S. dollar-denominated investments, recorded within the Company's Condensed Consolidated Balance Sheets as of December 31, 2022 and July 2, 2022:

	December 31, 2022			July 2, 2022		
	Short-term	**Long-term(3)**	**Total**	Short-term	Long-term(3)	Total
			(millions)			
Available-for-sale investments:						
Commercial paper(1)	$ —	$ —	$ —	$ 59.6	$ —	$ 59.6
Government securities - U.S.(2)	2.5	—	2.5	39.4	—	39.4
Corporate debt securities - U.S.(2)	—	—	—	55.2	—	55.2
Available-for-sale investments, total	$ 2.5	$ —	$ 2.5	$ 154.2	$ —	$ 154.2
Other:						
Time deposits(1)	$ 0.6	$ —	$ 0.6	$ 0.6	$ —	$ 0.6
Other	12.9	0.1	13.0	8.6	0.1	8.7
Total Investments	$ 16.0	$ 0.1	$ 16.1	$ 163.4	$ 0.1	$ 163.5

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

(2) These securities as of December 31, 2022 have maturity dates during fiscal 2023 and are recorded at fair value.

(3) Long-term investments are presented within Other assets on the Condensed Consolidated Balance Sheets.

There were no material gross realized and unrealized gains or losses on available-for-sale investments as of the periods ended December 31, 2022 and July 2, 2022.

14. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company had standby letters of credit, surety bonds and bank guarantees totaling $34.9 million and $37.8 million outstanding at December 31, 2022 and July 2, 2022, respectively. The agreements, which expire at various dates through fiscal year 2028, primarily collateralize the Company's obligation to third parties for duty, leases, insurance claims and materials used in product manufacturing. The Company pays certain fees with respect to these instruments that are issued.

Other

The Company had other contractual cash obligations as of December 31, 2022 related to debt repayments. Refer to Note 11, "Debt," for further information. Additionally, the Company had future payment obligations related to executed lease agreements for which the related lease had not yet commenced. Refer to Note 7, "Leases," for further information.

The Company is involved in various routine legal proceedings as both plaintiff and defendant incident to the ordinary course of its business, including proceedings to protect Tapestry's intellectual property rights, litigation instituted by persons alleged to have been injured by advertising claims or upon premises within the Company’s control, contractual disputes, insurance claims and litigation with present or former employees.

As part of Tapestry’s policing program for its intellectual property rights, from time to time, the Company files lawsuits in the U.S. and abroad alleging acts of trademark counterfeiting, trademark infringement, patent infringement, trade dress infringement, copyright infringement, unfair competition, trademark dilution and/or state or foreign law claims. At any given point in time, Tapestry may have a number of such actions pending. These actions often result in seizure of counterfeit merchandise and/or out of court settlements with defendants. From time to time, defendants will raise, either as affirmative defenses or as counterclaims, the invalidity or unenforceability of certain of Tapestry’s intellectual properties.

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

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

15. SEGMENT INFORMATION

The Company has three reportable segments:

- *Coach* - Includes global sales of Coach products to customers through Coach operated stores, including e-commerce sites and concession shop-in-shops, sales to wholesale customers and through independent third party distributors.
- *Kate Spade* - Includes global sales primarily of kate spade new york brand products to customers through Kate Spade operated stores, including e-commerce sites and concession shop-in-shops, sales to wholesale customers, and through independent third party distributors.
- *Stuart Weitzman* - Includes global sales of Stuart Weitzman brand products primarily through Stuart Weitzman operated stores, sales to wholesale customers, through e-commerce sites and through independent third party distributors.

In deciding how to allocate resources and assess performance, the Company's chief operating decision maker regularly evaluates the sales and operating income of these segments. Operating income is the gross margin of the segment less direct expenses of the segment.

The following table summarizes segment performance for the three and six months ended December 31, 2022 and January 1, 2022:

	Coach	Kate Spade	Stuart Weitzman	Corporate[1]	Total
			(millions)		
Three Months Ended December 31, 2022					
Net sales	**$ 1,449.7**	**$ 490.3**	**$ 85.4**	**$ —**	**$ 2,025.4**
Gross profit	**1,035.3**	**302.1**	**51.9**	**—**	**1,389.3**
Operating income (loss)	**453.2**	**69.0**	**0.7**	**(104.7)**	**418.2**
Income (loss) before provision for income taxes	**453.2**	**69.0**	**0.7**	**(106.0)**	**416.9**
Depreciation and amortization expense[2]	**24.7**	**11.2**	**2.7**	**6.2**	**44.8**
Three Months Ended January 1, 2022					
Net sales	$ 1,525.0	$ 500.4	$ 115.8	$ —	$ 2,141.2
Gross profit	1,078.2	308.0	71.2	—	1,457.4
Operating income (loss)	473.3	83.7	13.3	(107.5)	462.8
Income (loss) before provision for income taxes	473.3	83.7	13.3	(180.2)	390.1
Depreciation and amortization expense[2]	19.4	10.2	2.1	17.1	48.8
Six Months Ended December 31, 2022					
Net sales	**$ 2,569.0**	**$ 812.2**	**$ 150.7**	**$ —**	**$ 3,531.9**
Gross profit	**1,844.2**	**509.9**	**89.8**	**—**	**2,443.9**
Operating income (loss)	**792.4**	**92.2**	**(4.4)**	**(207.7)**	**672.5**
Income (loss) before provision for income taxes	**792.4**	**92.2**	**(4.4)**	**(227.1)**	**653.1**
Depreciation and amortization expense[2]	**47.0**	**22.3**	**5.1**	**14.2**	**88.6**
Six Months Ended January 1, 2022					
Net sales	$ 2,639.9	$ 799.9	$ 182.3	$ —	$ 3,622.1
Gross profit	1,909.2	507.2	109.7	—	2,526.1
Operating income (loss)	839.0	120.9	11.8	(213.9)	757.8
Income (loss) before provision for income taxes	839.0	120.9	11.8	(304.9)	666.8
Depreciation and amortization expense[2]	40.1	21.0	4.3	34.2	99.6

(1) Corporate, which is not a reportable segment, represents certain costs that are not directly attributable to a brand. These costs primarily include administration and certain costs for information systems.

(2) Depreciation and amortization expense for the segments includes an allocation of expense related to assets which support multiple segments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read together with the Company's condensed consolidated financial statements and notes to those financial statements included elsewhere in this document. When used herein, the terms "the Company," "Tapestry," "we," "us" and "our" refer to Tapestry, Inc., including consolidated subsidiaries. References to "Coach," "Stuart Weitzman," "Kate Spade" or "kate spade new york" refer only to the referenced brand.

INTRODUCTION

Management’s discussion and analysis of financial condition and results of operations (“MD&A”) is provided as a supplement to the accompanying condensed consolidated financial statements and notes thereto to help provide an understanding of our results of operations, financial condition, and liquidity. MD&A is organized as follows:

- *Overview.* This section provides a general description of the business and brands as well as the Company’s growth strategy.
- *Global Economic Conditions and Industry Trends.* This section includes a discussion on global economic conditions and industry trends that affect comparability that are important in understanding results of operations and financial conditions, and in anticipating future trends.
- *Results of operations.* An analysis of our results of operations in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022 and first six months of fiscal 2023 compared to the first six months of fiscal 2022.
- *Non-GAAP measures.* This section includes non-GAAP measures that 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.
- *Liquidity and capital resources.* This section includes a discussion on liquidity and capital resources including an analysis of changes in cash flow as well as working capital and capital expenditures.
- *Critical Accounting policies and estimates.* This section includes any material changes or updates to critical accounting policies or estimates since the Annual Report on Form 10-K for fiscal 2022.

OVERVIEW

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

The Company has three reportable segments:

- *Coach* - Includes global sales of Coach products to customers through Coach operated stores, including e-commerce sites and concession shop-in-shops, sales to wholesale customers and through independent third party distributors.
- *Kate Spade* - Includes global sales primarily of kate spade new york brand products to customers through Kate Spade operated stores, including e-commerce sites and concession shop-in-shops, sales to wholesale customers and through independent third party distributors.
- *Stuart Weitzman* - Includes global sales of Stuart Weitzman brand products primarily through Stuart Weitzman operated stores, sales to wholesale customers, through e-commerce sites and through independent third party distributors.

Each of our brands is unique and independent, while sharing a commitment to innovation and authenticity defined by distinctive products and differentiated customer experiences across channels and geographies. Our success does not depend solely on the performance of a single channel, geographic area or brand.

2025 Growth Strategy

Building on the success of the strategic growth plan from fiscal 2020 through fiscal 2022 (the "Acceleration Program"), in the first quarter of fiscal 2023, the Company introduced the 2025 growth strategy ("*future*speed"), designed to amplify and extend the competitive advantages of the brands, with a focus on four strategic priorities:

- Building Lasting Customer Relationships: The Company's brands aim to leverage Tapestry's transformed business model to drive customer lifetime value through a combination of increased customer acquisition, retention and reactivation.
- Fueling Fashion Innovation & Product Excellence: The Company aims to drive sustained growth in core handbags and small leathergoods, while accelerating gains in footwear and lifestyle products.
- Delivering Compelling Omni-Channel Experiences: The Company aims to extend its omni-channel leadership to meet the customer wherever they shop, delivering growth online and in stores.
- Powering Global Growth: The Company aims to support balanced growth across regions, prioritizing North America and China, its largest markets, while capitalizing on opportunities in under-penetrated geographies such as Southeast Asia and Europe.

GLOBAL ECONOMIC CONDITIONS AND INDUSTRY TRENDS

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

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

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part II, Item 1A. "Risk Factors" herein and as disclosed in our Annual Report on Form 10-K for the year ended July 2, 2022.

Current Macroeconomic Conditions and Outlook

In the second quarter of fiscal 2023, the macroeconomic environment remained challenging and volatile. Several organizations that monitor the world's economy, including the International Monetary Fund, continue to forecast growth in the global economy. Some of these organizations have recently revised the forecast slightly upwards since the first quarter of fiscal 2023. Nevertheless, the updated forecast is still below the historical average which is reflective of the current volatile environment, including higher than anticipated inflation, tighter monetary and fiscal policies aiming to lower inflation, the lingering effects of Covid-19 pandemic and the negative economic impacts due to the crisis in Ukraine.

In the second quarter of fiscal 2023, the U.S. Dollar has appreciated as compared to foreign currencies in regions where we conduct our business. For the three months and six months ended December 31, 2022, this trend has resulted in adverse impacts to our business as compared to prior year, including, but not limited to, decreased Net sales of $80.6 million and $135.7 million respectively, negative impact to gross margin of approximately 100 basis points and 90 basis points respectively, and favorable impact to Selling, general and administrative expenses ("SG&A") of $34.6 million and $63.6 million respectively. Taken together, this resulted in approximately 120 basis points and 100 basis points, respectively, of negative impact to operating margin, and negative impact to Net income per diluted share by $0.11 and $0.20 respectively.

Currency volatility, political instability and potential changes to trade agreements or duty rates may also contribute to a worsening of the macroeconomic environment or adversely impact our business. Since fiscal 2019, the U.S. and China have both imposed tariffs on the importation of certain product categories into the respective country, with limited progress in negotiations to reduce or remove the tariffs.

The Company continues to take strategic actions in response to the current environment and remains committed to driving SG&A savings. The Company will continue to consider near-term exigencies and the long-term financial health of the business as clear steps are taken to mitigate the consequences of the current macroeconomic environment.

Covid-19 Pandemic

The ongoing Covid-19 pandemic has resulted in varying degrees of business disruption for the Company since it began in fiscal 2020 and has impacted all regions around the world, resulting in restrictions and shutdowns implemented by national, state, and local authorities. During the second quarter of fiscal 2023, the Company's results in Greater China have continued to be adversely impacted as a result of the Covid-19 pandemic. While the situation is still volatile in the region, certain government restrictions were lifted in December 2022. We continue to monitor the latest developments regarding the Covid-19 pandemic and have incorporated certain assumptions regarding the duration, severity and global macroeconomic impact of the pandemic into our financial outlook. The impact of Covid-19 on our business and operating results could differ materially from these assumptions based on a number of factors largely outside of our control. Refer to Part II, Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended July 2, 2022, for additional discussion regarding risks to our business associated with the Covid-19 pandemic.

Supply Chain and Logistics Challenges

Covid-19 has and may continue to cause disruptions in the Company's supply chain within our third-party manufacturers and logistics providers. During fiscal 2022, certain of the Company's third-party manufacturers, primarily located in Vietnam, experienced ongoing and longer-than-expected government mandated restrictions, which resulted in a significant decrease in production capacity for these third-party manufacturers. In response, the Company took deliberate actions such as shifting production to other countries, adjusting its merchandising strategies, where possible, and increasing the use of air freight to expedite delivery. Based on these actions and improved production levels, the Company has and expects that it will continue to be able to meet anticipated levels of demand. The Company has experienced other global logistical challenges, such as delays as a result of port congestion, vessel availability, container shortages for imported products and rising freight costs.

During the first half of fiscal 2023, freight costs have started to moderate and the Company has significantly reduced the use of air freight when compared to the first half of fiscal 2022. As a result, during the three months and six months ended December 31, 2022, the Company incurred lower freight expense of $27.0 million and $7.1 million respectively, positively impacting gross margin by approximately 130 basis points and 20 basis points when compared to the prior year.

There is still uncertainty associated with the duration of these disruptions and the possibility of other effects on the business. We will continue to monitor the rapidly evolving situation pertaining to the Covid-19 outbreak, including guidance from international and domestic authorities and adjust our operating plan as needed. Refer to Part II, Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended July 2, 2022.

Generalized System of Preferences ("GSP") program

The Company has historically benefited from duty-free imports on certain products from certain countries pursuant to the U.S. Generalized System of Preferences ("GSP") program. The GSP program expired in the third quarter of fiscal 2021, resulting in additional duties and negatively impacting gross profit.

Crisis in Ukraine

In the third quarter of fiscal 2022, a humanitarian crisis unfolded in Ukraine, which has created significant economic uncertainty in the region. The Company does not have directly operated stores in Russia or Ukraine and has a very minimal distributor and wholesale business which was less than 0.1% of the Company's total Net sales for fiscal 2022. The Company has paused all wholesale shipments to Russia. The Company's total business in Europe represented less than 5% of its fiscal 2022 total Net sales.

Tax Legislation

Over the past year, there has been significant discussion with regards to tax legislation by both the Biden Administration and the Organization for Economic Cooperation and Development ("OECD"). On August 16, 2022, the Inflation Reduction Act of 2022 was signed into law by the Biden Administration, with tax provisions primarily focused on implementing a 15% corporate alternative minimum tax on global adjusted financial statement income ("CAMT") and a 1% excise tax on share repurchases. On December 12, 2022, the European Union member states also reached agreement to implement the OECD's reform of international taxation known as Pillar Two Global Anti-Base Erosion ("GloBE") Rules, which broadly mirror the Inflation Reduction Act by imposing a 15% global minimum tax on multinational companies. The CAMT and GloBE are anticipated to be effective beginning in fiscal 2024. The US Treasury and the OECD continue to seek input and release guidance on the CAMT and GloBE legislation and how the two will interact, so it is unclear at this time what, if any, impact either will have on the Company's tax rate and financial results. We will continue to evaluate their impact as further information becomes available. With respect to the 1% excise tax on share repurchases, this provision of the Inflation Reduction Act is effective on January 1, 2023. We do not expect this provision of the Inflation Reduction Act to have a material impact on our financial results.

Seasonality

The Company's results are typically affected by seasonal trends. During the first fiscal quarter, we typically 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. Accordingly, the Company’s net sales, operating income and operating cash flows for the six months ended December 31, 2022 are not necessarily indicative of that expected for the full fiscal 2023. However, fluctuations in net sales, operating income and operating cash flows of the Company in any fiscal quarter may be affected by the timing of wholesale shipments and other events affecting retail sales, including adverse weather conditions or other macroeconomic events, including pandemics such as Covid-19.

SECOND QUARTER FISCAL 2023 COMPARED TO SECOND QUARTER FISCAL 2022

The following table summarizes results of operations for the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Three Months Ended					
	December 31, 2022		January 1, 2022		Variance	
	(millions, except per share data)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Net sales	**$ 2,025.4**	**100.0 %**	$ 2,141.2	100.0 %	$ (115.8)	(5.4)%
Gross profit	**1,389.3**	**68.6**	1,457.4	68.1	(68.1)	(4.7)
SG&A expenses	**971.1**	**47.9**	994.6	46.5	(23.5)	(2.4)
Operating income (loss)	**418.2**	**20.6**	462.8	21.6	(44.6)	(9.6)
Loss on extinguishment of debt	**—**	**—**	53.7	2.5	(53.7)	NM
Interest expense, net	**7.9**	**0.4**	15.9	0.7	(8.0)	(50.4)
Other expense (income)	**(6.6)**	**(0.3)**	3.1	0.1	(9.7)	NM
Provision for income taxes	**87.0**	**4.3**	72.2	3.4	14.8	20.5
Net income (loss)	**329.9**	**16.3**	317.9	14.8	12.0	3.8
Net income (loss) per share:						
Basic	**$ 1.38**		$ 1.17		$ 0.21	17.6
Diluted	**$ 1.36**		$ 1.15		$ 0.21	18.3

NM - Not meaningful

GAAP to Non-GAAP Reconciliation

The Company’s reported results are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). There were no charges affecting comparability during the second quarter of fiscal 2023. The reported results during the second quarter of fiscal 2022 reflect certain items which affect the comparability of our results, as noted in the following table. Refer to "Non-GAAP Measures" herein for further discussion on the Non-GAAP measures.

Second Quarter Fiscal 2022 Items

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

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

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

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

Tapestry, Inc. Summary – Second Quarter of Fiscal 2023

Currency Fluctuation Effects

The change in net sales for the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022 has been presented both including and excluding currency fluctuation effects. All percentages shown in the tables below and the discussion that follows have been calculated using unrounded numbers.

Net Sales

	Three Months Ended		Variance		
	December 31, 2022	January 1, 2022	**Amount**	**%**	**Constant Currency Change**
	(millions)				
Coach	**$ 1,449.7**	$ 1,525.0	$ (75.3)	(4.9)%	(0.6)%
Kate Spade	**490.3**	500.4	(10.1)	(2.0)	0.2
Stuart Weitzman	**85.4**	115.8	(30.4)	(26.2)	(23.6)
Total Tapestry	**$ 2,025.4**	$ 2,141.2	$ (115.8)	(5.4)	(1.6)

Net sales in the second quarter of fiscal 2023 decreased 5.4% or $115.8 million to $2.03 billion. Excluding the effects of foreign currency, net sales decreased by 1.6% or $35.2 million.

- *Coach Net Sales* decreased 4.9% or $75.3 million to $1.45 billion in the second quarter of fiscal 2023. Excluding the impact of foreign currency, net sales decreased 0.6% or $9.0 million. This decrease in net sales was primarily due to lower sales of $47.6 million in Greater China due to Covid-19 related disruptions. Excluding Greater China, net sales increased $38.6 million. This growth was due to an increase of $30.5 million in net retail sales, driven by store sales growth in all other geographies, partially offset by a net decrease in global e-commerce sales. In addition, there was an $8.1 million increase in wholesale sales.
- *Kate Spade Net Sales* decreased 2.0% or $10.1 million to $490.3 million in the second quarter of fiscal 2023. Excluding the impact of foreign currency, net sales increased 0.2% or $1.2 million. This increase in net sales was primarily due to an increase of $4.8 million in net retail sales driven by higher store sales, partially offset by a decrease in e-commerce sales. This increase in net sales was also partially offset by a decrease in wholesale sales of $2.3 million.
- *Stuart Weitzman Net Sales* decreased 26.2% or $30.4 million to $85.4 million in the second quarter of fiscal 2023. Excluding the impact of foreign currency, net sales decreased 23.6% or $27.4 million. This decrease in net sales was primarily due to a $15.3 million decrease in wholesale sales. This decrease in net sales was also attributed to a $12.1 million decrease in net retail sales mainly in store sales in Greater China due to Covid-19 related disruptions.

Gross Profit

	Three Months Ended					
	December 31, 2022		January 1, 2022		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 1,035.3**	**71.4 %**	$ 1,078.2	70.7 %	$ (42.9)	(4.0)%
Kate Spade	**302.1**	**61.6**	308.0	61.5	(5.9)	(1.9)
Stuart Weitzman	**51.9**	**60.8**	71.2	61.5	(19.3)	(27.0)
Tapestry	**$ 1,389.3**	**68.6**	$ 1,457.4	68.1	$ (68.1)	(4.7)

Gross profit decreased 4.7% or $68.1 million to $1.39 billion in the second quarter of fiscal 2023 from $1.46 billion in the second quarter of fiscal 2022. Gross margin for the second quarter of fiscal 2023 was 68.6% as compared to 68.1% in the second quarter of fiscal 2022. Gross margin for the second quarter of fiscal 2023 was positively impacted by favorable freight of 130 basis points and unfavorable currency translation of 100 basis points. Refer to "Current Macroeconomic Conditions and Outlook" and "Supply Chain and Logistics Challenges" herein, for further information.

The Company includes inbound product-related transportation costs from our service providers within Cost of sales. The Company, similar to some companies, includes certain transportation-related costs due to our distribution network in SG&A expenses rather than in Cost of sales; for this reason, our gross margins may not be comparable to that of entities that include all costs related to their distribution network in Cost of sales.

- *Coach Gross Profit* decreased 4.0% or $42.9 million to $1.04 billion in the second quarter of fiscal 2023 from $1.08 billion in the second quarter of fiscal 2022. Gross margin increased 70 basis points to 71.4% in the second quarter of fiscal 2023 from 70.7% in the second quarter of fiscal 2022. This increase in gross margin was primarily attributed to favorable inbound freight expense and net pricing improvements, partially offset by unfavorable currency translation.
- *Kate Spade Gross Profit* decreased 1.9% or $5.9 million to $302.1 million in the second quarter of fiscal 2023 from $308.0 million in the second quarter of fiscal 2022. Gross margin increased 10 basis points to 61.6% in the second quarter of fiscal 2023 from 61.5% in the second quarter of fiscal 2022. This increase in gross margin was primarily attributed to favorable inbound freight expense, offset by unfavorable currency translation and increased promotional activity.
- *Stuart Weitzman Gross Profit* decreased 27.0% or $19.3 million to $51.9 million in the second quarter of fiscal 2023 from $71.2 million in the second quarter of fiscal 2022. Gross margin decreased 70 basis points to 60.8% in the second quarter of fiscal 2023 from 61.5% in the second quarter of fiscal 2022. This decrease in gross margin was primarily attributed to unfavorable foreign currency translation, unfavorable geography mix mainly due to decreased sales in Greater China as a result of Covid-19 related disruptions and increased promotional activity, partially offset by favorable channel mix.

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

	Three Months Ended					
	December 31, 2022		January 1, 2022		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 582.1**	**40.2 %**	$ 604.9	39.7 %	$ (22.8)	(3.8)%
Kate Spade	**233.1**	**47.5**	224.3	44.8	8.8	4.0
Stuart Weitzman	**51.2**	**59.9**	57.9	50.0	(6.7)	(11.5)
Corporate	**104.7**	**NA**	107.5	NA	(2.8)	(2.5)
Tapestry	**$ 971.1**	**47.9**	$ 994.6	46.5	$ (23.5)	(2.4)

SG&A expenses decreased 2.4% or $23.5 million to $971.1 million in the second quarter of fiscal 2023 as compared to $994.6 million in the second quarter of fiscal 2022. As a percentage of net sales, SG&A expenses increased to 47.9% during the second quarter of fiscal 2023 from 46.5% during the second quarter of fiscal 2022. Excluding items affecting comparability of $13.3 million in the second quarter of fiscal 2022, SG&A expenses decreased 1.0% or $10.2 million to $971.1 million from $981.3 million in the second quarter of fiscal 2022. SG&A as a percentage of net sales increased to 47.9% as compared to 45.8% during the second quarter of fiscal 2022. SG&A for the second quarter of fiscal 2023 was positively impacted by favorable currency translation of $34.6 million. Refer to "Current Macroeconomic Conditions and Outlook" herein, for further information.

- *Coach SG&A Expenses* decreased 3.8% or $22.8 million to $582.1 million in the second quarter of fiscal 2023 as compared to $604.9 million in the second quarter of fiscal 2022. SG&A expenses as a percentage of net sales increased to 40.2% during the second quarter of fiscal 2023 from 39.7% during the second quarter of fiscal 2022. Excluding items affecting comparability of $1.1 million in the second quarter of fiscal 2022, SG&A expenses decreased 3.6% or $21.7 million to $582.1 million from $603.8 million in second quarter of fiscal 2022; and SG&A expenses as a percentage of net sales increased to 40.2% in the second quarter of fiscal 2023 from 39.6% in the second quarter of fiscal 2022. This decrease in SG&A expenses was primarily due to favorable currency translation, a decrease in compensation costs and a decrease in distribution costs, partially offset by higher marketing spend.
- *Kate Spade SG&A Expenses* increased 4.0% or $8.8 million to $233.1 million in the second quarter of fiscal 2023 as compared to $224.3 million in the second quarter of fiscal 2022. As a percentage of net sales, SG&A expenses increased to 47.5% during the second quarter of fiscal 2023 from 44.8% during the second quarter of fiscal 2022. Excluding items affecting comparability of $2.1 million in the second quarter of fiscal 2022, SG&A expenses increased 5.0% or $10.9 million to $233.1 million from $222.2 million in the second quarter of fiscal 2022; and SG&A expenses as a percentage of net sales increased to 47.5% in the second quarter of fiscal 2023 from 44.4% in the second

quarter of fiscal 2022. This increase in SG&A expenses was primarily due to an increase in selling and distribution costs, increased occupancy costs and higher information technology costs, partially offset by favorable currency translation, and a decrease in compensation costs.

- *Stuart Weitzman SG&A Expenses* decreased 11.5% or $6.7 million to $51.2 million in the second quarter of fiscal 2023 as compared to $57.9 million in the second quarter of fiscal 2022. As a percentage of net sales, SG&A expenses increased to 59.9% during the second quarter of fiscal 2023 as compared to 50.0% during the second quarter of fiscal 2022. Excluding items affecting comparability of $2.9 million in the second quarter of fiscal 2022, SG&A expenses decreased 6.9% or $3.8 million to $51.2 million from $55.0 million in the second quarter of fiscal 2022; and SG&A expenses as a percentage of net sales increased to 59.9% in the second quarter of fiscal 2023 from 47.5% in the second quarter of fiscal 2022. This decrease in SG&A expenses was primarily due to a favorable currency translation, a decrease in compensation costs, decrease in variable selling and distribution costs, and decreased occupancy costs, partially offset by higher marketing spend.
- Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, decreased 2.5% or $2.8 million to $104.7 million in the second quarter of fiscal 2023 as compared to $107.5 million in the second quarter of fiscal 2022. Excluding items affecting comparability of $7.2 million in the second quarter of fiscal 2022, SG&A expenses increased 4.5% or $4.4 million to $104.7 million in the second quarter of fiscal 2023 as compared to $100.3 million in the second quarter of fiscal 2022. This increase in SG&A expenses was primarily due to higher information technology costs partially offset by a decrease in compensation.

Operating Income (Loss)

	Three Months Ended					
	December 31, 2022		January 1, 2022		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 453.2**	**31.3 %**	$ 473.3	31.0 %	$ (20.1)	(4.2)%
Kate Spade	**69.0**	**14.1**	83.7	16.7	(14.7)	(17.6)
Stuart Weitzman	**0.7**	**0.9**	13.3	11.5	(12.6)	(94.2)
Corporate	**(104.7)**	**NA**	(107.5)	NA	2.8	2.6
Tapestry	**$ 418.2**	**20.6**	$ 462.8	21.6	$ (44.6)	(9.6)

Operating income decreased 9.6% or $44.6 million to $418.2 million in the second quarter of fiscal 2023 as compared to $462.8 million in the second quarter of fiscal 2022. Operating margin was 20.6% in the second quarter of fiscal 2023 as compared to 21.6% in the second quarter of fiscal 2022. Excluding items affecting comparability of $13.3 million in the second quarter of fiscal 2022, operating income decreased 12.2% or $57.9 million to $418.2 million in the second quarter of fiscal 2023 from $476.1 million in the second quarter of fiscal 2022; and operating margin decreased to 20.6% in the second quarter of fiscal 2023 as compared to 22.2% in the second quarter of fiscal 2022.

- *Coach Operating Income* decreased 4.2% or $20.1 million to $453.2 million in the second quarter of fiscal 2023, resulting in an operating margin of 31.3%, as compared to $473.3 million and 31.0%, respectively, in the second quarter of fiscal 2022. Excluding items affecting comparability, Coach operating income decreased 4.5% or $21.2 million to $453.2 million from $474.4 million in the second quarter of fiscal 2022; and operating margin was 31.3% in the second quarter of fiscal 2023 as compared to 31.1% in the second quarter of fiscal 2022.
- *Kate Spade Operating Income* decreased 17.6% or $14.7 million to $69.0 million in the second quarter of fiscal 2023, resulting in an operating margin of 14.1%, as compared to $83.7 million and operating margin of 16.7% in the second quarter of fiscal 2022. Excluding items affecting comparability, Kate Spade operating income decreased 19.7% or $16.8 million to $69.0 million from $85.8 million in the second quarter of fiscal 2022; and operating margin was 14.1% in the second quarter of fiscal 2023 as compared to 17.2% in the second quarter of fiscal 2022.
- *Stuart Weitzman Operating Income* decreased $12.6 million to $0.7 million in the second quarter of fiscal 2023, resulting in an operating margin of 0.9%, as compared to an operating income of $13.3 million and an operating margin of 11.5% in the second quarter of fiscal 2022. Excluding items affecting comparability, Stuart Weitzman operating income decreased 95.3% or $15.5 million to $0.7 million from $16.2 million in the second quarter of fiscal 2022, and operating margin was 0.9% in the second quarter of fiscal 2023 as compared to 14.0% in the second quarter of fiscal 2022.

Loss on Extinguishment of Debt

There was no loss on extinguishment of debt in the second quarter of fiscal 2023 as compared to $53.7 million in the second quarter of fiscal 2022, which was primarily related to the premiums, amortization and fees associated with the partial tender of the company's 2027 senior notes and 2025 senior notes.

Interest Expense, net

Interest expense, net decreased 50.4% or $8.0 million to $7.9 million in the second quarter of fiscal 2023 as compared to $15.9 million in the second quarter of fiscal 2022. This decrease in interest expense, net was mainly due to the favorable impact of the net investment hedges, lower bond interest expense on senior notes, as well as higher interest income offset by higher interest on the term loan.

Other Expense (Income)

Other expense decreased $9.7 million to income of $6.6 million in the second quarter of fiscal 2023 as compared to expense of $3.1 million in the second quarter of fiscal 2022. The decrease in other expense is related to an increase in foreign exchange gains.

Provision (Benefit) for Income Taxes

The effective tax rate was 20.9% in the second quarter of fiscal 2023 as compared to 18.5% in the second quarter of fiscal 2022. Excluding items affecting comparability, the effective tax rate was 19.5% in the second quarter of fiscal 2022. This increase in our effective tax rate was primarily attributable to geographic mix of earnings.

Net Income (Loss)

Net income increased 3.8% or $12.0 million to $329.9 million in the second quarter of fiscal 2023 as compared to $317.9 million in the second quarter of fiscal 2022. Excluding items affecting comparability, net income decreased 10.3% or $38.0 million to $329.9 million in the second quarter of fiscal 2023 as compared to $367.9 million in the second quarter of fiscal 2022. This decrease was primarily due to lower operating income.

Net Income (Loss) per Share

Net income per diluted share increased 18.3% or $0.21 to $1.36 in the second quarter of fiscal 2023 as compared to $1.15 in the second quarter of fiscal 2022. Excluding items affecting comparability, net income per diluted share increased 2.2% or $0.03 to $1.36 in the second quarter of fiscal 2023 as compared to $1.33 in the second quarter of fiscal 2022. This change was primarily due to higher net income and lower diluted shares. Foreign exchange negatively impacted Net income per diluted share by $0.11.

FIRST SIX MONTHS FISCAL 2023 COMPARED TO FIRST SIX MONTHS FISCAL 2022

The following table summarizes results of operations for the first six months of fiscal 2023 compared to the first six months of fiscal 2022. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Six Months Ended					
	December 31, 2022		January 1, 2022		Variance	
	(millions, except per share data)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Net sales	**$ 3,531.9**	**100.0 %**	$ 3,622.1	100.0 %	$ (90.2)	(2.5)%
Gross profit	**2,443.9**	**69.2**	2,526.1	69.7	(82.2)	(3.3)
SG&A expenses	**1,771.4**	**50.2**	1,768.3	48.8	3.1	0.2
Operating income (loss)	**672.5**	**19.0**	757.8	20.9	(85.3)	(11.3)
Loss on extinguishment of debt	**—**	**—**	53.7	1.5	(53.7)	NM
Interest expense, net	**15.3**	**0.4**	32.0	0.9	(16.7)	(52.3)
Other expense (income)	**4.1**	**0.1**	5.3	0.1	(1.2)	(23.4)
Provision for income taxes	**127.9**	**3.6**	122.0	3.4	5.9	4.9
Net income (loss)	**525.2**	**14.9**	544.8	15.0	(19.6)	(3.6)
Net income (loss) per share:						
Basic	**$ 2.19**		$ 1.98		$ 0.21	10.1
Diluted	**$ 2.14**		$ 1.94		$ 0.20	10.6

NM - Not meaningful

GAAP to Non-GAAP Reconciliation

The Company’s reported results are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). There were no charges affecting comparability during the first six months of fiscal 2023. The reported results during the first six months of fiscal 2022 reflect certain items which affect the comparability of our results, as noted in the following table. Refer to "Non-GAAP Measures" herein for further discussion on the Non-GAAP measures.

First Six Months of Fiscal 2022 Items

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

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

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

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

Tapestry, Inc. Summary – First Six Months of Fiscal 2023

Currency Fluctuation Effects

The change in net sales and gross margin for the first six months of fiscal 2023 compared to fiscal 2022 has been presented both including and excluding currency fluctuation effects. All percentages shown in the tables below and the discussion that follows have been calculated using unrounded numbers.

Net Sales

	Six Months Ended		Variance		
	December 31, 2022	January 1, 2022	**Amount**	**%**	**Constant Currency Change**
	(millions)				
Coach	**$ 2,569.0**	$ 2,639.9	$ (70.9)	(2.7)%	1.6 %
Kate Spade	**812.2**	799.9	12.3	1.5	4.0
Stuart Weitzman	**150.7**	182.3	(31.6)	(17.3)	(15.0)
Total Tapestry	**$ 3,531.9**	$ 3,622.1	$ (90.2)	(2.5)	1.3

Net sales in the first six months of fiscal 2023 decreased 2.5% or $90.2 million to $3.53 billion. Excluding the effects of foreign currency, net sales increased by 1.3% or $45.5 million.

- *Coach Net Sales* decreased 2.7% or $70.9 million to $2.57 billion in the first six months of fiscal 2023. Excluding the impact of foreign currency, net sales increased 1.6% or $41.1 million. Excluding Greater China, net sales increased $109.2 million. This growth was primarily due to an increase of $74.5 million in net retail sales, driven by store sales growth in all other geographies, partially offset by a net decrease in global e-commerce sales. In addition, there was a $29.8 million increase in wholesale sale. This increase in net sales was partially offset by lower sales in Greater China of $68.1 million due to Covid-19 related disruptions.
- *Kate Spade Net Sales* increased 1.5% or $12.3 million to $812.2 million in the first six months of fiscal 2023. Excluding the impact of foreign currency, net sales increased 4.0% or $31.8 million. This increase in net sales was primarily attributed to a net increase of $19.3 million in net retail sales driven by higher global store sales partially offset by a decrease in e-commerce sales. This increase in net sales was also partially attributed to a $11.4 million increase in wholesale sales.
- *Stuart Weitzman Net Sales* decreased 17.3% or $31.6 million to $150.7 million in the first six months of fiscal 2023. Excluding the impact of foreign currency, net sales decreased 15.0% or $27.4 million. This decrease in net sales was attributed to a $18.4 million decrease in net retail sales primarily driven by a decrease in store sales in Greater China due to Covid-19 related disruptions. This decrease in net sales was also attributed to a $9.0 million decrease in wholesale sales.

Gross Profit

	Six Months Ended					
	December 31, 2022		January 1, 2022		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 1,844.2**	**71.8 %**	$ 1,909.2	72.3 %	$ (65.0)	(3.4)%
Kate Spade	**509.9**	**62.8**	507.2	63.4	2.7	0.5
Stuart Weitzman	**89.8**	**59.6**	109.7	60.2	(19.9)	(18.1)
Tapestry	**$ 2,443.9**	**69.2**	$ 2,526.1	69.7	$ (82.2)	(3.3)

Gross profit decreased 3.3% or $82.2 million to $2.44 billion during the first six months of fiscal 2023 from $2.53 billion in the first six months of fiscal 2022. Gross margin for the first six months of fiscal 2023 was 69.2% as compared to 69.7% in the first six months of fiscal 2022. Gross margin for the first six months of fiscal 2023 was positively impacted by favorable freight of 20 basis points and unfavorable currency translation of 90 basis points. Refer to "Current Macroeconomic Conditions and Outlook" and "Supply Chain and Logistics Challenges" herein, for further information.

The Company includes inbound product-related transportation costs from our service providers within Cost of sales. The Company, similar to some companies, includes certain transportation-related costs due to our distribution network in SG&A expenses rather than in Cost of sales; for this reason, our gross margins may not be comparable to that of entities that include all costs related to their distribution network in Cost of sales.

- *Coach Gross Profit* decreased 3.4% or $65.0 million to $1.84 billion in the first six months of fiscal 2023 from $1.91 billion in the first six months of fiscal 2022. Gross margin decreased 50 basis points to 71.8% in the first six months of fiscal 2023 from 72.3% in the first six months of fiscal 2022. This decrease in gross margin was primarily attributed to unfavorable currency translation, partially offset by net pricing improvements.
- *Kate Spade Gross Profit* increased 0.5% or $2.7 million to $509.9 million in the first six months of fiscal 2023 from $507.2 million in the first six months of fiscal 2022. Gross margin decreased 60 basis points to 62.8% in the first six months of fiscal 2023 from 63.4% in the first six months of fiscal 2022. This decrease in gross margin was primarily attributed to unfavorable currency translation and increased promotional activity.
- *Stuart Weitzman Gross Profit* decreased 18.1% or $19.9 million to $89.8 million during the first six months of fiscal 2023 from $109.7 million in the first six months of fiscal 2022. Gross margin decreased 60 basis points to 59.6% in the first six months of fiscal 2023 from 60.2% in the first six months of fiscal 2022. This decrease in gross margin was primarily attributed to unfavorable foreign currency translation, unfavorable geography mix mainly due to decreased sales in Greater China as a result of Covid-19 related disruptions, partially offset by net pricing improvements and favorable channel mix.

Selling, General and Administrative Expenses

	Six Months Ended					
	December 31, 2022		January 1, 2022		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 1,051.8**	**40.9 %**	$ 1,070.2	40.5 %	$ (18.4)	(1.7)%
Kate Spade	**417.7**	**51.4**	386.3	48.3	31.4	8.1
Stuart Weitzman	**94.2**	**62.5**	97.9	53.7	(3.7)	(3.8)
Corporate	**207.7**	**NA**	213.9	NA	(6.2)	(2.9)
Tapestry	**$ 1,771.4**	**50.2**	$ 1,768.3	48.8	$ 3.1	0.2

SG&A expenses remained consistent at $1.77 billion in the first six months of fiscal 2023 as compared to the first six months of fiscal 2022. As a percentage of net sales, SG&A expenses increased to 50.2% during the first six months of fiscal 2023 as compared to 48.8% during the first six months of fiscal 2022. Excluding items affecting comparability of $25.4 million in the first six months of fiscal 2022, SG&A expenses increased 1.6% or $28.5 million to $1.77 billion from $1.74 billion the first six months of fiscal 2022. SG&A expenses as a percentage of net sales increased to 50.2% in the first six months of fiscal 2023 from 48.1% in the first six months of fiscal 2022. SG&A for the first six months for fiscal 2023 was positively impacted by favorable currency translation of $63.6 million. Refer to "Current Macroeconomic Conditions and Outlook" herein, for further information.

- *Coach SG&A Expenses* decreased 1.7% or $18.4 million to $1.05 billion in the first six months of fiscal 2023 as compared to $1.07 billion in the first six months of fiscal 2022. As a percentage of net sales, SG&A expenses increased to 40.9% during the first six months of fiscal 2023 as compared to 40.5% during the first six months of fiscal 2022. Excluding items affecting comparability of $2.5 million in the first six months of fiscal 2022, SG&A expenses decreased 1.5% or $15.9 million to $1.05 billion in the first six months of fiscal 2023; and SG&A expenses as a percentage of net sales increased to 40.9% in the first six months of fiscal 2023 from 40.4% in the first six months of fiscal 2022. This decrease in SG&A expenses was primarily due to favorable currency translation, partially offset by higher marketing spend and increased occupancy and compensation costs.

- *Kate Spade SG&A Expenses* increased 8.1% or $31.4 million to $417.7 million in the first six months of fiscal 2023 from $386.3 million in the first six months of fiscal 2022. As a percentage of net sales, SG&A expenses increased to 51.4% during the first six months of fiscal 2023 as compared to 48.3% during the first six months of fiscal 2022. Excluding items affecting comparability of $3.5 million in the first six months of fiscal 2022, SG&A expenses increased 9.1% or $34.9 million to $417.7 million in the first six months of fiscal 2023; and SG&A expenses as a percentage of net sales increased to 51.4% in the first six months of fiscal 2023 from 47.9% in the first six months of fiscal 2022. This increase in SG&A expenses was primarily due to an increase in selling and distribution costs, higher marketing spend, higher information technology costs, increased occupancy and compensation costs, partially offset by favorable currency translation.

- *Stuart Weitzman SG&A Expenses* decreased 3.8% or $3.7 million to $94.2 million in the first six months of fiscal 2023 as compared to $97.9 million in the first six months of fiscal 2022. As a percentage of net sales, SG&A expenses increased to 62.5% during the first six months of fiscal 2023 as compared to 53.7% during the first six months of fiscal 2022. Excluding items affecting comparability of $3.3 million in the first six months of fiscal 2022, SG&A expenses decreased 0.4% or $0.4 million to $94.2 million in the first six months of fiscal 2023; and SG&A expenses as a percentage of net sales increased to 62.5% in the first six months of fiscal 2023 from 51.9% in the first six months of fiscal 2022.

- Corporate expenses, which are included within SG&A expenses discussed above but are not directly attributable to a reportable segment, decreased 2.9% or $6.2 million to $207.7 million in the first six months of fiscal 2023 as compared to $213.9 million in the first six months of fiscal 2022. Excluding items affecting comparability of $16.1 million in the first six months of fiscal 2022, SG&A expenses increased by 5.0% or $9.9 million to $207.7 million in the first six months of fiscal 2023 as compared to $197.8 million in the first six months of fiscal 2022. This increase in SG&A expenses was primarily driven by an increase in higher information technology costs.

Operating Income (Loss)

	Six Months Ended					
	December 31, 2022		January 1, 2022		**Variance**	
	(millions)					
	Amount	**% of Net Sales**	Amount	% of Net Sales	Amount	%
Coach	**$ 792.4**	**30.8 %**	$ 839.0	31.8 %	$ (46.6)	(5.6)%
Kate Spade	**92.2**	**11.3**	120.9	15.1	(28.7)	(23.8)
Stuart Weitzman	**(4.4)**	**(2.9)**	11.8	6.5	(16.2)	NM
Corporate	**(207.7)**	**NA**	(213.9)	NA	6.2	(2.9)
Tapestry	**$ 672.5**	**19.0**	$ 757.8	20.9	$ (85.3)	(11.3)

Operating income decreased 11.3% or $85.3 million to $672.5 million in the first six months of fiscal 2023 as compared to operating income of $757.8 million in the first six months of fiscal 2022. Operating margin was 19.0% in the first six months of fiscal 2023 as compared to 20.9% in the first six months of fiscal 2022. Excluding items affecting comparability of $25.4 million in the first six months of fiscal 2022, operating income decreased $110.7 million to $672.5 million from $783.2 million in the first six months of fiscal 2022; and operating margin was 19.0% in the first six months of fiscal 2023 as compared to 21.6% in the first six months of fiscal 2022.

- *Coach Operating Income* decreased 5.6% or $46.6 million to $792.4 million in the first six months of fiscal 2023, resulting in an operating margin of 30.8%, as compared to $839.0 million and 31.8%, respectively, in the first six months of fiscal 2022. Excluding items affecting comparability, Coach operating income decreased 5.8% or $49.1 million to $792.4 million from $841.5 million in the first six months of fiscal 2022; and operating margin was 30.8% in the first six months of fiscal 2023 as compared to 31.9% in the first six months of fiscal 2022.

- *Kate Spade Operating Income* decreased 23.8% or $28.7 million to $92.2 million in the first six months of fiscal 2023, resulting in an operating margin of 11.3%, as compared to operating income of $120.9 million and 15.1%, respectively, in the first six months of fiscal 2022. Excluding items affecting comparability, Kate Spade operating income decreased 25.9% or $32.2 million to $92.2 million from $124.4 million in the first six months of fiscal 2022; and operating margin was 11.3% in the first six months of fiscal 2023 as compared to 15.6% in the first six months of fiscal 2022.

- *Stuart Weitzman Operating Loss* increased $16.2 million to a loss of $4.4 million in the first six months of fiscal 2023, resulting in an operating margin of (2.9)%, as compared to operating income of $11.8 million in first six months of fiscal 2022. Excluding items affecting comparability, Stuart Weitzman operating loss increased $19.5 million to a loss of $4.4 million from $15.1 million of income in the first six months of fiscal 2022; and operating margin was (2.9)% in the first six months of fiscal 2023 as compared to 8.3% in the first six months of fiscal 2022.

Loss on Extinguishment of Debt

There was no loss on extinguishment of debt in the first six months of fiscal 2023 as compared to $53.7 million in the first six months of fiscal 2022. This was primarily related to the premiums, amortization and fees associated with the partial tender of the company's 2027 senior notes and 2025 senior notes.

Interest Expense, net

Interest expense, net decreased 52.3% or $16.7 million to $15.3 million in the first six months of fiscal 2023 as compared to $32.0 million in the first six months of fiscal 2022. This decrease in interest expense, net was mainly due to the favorable impact of the net investment hedges, lower bond interest expense on senior notes, as well as higher interest income offset by higher interest on the term loan.

Other Expense (Income)

Other expense decreased $1.2 million to an expense of $4.1 million in the first six months of fiscal 2023 as compared to an expense of $5.3 million in the first six months of fiscal 2022. This decrease in other expense was related to a decrease in foreign exchange losses.

Provision (Benefit) for Income Taxes

The effective tax rate was 19.6% in the first six months of fiscal 2023 as compared to 18.3% in the first six months of fiscal 2022. Excluding items affecting comparability, the effective tax rate was 19.2% in the first six months of fiscal 2022. This increase in our effective tax rate was primarily attributable to geographic mix of earnings.

Net Income (Loss)

Net income decreased 3.6% or $19.6 million to $525.2 million in the first six months of fiscal 2023 as compared to net income of $544.8 million in the first six months of fiscal 2022. Excluding items affecting comparability, net income decreased 12.9% or $77.8 million to $525.2 million in the first six months of fiscal 2023 as compared to $603.0 million in the first six months of fiscal 2022. This decrease was primarily due to lower operating income.

Net Income (Loss) per Share

Net income per diluted share increased 10.6% or $0.20 to $2.14 in the first six months of fiscal 2023 as compared to $1.94 in the first six months of fiscal 2022. Excluding items affecting comparability, net income per diluted share decreased 0.1% or $0.01 to $2.14 in the first six months of fiscal 2023 from $2.15 in the first six months of fiscal 2022. This change was primarily due to lower net income and lower diluted shares. Foreign exchange negatively impacted Net income per diluted share by $0.20.

NON-GAAP MEASURES

The Company’s reported results are presented in accordance with GAAP. There were no items affecting comparability in the first and second quarter of fiscal 2023. The reported SG&A expenses, operating income, provision for income taxes, net income and earnings per diluted share in the first and second quarter of fiscal 2022 and the reported loss on extinguishment of debt in the second quarter of fiscal 2022 reflect certain items, including debt extinguishment costs in the second quarter of fiscal 2022 and Acceleration Program costs in the first and second quarter of fiscal 2022. As a supplement to the Company's reported results, these metrics are also reported on a non-GAAP basis to exclude the impact of these items along with a reconciliation to the most directly comparable GAAP measures.

The Company has historically reported comparable store sales, which reflects sales performance at stores that have been open for at least 12 months, and includes sales from e-commerce sites. The Company excludes new stores, including newly acquired locations, from the comparable store base for the first twelve months of operation. The Company excludes closed stores from the calculation. Comparable store sales are not adjusted for store expansions. Due to extensive temporary store closures resulting from the impact of the Covid-19 pandemic, comparable store sales are not reported for the three or six months ended December 31, 2022 as the Company does not believe this metric is currently meaningful to the readers of its financial statements for this period.

These non-GAAP performance measures were used by management to conduct and evaluate its business during its regular review of operating results for the periods affected. Management and the Company’s Board utilized these non-GAAP measures to make decisions about the uses of Company resources, analyze performance between periods, develop internal projections and measure management performance. The Company’s internal management reporting excluded these items. In addition, the human resources committee of the Company’s Board uses these non-GAAP measures when setting and assessing achievement of incentive compensation goals.

The Company operates on a global basis and reports financial results in U.S. dollars in accordance with GAAP. Fluctuations in foreign currency exchange rates can affect the amounts reported by the Company in U.S. dollars with respect to its foreign revenues and profit. Accordingly, certain material increases and decreases in operating results for the Company and its segments have been presented both including and excluding currency fluctuation effects. These effects occur from translating foreign-denominated amounts into U.S. dollars and comparing to the same period in the prior fiscal year. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. The Company calculates constant currency revenue results by translating current period revenue in local currency using the prior year period's currency conversion rate.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Six Months Ended		
	December 31, 2022	January 1, 2022	Change
		(millions)	
Net cash provided by (used in) operating activities	**$ 462.4**	$ 668.1	$ (205.7)
Net cash provided by (used in) investing activities	**80.6**	(455.7)	536.3
Net cash provided by (used in) financing activities	**(504.7)**	(952.1)	447.4
Effect of exchange rate changes on cash and cash equivalents	**2.1**	(10.6)	12.7
Net increase (decrease) in cash and cash equivalents	**$ 40.4**	$ (750.3)	$ 790.7

The Company’s cash and cash equivalents increased by $40.4 million in the first six months of fiscal 2023 as compared to a decrease of $750.3 million in the first six months of fiscal 2022, as discussed below.

Net cash provided by (used in) operating activities

Net cash provided by operating activities decreased $205.7 million due to changes in operating assets and liabilities of $101.9 million, lower impact of non-cash adjustments of $84.2 million, as well as lower net income of $19.6 million.

The $101.9 million decrease in changes in operating asset and liability balances were primarily driven by the following:

- Other assets were a use of cash of $45.1 million in the first six months of fiscal 2023 compared to a source of cash of $50.4 million in the first six months of fiscal 2022, primarily driven by additional income tax payments for the year offset by a significant refund in the prior year.
- Accrued liabilities were a use of cash of $60.6 million in the first six months of fiscal 2023 compared to a source of cash of $3.4 million in the first six months of fiscal 2022, primarily driven by a decrease in accruals for the Annual Incentive Plan, a decrease in accrued freight and duty, a decrease in accrued advertising and distribution costs, partially offset by an increase in accrued interest due to the net investment hedge.
- Accounts payable were a use of cash of $60.2 million in the first six months of fiscal 2023 compared to a use of cash of $0.7 million in the first six months of fiscal 2022, primarily driven by lower in-transit inventory compared to the prior year end.
- Trade accounts receivable were a use of cash of $19.5 million in the first six months of fiscal 2023 compared to a use of cash of $88.9 million in the first six months of fiscal 2022, primarily driven by lower sales in Greater China due to Covid-19 related disruptions.
- Inventories were a source of cash of $11.5 million in the first six months of fiscal 2023 compared to a use of cash of $17.4 million in the first six months of fiscal 2022, primarily driven by lower in-transit inventory compared to prior year end due to the strategic decision to pull back on receipts.

Net cash provided by (used in) investing activities

Net cash provided by investing activities in the first six months of fiscal 2023 was $80.6 million as compared to a use of cash of $455.7 million in the first six months of fiscal 2022, resulting in a $536.3 million increase in net cash provided by investing activities.

The $80.6 million source of cash in the first six months of fiscal 2023 is primarily due to proceeds from maturities and sales of investments $151.8 million, settlement of net investment hedge of $41.9 million, partially offset by capital expenditures of $108.8 million.

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

Net cash provided by (used in) financing activities

Net cash used in financing activities was $504.7 million in the first six months of fiscal 2023 as compared to a use of cash of $952.1 million in the first six months of fiscal 2022, resulting in a net decrease in use of cash for financing activities of $447.4 million.

The $504.7 million of cash used in the first six months of fiscal 2023 was primarily due to repurchase of common stock of $300.0 million and dividend payments of $144.2 million as well as taxes paid to net settle share-based awards of $55.0 million.

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

Working Capital and Capital Expenditures

As of December 31, 2022, in addition to our cash flows from operations, our sources of liquidity and capital resources were comprised of the following:

	Sources of Liquidity	Outstanding Indebtedness	Total Available Liquidity[(1)]
		(millions)	
Cash and cash equivalents[(1)]	$ 830.2	$ —	$ 830.2
Short-term investments[(1)]	16.0	—	16.0
Revolving Credit Facility[(2)]	1,250.0	—	1,250.0
Term Loans[(2)]	481.2	481.2	—
3.050% Senior Notes due 2032[(3)]	500.0	500.0	—
4.125% Senior Notes due 2027[(3)]	396.6	396.6	—
4.250% Senior Notes due 2025[(3)]	303.4	303.4	—
Total	$ 3,777.4	$ 1,681.2	$ 2,096.2

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(1) As of December 31, 2022, approximately 39.3% of our cash and short-term investments were held outside the United States. We have analyzed our global working capital and cash requirements, and the potential tax liabilities associated with repatriation, and have determined that we will likely repatriate some portion of available foreign cash in the foreseeable future. The Company has recorded deferred taxes on certain earnings of non-US subsidiaries that are deemed likely to be repatriated.

(2) On May 11, 2022, the Company entered into a definitive agreement whereby Bank of America, N.A., as administrative agent, other agents party thereto, and a syndicate of banks and financial institutions have made available to the Company a $1.25 billion revolving credit facility (the "$1.25 Billion Revolving Credit Facility") and an unsecured $500.0 Million Term Loan (the “Term Loan”). Both the $1.25 Billion Revolving Credit Facility and Term Loan (collectively, the “Credit Facilities”) will mature on May 11, 2027. The Company and its subsidiaries must comply on a quarterly basis with a maximum 4.0 to 1.0 ratio of (a) consolidated debt minus unrestricted cash and cash equivalents in excess of $300 million to (b) consolidated EBITDAR.

Borrowings under the $1.25 Billion Revolving Credit Facility bear interest at a rate per annum equal to, at the Company’s option, (i) for borrowings in U.S. Dollars, either (a) an alternate base rate or (b) a term secured overnight financing rate, (ii) for borrowings in Euros, the Euro Interbank Offered Rate, (iii) for borrowings in Pounds Sterling, the Sterling Overnight Index Average Reference Rate and (iv) for borrowings in Japanese Yen, the Tokyo Interbank Offer Rate, plus, in each case, an applicable margin. The applicable margin will be adjusted by reference to a grid (the “Pricing Grid”) based on the ratio of (a) consolidated debt to (b) consolidated EBITDAR (the “Gross Leverage Ratio”). Additionally, the Company will pay facility fees, calculated at a rate per annum determined in accordance with the Pricing Grid, on the full amount of the $1.25 Billion Revolving Credit Facility, payable quarterly in arrears, and certain fees with respect to letters of credit that are issued. The $1.25 Billion 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 backup). There were no outstanding borrowings on the $1.25 Billion Revolving Credit Facility as of December 31, 2022.

The Term Loan includes a two-month delayed draw period from the closing date. On June 14, 2022 the Company drew down on the Term Loan to satisfy the Company's remaining obligations under the 3.000% senior unsecured notes due 2022 and for general corporate purposes. The Term Loan amortizes in an amount equal to 5.00% per annum, with payments made quarterly. As of December 31, 2022, $25.0 million of the Term Loan is included in Current debt on the Condensed Consolidated Balance Sheet. Borrowings under the Term Loan bear interest at a rate per annum equal to, at the Company's option, either (i) an alternate base rate or (ii) a term secured overnight financing rate plus, in each case, an applicable margin. The applicable margin will be adjusted by reference to a pricing grid based on the Gross Leverage Ratio. Additionally, the Company will pay a ticking fee on the undrawn amount of the Term Loan. Refer to Note 11, "Debt," for further information on our existing debt instruments.

(3) In December 2021, the Company issued $500.0 million aggregate principal amount of 3.050% senior unsecured notes due March 15, 2032 at 99.705% of par (the "2032 Senior Notes") and completed cash tender offers for $203.4 million and $296.6 million of the outstanding aggregate principal amount under its 2027 Senior Notes and 2025 Senior Notes, respectively. In June 2017, the Company issued $600.0 million aggregate principal amount of 2027 Senior Notes. In March 2015, the Company issued $600.0 million aggregate principal amount of 2025 Senior Notes. Furthermore, the indentures for the 2032 Senior Notes, 2027 Senior Notes, and 2025 Senior Notes contain certain covenants limiting the Company's ability to: (i) create certain liens, (ii) enter into certain sale and leaseback transactions and (iii) merge, or consolidate or transfer, sell or lease all or substantially all of the Company's assets. As of December 31, 2022, no known events of default have occurred. Refer to Note 11, "Debt," for further information on our existing debt instruments.

We believe that our Revolving Credit Facility is adequately diversified with no undue concentrations in any one financial institution. As of December 31, 2022, there were 11 financial institutions participating in the Revolving Credit Facility and Term Loans, with no one participant maintaining a combined maximum commitment percentage in excess of 15%. 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, acquisition or integration-related costs, our restructuring initiatives, settlement of a material contingency, or a material adverse business or macroeconomic development, as well as for other general corporate business purposes.

Management believes that cash flows from operations, access to the credit and capital markets and our credit lines, on-hand cash and cash equivalents and our investments will provide adequate funds to support our operating, capital, and debt service requirements for fiscal 2023 and beyond. There can be no assurance that any such capital will be available to the Company on acceptable terms or at all. Our ability to fund working capital needs, planned capital expenditures, and scheduled debt payments, as well as to comply with all of the financial covenants under our debt agreements, depends on future operating performance and cash flow. This future operating performance and cash flow are subject to prevailing economic conditions, which is uncertain as a result of Covid-19, and to financial, business and other factors, some of which are beyond the Company's control.

To improve our working capital efficiency, we make available to certain suppliers a voluntary supply chain finance ("SCF") program that enables our suppliers to sell their receivables from the Company to a global financial institution on a non-recourse basis at a rate that leverages our credit rating. We do not have the ability to refinance or modify payment terms to the global financial institution through the SCF program. No guarantees are provided by the Company or any of our subsidiaries under the SCF program.

Reference should be made to our most recent Annual Report on Form 10-K and other filings with the SEC for additional information regarding liquidity and capital resources. During the three and six months ended December 31, 2022, capital expenditures and cloud computing implementation costs were $101.8 million and $149.2 million, respectively. The Company expects total fiscal 2023 capital expenditures and cloud computing cost to be approximately $300.0 million. Certain cloud computing implementation costs are recognized within Prepaid expenses and Other assets on the Condensed Consolidated Balance Sheets.

Stock Repurchase Plan

On May 12, 2022, the Company announced the Board of Directors authorized the additional repurchase of up to $1.50 billion of its common stock (the "2022 Share Repurchase Program"). Pursuant to this program, purchases of the Company's common stock will be made subject to market conditions and at prevailing market prices, through open market purchases. Repurchased shares of common stock will become authorized but unissued shares. These shares may be issued in the future for general corporate and other purposes. In addition, the Company may terminate or limit the stock repurchase program at any time. As of December 31, 2022 the Company had $1.2 billion of additional shares available to be repurchased as authorized under the 2022 Share Repurchase Program. Refer to Part II, Item 2. "Unregistered Sales of Equity Securities and Use of Proceeds," for further information. During the three months and six months ended December 31, 2022, the Company repurchased $200.0 million and $300.0 million, respectively, worth of shares. In total, the Company intends to repurchase approximately $700.0 million in fiscal 2023, all of which is under its current authorization.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note 3 to the audited consolidated financial statements in our Annual Report on Form 10-K for fiscal 2022. Our discussion of results of operations and financial condition relies on our condensed consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates which are subject to varying degrees of uncertainty. While we believe that these accounting policies are based on sound measurement criteria, actual future events can and often do result in outcomes that can be materially different from these estimates or forecasts.

For a complete discussion of our critical accounting policies and estimates, see the "Critical Accounting Policies and Estimates" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal 2022. As of December 31, 2022, there have been no material changes to any of the critical accounting policies.

The Company performs its annual impairment assessment of goodwill as well as brand intangibles at the beginning of the fourth quarter of each fiscal year. In all fiscal years, the fair values of our Coach brand reporting units significantly exceeded their respective carrying values. The fair values of the Kate Spade brand reporting unit and indefinite-lived brand as of the fiscal 2022 testing date exceeded their carrying values by approximately 50% and 90%, respectively. Several factors could impact the Kate Spade brand's ability to achieve expected future cash flows, including the optimization of the store fleet productivity, the success of international expansion strategies, the impact of promotional activity, continued economic volatility and potential operational challenges related to macroeconomic factors, the reception of new collections in all channels, and other initiatives aimed at increasing profitability of the business. Given the relatively small excess of fair value over carrying value as noted above, if profitability trends decline during fiscal 2023 from those that are expected, it is possible that an interim test, or our annual impairment test, could result in an impairment of those assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows, arising from adverse changes in foreign currency exchange rates or interest rates. The Company manages these exposures through operating and financing activities and, when appropriate, through the use of derivative financial instruments. The use of derivative financial instruments is in accordance with the Company's risk management policies, and we do not enter into derivative transactions for speculative or trading purposes.

The quantitative disclosures in the following discussion are based on quoted market prices obtained through independent pricing sources for the same or similar types of financial instruments, taking into consideration the underlying terms and maturities and theoretical pricing models. These quantitative disclosures do not represent the maximum possible loss or any expected loss that may occur, since actual results may differ from those estimates.

Foreign Currency Exchange Rate Risk

Foreign currency exposures arise from transactions, including firm commitments and anticipated contracts, denominated in a currency other than the entity’s functional currency, and from foreign-denominated revenues and expenses translated into U.S. dollars. The majority of the Company's purchases and sales involving international parties, excluding international consumer sales, are denominated in U.S. dollars and, therefore, our foreign currency exchange risk is limited. The Company is exposed to risk from foreign currency exchange rate fluctuations resulting from its operating subsidiaries’ transactions denominated in foreign currencies. To mitigate such risk, certain subsidiaries enter into forward currency contracts. As of December 31, 2022 and July 2, 2022, forward currency contracts designated as cash flow hedges with a notional amount of $556.8 million and $41.5 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 December 31, 2022.

The Company is also exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans, payables and receivables. This primarily includes exposure to exchange rate fluctuations in the Chinese Renminbi, the British Pound Sterling and the Japanese Yen. To manage the exchange rate risk related to these balances, the Company enters into forward currency contracts. As of December 31, 2022 and July 2, 2022 the total notional values of outstanding forward foreign currency contracts related to these loans, payables and receivables were $299.2 million and $274.1 million, respectively.

The fair value of outstanding forward currency contracts included in current assets at December 31, 2022 and July 2, 2022 was $5.7 million and $0.4 million, respectively. The fair value of outstanding foreign currency contracts included in current liabilities at December 31, 2022 and July 2, 2022 was $25.3 million and $3.2 million, respectively. The fair value of these contracts is sensitive to changes in foreign currency exchange rates.

The Company is also exposed to foreign currency exchange rate fluctuations with respects to net investment hedges. As of December 31, 2022 and July 2, 2022, we have multiple fixed to fixed cross currency swap agreements with aggregate notional amounts of $1.20 billion and $1.20 billion, respectively, to hedge our net investment in Euro-denominated subsidiaries and Japanese Yen-denominated subsidiaries against future volatility in the exchange rates between the United States dollar and their local currencies. The fair values of outstanding derivative contracts related to net investment hedges included in long-term assets at December 31, 2022 and July 2, 2022 was $0.0 million and $47.8 million, respectively. The fair values of outstanding derivative contracts related to net investment hedges included in long-term liabilities at December 31, 2022 and July 2, 2022 was $94.5 million and $44.0 million, respectively. Under the term of these contracts, we will exchange the semi-annual fixed rate payments on United States denominated debt for fixed rate payments of 2.4% and 2.7% in Euros, and 0.1% and (0.3)% in Japanese Yen. Refer to Note 8, "Derivative Investments and Hedging Activities," for additional information.

Interest Rate Risk

The Company is exposed to interest rate risk in relation to its $1.25 Billion Revolving Credit Facility and $500.0 Million Term Loan entered into under the credit agreement dated May 11, 2022, the 2032 Senior Notes, 2027 Senior Notes, 2025 Senior Notes (collectively the "Senior Notes") and investments.

Our exposure to changes in interest rates is primarily attributable to debt outstanding under the $1.25 Billion Revolving Credit Facility and $500.0 Million Term Loan (collectively, the "Credit Facilities"). Borrowings under the $1.25 Billion Revolving Credit Facility bear interest at a rate per annum equal to, at the Company’s option, (i) for borrowings in U.S. Dollars, either (a) an alternate base rate or (b) a term secured overnight financing rate, (ii) for borrowings in Euros, the Euro Interbank Offered Rate, (iii) for borrowings in Pounds Sterling, the Sterling Overnight Index Average Reference Rate and (iv) for borrowings in Japanese Yen, the Tokyo Interbank Offer Rate, plus, in each case, an applicable margin. The applicable margin

will be adjusted by reference to a grid (the “Pricing Grid”) based on the ratio of (a) consolidated debt to (b) consolidated EBITDAR (the “Gross Leverage Ratio”). Borrowings under the Term Loan bear interest at a rate per annum equal to, at the Company’s option, either (i) an alternate base rate or (ii) a term secured overnight financing rate plus, in each case, an applicable margin. The applicable margin will be adjusted by reference to a pricing grid based on the Gross Leverage Ratio. Furthermore, a prolonged disruption on our business resulting from the Covid-19 pandemic may impact our ability to satisfy the terms of our Credit Facilities, including our liquidity covenant.

The Company is exposed to changes in interest rates related to the fair value of the Senior Notes. At December 31, 2022, the fair value of the 2032 Senior Notes, 2027 Senior Notes, and 2025 Senior Notes was approximately $390 million, $367 million, and $297 million, respectively. At July 2, 2022, the fair value of the 2032 Senior Notes, 2027 Senior Notes, and 2025 Senior Notes was approximately $409 million, $383 million, and $304 million respectively. These fair values are based on external pricing data, including available quoted market prices of these instruments, and consideration of comparable debt instruments with similar interest rates and trading frequency, among other factors, and are classified as Level 2 measurements within the fair value hierarchy. The interest rate payable on the 2027 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.

The Company’s investment portfolio is maintained in accordance with the Company’s investment policy, which defines our investment principles including credit quality standards and limits the credit exposure of any single issuer. The primary objective of our investment activities is the preservation of principal while maximizing interest income and minimizing risk. We do not hold any investments for trading purposes.

ITEM 4. CONTROLS AND PROCEDURES

Based on the evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2022.

Reference should be made to our most recent Annual Report on Form 10-K for additional information regarding discussion of the effectiveness of the Company’s controls and procedures. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is set forth in Note 14, Commitments and Contingencies, of the "Notes to Condensed Consolidated Financial Statements" and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors previously disclosed in Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the fiscal year ended July 2, 2022.

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

The following table provides information regarding the Company's purchases of shares of common stock during the second quarter of fiscal 2023 related to the Company's share repurchase program:

Fiscal Period	Total Number of Shares Repurchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs[1]
	(millions, except share data and per share data)			
October 2, 2022 - November 5, 2022	—	$ —	—	$ 1,400.0
November 6, 2022 - December 3, 2022	2,065,420	36.32	2,065,420	1,325.0
December 4, 2022 - December 31, 2022	3,374,144	37.05	3,374,144	1,200.0
Total	5,439,564		5,439,564	

(1) On May 12, 2022, the Company announced that its Board of Directors authorized a common stock repurchase program to repurchase up to $1.50 billion of its outstanding common stock (the "2022 Share Repurchase Program"). Purchases of the Company's common stock were executed through open market purchases, including through purchase agreements under Rule 10b5-1.

ITEM 6. EXHIBITS

31.1*	Rule 13(a) – 14(a)/15(d) – 14(a) Certifications
32.1*	Section 1350 Certifications
101.INS*	XBRL Instance Document
	Note: the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

* Filed Herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAPESTRY, INC.
(Registrant)

By:	/s/ Manesh B. Dadlani
Name:	Manesh B. Dadlani
Title:	Corporate Controller (Principal Accounting Officer)

Dated: February 9, 2023

EXHIBIT 31.1

I, Joanne C. Crevoiserat, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q of Tapestry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2023

By: /s/ Joanne C. Crevoiserat

Name: Joanne C. Crevoiserat

Title: Chief Executive Officer

I, Scott A. Roe, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q of Tapestry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2023

By: /s/ Scott A. Roe

Name: Scott A. Roe

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 Tapestry, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2023

By: /s/ Joanne C. Crevoiserat
Name: Joanne C. Crevoiserat
Title: Chief Executive Officer

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

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2023

By: /s/ Scott A. Roe
Name: Scott A. Roe
Title: Chief Financial Officer