UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 9, 2023

Tapestry, Inc.
(Exact Name of Registrant as Specified in Charter)

Maryland	001-16153	52-2242751
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

10 Hudson Yards, New York, New York 10001
(Address of Principal Executive Offices, and Zip Code)

(212) 946-8400
Registrant's Telephone Number, Including Area Code

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	TPR	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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 13(a) of the Exchange Act. ☐

Item 8.01 Other Events.

Tapestry, Inc. (the “Company”) is filing this Current Report on Form 8-K (this “Current Report”) to provide certain financial information with respect to Capri Holdings Limited (“Capri”) and the Company’s proposed acquisition of Capri.

As previously announced on August 10, 2023, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), dated as of August 10, 2023, by and among the Company, Sunrise Merger Sub, Inc., a wholly owned subsidiary of the Company (“Merger Sub”), and Capri. Pursuant to the Merger Agreement, and upon the terms and subject to the conditions therein, Merger Sub will merge with and into Capri (the “Merger”), with Capri surviving the Merger and continuing as a wholly owned subsidiary of the Company.

Included in this Current Report as Exhibit 99.1 are the audited consolidated financial statements of Capri for the periods described in Item 9.01(a) below, the notes related thereto and the related Report of Independent Registered Public Accounting Firm. Included in this Current Report as Exhibits 99.2 and 99.3 are the unaudited condensed consolidated financial statements of Capri for the periods described in Item 9.01(a) below and the notes related thereto.

Also included in this Current Report as Exhibit 99.4 are the pro forma condensed combined financial statements described in Item 9.01(b) below.

Item 7.01. Regulation FD Disclosure.

Unaudited supplemental non-GAAP pro forma condensed combined financial measures of the Company and Capri for the three months ended September 30, 2023 and the twelve months ended July 1, 2023 are attached as Exhibit 99.5 to this Current Report on Form 8-K and incorporated herein by reference.

The information in this Item 7.01, including Exhibit 99.5 attached hereto, is being furnished, shall not be deemed “filed” for any purpose, and shall not be deemed incorporated by reference into any filing under the Securities Act, as amended or the Securities Exchange Act of 1934, as amended, regardless of any general incorporation language in such filings (unless the Company specifically states that the information or exhibit in this particular report with respect to Item 7.01 are incorporated by reference).

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses or funds acquired.

The audited consolidated balance sheets of Capri as of April 1, 2023 and April 2, 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows for each of the years ended April 1, 2023, April 2, 2022 and March 27, 2021, and the related notes, are filed herewith as Exhibit 99.1 and incorporated herein by reference.

The unaudited consolidated balance sheets of Capri as of July 1, 2023 and April 1, 2023, the related condensed consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows for the three months ended July 1, 2023 and July 2, 2022, and the related notes, are filed herewith as Exhibit 99.2 and incorporated herein by reference.

The unaudited consolidated balance sheets of Capri as of September 30, 2023 and April 1, 2023, the related condensed consolidated statements of operations, comprehensive income (loss) and shareholders’ equity for the three and six months ended September 30, 2023 and October 1, 2022 and the statements of cash flows for the six months ended September 30, 2023 and October 1, 2022, and the related notes, are filed herewith as Exhibit 99.3 and are incorporated herein by reference.

(b) Pro forma financial information.

The following unaudited pro forma condensed combined financial statements, giving effect to the Merger and the related financing transactions, are filed herewith as Exhibit 99.4 and are incorporated herein by reference:

- the unaudited pro forma condensed combined balance sheet as of September 30, 2023;
- the unaudited pro forma condensed combined statement of operations for the three months ended September 30, 2023; and
- the unaudited pro forma condensed combined statement of operations for the year ended July 1, 2023.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm with respect to Capri.
99.1	The historical audited consolidated financial statements of Capri as of April 1, 2023 and April 2, 2022 and for each of the fiscal years in the period ending April 1, 2023.
99.2	The historical unaudited consolidated financial statements of Capri as of July 1, 2023 and April 1, 2023 and for the three months ended July 1, 2023 and July 2, 2022.
99.3	The historical unaudited consolidated financial statements of Capri as of September 30, 2023 and April 1, 2023 and for the three and six months ended September 30, 2022 and October 1, 2022.
99.4	The unaudited pro forma condensed combined financial statements of the Company, including the unaudited pro forma condensed combined balance sheet as of September 30, 2023, the unaudited pro forma condensed combined statement of operations for the three months ended September 30, 2023 and the year ended July 1, 2023.
99.5	Unaudited supplemental non-GAAP pro forma condensed combined financial measures.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

Dated: November 9, 2023

TAPESTRY, INC.

By: /s/ David E. Howard

David E. Howard
General Counsel and Secretary

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-253071 on Form S-3 and Registration Statement Nos. 333-228281, 333-222915, 333-209393, 333-214562, 333-219241, 333-205331, 333-172699, 333-51706, 333-234576 and 333-250200 on Form S-8 of Tapestry, Inc. of our reports dated May 31, 2023, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Capri Holdings Limited appearing in this Current Report on Form 8-K of Tapestry, Inc.

/s/ ERNST & YOUNG LLP

New York, New York
November 9, 2023

Exhibit 99.1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Capri Holdings Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Capri Holdings Limited and subsidiaries (“the Company”) as of April 1, 2023 and April 2, 2022, and the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity and cash flows for each of the three years in the period ended April 1, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 1, 2023 and April 2, 2022, and the results of its operations and its cash flow for each of the three years in the period ended April 1, 2023, in conformity with the U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of April 1, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 31, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Valuation of Goodwill and Indefinite-lived Intangible Assets
Description of the Matter	At April 1, 2023, the Company’s goodwill and indefinite-lived intangible assets, consisting of brand names, totaled $1.3 billion and $1.2 billion, respectively. As discussed in Note 2 to the consolidated financial statements, goodwill and indefinite-lived intangible assets are assessed for impairment on an annual basis, or whenever impairment indicators exist. As a result of the Company’s 2023 annual impairment test, the Company recorded a goodwill impairment charge of $82 million associated with its Jimmy Choo Retail and Wholesale reporting units. The Company also recognized an impairment charge of $24 million associated with the Jimmy Choo indefinite-lived retail brand name intangible asset. Auditing the Company’s annual impairment assessments was complex and highly judgmental due to the significant estimation required in determining the fair value of the reporting units for goodwill and the fair value of indefinite-lived brand name intangible assets. In particular, the fair value estimates were sensitive to significant assumptions, such as changes in the discount rate, revenue growth rate, margin and royalty rates, which are affected by expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill and indefinite-lived intangible assets impairment review process, including controls over management's review of the significant assumptions described above.

To test the estimated fair value of the Company's reporting units and indefinite-lived intangible assets, we performed audit procedures that included, among others, assessing the valuation methodologies and testing the significant assumptions discussed above and the completeness and accuracy of the underlying data used by the Company in its analyses. We compared the significant assumptions used by management to current industry and economic trends and evaluated whether changes to the Company's business environment would affect the significant assumptions. For example, we compared the royalty rates used in estimating the fair value of certain indefinite-lived brand name intangible assets to current industry licensing agreements. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of the significant assumptions to evaluate the changes in the fair value of the reporting units and indefinite-lived brand name intangible assets that would result from changes in the assumptions. We also involved our internal valuation specialists to assist in our evaluation of the significant assumptions and methodologies used by the Company in developing the fair value estimates. In addition, we tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company.

Impairment of Retail Store Long-Lived assets

Description of the Matter

As discussed in Note 2 to the consolidated financial statements, the Company evaluates its long-lived assets, which primarily include property, plant, and equipment and operating lease right-of-use assets at retail stores, for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. During the year ended April 1, 2023, the Company recognized an impairment charge of $36 million related to its long-lived assets.

Auditing the Company's impairment assessment of retail store long-lived assets was complex and highly judgmental due to the significant estimation required in determining the future cash flows used to assess recoverability of each retail store long-lived asset group (undiscounted) and determining the fair value (discounted). The significant assumptions used include estimated future cash flows directly related to the future operation of the stores (including sales and expense growth rates) and the discount rate used to determine fair value. Significant assumptions used in determining the fair value of certain operating lease right-of-use assets include the current market rent and discount rate for the remaining lease term of the related stores. These assumptions are subjective in nature and are affected by expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the retail store long-lived assets impairment process, including, determining the undiscounted future cash flows of the stores and the fair value of the long-lived assets (including those related to operating leases) for the stores that were deemed to be impaired. We also tested controls over management's review of the significant assumptions described above.

Our testing of the Company's impairment measurement included, among other procedures, evaluating the significant assumptions and operating data used to calculate the estimated future cash flows and to determine the fair value of the store long lived asset groups. For a sample of retail stores, we tested the completeness and accuracy of the data used by the Company in its analyses and we compared the significant assumptions used to determine the forecasted cash flows to historical results of the retail stores, current industry and economic trends and inquired of the Company's executives to understand the business initiatives supporting the assumptions in the future cash flows. We involved our internal valuation specialists to assist in evaluating the fair value of certain operating lease right-of-use assets, which included assessing the estimated market rental rates of these leases by comparing them to rental rates for comparable leases and evaluating the applied discount rate.

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 2014.
New York, New York
May 31, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Capri Holdings Limited

Opinion on Internal Control over Financial Reporting

We have audited Capri Holdings Limited and subsidiaries' internal control over financial reporting as of April 1, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Capri Holdings Limited and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of April 1, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of April 1, 2023 and April 2, 2022, the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended April 1, 2023, and the related notes and our report dated May 31, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP

New York, New York
May 31, 2023

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	April 1, 2023	April 2, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 249	$ 169
Receivables, net	369	434
Inventories, net	1,057	1,096
Prepaid expenses and other current assets	195	192
Total current assets	1,870	1,891
Property and equipment, net	552	476
Operating lease right-of-use assets	1,330	1,358
Intangible assets, net	1,728	1,847
Goodwill	1,293	1,418
Deferred tax assets	296	240
Other assets	226	250
Total assets	$ 7,295	$ 7,480
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 475	$ 555
Accrued payroll and payroll related expenses	154	165
Accrued income taxes	73	52
Short-term operating lease liabilities	429	414
Short-term debt	5	29
Accrued expenses and other current liabilities	314	351
Total current liabilities	1,450	1,566
Long-term operating lease liabilities	1,348	1,467
Deferred tax liabilities	508	432
Long-term debt	1,822	1,131
Other long-term liabilities	318	326
Total liabilities	5,446	4,922
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, no par value; 650,000,000 shares authorized; 224,166,250 shares issued and 117,347,045 outstanding at April 1, 2023; 221,967,599 shares issued and 142,806,269 outstanding at April 2, 2022	—	—
Treasury shares, at cost (106,819,205 shares at April 1, 2023 and 79,161,330 shares at April 2, 2022)	(5,351)	(3,987)
Additional paid-in capital	1,344	1,260
Accumulated other comprehensive income	147	194
Retained earnings	5,708	5,092
Total shareholders' equity of Capri	1,848	2,559
Noncontrolling interest	1	(1)
Total shareholders' equity	1,849	2,558
Total liabilities and shareholders' equity	$ 7,295	$ 7,480

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In millions, except share and per share data)

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Total revenue	$ 5,619	$ 5,654	$ 4,060
Cost of goods sold	1,895	1,910	1,463
Gross profit	3,724	3,744	2,597
Selling, general and administrative expenses	2,708	2,533	2,018
Depreciation and amortization	179	193	212
Impairment of assets	142	73	316
Restructuring and other charges	16	42	32
Total operating expenses	3,045	2,841	2,578
Income from operations	679	903	19
Other income, net	(3)	(2)	(7)
Interest expense (income), net	24	(18)	43
Foreign currency loss (gain)	10	8	(20)
Income before provision for income taxes	648	915	3
Provision for income taxes	29	92	66
Net income (loss)	619	823	(63)
Less: Net income (loss) attributable to noncontrolling interest	3	1	(1)
Net income (loss) attributable to Capri	$ 616	$ 822	$ (62)
Weighted average ordinary shares outstanding:			
Basic	132,532,009	149,724,675	150,453,568
Diluted	134,002,480	152,497,907	150,453,568
Net income (loss) per ordinary share attributable to Capri:			
Basic	$ 4.65	$ 5.49	$ (0.41)
Diluted	$ 4.60	$ 5.39	$ (0.41)
Statements of Comprehensive Income (Loss):			
Net income (loss)	$ 619	$ 823	$ (63)
Foreign currency translation adjustments	(41)	127	(15)
Net (loss) gain on derivatives	(6)	10	(4)
Comprehensive income (loss)	572	960	(82)
Less: Net income (loss) attributable to noncontrolling interest	3	1	(1)
Less: Foreign currency translation adjustments attributable to noncontrolling interest	—	(1)	—
Comprehensive income (loss) attributable to Capri	$ 569	$ 960	$ (81)

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except share data which is in thousands)

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity of Capri	Non-controlling Interests	Total Equity
	Shares	Amounts		Shares	Amounts					
Balance as of March 28, 2020	217,320	$ —	$ 1,085	(67,894)	$ (3,325)	$ 75	$ 4,332	$ 2,167	$ 1	$ 2,168
Net loss	—	—	—	—	—	—	(62)	(62)	(1)	(63)
Other comprehensive loss	—	—	—	—	—	(19)	—	(19)	—	(19)
Total comprehensive loss	—	—	—	—	—	—	—	(81)	(1)	(82)
Vesting of restricted awards, net of forfeitures	1,456	—	—	—	—	—	—	—	—	—
Exercise of employee share options	447	—	3	—	—	—	—	3	—	3
Share based compensation expense	—	—	70	—	—	—	—	70	—	70
Repurchase of ordinary shares	—	—	—	(49)	(1)	—	—	(1)	—	(1)
Other	—	—	—	—	—	—	—	—	(1)	(1)
Balance as of March 27, 2021	219,223	—	1,158	(67,943)	(3,326)	56	4,270	2,158	(1)	2,157
Net income	—	—	—	—	—	—	822	822	1	823
Other comprehensive income (loss)	—	—	—	—	—	138	—	138	(1)	137
Total comprehensive income	—	—	—	—	—	—	—	960	—	960
Vesting of restricted awards, net of forfeitures	2,336	—	—	—	—	—	—	—	—	—
Exercise of employee share options	408	—	17	—	—	—	—	17	—	17
Share based compensation expense	—	—	85	—	—	—	—	85	—	85
Repurchase of ordinary shares	—	—	—	(11,218)	(661)	—	—	(661)	—	(661)
Balance at April 2, 2022	221,967	—	1,260	(79,161)	(3,987)	194	5,092	2,559	(1)	2,558
Net income	—	—	—	—	—	—	616	616	3	619
Other comprehensive loss	—	—	—	—	—	(47)	—	(47)	—	(47)
Total comprehensive income	—	—	—	—	—	—	—	569	3	572
Vesting of restricted awards, net of forfeitures	2,078	—	—	—	—	—	—	—	—	—
Exercise of employee share options	121	—	6	—	—	—	—	6	—	6
Share based compensation expense	—	—	78	—	—	—	—	78	—	78
Repurchase of ordinary shares	—	—	—	(27,658)	(1,364)	—	—	(1,364)	—	(1,364)
Other	—	—	—	—	—	—	—	—	(1)	(1)
Balance at April 1, 2023	224,166	—	1,344	(106,819)	$ (5,351)	$ 147	$ 5,708	$ 1,848	$ 1	$ 1,849

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Cash flows from operating activities			
Net income (loss)	$ 619	$ 823	$ (63)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	179	193	212
Share-based compensation expense	78	85	71
Impairment of assets	142	83	316
Deferred income taxes	(101)	(57)	(70)
Changes to lease related balances, net	(99)	(142)	(112)
Foreign currency losses (gains)	28	—	(15)
Other non-cash charges	7	10	7
Change in assets and liabilities:			
Receivables, net	50	(78)	(52)
Inventories, net	13	(386)	145
Prepaid expenses and other current assets	(8)	14	(31)
Accounts payable	(100)	69	50
Accrued expenses and other current liabilities	(9)	30	153
Other long-term assets and liabilities	(28)	60	13
Net cash provided by operating activities	771	704	624
Cash flows from investing activities			
Capital expenditures	(226)	(131)	(111)
Cash paid for asset/business acquisitions, net of cash acquired	—	—	(13)
Settlement of net investment hedges	409	189	—
Net cash provided by (used in) investing activities	183	58	(124)
Cash flows from financing activities			
Debt borrowings	4,061	945	2,443
Debt repayments	(3,474)	(1,132)	(3,311)
Debt issuance costs	(5)	—	(4)
Repurchase of ordinary shares	(1,364)	(661)	(1)
Exercise of employee share options	6	17	3
Other financing activities	—	31	—
Net cash used in financing activities	(776)	(800)	(870)
Effect of exchange rate changes on cash and cash equivalents	(94)	(24)	12
Net increase (decrease) in cash, cash equivalents and restricted cash	84	(62)	(358)
Beginning of period	172	234	592
End of period	$ 256	$ 172	$ 234
Supplemental disclosures of cash flow information			
Cash paid for interest	$ 58	$ 37	$ 52
Cash paid for income taxes	$ 133	$ 43	$ 45
Supplemental disclosure of non-cash investing and financing activities			
Accrued capital expenditures	$ 33	$ 39	$ 17

See accompanying notes to consolidated financial statements.

1. Business and Basis of Presentation

The Company was incorporated in the British Virgin Islands on December 13, 2002 as Michael Kors Holdings Limited and changed its name to Capri Holdings Limited ("Capri," and together with its subsidiaries, the "Company") on December 31, 2018. The Company is a holding company that owns brands that are leading designers, marketers, distributors and retailers of branded women's and men's accessories, apparel and footwear bearing the Versace, Jimmy Choo and Michael Kors tradenames and related trademarks and logos. The Company operates in three reportable segments: Versace, Jimmy Choo and Michael Kors. See Note 19 for additional information.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of the Company and its wholly-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company consolidates the results of its Versace business on a one-month lag, as consistent with prior periods.

The Company utilizes a 52- to 53-week fiscal year, and the term "Fiscal Year" or "Fiscal" refers to that 52-week or 53-week period. The fiscal years ending on April 1, 2023 and March 27, 2021 ("Fiscal 2023" and "Fiscal 2021", respectively) contain 52 weeks, whereas the fiscal year ending April 2, 2022 ("Fiscal 2022") contains 53 weeks. The Company's Fiscal 2024 is a 52-week period ending March 30, 2024.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to use judgment and make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. The most significant assumptions and estimates involved in preparing the financial statements include allowances for customer deductions, sales returns, sales discounts, credit losses, estimates of inventory net realizable value, the valuation of share-based compensation, the valuation of deferred taxes, goodwill, intangible assets, operating lease right-of-use assets and property and equipment, along with the estimated useful lives assigned to these assets. Actual results could differ from those estimates.

Seasonality

The Company experiences certain effects of seasonality with respect to its business. The Company generally experiences greater sales during its third fiscal quarter, primarily driven by holiday season sales, and the lowest sales during its first fiscal quarter.

Revenue Recognition

The Company accounts for contracts with its customers when there is approval and commitment from both parties, the rights of the parties and payment terms have been identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for goods or services. The Company recognizes retail store revenues when control of the product is transferred at the point of sale at Company owned stores, including concessions, net of estimated returns. Revenue from sales through the Company's e-commerce sites is recognized at the time of delivery to the customer, reduced by an estimate of returns. Wholesale revenue is recognized net of estimates for sales returns, discounts, markdowns and allowances, after merchandise is shipped and control of the underlying product is transferred to the Company's wholesale customers. To arrive at net sales for retail revenue, gross sales are reduced by actual customer returns as well as by a provision for estimated future customer returns, which is based on management's review of historical and future customer return expectations. Sales taxes collected from retail customers are presented on a net basis and, as such, are excluded from revenue. To arrive at net sales for wholesale revenue, gross sales are reduced by provisions for estimated future returns, based on current expectations, as well as trade discounts, markdowns, allowances, operational chargebacks, and certain cooperative selling expenses. These estimates are based on such factors as historical trends, actual and forecasted performance and current market conditions, which are reviewed by management on a quarterly basis.

The following table details the activity and balances of the Company's sales reserves for the fiscal years ended April 1, 2023, April 2, 2022, and March 27, 2021 (in millions):

	Balance Beginning of Year	Amounts Charged to Revenue	Write-offs Against Reserves	Balance at Year End
Total Sales Reserves:				
Fiscal Year Ended April 1, 2023	$ 92	$ 400	$ (397)	$ 95
Fiscal Year Ended April 2, 2022	98	333	(339)	92
Fiscal Year Ended March 27, 2021	166	313	(381)	98

Royalty revenue generated from product licenses, which includes contributions for advertising, is based on reported sales of licensed products bearing the Company's trademarks at rates specified in the license agreements. These agreements are also subject to contractual minimum levels. Royalty revenue generated by geographic licensing agreements is recognized as it is earned under the licensing agreements based on reported sales of licensees applicable to specified periods, as outlined in the agreements. These agreements allow for the use of the Company's tradenames to sell its branded products in specific geographic regions.

Loyalty Program

The Company offers a loyalty program, which allows its Michael Kors United States customers to earn points on qualifying purchases toward monetary and non-monetary rewards, which may be redeemed for purchases at Michael Kors retail stores and e-commerce sites. The Company defers a portion of the initial sales transaction based on the estimated relative fair value of the benefits based on projected timing of future redemptions and historical activity. These amounts include estimated "breakage" for points that are not expected to be redeemed. The contract liability, net of an estimated "breakage," is recorded within accrued expenses and other current liabilities in the Company's consolidated balance sheets and is expected to be recognized within the next 12 months. See Note 3 for additional information.

Advertising and Marketing Costs

Advertising and marketing costs are generally expensed when the advertisement is first exhibited and are recorded in selling, general and administrative expenses in the Company's consolidated statements of operations and comprehensive income (loss). Advertising and marketing expense was $374 million, $329 million and $137 million in Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively.

Cooperative advertising expense, which represents the Company's participation in advertising expenses of its wholesale customers, is reflected as a reduction to revenue. Expenses related to cooperative advertising for Fiscal 2023, Fiscal 2022 and Fiscal 2021, were $9 million, $4 million and $3 million, respectively.

Shipping and Handling

Inbound freight expenses are recorded as part of cost of goods sold, along with product costs and other costs to acquire inventory. The costs of preparing products for sale, including warehousing expenses, are included in selling, general and administrative expenses in the Company's consolidated statements of operations and comprehensive income (loss). Outbound freight expenses are recorded as part of selling, general and administrative expenses and include the costs of shipping products to the Company's e-commerce customers. Shipping and handling costs included within selling, general and administrative expenses in the Company's consolidated statements of operations and comprehensive income (loss) were $270 million, $236 million and $160 million for Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively. Shipping and handling costs charged to customers are included in total revenue.

COVID-19 Related Government Assistance and Subsidies

During Fiscal 2023, Fiscal 2022 and Fiscal 2021, the Company recorded $6 million, $10 million and $37 million, respectively, related to government assistance and subsidies. These amounts mostly relate to rent support and payroll expense and were recorded as a reduction of selling, general and administrative expenses.

Cash, Cash Equivalents and Restricted Cash

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Included in the Company's cash and cash equivalents as of April 1, 2023 and April 2, 2022 are credit card receivables of $22 million and $18 million, respectively, which generally settle within two to three business days.

A reconciliation of cash, cash equivalents and restricted cash as of April 1, 2023 and April 2, 2022 from the consolidated balance sheets to the consolidated statements of cash flows is as follows:

	Fiscal Years Ended	
	April 1, 2023	April 2, 2022
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 249	$ 169
Restricted cash included within prepaid expenses and other current assets	7	3
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 256	$ 172

Inventories

Inventories primarily consist of finished goods with the exception of raw materials and work in process. The combined total of raw materials and work in process recorded on the Company's consolidated balance sheets as of April 1, 2023 and April 2, 2022 were $47 million and $31 million, respectively. Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted-average cost method. Costs include amounts paid to independent manufacturers, plus duties and freight to bring the goods to the Company's warehouses, as well as shipments to stores. The Company continuously evaluates the composition of its inventory and makes adjustments when the cost of inventory is not expected to be fully recoverable. The net realizable value of the Company's inventory is estimated based on historical experience, current and forecasted demand and other market conditions. In addition, reserves for inventory losses are estimated based on historical experience and physical inventory counts. The Company's inventory reserves are estimates, which could vary significantly from actual results if future economic conditions, customer demand or competition differ from expectations. Our historical estimates of these adjustments have not differed materially from actual results.

Store Pre-opening Costs

Costs associated with the opening of new retail stores and start up activities are expensed as incurred.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization (carrying value). Depreciation is recorded on a straight-line basis over the expected remaining useful lives of the related assets. Equipment, furniture and fixtures are depreciated over five to seven years, computer hardware and software are depreciated over three to five years. The Company's share of the cost of constructing in-store shop displays within its wholesale customers' floor-space ("shop-in-shops"), which is paid directly to third-party suppliers, is capitalized as property and equipment and is generally amortized over a useful life of three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated remaining useful lives of the related assets or the remaining lease term, including highly probable renewal periods. Maintenance and repairs are charged to expense in the year incurred.

The Company capitalizes, in property and equipment, direct costs incurred during the application development stage and the implementation stage for developing, purchasing or otherwise acquiring software for its internal use. These costs are amortized over the estimated useful lives of the software, generally five years, except for ERP systems which has an estimated useful life of ten years. All costs incurred during the preliminary project stage, including project scoping and identification and testing of alternatives, are expensed as incurred.

Definite-lived Intangible Assets

The Company's definite-lived intangible assets consist of trademarks and customer relationships which are stated at cost less accumulated amortization. The Company's customer relationships are amortized over five to eighteen years. Reacquired rights recorded in connection with the acquisition of Michael Kors (HK) Limited and Subsidiaries ("MKHKL") are amortized through March 31, 2041, the original expiration date of the Michael Kors license agreement in the Greater China region. The trademark for the Michael Kors brand is amortized over twenty years.

Long-lived Assets

The Company evaluates all long-lived assets, including operating lease right-of-use assets, property and equipment and definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. For the purposes of impairment testing, the Company groups long-lived assets at the lowest level of identifiable cash flow. Leasehold improvements are typically amortized over the term of the store lease, including reasonably assured renewals and the shop-in-shops are amortized over a useful life of three to five years. The Company's impairment testing is based on its best estimate of the future operating cash flows. If the sum of our estimated undiscounted future cash flows associated with the asset is less than the asset's carrying value, the Company would recognize an impairment charge, which is measured as the amount by which the carrying value exceeds the fair value of the asset. The fair values determined by management require significant judgment and include certain assumptions regarding future sales and expense growth rates, discount rates and estimates of real estate market fair values. As such, these estimates may differ from actual results and are affected by future market and economic conditions.

During Fiscal 2023, Fiscal 2022 and Fiscal 2021, the Company recorded impairment charges of $36 million, $83 million and $158 million, respectively, which were primarily related to operating lease right-of-use assets and fixed assets of our retail store locations. Please refer to Note 7 and Note 13 for additional information.

Goodwill and Other Indefinite-lived Intangible Assets

The Company records intangible assets based on their fair value on the date of acquisition. Goodwill is recorded as the difference between the fair value of the purchase consideration and the fair value of the net identifiable tangible and intangible assets acquired. The brand intangible assets recorded in connection with the acquisitions of Versace and Jimmy Choo were determined to be indefinite-lived intangible assets, which are not subject to amortization. The Company performs an impairment assessment of goodwill, as well as the Versace brand and Jimmy Choo brand intangible assets on an annual basis, or whenever impairment indicators exist. In the absence of any impairment indicators, goodwill, for the Versace brand and the Jimmy Choo brand are assessed for impairment during the fourth quarter of each fiscal year. Judgments regarding the existence of impairment indicators are based on market conditions and operational performance of the business.

The Company may assess its goodwill and its brand intangible assets for impairment initially using a qualitative approach to determine whether it is more likely than not that the fair value of these assets is greater than their carrying value. When performing a qualitative test, the Company assesses various factors, including industry and market conditions, macroeconomic conditions and performance of its businesses. If the results of the qualitative assessment indicate that it is more likely than not that our goodwill and other indefinite-lived intangible assets are impaired, a quantitative impairment analysis is performed to determine if impairment is required. The Company may also elect to perform a quantitative analysis of goodwill and its indefinite-lived intangible assets initially rather than using a qualitative approach.

The impairment testing for goodwill is performed at the reporting unit level. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, it engages independent third-party valuation specialists. To determine the fair value of a reporting unit, the Company uses a combination of the income and market approaches, when applicable. The Company believes the blended use of both models, when applicable, compensates for the inherent risk associated with either model if used on a stand-alone basis, and this combination is indicative of the factors a market participant would consider when performing a similar valuation. If the fair value of a reporting unit exceeds the related carrying value, the reporting unit's goodwill is considered not to be impaired and no further testing is performed. If the carrying value of a reporting unit exceeds its fair value, an impairment loss is recorded for the difference. These valuations are affected by certain estimates, including future revenue growth rates, future operating expense growth rates, gross margins and discount rates. Future events could cause us to conclude that impairment indicators exist and goodwill may be impaired.

When performing a quantitative impairment assessment of our brand intangible assets, the fair value of the Versace and the Jimmy Choo brands is estimated using a discounted cash flow analysis based on the "relief from royalty" method, assuming that a third-party would be willing to pay a royalty in lieu of ownership for this intangible asset. This approach is dependent on many factors, including estimates of future revenue growth rates, royalty rates and discount rates. Actual future results may differ from these estimates. An impairment loss is recognized when the estimated fair value of the brand intangible assets is less than its carrying amount.

During the fourth quarter of Fiscal 2023, the Company performed its annual goodwill and indefinite-lived intangible assets impairment analysis for each brand. Based on a qualitative impairment assessment of the Michael Kors reporting units, the Company concluded that it is more likely than not that the fair value of the Michael Kors reporting units exceeded its carrying value and, therefore, was not impaired.

The Company elected to perform quantitative impairment analyses for the Versace and Jimmy Choo reporting units, using a combination of income and market approaches to estimate the fair values of reporting units. The Company also elected to perform a quantitative impairment analysis for the Versace and Jimmy Choo brand intangible assets using an income approach to estimate the fair values. The Company performed its annual goodwill and indefinite-lived intangible assets impairment analysis for the Versace and Jimmy Choo reporting units, using a combination of income and market approaches to estimate the fair value of each brands' reporting units. The Company also elected to perform a quantitative impairment analysis for both the Versace and Jimmy Choo brand indefinite-lived intangible assets using an income approach to estimate the fair values. Based on the results of these assessments, the Company determined there was no impairment for the Jimmy Choo licensing reporting unit and Jimmy Choo wholesale brand indefinite-lived intangible asset and Versace reporting units or brand intangible assets, as the fair values of the reporting units and the brand intangible assets exceeded the related carrying amounts.

However, the Company concluded that the fair value of the Jimmy Choo retail and wholesale reporting units goodwill, along with the Jimmy Choo retail brand indefinite-lived intangible assets, did not exceed their related carrying amounts. The resulting impairment charges were primarily related to a higher discount rate in the current year driven by higher risk-free rates. Accordingly, the Company recorded impairment charges of $82 million related to the Jimmy Choo retail and wholesale reporting units goodwill and $24 million related to the Jimmy Choo retail brand intangible assets during Fiscal 2023. The impairment charges were recorded within impairment of assets on our consolidated statement of operations and comprehensive income (loss) for the fiscal year ended April 1, 2023.

In Fiscal 2022, the Company did not incur any impairment charges. In Fiscal 2021, the Company recorded impairment charges of $94 million related to the Jimmy Choo retail and Jimmy Choo licensing reporting units and $69 million related to the Jimmy Choo brand intangible assets. The impairment charges were recorded within impairment of assets on our consolidated statement of operations and comprehensive income (loss) for the fiscal year ended March 27, 2021. See Note 8 for information relating to the Company's annual impairment analysis performed during the fourth quarter of Fiscal 2023, Fiscal 2022 and Fiscal 2021.

It is possible that the Company's conclusions regarding impairment or recoverability of goodwill or other indefinite-lived intangible assets could change in future periods if, for example, (i) the Company's businesses do not perform as projected, (ii) overall economic conditions in future years vary from current assumptions, (iii) business conditions or strategies change from our current assumptions, (iv) discount rates change, (v) market multiples change or (vi) the identification of the Company's reporting units change, among other factors. Such changes could result in a future impairment charge of goodwill or other indefinite-lived intangible assets.

Insurance

The Company uses a combination of insurance and self-insurance programs, including a wholly-owned captive insurance entity, to provide for the potential liabilities for certain risks, including workers' compensation and employee-related health care benefits. The Company also maintains stop-loss coverage with third-party insurers to limit its exposure arising from certain claims. Self-insurance claims filed and claims incurred but not reported are accrued based upon management's estimates of the discounted cost for self-insured claims incurred using actuarial assumptions, historical loss experience, actual payroll and other data. Although the Company believes that it can reasonably estimate losses related to these claims, actual results could differ from these estimates.

The Company also maintains other types of customary business insurance policies, including general liability, directors and officers, marine transport and inventory and business interruption insurance. Insurance recoveries represent gain contingencies and are recorded upon actual settlement with the insurance carrier.

Share-based Compensation

The Company grants share-based awards to certain employees and directors of the Company. The grant date fair value of share options is calculated using the Black-Scholes option pricing model. The Company uses its own historical experience in determining the expected holding period and volatility of its time-based share option awards. The risk-free interest rate is derived from the zero-coupon United States ("U.S.") Treasury Strips yield curve based on the grant's estimated holding period. Determining the grant date fair value of share-based awards requires considerable judgment, including estimating expected volatility, expected term and risk-free rate. If factors change and the Company employs different assumptions, the fair value of future awards and the resulting share-based compensation expense may differ significantly from what the Company has estimated in the past.

The closing market price of the Company's shares on the date of grant is used to determine the grant date fair value of restricted shares, time-based restricted stock units ("RSUs") and performance-based RSUs. These fair values are recognized as expense over the requisite service period, net of estimated forfeitures, based on expected attainment of pre-established performance goals for performance grants, or the passage of time for those grants which have only time-based vesting requirements.

Foreign Currency Translation and Transactions

The financial statements of the majority of the Company's foreign subsidiaries are measured using the local currency as the functional currency. The Company's functional currency is the United States Dollar ("USD") for Capri and its United States based subsidiaries. Assets and liabilities are translated using period-end exchange rates, while revenues and expenses are translated using average exchange rates over the reporting period. The resulting translation adjustments are recorded separately in shareholders' equity as a component of accumulated other comprehensive income. Foreign currency income and losses resulting from the re-measuring of transactions denominated in a currency other than the functional currency of a particular entity are included in foreign currency loss (gain) on the Company's consolidated statements of operations and comprehensive income (loss).

Derivative Financial Instruments

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to manage its exposure to fluctuations in foreign currencies for certain transactions. The Company, in its normal course of business, enters into transactions with foreign suppliers and seeks to minimize risks related to these transactions. The Company employs these forward contracts to hedge the Company's cash flows, as they relate to transactions denominated in foreign currencies. Certain of these contracts are designated as hedges for accounting purposes, while others remain undesignated. All of the Company's derivative instruments are recorded in the Company's consolidated balance sheets at fair value on a gross basis, regardless of their hedge designation.

The Company designates certain contracts related to the purchase of inventory that qualify for hedge accounting as cash flow hedges. Formal hedge documentation is prepared for all derivative instruments designated as hedges, including a description of the hedged transaction, the hedging instrument and the risk being hedged. The changes in the fair value for contracts designated as cash flow hedges are recorded in equity as a component of accumulated other comprehensive income until the hedged item affects earnings. When the inventory related to forecasted inventory purchases that are being hedged is sold to a third-party, the gains or losses deferred in accumulated other comprehensive income are recognized within cost of goods sold. The Company uses regression analysis to assess effectiveness of derivative instruments that are designated as hedges, which compares the change in the fair value of the derivative instrument to the change in the related hedged item. If the hedge is no longer expected to be highly effective, future changes in the fair value are recognized in earnings. For those contracts that are not designated as hedges, changes in the fair value are recorded to foreign currency loss (gain) in the Company's consolidated statements of operations and comprehensive income (loss). The Company classifies cash flows relating to its forward foreign currency exchange contracts related to purchase of inventory consistently with the classification of the hedged item, within cash flows from operating activities.

The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. In order to mitigate counterparty credit risk, the Company only enters into contracts with carefully selected financial institutions based upon their credit ratings and certain other financial factors, adhering to established limits for credit exposure. The aforementioned forward contracts generally have a term of no more than 12 months. The period of these contracts is directly related to the transactions they are intended to hedge.

Net Investment Hedges

The Company also uses fixed-to-fixed cross currency swap agreements to hedge its net investments in foreign operations against future volatility in the exchange rates between different currencies. The Company has elected the spot method of designating these contracts under ASU 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*," and has designated these contracts as net investment hedges. The net gain or loss on the net investment hedge is reported within foreign currency translation income (loss) ("CTA"), as a component of accumulated other comprehensive income on the Company's consolidated balance sheets. Interest accruals and coupon payments are recognized directly in interest expense (income), net in the Company's consolidated statements of operations and comprehensive income (loss). Upon discontinuation of a hedge, all previously recognized amounts remain in CTA until the net investment is sold, diluted or liquidated.

Fair Value Hedges

When a cross-currency swap is designated as a fair value hedge and qualifies as highly effective, the fair value hedge will be recorded at fair value each period on the Company's consolidated balance sheets, with the difference resulting from the changes in the spot rate recognized in foreign currency loss (gain) on the Company's consolidated statements of operations and comprehensive income (loss), which will offset the earnings impact of the original transaction being hedged for.

Income Taxes

Deferred income tax assets and liabilities provide for temporary differences between the tax bases and financial reporting bases of the Company's assets and liabilities using the tax rates and laws in effect for the periods in which the differences are expected to reverse. The Company periodically assesses the realizability of deferred tax assets and the adequacy of deferred tax liabilities, based on the results of local, state, federal or foreign statutory tax audits or estimates and judgments used.

Realization of deferred tax assets associated with net operating loss and tax credit carryforwards are dependent upon generating sufficient taxable income prior to their expiration in the applicable tax jurisdiction. The Company periodically reviews the recoverability of its deferred tax assets and provides valuation allowances, as deemed necessary, to reduce deferred tax assets to amounts that more-likely-than-not will be realized. The Company's management considers many factors when assessing the likelihood of future realization of deferred tax assets, including recent earnings within various taxing jurisdictions, expectations of future taxable income, the carryforward periods remaining and other factors. Changes in the required valuation allowance are recorded in income in the period such determination is made. Deferred tax assets could be reduced in the future if the Company's estimates of taxable income during the carryforward period are significantly reduced or alternative tax strategies are no longer viable.

The Company recognizes the impact of an uncertain income tax position taken on its income tax returns at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will be recognized if it has less than a 50% likelihood of being sustained. The tax positions are analyzed periodically (at least quarterly) and adjustments are made as events occur that warrant adjustments for those positions. The Company records interest expense and penalties payable to relevant tax authorities as income tax expense.

Leases

On March 31, 2019, the Company adopted ASU 2016-02, "Leases (Topic 842)," which requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet for all leases, except certain short-term leases. The Company adopted the new standard recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating the comparative prior year periods.

The Company leases retail stores, office space and warehouse space under operating lease agreements that expire at various dates through September 2043. The Company's leases generally have terms of up to ten years, generally require fixed rent payments and may require the payment of additional rent if store sales exceed a negotiated amount. Although most of the Company's equipment is owned, the Company has limited equipment leases that expire on various dates through August 2027. The Company acts as sublessor in certain leasing arrangements, primarily related to closed stores under its restructuring initiatives, as defined in Note 10. Fixed sublease payments received are recognized on a straight-line basis over the sublease term. The Company determines the sublease term based on the date it provides possession to the subtenant through the expiration date of the sublease.

The Company recognizes operating lease right-of-use assets and lease liabilities at lease commencement date, based on the present value of fixed lease payments over the expected lease term. The Company uses its incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the lease commencement date, as the rate implicit in the lease is not readily determinable for the Company's leases. The Company's incremental borrowing rates are based on the term of the leases, the economic environment of the leases and reflect the expected interest rate it would incur to borrow on a secured basis. Certain leases include one or more renewal options, generally for the same period as the initial term of the lease. The exercise of lease renewal options is generally at the Company's sole discretion and as such, the Company typically determines that exercise of these renewal options is not reasonably certain. As a result, the Company generally does not include the renewal option period in the expected lease term and the associated lease payments are not included in the measurement of the operating lease right-of-use asset and lease liability. Certain leases also contain termination options with an associated penalty. Generally, the Company is reasonably certain not to exercise these options and as such, they are not included in the determination of the expected lease term. The Company recognizes operating lease expense on a straight-line basis over the lease term.

Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for its short-term leases on a straight-line basis over the lease term.

The Company's leases generally provide for payments of non-lease components, such as common area maintenance, real estate taxes and other costs associated with the leased property. The Company accounts for lease and non-lease components of its real estate leases together as a single lease component and, as such, includes fixed payments of non-lease components in the measurement of the operating lease right-of-use assets and lease liabilities for its real estate leases. Variable lease payments, such as percentage rentals based on location sales, periodic adjustments for inflation, reimbursement of real estate taxes, any variable common area maintenance and any other variable costs associated with the leased property, are expensed as incurred as variable lease costs and are not recorded on the balance sheet. The Company's lease agreements do not contain any material residual value guarantees or material restrictions or covenants.

Debt Issuance Costs and Unamortized Discounts

The Company defers debt issuance costs directly associated with acquiring third-party financing. These debt issuance costs and any discounts on issued debt are amortized on a straight-line basis, which approximates the effective interest method, as interest expense over the term of the related indebtedness. Deferred financing fees associated with the Company's Revolving Credit Facilities are primarily recorded within other assets in the Company's consolidated balance sheets. Deferred financing fees and unamortized discounts associated with the Company's other borrowings are primarily recorded as an offset to long-term debt in the Company's consolidated balance sheets. See Note 11 for additional information.

Net Income (Loss) per Share

The Company's basic net income (loss) per ordinary share is calculated by dividing net income (loss) by the weighted average number of ordinary shares outstanding during the period. Diluted net income (loss) per ordinary share reflects the potential dilution that would occur if RSUs or any other potentially dilutive instruments, including share option grants, were converted or exercised into ordinary shares. These potentially dilutive securities are included in diluted shares to the extent they are dilutive under the treasury stock method for the applicable periods. Performance-based RSUs are included in diluted shares if the related performance conditions are considered satisfied as of the end of the reporting period and to the extent they are dilutive under the treasury stock method.

The components of the calculation of basic net income (loss) per ordinary share and diluted net income (loss) per ordinary share are as follows (in millions, except share and per share data):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Numerator:			
Net income (loss) attributable to Capri	$ 616	$ 822	$ (62)
Denominator:			
Basic weighted average shares	132,532,009	149,724,675	150,453,568
Weighted average dilutive share equivalents:			
Share options, restricted stock units, and performance restricted stock units	1,470,471	2,773,232	—
Diluted weighted average shares	134,002,480	152,497,907	150,453,568
Basic net income (loss) per share (1)	$ 4.65	$ 5.49	$ (0.41)
Diluted net income (loss) per share (1)	$ 4.60	$ 5.39	$ (0.41)

(1) Basic and diluted net income (loss) per share are calculated using unrounded numbers.

Share equivalents of 457,722 shares, 360,378 shares and 3,658,959 shares, for Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively, have been excluded from the above calculation due to their anti-dilutive effect.

Diluted net loss per share attributable to Capri for Fiscal 2021 excluded all potentially dilutive securities because there was a net loss attributable to Capri for the period and, as such, the inclusion of these securities would have been anti-dilutive.

Noncontrolling Interest

The Company has an ownership interest in the Michael Kors Latin American joint venture, MK (Panama) Holdings, S.A. and subsidiaries of 75%, an ownership interest in the Jimmy Choo EMEA joint venture JC Gulf Trading LLC of 49% and an ownership interest in the Jimmy Choo Macau joint venture J. Choo (Macau) Co. Limited of 70%.

Recently Adopted Accounting Pronouncements

Government Assistance Disclosures

In November 2021, the Financial Accounting Standards Board (“FASB”) issued ASU 2021-10, “Disclosures by Business Entities about Government Assistance”, which requires all businesses provide annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. These disclosures include providing the nature of the transactions and the related accounting policy used to account for the transactions, the amounts and financial statement line items impacted by these transactions, and the significant terms and conditions of these transactions, including commitments and contingencies related to such transactions. ASU 2021-10 is effective for the Company beginning in its Fiscal 2023 with early adoption permitted. The Company early adopted ASU 2021-10 during the third quarter of Fiscal 2022 and will continue to utilize the grant accounting model.

Recently Issued Accounting Pronouncements

The Company has considered all new accounting pronouncements and, other than the recent pronouncements discussed below, have concluded that there are no new pronouncements that may have a material impact on the Company’s results of operations, financial condition or cash flows based on current information.

Supplier Finance Programs

In September 2022, the FASB issued ASU 2022-04, "Disclosure of Supplier Finance Program Obligations" which makes a number of changes. The amendments require a buyer in a supplier finance program to disclose sufficient information about the program 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 amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on the Company's disclosures.

3. Revenue Recognition

The Company accounts for contracts with its customers when there is approval and commitment from both parties, the rights of the parties and payment terms have been identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for goods or services.

The Company sells its products through three primary channels of distribution: retail, wholesale and licensing. Within the retail and wholesale channels, substantially all of the Company's revenues consist of sales of products that represent a single performance obligation, where control transfers at a point in time to the customer. For licensing arrangements, royalty and advertising revenue is recognized over time based on access provided to the Company's brands.

The Company has chosen to apply the practical expedient allowing it not to disclose the amount of the transaction price allocated to the remaining performance obligations that have an expected duration of 12 months or less.

Retail

The Company generates sales through directly operated stores and e-commerce sites throughout the Americas (United States, Canada and Latin America), certain parts of EMEA (Europe, Middle East and Africa) and certain parts of Asia (Asia and Oceania). Retail revenue is recognized when control of the product is transferred at the point of sale at Company owned stores, including concessions. For e-commerce transactions, control is transferred and revenue is recognized when products are delivered to the customer. To arrive at net sales for retail, gross sales are reduced by actual customer returns, as well as by a provision for estimated future customer returns.

Sales tax collected from retail customers are presented on a net basis and, as such, are excluded from revenue. Shipping and handling costs that are billed to customers are included in net sales, with the related costs recorded in cost of goods sold. Shipping and handling costs that are not billed to customers are accounted for as fulfillment costs.

Gift Cards. The Company sells gift cards that can be redeemed for merchandise, resulting in a contract liability upon issuance. Revenue is recognized when the gift card is redeemed or upon "breakage" for the estimated portion of gift cards that are not expected to be redeemed. "Breakage" revenue is calculated under the proportional redemption methodology, which considers the historical patterns of redemption in jurisdictions where the Company is not required to remit the value of the unredeemed gift cards as unclaimed property. The Company anticipates that substantially all of its outstanding gift cards will be redeemed within the next 12 months. The contract liability related to gift cards, net of estimated "breakage," was $14 million and $13 million as of April 1, 2023 and April 2, 2022, respectively, and is included in accrued expenses and other current liabilities in the Company's consolidated balance sheets.

Loyalty Program. The Company offers a loyalty program, which allows its Michael Kors United States customers to earn points on qualifying purchases toward monetary and non-monetary rewards, which may be redeemed for purchases at Michael Kors retail stores and e-commerce sites. The Company defers a portion of the initial sales transaction based on the estimated relative fair value of the benefits based on projected timing of future redemptions and historical activity. These amounts include estimated "breakage" for points that are not expected to be redeemed.

Wholesale

The Company's products are sold primarily to major department stores, specialty stores and travel retail shops throughout the Americas, EMEA and Asia. The Company also has arrangements where its products are sold to geographic licensees in certain parts of EMEA, Asia and South America. Wholesale revenue is recognized net of estimates for sales returns, discounts, markdowns and allowances, when merchandise is shipped and control of the underlying product is transferred to the Company's wholesale customers. To arrive at net sales for wholesale, gross sales are reduced by provisions for estimated future returns, as well as trade discounts, markdowns, allowances, operational chargebacks and certain cooperative selling expenses. These estimates are developed based on historical trends, actual and forecasted performance and market conditions, and are reviewed by management on a quarterly basis. Unfulfilled, non-cancelable purchase orders for products from wholesale customers (including the Company's geographic licensees) are expected to be fulfilled within the next 12 months.

Licensing

The Company provides its third-party licensees with the right to access its Versace, Jimmy Choo and Michael Kors trademarks under product and geographic licensing arrangements. Under product licensing arrangements, the Company allows third-parties to manufacture and sell luxury goods, including watches and jewelry, fragrances, eyewear and home furnishings, using the Company's trademarks. Under geographic licensing arrangements, third-party licensees receive the right to distribute and sell products bearing the Company's trademarks in retail and/or wholesale channels within certain geographical areas, including Brazil, the Middle East, Eastern Europe, South Africa and certain parts of Asia.

The Company recognizes royalty revenue and advertising contributions based on the percentage of sales made by the licensees. Advertising contributions are received to support the Company's branded advertising and marketing campaigns and are viewed as part of a single performance obligation with the right to access the Company's trademarks. Royalty revenue generated from licenses, which includes contributions for advertising, may be subject to contractual minimum levels, as defined in the contract. Such minimums are generally fixed annually, based on the previous year's sales. Licensing revenue is based on reported current period sales of licensed products at rates that are specified in the license agreements for contracts that are expected to exceed the related guaranteed minimums. If the Company expects the minimum guaranteed amounts to exceed amounts calculated based on actual sales, the guaranteed minimums are recognized ratably over the contractual year to which they relate. Generally, the Company's guaranteed minimum royalty amounts due from licensees relate to contractual periods that do not exceed 12 months, however, some of our guaranteed minimums for Versace are multi-year based. As of April 1, 2023, contractually guaranteed minimum fees from the Company's license agreements expected to be recognized as revenue during future periods were as follows (in millions):

	Contractually Guaranteed Minimum Fees
Fiscal 2024	$ 33
Fiscal 2025	33
Fiscal 2026	30
Fiscal 2027	25
Fiscal 2028	18
Fiscal 2029 and thereafter	29
Total	$ 168

Sales Returns

For the sale of goods with a right of return, the Company recognizes revenue for the consideration for which it expects to be entitled and a refund liability for the amount it expects to refund to its customers within accrued expenses and other current liabilities. The refund liability is estimated based on management's review of historical and current customer returns for its retail and wholesale customers, estimated future returns, adjusted for non-resalable products. The Company also considers its product strategies, as well as the financial condition of its customers, store closings by wholesale customers, changes in the retail environment and other macroeconomic factors. The Company recognizes an asset with a corresponding adjustment to cost of sales for the right to recover the products from its retail and wholesale customers. The refund liability recorded as of April 1, 2023 and April 2, 2022 was $54 million and $52 million, respectively, and the related asset for the right to recover returned product as of April 1, 2023 and April 2, 2022 was $17 million and $15 million, respectively.

Contract Balances

The Company's contract liabilities are recorded within accrued expenses and other current liabilities and other long-term liabilities in its consolidated balance sheets depending on the short- or long-term nature of the payments to be recognized. The Company's contract liabilities primarily consist of gift card liabilities, advanced payments from product licensees and loyalty program liabilities. Total contract liabilities were $36 million and $30 million as of April 1, 2023 and April 2, 2022, respectively. During Fiscal 2023 and Fiscal 2022, the Company recognized $13 million and $10 million in revenue, respectively, relating to contract liabilities that existed at April 2, 2022 and March 27, 2021, respectively. There were no material contract assets recorded as of April 1, 2023 and April 2, 2022.

There were no changes in historical variable consideration estimates that were materially different from actual results.

Disaggregation of Revenue

The following table presents the Company's segment revenues disaggregated by geographic location (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Versace revenue - the Americas	$ 408	$ 408	$ 201
Versace revenue - EMEA	468	425	276
Versace revenue - Asia	230	255	241
Total Versace revenue	1,106	1,088	718
Jimmy Choo revenue - the Americas	196	175	102
Jimmy Choo revenue - EMEA	255	229	146
Jimmy Choo revenue - Asia	182	209	170
Total Jimmy Choo revenue	633	613	418
Michael Kors revenue - the Americas	2,616	2,627	1,869
Michael Kors revenue - EMEA	819	835	607
Michael Kors revenue - Asia	445	491	448
Total Michael Kors revenue	3,880	3,953	2,924
Total revenue - the Americas	3,220	3,210	2,172
Total revenue - EMEA	1,542	1,489	1,029
Total revenue - Asia	857	955	859
Total revenue	$ 5,619	$ 5,654	$ 4,060

4. Leases

The following table presents the Company’s supplemental balance sheets information related to leases (in millions):

	Balance Sheet Location	April 1, 2023	April 2, 2022
Assets			
Operating leases	Operating lease right-of-use assets	$ 1,330	$ 1,358
Liabilities			
Current:			
Operating leases	Short-term portion of operating lease liabilities	$ 429	$ 414
Non-current:			
Operating leases	Long-term portion of operating lease liabilities	$ 1,348	$ 1,467

The components of net lease costs for the fiscal year ended April 1, 2023 and April 2, 2022 were as follows (in millions):

	Consolidated Statement of Operations and Comprehensive Income (Loss) Location	April 1, 2023	April 2, 2022
Operating lease cost	Selling, general and administrative expenses	$ 405	$ 410
Variable lease cost (1)	Selling, general and administrative expenses	170	135
Short-term lease cost	Selling, general and administrative expenses	8	16
Sublease income	Selling, general and administrative expenses	(9)	(3)
Sublease income (2)	Restructuring and other charges	—	(5)
Total lease cost, net		$ 574	$ 553

(1) The Company elected to account for rent concessions negotiated in connection with COVID-19 as if it were contemplated as part of the existing contract and these concessions are recorded as variable lease expense. As of the fiscal year ended April 1, 2023 and April 2, 2022, rent concessions due to COVID-19 were $14 million and $15 million, respectively.

(2) The Company recorded sublease income related to certain leases in connection with the Capri Retail Store Optimization plan.

The following table presents the Company’s supplemental cash flow information related to leases (in millions):

	April 1, 2023	April 2, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 501	$ 543
Non-cash transactions:		
Lease assets obtained in exchange for new lease liabilities	344	332
Rent concessions due to COVID-19	14	15

The following tables summarizes the weighted average remaining lease term and weighted average discount rate related to the Company's operating lease right-of-use assets and lease liabilities recorded on the balance sheets as of April 1, 2023 and April 2, 2022:

	April 1, 2023	April 2, 2022
Operating leases:		
Weighted average remaining lease term (years)	5.9	6.0
Weighted average discount rate	3.3%	3.1%

At April 1, 2023, the future minimum lease payments under the terms of these noncancelable operating lease agreements are as follows (in millions):

	April 1, 2023
Fiscal 2024	$ 473
Fiscal 2025	384
Fiscal 2026	297
Fiscal 2027	212
Fiscal 2028	169
Thereafter	427
Total lease payments	1,962
Less: interest	(185)
Total lease liabilities	$ 1,777

At April 1, 2023, the future minimum sublease income under the terms of these noncancelable operating lease agreements are as follows (in millions):

	April 1, 2023
Fiscal 2024	$ 8
Fiscal 2025	7
Fiscal 2026	5
Fiscal 2027	4
Fiscal 2028	4
Thereafter	8
Total sublease income	$ 36

Additionally, the Company had approximately $139 million and $49 million of future payment obligations related to executed lease agreements for which the related lease has not yet commenced as of April 1, 2023 and April 2, 2022, respectively.

See Note 2 for additional information on the Company's accounting policies related to leases.

5. Receivables, net

Receivables, net consist of (in millions):

	April 1, 2023	April 2, 2022
Trade receivables (1)	$ 412	$ 461
Receivables due from licensees	14	17
	426	478
Less: allowances	(57)	(44)
Total receivables, net	$ 369	$ 434

(1) As of April 1, 2023 and April 2, 2022, $96 million and $83 million, respectively, of trade receivables were insured.

Receivables are presented net of allowances for discounts, markdowns, operational chargebacks and credit losses. Discounts are based on open invoices where trade discounts have been extended to customers. Markdowns are based on wholesale customers' sales performance, seasonal negotiations with customers, historical deduction trends and an evaluation of current market conditions. Operational chargebacks are based on deductions taken by customers, net of expected recoveries. Such provisions, and related recoveries, are reflected in revenues.

The Company's allowance for credit losses is determined through analysis of periodic aging of receivables and assessments of collectability based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers and the impact of general economic conditions. The past due status of a receivable is based on its contractual terms. Amounts deemed uncollectible are written off against the allowance when it is probable the amounts will not be recovered. Allowance for credit losses was $8 million and $10 million as of April 1, 2023 and April 2, 2022, respectively. The Company had credit losses of $5 million, $7 million and $(3) million, respectively, for Fiscal 2023, Fiscal 2022 and Fiscal 2021.

6. Concentration of Credit Risk, Major Customers and Suppliers

Financial instruments that subject the Company to concentration of credit risk are cash and cash equivalents and receivables. As part of its ongoing procedures, the Company monitors its concentration of deposits with various financial institutions in order to avoid any undue exposure. The Company mitigates its risk by depositing cash and cash equivalents in major financial institutions. The Company also mitigates its credit risk by obtaining insurance coverage for a portion of its receivables (see Note 5). No individual customer accounted for 10% or more of the Company's total revenues during Fiscal 2023, Fiscal 2022 or Fiscal 2021.

The Company contracts for the purchase of finished goods principally with independent third-party contractors, whereby the contractor is generally responsible for all manufacturing processes. Although the Company does not have any long-term agreements with any of its manufacturing contractors, the Company believes it has mutually satisfactory relationships with them. The Company allocates product manufacturing among agents and contractors based on their capabilities, the availability of production capacity, quality, pricing and delivery. The inability of certain contractors to provide needed services on a timely basis could adversely affect the Company's operations and financial condition. For Fiscal 2023, Fiscal 2022 and Fiscal 2021, one contractor accounted for approximately 15%, 17% and 18%, respectively, of the Company's total finished goods purchases, based on dollar volume.

The Company also has relationships with various agents who source finished goods with numerous contractors on behalf of its Michael Kors brand. For Fiscal 2023, Fiscal 2022 and Fiscal 2021, one agent sourced approximately 15%, 14% and 15%, respectively, of Michael Kors finished goods, based on dollar volume.

7. Property and Equipment, net

Property and equipment, net, consists of (in millions):

	April 1, 2023	April 2, 2022
Leasehold improvements	$ 577	$ 575
Computer equipment and software	237	212
Furniture and fixtures	216	218
Equipment	106	81
Building	48	48
In-store shops	44	47
Land	18	19
Total property and equipment, gross	1,246	1,200
Less: accumulated depreciation and amortization	(784)	(790)
Subtotal	462	410
Construction-in-progress	90	66
Total property and equipment, net	$ 552	$ 476

Depreciation and amortization of property and equipment for the fiscal years ended April 1, 2023, April 2, 2022, and March 27, 2021 totaled $135 million, $144 million and $165 million, respectively. During Fiscal 2023, Fiscal 2022 and Fiscal 2021, the Company recorded property and equipment impairment charges of $3 million, $7 million and $23 million, respectively, primarily related to the Company's retail store locations. See Note 13 for additional information.

8. Intangible Assets and Goodwill

The following table details the carrying values of the Company's intangible assets other than goodwill (in millions):

	April 1, 2023			April 2, 2022		
	Gross Carrying Amount	Accumulated Amortization/Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization/Impairment	Net Carry Amount
Definite-lived intangible assets:						
Reacquired rights	$ 400	$ 109	$ 291	$ 400	$ 94	$ 306
Trademarks	23	23	—	23	22	1
Customer relationships	397	136	261	414	112	302
Total definite-lived intangible assets	820	268	552	837	228	609
Indefinite-lived intangible assets:						
Jimmy Choo brand (1)	550	273	277	570	249	321
Versace brand (2)	899	—	899	917	—	917
Total indefinite-lived intangible assets	1,449	273	1,176	1,487	249	1,238
Total intangible assets, excluding goodwill	$ 2,269	$ 541	$ 1,728	$ 2,324	$ 477	$ 1,847

(1) The year-over-year change in net carrying amount reflects an impairment charge of $24 million and foreign currency translation of $20 million for the fiscal year ended April 1, 2023. There was no impairment charge for the fiscal year ended April 2, 2022.
(2) The year-over-year change in net carrying amount reflects foreign currency translation for the fiscal year ended April 1, 2023.

Reacquired rights relate to the Company's reacquisition of the rights to use the Michael Kors trademarks and to import, sell, advertise and promote certain of its products in the previously licensed territories in the Greater China region and are being amortized through March 31, 2041, the expiration date of the former licensing agreement. The trademarks relate to the Michael Kors brand name and are amortized over twenty years. Customer relationships are generally amortized over five to eighteen years. Amortization expense for the Company's definite-lived intangibles was $44 million, $49 million and $47 million, respectively, for each of the fiscal years ended April 1, 2023, April 2, 2022 and March 27, 2021.

Indefinite-lived intangible assets other than goodwill included the Versace and Jimmy Choo brands, which were recorded in connection with the acquisitions of Versace and Jimmy Choo, and have an indefinite life as they are essential to the Company's ability to operate the Versace and Jimmy Choo businesses for the foreseeable future.

Estimated amortization expense for each of the next five years is as follows (in millions):

Fiscal 2024	$	44
Fiscal 2025		44
Fiscal 2026		44
Fiscal 2027		44
Fiscal 2028		43
Fiscal 2029 and thereafter		333
Total	$	552

The future amortization expense above reflects weighted-average estimated remaining useful lives of eighteen years for reacquired rights and ten years for customer relationships.

The following table details the changes in goodwill for each of the Company's reportable segments (in millions):

	Versace		Jimmy Choo		Michael Kors		Total	
Balance at March 27, 2021	$	933	$	445	$	120	$	1,498
Foreign currency translation		(59)		(21)		—		(80)
Balance at April 2, 2022		874		424		120		1,418
Impairment charges(1)		—		(82)		—		(82)
Foreign currency translation		(17)		(26)		—		(43)
Balance at April 1, 2023	$	857	$	316	$	120	$	1,293

(1) The Company recorded impairment charges of $82 million during Fiscal 2023 related to the Jimmy Choo retail and wholesale reporting units. As of April 1, 2023, the Company had accumulated impairment charges of $347 million related to Jimmy Choo reporting units.

The Company's goodwill and the Versace and Jimmy Choo brands are not subject to amortization but are evaluated for impairment annually in the last quarter of each fiscal year, or whenever impairment indicators exist. During the fourth quarter of Fiscal 2023, the Company performed its annual goodwill and indefinite-lived intangible assets impairment analysis. The Company performed its goodwill impairment assessment for its Michael Kors reporting units using a qualitative assessment. Based on the results of the Company's qualitative impairment assessment, the Company concluded that it is more likely than not that the fair value of the Michael Kors' reporting units exceeded their carrying value and, therefore, were not impaired.

The Company performed its annual goodwill and indefinite-lived intangible assets impairment analysis for both the Versace and Jimmy Choo reporting units, using a combination of income and market approaches to estimate the fair value of each brands' reporting units. The Company also elected to perform an impairment analysis for both the Versace and Jimmy Choo brand indefinite-lived intangible assets using an income approach to estimate the fair values. Based on the results of these assessments, the Company determined there was no impairment for the Jimmy Choo Licensing reporting unit goodwill or Wholesale brand intangible assets and Versace reporting units goodwill or brand intangible assets, as the fair values of the reporting units and the brand intangible assets exceeded the related carrying amounts.

However, the Company concluded that the fair value of the Jimmy Choo Retail and Wholesale reporting units goodwill, along with the Jimmy Choo Retail brand indefinite-lived intangible assets did not exceed their related carrying amounts. These impairment charges were primarily related to a higher discount rate in the current year driven by higher risk-free rates. Accordingly, the Company recorded goodwill impairment charges of $82 million related to the Jimmy Choo Retail and Wholesale reporting units and $24 million related to the Jimmy Choo Retail brand intangible assets during Fiscal 2023. The impairment charges were recorded within impairment of assets on our consolidated statement of operations and comprehensive income (loss) for the fiscal year ended April 1, 2023.

In Fiscal 2022, the Company did not incur any impairment charges. In Fiscal 2021, the Company recorded goodwill impairment charges of $94 million related to the Jimmy Choo Wholesale and Jimmy Choo Licensing reporting units and impairment charges of $69 million related to the Jimmy Choo brand intangible assets. The impairment charges were recorded within impairment of assets on our consolidated statement of operations and comprehensive income (loss) for the fiscal year ended March 27, 2021. See Note 13 for additional information.

9. Current Assets and Current Liabilities

Prepaid expenses and other current assets consist of the following (in millions):

	April 1, 2023	April 2, 2022
Prepaid taxes	$ 105	$ 86
Prepaid contracts	22	15
Interest receivable related to hedges	10	13
Other accounts receivables	10	17
Other	48	61
Total prepaid expenses and other current assets	$ 195	$ 192

Accrued expenses and other current liabilities consist of the following (in millions):

	April 1, 2023	April 2, 2022
Return liabilities	$ 54	$ 52
Accrued capital expenditures	33	39
Other taxes payable	32	61
Accrued advertising and marketing	26	21
Accrued rent (1)	18	20
Advance royalties	18	7
Accrued interest	16	10
Gift and retail store credits	14	17
Professional services	14	15
Accrued litigation	12	13
Accrued purchases and samples	8	11
Charitable donations (2)	—	10
Other	69	75
Total accrued expenses and other current liabilities	$ 314	$ 351

(1) The accrued rent balance relates to variable lease payments.
(2) The charitable donations balance relates to a $10 million unconditional pledge to The Versace Foundation as of April 2, 2022 which was funded during the third quarter ended December 31, 2022.

10. Restructuring and Other Charges

Restructuring Charges - Capri Retail Store Optimization Program

During Fiscal 2022, the Company completed its plan to close certain retail stores as part of its Capri Retail Store Optimization Program.

The Company closed a total of 167 stores, with 66 and 101 stores closed during Fiscal 2022 and Fiscal 2021, respectively. Net restructuring charges recorded in connection with the Capri Retail Store Optimization Program was $14 million, of which $9 million and $5 million was recorded during Fiscal 2022 and Fiscal 2021, respectively.

Other Charges

During Fiscal 2023, the Company recorded costs of $16 million primarily relating to equity awards associated with the acquisition of Versace. During Fiscal 2022 the Company recorded costs of $33 million, primarily relating to equity awards associated with the acquisition of Versace, severance related to an executive officer and the closure of certain corporate locations. During Fiscal 2021, the Company recorded costs of $27 million, primarily relating to equity awards associated with the acquisition of Versace and the closure of certain corporate locations.

11. Debt Obligations

The following table presents the Company's debt obligations (in millions):

	April 1, 2023	April 2, 2022
Revolving Credit Facilities	$ 874	$ 175
Versace Term Loan	488	—
Senior Notes due 2024	450	450
2018 Term Loan	—	497
Other	17	42
Total debt	1,829	1,164
Less: Unamortized debt issuance costs	2	3
Less: Unamortized discount on senior notes	—	1
Total carrying value of debt	1,827	1,160
Less: Short-term debt	5	29
Total long-term debt	$ 1,822	$ 1,131

Senior Revolving Credit Facility

On July 1, 2022, the Company entered into a revolving credit facility (the "2022 Credit Facility") with, among others, JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), as administrative agent (the "Administrative Agent"), which refinanced its existing senior unsecured revolving credit facility. The Company, a U.S. subsidiary of the Company, a Canadian subsidiary of the Company, a Dutch subsidiary of the Company and a Swiss subsidiary of the Company are the borrowers under the 2022 Credit Facility, and the borrowers and certain subsidiaries of the Company provide unsecured guaranties of the 2022 Credit Facility. The 2022 Credit Facility replaced the third amended and restated senior unsecured credit facility, dated as of November 15, 2018 (the "2018 Credit Facility").

The 2022 Credit Facility provides for a $1.5 billion revolving credit facility (the "2022 Revolving Credit Facility"), which may be denominated in U.S. Dollars and other currencies, including Euros, Canadian Dollars, Pounds Sterling, Japanese Yen and Swiss Francs. The 2022 Revolving Credit Facility also includes sub-facilities for the issuance of letters of credit of up to $125 million and swing line loans at the Administrative Agent's discretion of up to $100 million. The Company has the ability to expand its borrowing availability under the 2022 Credit Facility in the form of increased revolving commitments or one or more tranches of term loans by up to an additional $500 million, subject to the agreement of the participating lenders and certain other customary conditions.

Borrowings under the 2022 Credit Facility bear interest, at the Company's option, at the following rates:

- For loans denominated in U.S. Dollars, (A) an alternate base rate, which is the greatest of (a) the prime rate publicly announced from time to time by JPMorgan Chase, (b) the greater of the federal funds effective rate and the Federal Reserve Bank of New York overnight bank funding rate and zero, plus 50 basis points, and (c) the greater of term Secured Overnight Financing Rate ("SOFR") for an interest period of one month plus 10 basis points and zero, plus 100 basis points, (B) the greater of term SOFR for the applicable interest period plus 10 basis points ("Adjusted Term SOFR") and zero or (C) the greater of daily simple SOFR plus 10 basis points and zero;
- For loans denominated in Pounds Sterling, the greater of Secured Overnight Index Average ("SONIA") and zero;
- For loans denominated in Swiss Francs, the greater of Swiss Average Rate Overnight ("SARON") and zero;
- For loans denominated in Euro, the greater of Euro Interbank Offer Rate ("EURIBOR") for the applicable interest period adjusted for statutory reserve requirements ("Adjusted EURIBOR Rate") and zero;
- For loans denominated in Canadian Dollars, the greater of the rate applicable to Canadian Dollar Canadian banker's acceptances quoted on Reuters for the applicable interest period adjusted for statutory reserve requirements ("Adjusted CDOR Rate") and zero; and
- For loans denominated in Japanese Yen, the greater of Tokyo Interbank Offer Rate ("TIBOR") for the applicable interest period adjusted for statutory reserve requirements ("Adjusted TIBOR Rate") and zero; in each case, plus an applicable margin based on the Company's public debt ratings and/or net leverage ratio.

The 2022 Credit Facility provides for an annual administration fee and a commitment fee equal to 7.5 basis points to 17.5 basis points per annum, which was 15.0 basis points as of April 1, 2023. The fees are based on the Company's public debt ratings and/or net leverage ratio, applied to the average daily unused amount of the 2022 Credit Facility.

Loans under the 2022 Credit Facility may be prepaid and commitments may be terminated or reduced by the borrowers without premium or penalty other than customary "breakage" costs with respect to loans bearing interest based upon Adjusted Term SOFR, the Adjusted EURIBOR Rate, the Adjusted CDOR Rate and the Adjusted TIBOR Rate.

The 2022 Credit Facility requires the Company to maintain a net leverage ratio as of the end of each fiscal quarter of no greater than 4.0 to 1.0. Such net leverage ratio is calculated as the ratio of the sum of total indebtedness as of the date of the measurement plus the capitalized amount of all operating lease obligations, minus unrestricted cash and cash equivalents not to exceed $200 million, to Consolidated EBITDAR for the last four consecutive fiscal quarters. Consolidated EBITDAR is defined as consolidated net income plus provision for taxes based on income, profits or capital, net interest expense, depreciation and amortization expense, consolidated rent expense and other non-cash losses, charge and expenses, subject to certain additions and deductions. The 2022 Credit Facility also includes covenants that limit additional indebtedness, liens, acquisitions and other investments, restricted payments and affiliate transactions.

The 2022 Credit Facility also contains events of default customary for financings of this type, including, but not limited to, payment defaults, material inaccuracy of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy or insolvency, certain events under the Employee Retirement Income Security Act, material judgments, actual or asserted failure of any guaranty supporting the 2022 Credit Facility to be in full force and effect, and changes of control. If such an event of default occurs and is continuing, the lenders under the 2022 Credit Facility would be entitled to take various actions, including, but not limited to, terminating the commitments and accelerating amounts outstanding under the 2022 Credit Facility.

As of April 1, 2023, the Company had $874 million of borrowings outstanding under the 2022 Revolving Credit Facility. The Company had $175 million of borrowings outstanding under revolver in the 2018 Credit Facility as of April 2, 2022. In addition, stand-by letters of credit of $3 million and $21 million were outstanding as of April 1, 2023 and April 2, 2022, respectively. At April 1, 2023, the amount available for future borrowings under the 2022 Revolving Credit Facility was $623 million. The amount available for future borrowings under the revolver in the 2018 Credit Facility was $804 million as of April 2, 2022.

As of April 1, 2023, the Company no longer had an outstanding balance related to the 2018 Term Loan. As of April 2, 2022, the carrying value of the 2018 Term Loan was $495 million, which was recorded within long-term debt in the Company's consolidated balance sheets.

The Company had $6 million and $3 million of deferred financing fees related to Revolving Credit Facilities as of April 1, 2023 and April 2, 2022, respectively, and are recorded within other assets in the Company's consolidated balance sheets. As of April 2, 2022, the Company had $2 million of deferred financing fees related to the 2018 Term Loan, which are recorded within long-term debt in the Company's consolidated balance sheets.

Versace Term Loan

On December 5, 2022, Gianni Versace S.r.l., a wholly owned subsidiary of Capri Holdings Limited, entered into a credit facility with Intesa Sanpaolo S.p.A., Banco Nazionale del Lavoro S.p.A., and UniCredit S.p.A., as arrangers and lenders, and Intesa Sanpaolo S.p.A., as agent, which provides a senior unsecured term loan (the "Versace Term Loan") in an aggregate principal amount of €450 million (approximately $488 million). The Versace Term Loan is not subject to amortization and matures on December 5, 2025. The Company provides an unsecured guaranty of the Versace Term Loan.

The Versace Term Loan bears interest at a rate per annum equal to the greater of EURIBOR for the applicable interest period and zero, plus a margin of 1.35%.

The Versace Term Loan may be prepaid without premium or penalty other than customary "breakage" costs. The Versace Term Loan requires the Company to maintain a net leverage ratio as of the end of each fiscal quarter of no greater than 4.0 to 1.0. Such net leverage ratio is calculated as the ratio of the sum of total indebtedness as of the date of the measurement plus the capitalized amount of all operating lease obligations, minus unrestricted cash and cash equivalents not to exceed $200 million, to Consolidated EBITDAR for the last four consecutive fiscal quarters. Consolidated EBITDAR is defined as consolidated net income plus provision for taxes based on income, profits or capital, net interest expense, depreciation and amortization expense, consolidated rent expense and other non-cash losses, charge and expenses, subject to certain additions and deductions. The Versace Term Loan also includes covenants that limit additional financial indebtedness, liens, acquisitions, loans and guarantees, restricted payments and mergers of GIVI Holding S.r.l., Gianni Versace S.r.l. and their respective subsidiaries.

The Versace Term Loan contains events of default customary for financings of this type, including, but not limited to payment defaults, material inaccuracy of representations and warranties, covenant defaults, cross-defaults to material financial indebtedness, certain events of bankruptcy or insolvency, illegality or repudiation of any loan document under the Versace Term Loan or any failure thereof to be in full force and effect, and changes of control. If such an event of default occurs and is continuing, the lenders under the Versace Term Loan would be entitled to take various actions, including, but not limited to, accelerating amounts outstanding under the Versace Term Loan.

As of April 1, 2023, the carrying value of the Versace Term Loan was $487 million, net of $1 million of deferred financing fees, which was recorded within long-term debt in the Company's consolidated balance sheets.

As of April 1, 2023, and the date these financial statements were issued, the Company was in compliance with all covenants related to the 2022 Credit Facility and the Versace Term Loan.

Senior Notes

On October 20, 2017, Michael Kors (USA), Inc. (the "Issuer"), the Company's wholly owned subsidiary, completed its offering of $450 million aggregate principal amount senior notes due in 2024 (the "Senior Notes"), pursuant to an exemption from registration under the Securities Act of 1933, as amended. The Senior Notes were issued under an indenture dated October 20, 2017, among the Issuer, the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (the "Indenture"). The Senior Notes were issued to finance a portion of the Company's acquisition of Jimmy Choo and certain related refinancing transactions.

As of April 1, 2023, the Senior Notes bear interest at a rate of 4.250% per year, subject to adjustments from time to time if either Moody's or S&P (or a substitute rating agency therefore) downgrades (or downgrades and subsequently upgrades) the credit rating assigned to the Senior Notes. Interest on the Senior Notes is payable semi-annually on May 1 and November 1 of each year, beginning on May 1, 2018.

The Senior Notes are unsecured and are guaranteed by the Company and its existing and future subsidiaries that guarantee or are borrowers under the 2022 Credit Facility (subject to certain exceptions, including subsidiaries organized in China). The Senior Notes may be redeemed at the Company's option at any time in whole or in part at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a "make-whole" amount calculated at the applicable Treasury Rate plus 30 basis points.

The Senior Notes rank equally in right of payment with all of the Issuer's and guarantors' existing and future senior unsecured indebtedness, senior in right of payment to any future subordinated indebtedness, effectively subordinated in right of payment to any of the Company's subsidiaries' obligations and any of the Company's secured obligations, to the extent of the assets securing such obligations.

The Indenture contains covenants, including those that limit the Company's ability to create certain liens and enter into certain sale and leaseback transactions. In the event of a "Change of Control Triggering Event," as defined in the Indenture, the Issuer will be required to make an offer to repurchase the Senior Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of the Senior Notes being repurchased plus any unpaid interest. These covenants are subject to important limitations and exceptions, as per the Indenture.

As of April 1, 2023 and April 2, 2022, the carrying value of the Senior Notes was $449 million and $448 million, respectively, net of issuance costs and unamortized discount of $1 million and $2 million, respectively, which were recorded within long-term debt in the Company's consolidated balance sheets.

Supplier Financing Program

During Fiscal 2021, the Company began offering a supplier financing program to certain suppliers as the Company continues to identify opportunities to improve liquidity. This program enables suppliers, at their sole discretion, to sell their receivables (i.e., the Company's payment obligations to suppliers) to a financial institution on a non-recourse basis in order to be paid earlier than current payment terms provide. The Company's obligations, including the amount due and scheduled payment dates, are not impacted by a suppliers' decision to participate in this program. The Company does not reimburse suppliers for any costs they incur to participate in the program and their participation is voluntary. The amount outstanding under this program as of April 1, 2023 and April 2, 2022 was $4 million and $21 million, respectively and is presented as short-term debt in the Company's consolidated balance sheets.

Japan Credit Facility

As of April 1, 2023, the Company's subsidiary in Japan had a short term credit facility ("Japan Credit Facility") with Mitsubishi UFJ Financial Group ("MUFJ"), which may be used to fund general working capital needs of Michael Kors Japan K.K., subject to the bank's discretion. The Japan Credit Facility is in effect until the Company's decides to terminate the revolving line of credit. The Japan Credit Facility provides Michael Kors Japan K.K. with a revolving credit line of up to ¥1.0 billion (approximately $8 million). The Japan Credit Facility bears interest at a rate posted by the Bank plus 0.300% two business days prior to the date of borrowing or the date of interest renewal. As of April 1, 2023 and April 2, 2022, there were no borrowings outstanding under the Japan Credit Facility.

Hong Kong Credit Facilities

As of April 1, 2023, the Company's Hong Kong subsidiary, Michael Kors (HK) Limited and Subsidiaries ("MKHKL"), had an uncommitted credit facility ("HK HSBC Credit Facility") with HSBC Bank ("HSBC"), which may be used to fund general working capital needs of MKHKL through January 2024 subject to HSBC's discretion. The HK Credit Facility provides MKHKL with a revolving line of credit of up to 50 million Hong Kong dollars (approximately $6 million), which includes bank guarantees of up to 20 million Hong Kong dollars (approximately $3 million). Borrowings under the HK HSBC Credit Facility must be made in increments of at least 5 million Hong Kong dollars and bear interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus 200 basis points. As of April 1, 2023 and April 2, 2022, there were no borrowings outstanding under the HK HSBC Credit Facility. As of April 1, 2023, bank guarantees supported by this facility were 4 million Hong Kong dollars (approximately $1 million).

As of April 1, 2023, the Company's Hong Kong subsidiary, MKHKL, had a short-term credit facility ("HK SCB Credit Facility") with Standard Charter Bank ("SCB"), which may be used to fund general working capital needs, not to exceed 12 months. The HK SCB Credit Facility is in effect through January 2024. The HK SCB Credit Facility provides MKHKL with a revolving loan of up to 20 million Hong Kong dollars (approximately $3 million). Borrowings under the HK SCB Credit Facility bear interest at 1.5% per annum at the time of borrowing. As of April 1, 2023, the Company had no borrowings outstanding under the HK SCB Credit Facility.

China Credit Facilities

As of April 1, 2023, the Company's subsidiary in China, Michael Kors Trading (Shanghai) Company Limited ("MKTSCL"), had a short-term credit facility ("China HSBC Credit Facility") with HSBC, which may be used to fund general working capital needs, not to exceed 12 months. The China Credit Facility is in effect through January 2024. The China HSBC Credit Facility provides MKTSCL with a Revolving Loan Facility of up to RMB 65 million (approximately $9 million), which includes a revolving loan of RMB 35 million (approximately $5 million), an overdraft facility with a credit line of RMB 10 million (approximately $1 million) and a non-financial bank guarantee facility of RMB 20 million (approximately $3 million) or its equivalent in another currency, at lender's discretion. Borrowings under the China HSBC Credit Facility bear interest at plus 0.42% of the applicable People's Bank of China's benchmark lending rate at the time of borrowing. As of April 1, 2023 and April 2, 2022, the Company had no borrowings outstanding under the China HSBC Credit Facility.

As of April 1, 2023, the Company's subsidiary in China, MKTSCL, had a short-term credit facility ("China SCB Credit Facility") with SCB, which may be used to fund general working capital needs, not to exceed 12 months. The China SCB Credit Facility is in effect through April 2024. The China SCB Credit Facility provides MKTSCL with a Revolving Loan Facility of up to RMB 30 million (approximately $4 million), which includes a revolving loan of RMB 20 million (approximately $3 million) and a bank guarantee with a sublimit of the revolving loan of RMB 10 million (approximately $1 million). Borrowings under the China SCB Credit Facility bear interest at plus 0.15% of the applicable People's Bank of China's benchmark lending rate at the time of borrowing. As of April 1, 2023 and April 2, 2022, the Company had no borrowings outstanding under the China SCB Credit Facility.

Versace Facilities

During Fiscal 2022, the Company's subsidiary, GIVI Holding S.r.l. ("GIVI"), entered into an agreement with Banco BPM Banking Group ("the Bank") to sell certain tax receivables to the Bank in exchange for cash. The arrangement was determined to be a financing arrangement because the de-recognition criteria for the receivables was not met at the time of the cash receipt from the Bank. As of April 1, 2023, the outstanding balance was $11 million, with $1 million and $10 million recorded within short-term debt and long-term debt, respectively, in the Company's consolidated balance sheets, respectively.

As of April 1, 2023, the Company's subsidiary, Gianni Versace S.r.l. ("Versace"), had two uncommitted short-term credit facilities, one with Unicredit and the other with Intesa ("Versace Credit Facilities"), which may be used for general working capital needs of Versace. The Versace Credit Facilities are in effect until Unicredit or Intesa decides to terminate the credit facilities. The Versace Credit Facilities provide Versace with a swing line of credit of up to €25 million (approximately $27 million), with interest set by Unicredit or Intesa on the date of borrowing. As of April 1, 2023 and April 2, 2022, there were no borrowings outstanding under the Versace Credit Facility.

As of April 1, 2023, Versace had an uncommitted short-term credit facility with BNP Paribas ("Versace BNP Credit Facility"), which may be used for general working capital needs of Versace. The Versace BNP Credit Facility is in effect until BNP Paribas decides to terminate the credit facility. The Versace BNP Credit Facility provides Versace with a swing line of credit of up to €20 million (approximately $22 million), which includes a bank guarantee of €5 million (approximately $5 million), with interest set by BNP Paribas on the date of borrowing. As of April 1, 2023, bank guarantees outstanding under this facility were €4 million (approximately $4 million). As of April 1, 2023 and April 2, 2022, there were no borrowings outstanding under the Versace BNP Credit Facility.

12. Commitments and Contingencies

Commitments

The Company has issued stand-by letters of credit to guarantee certain of its retail and corporate operating lease commitments, aggregating $35 million at April 1, 2023, including $3 million in letters of credit issued under the Revolving Credit Facility.

Other Commitments

As of April 1, 2023, the Company also has other contractual commitments aggregating $2.729 billion, which consist of inventory purchase commitments of $775 million, debt obligations of $1.829 billion and other contractual obligations of $125 million, which primarily relate to the Company's marketing and advertising obligations, information technology agreements and supply agreements.

Long-term Employment Contract

The Company has an employment agreement with the Chief Creative Officer of the Michael Kors brand that provides for continuous employment through the date of the officer's death or permanent disability at an annual salary of $1 million. In addition to salary, the agreement provides for an annual bonus and other employee related benefits.

Contingencies

In the ordinary course of business, the Company is party to various legal proceedings and claims. Although the outcome of such items cannot be determined with certainty, the Company does not believe that the outcome of all pending legal proceedings in the aggregate will have a material adverse effect on its cash flow, results of operations or financial position.

13. Fair Value Measurements

Financial assets and liabilities are measured at fair value using the three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company's own assumptions about market participant assumptions based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At April 1, 2023 and April 2, 2022, the fair value of the Company's derivative contracts were determined using broker quotations which were calculations derived from observable market information: the applicable currency rates at the balance sheet date and those forward rates particular to the contract at inception. The Company makes no adjustments to these broker obtained quotes or prices, but assesses the credit risk of the counterparty and would adjust the provided valuations for counterparty credit risk when appropriate. The fair values of the forward contracts are included in prepaid expenses and other current assets, and in accrued expenses and other current liabilities in the consolidated balance sheets, depending on whether they represent assets or liabilities of the Company. The fair values of net investment hedges and fair value hedges are included in other assets, and in other long-term liabilities in the consolidated balance sheets, depending on whether they represent assets or liabilities of the Company. See Note 14 for further detail.

All contracts are measured and recorded at fair value on a recurring basis and are categorized in Level 2 of the fair value hierarchy, as shown in the following table (in millions):

	Fair value at April 1, 2023, using:			Fair value at April 2, 2022, using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative assets:						
Forward foreign currency exchange contracts	$ —	$ —	$ —	$ —	$ 4	$ —
Net investment hedges	—	1	—	—	44	—
Undesignated derivative contracts	—	—	—	—	4	—
Total derivative assets	$ —	$ 1	$ —	$ —	$ 52	$ —
Derivative liabilities:						
Forward foreign currency exchange contracts	$ —	$ —	$ —	$ —	$ —	$ —
Net investment hedges	—	36	—	—	37	—
Fair value hedges	—	3	—	—	—	—
Total derivative liabilities	$ —	$ 39	$ —	$ —	$ 37	$ —

The Company’s long-term debt obligations are recorded in its consolidated balance sheets at carrying values, which may differ from the related fair values. The fair value of the Company’s long-term debt is estimated using external pricing data, including any available quoted market prices and based on other debt instruments with similar characteristics. Borrowings under revolving credit agreements, if outstanding, are recorded at carrying value, which approximates fair value due to the frequent nature of such borrowings and repayments. See Note 11 for detailed information related to carrying values of the Company’s outstanding debt. The following table summarizes the carrying values and estimated fair values of the Company’s short- and long-term debt, based on Level 2 measurements (in millions):

	April 1, 2023		April 2, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Revolving Credit Facilities	$ 874	$ 874	$ 175	$ 175
Versace Term Loan	$ 487	$ 481	$ —	$ —
Senior Notes due 2024	$ 449	$ 435	$ 448	$ 451
2018 Term Loan	$ —	$ —	$ 495	$ 490

The Company’s cash and cash equivalents, accounts receivable and accounts payable, are recorded at carrying value, which approximates fair value.

Non-Financial Assets and Liabilities

The Company’s non-financial assets include goodwill, intangible assets, operating lease right-of-use assets and property and equipment. Such assets are reported at their carrying values and are not subject to recurring fair value measurements. The Company’s goodwill and its indefinite-lived intangible assets (Versace and Jimmy Choo brands) are assessed for impairment at least annually, while its other long-lived assets, including operating lease right-of-use assets, property and equipment and definite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The Company determines the fair values of these assets based on Level 3 measurements using the Company’s best estimates of the amount and timing of future discounted cash flows, based on historical experience, market conditions, current trends and performance expectations. See Note 2 for additional information.

The following table details the carrying values and fair values of the Company's assets that have been impaired (in millions):

	Carrying Value Prior to Impairment	Fair Value	Impairment Charge (1)
Fiscal 2023:			
Goodwill	$ 681	$ 599	$ 82
Operating Lease Right-of-Use Assets	100	67	33
Brands	224	200	24
Property and Equipment	4	1	3
Total	$ 1,009	$ 867	$ 142
Fiscal 2022:			
Operating Lease Right-of-Use Assets	$ 209	$ 133	$ 76
Property and Equipment	12	5	7
Total	$ 221	$ 138	$ 83
Fiscal 2021:			
Operating Lease Right-of-Use Assets	$ 326	$ 191	$ 135
Goodwill	319	225	94
Brands	407	338	69
Property and Equipment	30	7	23
Total	$ 1,082	$ 761	$ 321

(1) Includes $10 million and $5 million of impairment charges that were recorded within restructuring and other charges related to the Capri Retail Store Optimization Program during Fiscal 2022 and Fiscal 2021, respectively.

There were no impairment charges related to goodwill or indefinite-lived intangible assets in Fiscal 2022.

14. Derivative Financial Instruments

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to manage its exposure to fluctuations in foreign currencies for certain of its transactions. The Company, in its normal course of business, enters into transactions with foreign suppliers and seeks to minimize risks related to certain forecasted inventory purchases by using forward foreign currency exchange contracts. The Company only enters into derivative instruments with highly credit-rated counterparties. The Company does not enter into derivative contracts for trading or speculative purposes.

Net Investment Hedges

During the first quarter of Fiscal 2023, the Company modified multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of $1.094 billion to hedge its net investment, of which $900 million was in Euro denominated subsidiaries and $194 million was in Japanese Yen denominated subsidiaries. The modification of these swaps resulted in the Company receiving $66 million in cash during the first quarter of Fiscal 2023. These contracts have been designated as net investment hedges.

As of July 2, 2022, the Company had multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of $4 billion to hedge its net investment in Euro denominated subsidiaries (the "Euro Net Investment Hedges") and $194 million to hedge its net investment in Japanese Yen denominated subsidiaries (the "Japanese Yen Net Investment Hedges"). During the month of July 2022, the Euro Net Investment Hedges with aggregate notional amounts of $4 billion outstanding as of July 2, 2022 were terminated resulting in the Company receiving $237 million in cash.

During the second quarter of Fiscal 2023, the Company also entered into, and subsequently terminated, additional Euro Net Investment Hedges with aggregate notional amounts of $4 billion. The termination of these contracts resulted in the Company receiving an additional $100 million in cash.

During the second quarter of Fiscal 2023, the Company also modified certain Japanese Yen Net Investment Hedges with notional amounts of $100 million. The modification of these hedges resulted in the Company receiving $6 million in cash during the second quarter of Fiscal 2023. The Company entered into additional Japanese Net Investment Hedges with notional amount of $100 million. These contracts have been designated as net investment hedges.

During the second quarter of Fiscal 2023, the Company received a total of $343 million from the termination of its Euro Net Investment Hedges and the modification of its Japanese Yen Net Investment Hedges.

During the third quarter of Fiscal 2023, the Company entered into multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of €1 billion (approximately $1.07 billion) to hedge its net investment in GBP denominated subsidiaries (the "GBP/EUR Net Investment Hedges"). Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on GBP denominated debt for fixed rate payments of 0% in Euro. These contracts have maturity dates between November 2024 and November 2027 and are designated as net investment hedges.

As of April 1, 2023, the Company had Japanese Yen Net Investment Hedges with aggregate notional amounts of $294 million. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on United States denominated debt for fixed rate payments of 0% to 2.665% in Japanese Yen. These contracts have maturity dates between May 2027 and February 2051 and are designated as net investment hedges.

Certain of these contracts are supported by a credit support annex ("CSA") which provides for collateral exchange with the earliest effective date being September 2027. If the outstanding position of a contract exceeds a certain threshold governed by the aforementioned CSA's, either party is required to post cash collateral.

When a cross-currency swap is used as a hedging instrument in a net investment hedge assessed under the spot method, the cross-currency basis spread is excluded from the assessment of hedge effectiveness and is recognized as a reduction in interest expense (income) in the Company's consolidated statements of operations and comprehensive income (loss). Accordingly, the Company recorded interest income of $38 million, $63 million and $16 million, respectively, during Fiscal 2023, Fiscal 2022 and Fiscal 2021.

Fair Value Hedges

The Company is exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans which will impact earnings on a consolidated basis. To manage the exchange rate risk related to these balances, during the fourth quarter of Fiscal 2023, the Company entered into fair value cross-currency swap agreements to hedge its exposure in GBP denominated subsidiaries (the "GBP Fair Value Hedge") on a Euro denominated intercompany loan. As of April 1, 2023, the total notional values of outstanding fair value cross-currency swaps related to these loans were €1 billion (approximately $1.08 billion). Under the term of these contracts, the Company will exchange the semi-annual fixed rate payments on GBP denominated debt for fixed rate payments of 0% in Euro. These contracts have maturity dates between March 2025 and March 2026 and are designated as fair value hedges.

When a cross-currency swap is designated as a fair value hedge and qualifies as highly effective, the fair value hedge will be recorded at fair value each period on the Company's consolidated balance sheets, with the difference resulting from the changes in the spot rate recognized in foreign currency loss (gain) on the Company's consolidated statements of operations and comprehensive income (loss), which will offset the earnings impact of the underlying transaction being hedged. Accordingly, the Company recorded a foreign currency gain of $4 million during Fiscal 2023.

The following table details the fair value of the Company's derivative contracts, which are recorded on a gross basis in the consolidated balance sheets as of April 1, 2023 and April 2, 2022 (in millions):

	Notional Amounts		Fair Values			
			Assets		Liabilities	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Designated forward foreign currency exchange contracts	$ —	$ 119	$ —	$ 4(1)	$ —	$ —
Designated net investment hedges	1,378	4,194	1(2)	44(2)	36(3)	37
Designated fair value hedges	1,084	—	—	—	3(3)	—
Total designated hedges	2,462	4,313	1	48	39	37
Undesignated derivative contracts (4)	—	38	—	4	—	—
Total	$ 2,462	$ 4,351	$ 1	$ 52	$ 39	$ 37

(1)Recorded within prepaid expenses and other current assets in the Company's consolidated balance sheets.
(2)Recorded within other assets in the Company's consolidated balance sheets.
(3)Recorded within other long-term liabilities in the Company's consolidated balance sheets.
(4)Primarily includes undesignated hedges of inventory purchases.

The Company records and presents the fair values of all of its derivative assets and liabilities in its consolidated balance sheets on a gross basis, as shown in the above table. However, if the Company were to offset and record the asset and liability balances for its derivative instruments on a net basis in accordance with the terms of its master netting arrangements, which provide for the right to set-off amounts for similar transactions denominated in the same currencies and with the same banks, the resulting impact as of April 1, 2023 and April 2, 2022 would be as follows (in millions):

	Forward Currency Exchange Contracts		Net Investment Hedges		Fair Value Hedges	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Assets subject to master netting arrangements	$ —	$ 8	$ 1	$ 44	$ —	$ —
Liabilities subject to master netting arrangements	$ —	$ —	$ 36	$ 37	$ 3	$ —
Derivative assets, net	$ —	$ 8	$ 1	$ 42	$ —	$ —
Derivative liabilities, net	$ —	$ —	$ 36	$ 35	$ 3	$ —

Currently, the Company's master netting arrangements do not require cash collateral to be pledged by the Company or its counterparties.

Changes in the fair value of the Company's forward foreign currency exchange contracts that are designated as accounting hedges are recorded in equity as a component of accumulated other comprehensive income, and are reclassified from accumulated other comprehensive income into earnings when the items underlying the hedged transactions are recognized into earnings, as a component of cost of goods sold within the Company's consolidated statements of operations and comprehensive income (loss). The net gain or loss on net investment hedges are reported within foreign currency translation gains and losses ("CTA") as a component of accumulated other comprehensive income on the Company's consolidated balance sheets. Upon discontinuation of the hedge, such amounts remain in CTA until the related net investment is sold or liquidated. The net gain or loss on cross-currency swap contracts designated as fair value hedges and associated with cross-currency intercompany loans are recognized within foreign currency loss (gain) on the Company's consolidated statements of operations and comprehensive income (loss) generally in the period in which the related balances being hedged are revalued.

The following table summarizes the pre-tax impact of the gains and losses on the Company's designated forward foreign currency exchange contracts, net investment hedges and interest rate swaps (in millions):

	Fiscal Year Ended April 1, 2023	Fiscal Year Ended April 2, 2022	Fiscal Year Ended March 27, 2021
	Pre-Tax Gains/(Losses) Recognized in OCI	Pre-Tax Gains Recognized in OCI	Pre-Tax (Losses) Recognized in OCI
Designated forward foreign currency exchange contracts	$ 8	$ 11	$ (2)
Designated net investment hedges	$ 338	$ 435	$ (263)
Designated fair value hedges	$ (6)	$ —	$ —
Designated interest rate swaps	$ —	$ —	$ (1)

The following tables summarize the impact of the gains and losses within the consolidated statements of operations and comprehensive income (loss) related to the designated forward foreign currency exchange contracts (in millions):

	Fiscal Year Ended			
	Pre-Tax (Gains) Losses Reclassified from Accumulated OCI			Location of (Gains) Losses Recognized
	April 1, 2023	April 2, 2022	March 27, 2021	
Designated forward foreign currency exchange contracts	$ (14)	$ 1	$ (2)	Cost of goods sold

The Company expects that substantially all of the amounts recorded in accumulated other comprehensive income for its forward foreign currency exchange contracts will be reclassified into earnings during the next 12 months, based upon the timing of inventory purchases and turnover.

Undesignated Hedges

During Fiscal 2023, Fiscal 2022 and Fiscal 2021, a gain of $2 million, a gain of $2 million and a loss of $1 million, respectively, were recognized within foreign currency loss (gain) in the Company's consolidated statements of operations and comprehensive income (loss) as a result of the changes in the fair value of undesignated forward foreign currency exchange contracts.

15. Shareholders' Equity

Share Repurchase Program

During the first quarter of Fiscal 2022, the Company reinstated its $500 million share-repurchase program, which was previously suspended during the first quarter of Fiscal 2021 in response to the impact of the COVID-19 pandemic and the provisions of the Second Amendment of the 2018 Credit Facility. Subsequently, on November 3, 2021, the Company announced that its Board of Directors had terminated the Company's existing $500 million share repurchase program (the "Prior Plan"), which had $250 million of availability remaining at the time, and authorized a new share repurchase program (the "Fiscal 2022 Plan") pursuant to which the Company was permitted, from time to time, to repurchase up to $1.0 billion of its outstanding ordinary shares within a period of two years from the effective date of the program.

On June 1, 2022, the Board of Directors terminated the Fiscal 2022 Plan, with $500 million of availability remaining, and authorized a new share repurchase program (the "Fiscal 2023 Plan") pursuant to which the Company was permitted, from time to time, to repurchase up to $1.0 billion of its outstanding ordinary shares within a period of two years from the effective date of the program.

On November 9, 2022, the Company announced that its Board of Directors approved a new share repurchase program (the "Existing Share Repurchase Plan") of up to $1 billion of its outstanding ordinary shares, providing additional capacity toreturn cash to shareholders over the longer term. This new two-year program replaced the Fiscal 2023 Plan which had $250 million of availability remaining. Share repurchases may be made in open market or privately negotiated transactions and/or pursuant to Rule 10b5-1 trading plans, subject to market conditions, applicable legal requirements, trading restrictions under the Company's insider trading policy and other relevant factors. The program may be suspended or discontinued at any time.

During Fiscal 2023, the Company purchased 27,356,549 shares with a fair value of $1.350 billion through open market transactions. During Fiscal 2022, the Company purchased 11,014,541 shares with a fair value of $650 million through open market transactions. As of April 1, 2023, the remaining availability under the Company's existing share repurchase program was $400 million.

The Company also has in place a "withhold to cover" repurchase program, which allows the Company to withhold ordinary shares from certain employees and directors to satisfy minimum tax withholding obligations relating to the vesting of their restricted share awards. During Fiscal 2023 and Fiscal 2022, the Company withheld 301,326 shares and 203,863 shares, respectively, with a fair value of $14 million and $11 million, respectively, in satisfaction of minimum tax withholding obligations relating to the vesting of restricted share awards.

Accumulated Other Comprehensive Income

The following table details changes in the components of accumulated other comprehensive income ("AOCI"), net of taxes, for Fiscal 2023, Fiscal 2022 and Fiscal 2021 (in millions):

	Foreign Currency Translation Income (Loss) (1)	Net Gain (Loss) on Derivatives (2)	Other Comprehensive Income (Loss) Attributable to Capri
Balance at March 28, 2020	$ 72	$ 3	$ 75
Other comprehensive loss before reclassifications	(15)	(2)	(17)
Less: amounts reclassified from AOCI to earnings	—	2	2
Other comprehensive loss, net of tax	(15)	(4)	(19)
Balance at March 27, 2021	57	(1)	56
Other comprehensive income before reclassifications	127	10	137
Less: amounts reclassified from AOCI to earnings	—	(1)	(1)
Other comprehensive income, net of tax	127	11	138
Balance at April 2, 2022	184	10	194
Other comprehensive (loss) income before reclassifications	(41)	8	(33)
Less: amounts reclassified from AOCI to earnings	—	14	14
Other comprehensive loss, net of tax	(41)	(6)	(47)
Balance at April 1, 2023	$ 143	$ 4	$ 147

(1) Foreign currency translation adjustments for Fiscal 2023 primarily include a net $266 million translation loss, partially offset by a $224 million gain, net of taxes of $114 million, primarily relating to the Company's net investment hedges. Foreign currency translation adjustments for Fiscal 2022 include a $321 million gain, net of taxes of $114 million, primarily relating to the Company's net investment hedges, and a net $210 million translation loss. Foreign currency translation gains for Fiscal 2021 include a $199 million loss, net of taxes of $63 million, primarily relating to the Company's net investment hedges, a net $189 million translation gain and a net loss of $8 million on intra-entity transactions that are of a long-term investment nature.

(2) Reclassified amounts relate to the Company's forward foreign currency exchange contracts for inventory purchases and are recorded within cost of goods sold in the Company's consolidated statements of operations and comprehensive income (loss). All tax effects were not material for the periods presented.

16. Share-Based Compensation

The Company grants equity awards to certain employees and directors of the Company at the discretion of the Company's Compensation and Talent Committee. The Company has two equity plans which includes one stock option plan adopted in Fiscal 2008 (as amended and restated, the "2008 Plan"), and an Omnibus Incentive Plan adopted in the third fiscal quarter of Fiscal 2012 and amended and restated with shareholder approval in May 2015 and again in June 2020 (the "Incentive Plan"). The 2008 Plan only provided for grants of share options and was authorized to issue up to 23,980,823 ordinary shares. As of April 1, 2023, there were no shares available to grant equity awards under the 2008 Plan. The Incentive Plan allows for grants of share options, restricted shares and restricted stock units ("RSUs"), and other equity awards, and authorizes a total issuance of up to 22,471,000 ordinary shares after amendments in August 2022. At April 1, 2023, there were 6,169,920 ordinary shares available for future grants of equity awards under the Incentive Plan. Option grants issued from the 2008 Plan generally expire ten years from the grant date, and those issued under the Incentive Plan generally expire seven years from the grant date.

Share Options

Share options are generally granted with exercise prices equal to the fair market value on the date of grant. Generally, options vest on a pro-rata basis over a four year service period. The following table summarizes the share options activity during Fiscal 2023, and information about options outstanding at April 1, 2023:

	Number of Options	Weighted Average Exercise price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding at April 2, 2022	355,448	$ 57.54		
Granted	—	$ —		
Exercised	(120,873)	$ 46.13		
Canceled/forfeited	(4,900)	$ 67.52		
Outstanding at April 1, 2023	229,675	$ 63.33	1.84	$ 0.1
Vested or expected to vest at April 1, 2023	229,675	$ 63.33	1.84	
Vested and exercisable at April 1, 2023	229,675	$ 63.33	1.84	$ 0.1

There were no unvested options and 229,675 vested options outstanding at April 1, 2023. The total intrinsic value of options exercised during Fiscal 2023 and Fiscal 2022 was $0.2 million and $7 million, respectively. The cash received from options exercised during Fiscal 2023 and Fiscal 2022 was $6 million and $17 million, respectively. As of April 1, 2023, there was no remaining unrecognized share-based compensation expense for unvested share options.

There were no options granted during Fiscal 2023, Fiscal 2022 or Fiscal 2021.

Restricted Awards

The Company grants RSUs at the fair market value on the grant date. The expense related to RSUs is based on the closing market price of the Company's shares on the date of grant and is recognized ratably over the vesting period, net of expected forfeitures.

The Company grants two types of RSUs: time-based RSUs and performance-based RSUs. Time-based RSUs generally vest in full on the first anniversary of the date of grant for our independent directors, or in equal increments on each of the third or fourth anniversaries of the date of grant (unless the employee is retirement-eligible). Performance-based RSUs generally vest in full on the second or third anniversary of the date of grant, subject to the employee's continued employment during the vesting period and only if certain pre-established cumulative performance targets are met. Expense related to performance-based RSUs is recognized ratably over the performance period, net of forfeitures, based on the probability of attainment of the related performance targets. The potential number of shares that may be earned ranges from 0%, if the minimum level of performance is not attained, to 200%, if the level of performance is at or above the predetermined maximum achievement level.

The following table summarizes the RSU activity during Fiscal 2023:

	Service-based		Performance-based	
	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at April 2, 2022	3,827,700	$ 38.65	210,192	$ 34.25
Granted	1,790,501	$ 48.31	152,921	$ 47.41
Change due to performance conditions, net	—	$ —	—	$ —
Vested	(2,015,072)	$ 39.81	(197,874)	$ 33.86
Canceled/forfeited	(421,203)	$ 45.50	—	$ —
Unvested at April 1, 2023	3,181,926	$ 42.44	165,239	$ 46.90

The total fair value of service-based RSUs vested during Fiscal 2023, Fiscal 2022 and Fiscal 2021 was $56 million, $78 million and $56 million, respectively. The total fair value of performance-based RSUs vested during Fiscal 2023, Fiscal 2022 and Fiscal 2021 was $7 million, $18 million and $6 million, respectively. As of April 1, 2023, the remaining unrecognized share-based compensation expense for unvested service-based and performance-based RSU grants was $78 million and $5 million, respectively, which is expected to be recognized over the related weighted-average periods of approximately 2.0 years and 2.2 years, respectively.

Share-Based Compensation Expense

The following table summarizes compensation expense attributable to share-based compensation for Fiscal 2023, Fiscal 2022 and Fiscal 2021 (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Share-based compensation expense	$ 78	$ 85	$ 70
Tax benefits related to share-based compensation expense	$ 8	$ 14	$ 12

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates forfeitures based on its historical forfeiture rates. The estimated value of future forfeitures for equity awards as of April 1, 2023 is $11 million.

17. Taxes

The Company is a United Kingdom tax resident and is incorporated in the British Virgin Islands. Capri's subsidiaries are subject to taxation in the United States and various other foreign jurisdictions are aggregated in the "Non-United States" information captioned below.

Income (loss) before provision for income taxes consisted of the following (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
United States	$ 85	$ 247	$ (56)
Non-United States	563	668	59
Total income before provision for income taxes	$ 648	$ 915	$ 3

The provision for income taxes was as follows (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Current			
United States - Federal	$ 62	$ 36	$ 35
United States - State	22	16	20
Non-United States	46 (1)	98	81
Total current provision for income taxes	130	150	136
Deferred			
United States - Federal	(40)	24 (2)	(37)
United States - State	(6)	7	(4)
Non-United States	(55)	(89) (3)	(29)
Total deferred provision for income taxes	(101)	(58)	(70)
Total provision for income taxes	$ 29	$ 92	$ 66

(1)Primarily relates to the remeasurement of an Asia income tax reserve.
(2)Reflects the impact of a United States tax accounting method change with respect to cost capitalization.
(3)Includes an Italian valuation allowance reversal during Fiscal 2022.

The Company's provision for income taxes for the years ended April 1, 2023, April 2, 2022 and March 27, 2021 was different from the amount computed by applying the statutory U.K. income tax rates to the underlying income before provision for income taxes as a result of the following (amounts in millions):

	Fiscal Years Ended					
	April 1, 2023		April 2, 2022		March 27, 2021	
	Amount	%(1)	Amount	%(1)	Amount	%(1)
Provision for income taxes at the U.K. statutory tax rate	$ 123	19.0%	$ 174	19.0%	1	19.0%
Effects of global financing arrangements (2)	(78)	(12.1)%	(61)	(6.7)%	(24)	(953.4)%
Effect of changes in valuation allowances on deferred tax assets	(37)	(5.8)%	(67)	(7.3)%	24	955.7%
Liability for uncertain tax positions	(3)	(0.4)%	91	9.9%	11	414.2%
Differences in tax effects on foreign income	(1)	(0.2)%	10	1.1%	13	522.4%
Non-deductible goodwill impairment	15	2.4% (3)	—	—%	18	700.2% (3)
State and local income taxes, net of federal benefit	10	1.5%	12	1.3%	5	201.5%
Share based compensation	6	0.9%	3	0.4%	6	247.7%
Withholding tax	3	0.5%	5	0.6%	4	165.0%
Brand tax basis step-up	—	—%	(46)	(5.0)%	—	—%
CARES Act tax loss carryback	—	—%	(43)	(4.6)%	—	—%
Tax rate change impact on deferred items	—	—%	21	2.1%	9	351.3%
Other (4)	(9)	(1.3)%	(7)	(0.7)%	(1)	(33.1)%
Effective tax rate	$ 29	4.5%	$ 92	10.1%	$ 66	2,590.5%

(1)Tax rates are calculated using unrounded numbers.
(2)Includes the tax related impacts of hedge terminations in conjunction with global financing arrangements.
(3)Attributable to goodwill impairment charges related to Jimmy Choo reporting units in Fiscal 2023 and Fiscal 2021.
(4)Primarily relates to individually immaterial United States and foreign permanent adjustments.

Significant components of the Company's deferred tax assets (liabilities) consist of the following (in millions):

	Fiscal Years Ended	
	April 1, 2023	April 2, 2022
Deferred tax assets		
Operating lease liabilities	$ 442	$ 465
Net operating loss carryforwards	115	108
Accrued interest	70	20
Depreciation	61	53
Sales allowances	38	34
Inventories	21	26
Stock compensation	6	7
Payroll related accruals	3	3
Other	29	46
Total deferred tax assets	785	762
Valuation allowance	(52) (1)	(92) (2)
Net deferred tax assets	733	670
Deferred tax liabilities		
Goodwill and intangibles	(420)	(449) (3)
Operating lease right-of-use-assets	(339)	(340)
Derivative financial instruments	(186)	(73)
Total deferred tax liabilities	(945)	(862)
Net deferred tax liabilities	$ (212)	$ (192)

(1)Includes a U.K. valuation allowance reversal during Fiscal 2023.
(2)Includes an Italian valuation allowance reversal during Fiscal 2022.
(3)Includes a reversal of an Italian brand intangible deferred tax liability.

The Company maintains valuation allowances on deferred tax assets applicable to subsidiaries in jurisdictions for which separate income tax returns are filed and where realization of the related deferred tax assets from future profitable operations is not reasonably assured. The valuation allowance decreased $40 million and $67 million in Fiscal 2023 and Fiscal 2022, respectively, and increased $24 million in Fiscal 2021. In certain jurisdictions, the Company increased the valuation allowance by $6 million, $34 million and $56 million and released valuation allowances of $46 million, $101 million and $32 million in Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively.

As of April 1, 2023, the Company had non-United States and United States net operating loss carryforwards of $581 million, a portion of which will begin to expire in Fiscal 2024.

As of April 1, 2023 and April 2, 2022, the Company had liabilities related to its uncertain tax positions, including accrued interest, of $194 million and $221 million, respectively, which are included in other long-term liabilities in the Company's consolidated balance sheets.

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $178 million, $206 million and $92 million as of April 1, 2023, April 2, 2022 and March 27, 2021, respectively. A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding accrued interest, for Fiscal 2023, Fiscal 2022 and Fiscal 2021, are presented below (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Unrecognized tax benefits beginning balance	$ 221	$ 107	$ 99
Additions related to prior period tax positions	12 (1)	105 (1)	12
Additions related to current period tax positions	14 (2)	29	9
Decreases related to audit settlements	(2)	(13)	(6)
Decreases in prior period positions due to lapses in statute of limitations	(3)	(3)	(4)
Decreases related to prior period tax positions	(42) (3)	(4)	(3)
Unrecognized tax benefits ending balance	$ 200	$ 221	$ 107

(1)Primarily relates to incremental reserves in North America and Europe.
(2)Primarily relates to North American and European tax reserves established in Fiscal 2023.
(3)Primarily relates to Asia tax reserves.

The Company classifies interest and penalties related to unrecognized tax benefits as components of the provision for income taxes. Interest and penalties recognized in the consolidated statements of operations and comprehensive income (loss) for Fiscal 2023, Fiscal 2022 and Fiscal 2021 was $42 million, $28 million and $15 million, respectively.

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlement of ongoing tax audits and assessments and the expiration of applicable statutes of limitations. The Company anticipates that the balance of gross unrecognized tax benefits, excluding interest and penalties, will be reduced by $85 million during the next 12 months, primarily due to the anticipated settlement of tax examinations as well as statute of limitation expirations. However, the outcomes and timing of such events are highly uncertain and changes in the occurrence, expected outcomes and timing of such events could cause the Company's current estimate to change materially in the future.

The Company files income tax returns in the United States and in various foreign, state and local jurisdictions. Most examinations have been completed by tax authorities or the statute of limitations has expired for United States federal, foreign, state and local income tax returns filed by the Company for years through Fiscal 2017.

Prior to the enactment of the Tax Cuts and Jobs Act ("Tax Act"), the Company's undistributed foreign earnings were considered permanently reinvested and, as such, United States federal and state income taxes were not previously recorded on these earnings. As a result of the Tax Act, substantially all of the Company's earnings in foreign subsidiaries generated prior to the enactment of the Tax Act were deemed to have been repatriated. It remains the Company's intent to either reinvest indefinitely substantially all of its foreign earnings outside of the United States or repatriate them tax neutrally. However, if future earnings are repatriated, the potential exists that the Company may be required to accrue and pay additional taxes, including any applicable foreign withholding tax and income taxes. It is not practicable to estimate the amount of tax that might be payable if these earnings were repatriated due to the complexities associated with the hypothetical calculation.

18. Retirement Plans

The Company maintains defined contribution retirement plans for its employees, who generally become eligible to participate after three months of service. Features of these plans allow participants to contribute a percentage of their compensation, up to statutory limits depending upon the country in which the employee resides, and provide for mandatory and/or discretionary matching contributions by the Company, which vary by country. During Fiscal 2023, Fiscal 2022, and Fiscal 2021, the Company recognized expenses of approximately $17 million, $16 million and $20 million, respectively, related to these retirement plans.

19. Segment Information

The Company operates its business through three operating segments — Versace, Jimmy Choo and Michael Kors, which are based on its business activities and organization. The reportable segments are segments of the Company for which separate financial information is available and for which operating results are evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to allocate resources, as well as in assessing performance. The primary key performance indicators are revenue and operating income for each segment. The Company's reportable segments represent components of the business that offer similar merchandise, customer experience and sales/marketing strategies.

The Company's three reportable segments are as follows:

- Versace — segment includes revenue generated through the sale of Versace luxury ready-to-wear, accessories and footwear through directly operated Versace boutiques throughout the Americas, certain parts of EMEA and certain parts of Asia, as well as through Versace outlet stores and e-commerce sites. In addition, revenue is generated through wholesale sales to distribution partners (including geographic licensing arrangements that allow third-parties to use the Versace trademarks in connection with retail and/or wholesale sales of Versace branded products in specific geographic regions), multi-brand department stores and specialty stores worldwide, as well as through product license agreements in connection with the manufacturing and sale of jeans, fragrances, watches, jewelry, eyewear and home furnishings.

- Jimmy Choo — segment includes revenue generated through the sale of Jimmy Choo luxury footwear, handbags and small leather goods through directly operated Jimmy Choo retail and outlet stores throughout the Americas, certain parts of EMEA and certain parts of Asia, through its e-commerce sites, as well as through wholesale sales of luxury goods to distribution partners (including geographic licensing arrangements that allow third-parties to use the Jimmy Choo trademarks in connection with retail and/or wholesale sales of Jimmy Choo branded products in specific geographic regions), multi-brand department stores and specialty stores worldwide. In addition, revenue is generated through product licensing agreements, which allow third-parties to use the Jimmy Choo brand name and trademarks in connection with the manufacturing and sale of fragrances and eyewear.

- Michael Kors — segment includes revenue generated through the sale of Michael Kors products through four primary Michael Kors retail store formats: "Collection" stores, "Lifestyle" stores (including concessions), outlet stores and e-commerce sites, through which the Company sells Michael Kors products, as well as licensed products bearing the Michael Kors name, directly to consumers throughout the Americas, certain parts of EMEA and certain parts of Asia. The Company also sells Michael Kors products directly to department stores, primarily located across the Americas and Europe, to specialty stores and travel retail shops, and to its geographic licensees. In addition, revenue is generated through product and geographic licensing arrangements, which allow third-parties to use the Michael Kors brand name and trademarks in connection with the manufacturing and sale of products, including watches, jewelry, fragrances and eyewear.

In addition to these reportable segments, the Company has certain corporate costs that are not directly attributable to its brands and, therefore, are not allocated to its segments. Such costs primarily include certain administrative, corporate occupancy, shared service and information systems expenses, including enterprise resource planning system implementation costs and Capri transformation program costs. In addition, certain other costs are not allocated to segments, including restructuring and other charges, impairment costs, COVID-19 related charges and the war in Ukraine. The segment structure is consistent with how the Company's CODM plans and allocates resources, manages the business and assesses performance. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance.

The following table presents the key performance information of the Company's reportable segments (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Total revenue:			
Versace	$ 1,106	$ 1,088	$ 718
Jimmy Choo	633	613	418
Michael Kors	3,880	3,953	2,924
Total revenue	$ 5,619	$ 5,654	$ 4,060
Income (loss) from operations:			
Versace	$ 152	$ 185	$ 21
Jimmy Choo	38	13	(55)
Michael Kors	868	1,005	595
Total segment income from operations	1,058	1,203	561
Less: Corporate expenses	(233)	(190)	(152)
Impairment of assets (1)	(142)	(73)	(316)
COVID-19 related charges (2)	9	14	(42)
Impact of war in Ukraine (3)	3	(9)	—
Restructuring and other charges	(16)	(42)	(32)
Total income from operations	$ 679	$ 903	$ 19

(1) Impairment of assets during Fiscal 2023 include $110 million, $30 million and $2 million of impairment charges related to the Jimmy Choo, Michael Kors and Versace reportable segments, respectively. Impairment of assets during Fiscal 2022 includes $50 million, $19 million and $4 million of impairment charges related to the Michael Kors, Versace and Jimmy Choo reportable segments, respectively. Impairment of assets during Fiscal 2021 includes $191 million, $91 million and $34 million of impairment charges related to the Jimmy Choo, Michael Kors and Versace reportable segments, respectively.

(2) COVID-19 related charges during Fiscal 2023, primarily include net inventory credits of $9 million. COVID-19 related charges during Fiscal 2022, primarily include net inventory credits and severance expense of $16 million and $2 million, respectively. COVID-19 related charges during Fiscal 2021, primarily include net inventory reserves and severance expense of $10 million and $24 million, respectively. Inventory related costs are recorded within costs of goods sold and severance expense and credit losses are recorded within selling, general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

(3) These charges primarily relate to incremental credit losses and inventory reserves which are a direct impact of the war in Ukraine. Credit losses are recorded within selling, general and administrative expenses and inventory related costs are recorded within costs of goods sold in the consolidated statements of operations and comprehensive income (loss).

Depreciation and amortization expense for each segment are as follows (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Depreciation and amortization:			
Versace	$ 51	$ 52	$ 54
Jimmy Choo	29	31	31
Michael Kors	95	110	127
Corporate	4	—	—
Total depreciation and amortization	$ 179	$ 193	$ 212

See Note 8 for the Company's goodwill by reportable segment.

Total revenue (based on country of origin) and long-lived assets by geographic location are as follows (in millions):

	Fiscal Years Ended		
	April 1, 2023	April 2, 2022	March 27, 2021
Revenue:			
The Americas (1)	$ 3,220	$ 3,210	$ 2,172
EMEA	1,542	1,489	1,029
Asia	857	955	859
Total revenue	$ 5,619	$ 5,654	$ 4,060

	As of		
	April 1, 2023	April 2, 2022	March 27, 2021
Long-lived assets:			
The Americas (1)	$ 882	$ 908	$ 1,001
EMEA	2,129	2,156	2,384
Asia	599	617	596
Total long-lived assets	$ 3,610	$ 3,681	$ 3,981

(1) Net revenues earned in the United States during Fiscal 2023, Fiscal 2022 and Fiscal 2021 were $2.951 billion, $2.989 billion and $2.016 billion, respectively. Long-lived assets located in the United States as of April 1, 2023, April 2, 2022 and March 27, 2021 were $826 million, $858 million and $942 million, respectively.

As of April 1, 2023, the Company’s total long-lived assets on its consolidated balance sheet were $3.610 billion, of which, $1.691 billion related to Versace, $1.333 billion related to Michael Kors and $586 million related to Jimmy Choo.

Total revenue by major product category are as follows (in millions):

	Fiscal Years Ended					
	April 1, 2023	% of Total	April 2, 2022	% of Total	March 27, 2021	% of Total
Accessories	$ 2,826	50.3%	$ 2,901	51.3%	$ 2,158	53.2%
Footwear	1,217	21.7%	1,208	21.4%	796	19.6%
Apparel	1,107	19.7%	1,027	18.2%	720	17.7%
Licensed product	222	4.0%	241	4.3%	185	4.6%
Licensing revenue	211	3.8%	212	3.7%	155	3.8%
Other	36	0.5%	65	1.1%	46	1.1%
Total revenue	$ 5,619		$ 5,654		$ 4,060	

20. Subsequent Events

Net Investment Hedges

During the first quarter of Fiscal 2024, the Company entered into multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of $1.250 billion to hedge its net investment in CHF denominated subsidiaries. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on CHF denominated debt for fixed rate payments in United States dollars. These contracts have maturity dates between September 2024 and July 2026 and are designated as net investment hedges.

Float-to-Float Hedges

During the first quarter of Fiscal 2024, the Company entered into multiple float-to-float cross-currency swap agreements with aggregate notional amounts of $1 billion to hedge its net investment in Euro denominated subsidiaries. The company will be making Euro floating rate payments in exchange for receiving United States dollar floating rate amounts over the life of the agreement. These contracts have maturity dates between May 2028 and August 2030.

Exhibit 99.2

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	July 1, 2023	April 1, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 238	$ 249
Receivables, net	300	369
Inventories, net	1,166	1,057
Prepaid expenses and other current assets	216	195
Total current assets	1,920	1,870
Property and equipment, net	551	552
Operating lease right-of-use assets	1,359	1,330
Intangible assets, net	1,737	1,728
Goodwill	1,308	1,293
Deferred tax assets	312	296
Other assets	222	226
Total assets	$ 7,409	$ 7,295
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 476	$ 475
Accrued payroll and payroll related expenses	121	154
Accrued income taxes	82	73
Short-term operating lease liabilities	416	429
Short-term debt	13	5
Accrued expenses and other current liabilities	340	314
Total current liabilities	1,448	1,450
Long-term operating lease liabilities	1,354	1,348
Deferred tax liabilities	505	508
Long-term debt	1,924	1,822
Other long-term liabilities	366	318
Total liabilities	5,597	5,446
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, no par value; 650,000,000 shares authorized; 225,684,542 shares issued and 116,064,396 outstanding at July 1, 2023; 224,166,250 shares issued and 117,347,045 outstanding at April 1, 2023	—	—
Treasury shares, at cost (109,620,146 shares at July 1, 2023 and 106,819,205 shares at April 1, 2023)	(5,457)	(5,351)
Additional paid-in capital	1,375	1,344
Accumulated other comprehensive income	137	147
Retained earnings	5,756	5,708
Total shareholders' equity of Capri	1,811	1,848
Noncontrolling interest	1	1
Total shareholders' equity	1,812	1,849
Total liabilities and shareholders' equity	$ 7,409	$ 7,295

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In millions, except share and per share data)
(Unaudited)

	Three Months Ended	
	July 1, 2023	July 2, 2022
Total revenue	$ 1,229	$ 1,360
Cost of goods sold	417	459
Gross profit	812	901
Selling, general and administrative expenses	689	622
Depreciation and amortization	45	45
Restructuring and other (income) expense	(2)	3
Total operating expenses	732	670
Income from operations	80	231
Other expense, net	1	—
Interest expense (income), net	8	(4)
Foreign currency loss	21	4
Income before income taxes	50	231
Provision for income taxes	2	28
Net income	48	203
Less: Net income attributable to noncontrolling interest	—	2
Net income attributable to Capri	$ 48	$ 201
Weighted average ordinary shares outstanding:		
Basic	117,431,941	141,913,586
Diluted	118,282,633	143,733,984
Net income per ordinary share attributable to Capri:		
Basic	$ 0.41	$ 1.42
Diluted	$ 0.41	$ 1.40
Statements of Comprehensive Income:		
Net income	$ 48	$ 203
Foreign currency translation adjustments	(7)	(107)
Net (loss) gain on derivatives	(3)	2
Comprehensive income	38	98
Less: Net income attributable to noncontrolling interest	—	2
Comprehensive income attributable to Capri	$ 38	$ 96

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except share data which is in thousands)
(Unaudited)

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares		Accumulated Other Comprehensive Income	Retained Earnings	Total Equity of Capri	Non-controlling Interest	Total Equity
	Shares	Amounts		Shares	Amounts					
Balance at April 1, 2023	224,166	$ —	$ 1,344	(106,819)	$ (5,351)	$ 147	$ 5,708	$ 1,848	$ 1	$ 1,849
Net income	—	—	—	—	—	—	48	48	—	48
Other comprehensive loss	—	—	—	—	—	(10)	—	(10)	—	(10)
Total comprehensive income	—	—	—	—	—	—	—	38	—	38
Vesting of restricted awards, net of forfeitures	1,504	—	—	—	—	—	—	—	—	—
Exercise of employee share options	14	—	1	—	—	—	—	1	—	1
Share-based compensation expense	—	—	30	—	—	—	—	30	—	30
Repurchase of ordinary shares	—	—	—	(2,801)	(106)	—	—	(106)	—	(106)
Balance at July 1, 2023	225,684	$ —	$ 1,375	(109,620)	$ (5,457)	$ 137	$ 5,756	$ 1,811	$ 1	$ 1,812

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares		Accumulated Other Comprehensive Income	Retained Earnings	Total Equity of Capri	Non-controlling Interest	Total Equity
	Shares	Amounts		Shares	Amounts					
Balance at April 2, 2022	221,967	$ —	$ 1,260	(79,161)	$ (3,987)	$ 194	$ 5,092	$ 2,559	$ (1)	$ 2,558
Net income	—	—	—	—	—	—	201	201	2	203
Other comprehensive loss	—	—	—	—	—	(105)	—	(105)	—	(105)
Total comprehensive income	—	—	—	—	—	—	—	96	2	98
Vesting of restricted awards, net of forfeitures	1,420	—	—	—	—	—	—	—	—	—
Exercise of employee share options	117	—	6	—	—	—	—	6	—	6
Share-based compensation expense	—	—	28	—	—	—	—	28	—	28
Repurchase of ordinary shares	—	—	—	(6,386)	(312)	—	—	(312)	—	(312)
Balance at July 2, 2022	223,504	$ —	$ 1,294	(85,547)	$ (4,299)	$ 89	$ 5,293	$ 2,377	$ 1	$ 2,378

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended	
	July 1, 2023	July 2, 2022
Cash flows from operating activities		
Net income	$ 48	$ 203
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45	45
Share-based compensation expense	30	28
Deferred income taxes	(2)	1
Changes to lease related balances, net	(29)	(33)
Foreign currency loss	20	1
Other non-cash adjustments	2	1
Change in assets and liabilities:		
Receivables, net	68	26
Inventories, net	(122)	(209)
Prepaid expenses and other current assets	(26)	(13)
Accounts payable	1	6
Accrued expenses and other current liabilities	10	87
Other long-term assets and liabilities	(5)	(6)
Net cash provided by operating activities	40	137
Cash flows from investing activities		
Capital expenditures	(50)	(36)
Settlement of net investment hedges	—	66
Net cash (used in) provided by investing activities	(50)	30
Cash flows from financing activities		
Debt borrowings	593	1,350
Debt repayments	(491)	(1,090)
Debt issuance costs	—	(4)
Repurchase of ordinary shares	(106)	(312)
Exercise of employee share options	1	6
Net cash used in financing activities	(3)	(50)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3)	(65)
Net (decrease) increase in cash, cash equivalents and restricted cash	(16)	52
Beginning of period	256	172
End of period	$ 240	$ 224
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 22	$ 18
Net cash paid (received) for income taxes	$ 15	$ (72)
Supplemental disclosure of non-cash investing and financing activities		
Accrued capital expenditures	$ 27	$ 43

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Basis of Presentation

Capri Holdings Limited ("Capri", and together with its subsidiaries, the "Company") was incorporated in the British Virgin Islands on December 13, 2002. The Company is a holding company that owns brands that are leading designers, marketers, distributors and retailers of branded women's and men's accessories, footwear and ready-to-wear bearing the Versace, Jimmy Choo and Michael Kors tradenames and related trademarks and logos. The Company operates in three reportable segments: Versace, Jimmy Choo and Michael Kors. See Note 16 for additional information.

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of the Company and its wholly-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The interim consolidated financial statements as of July 1, 2023 and for the three months ended July 1, 2023 and July 2, 2022 are unaudited. The Company consolidates the results of its Versace business on a one-month lag, as consistent with prior periods. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation in conformity with U.S. GAAP. The interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended April 1, 2023, as filed with the Securities and Exchange Commission on May 31, 2023, in the Company's Annual Report on Form 10-K. The results of operations for the interim periods should not be considered indicative of results to be expected for the full fiscal year.

The Company utilizes a 52- to 53-week fiscal year and the term "Fiscal Year" or "Fiscal" refers to that 52- or 53-week period. The results for the three months ended July 1, 2023 and July 2, 2022 are based on 13-week periods. The Company's Fiscal Year 2024 is a 52-week period ending March 30, 2024.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to use judgment and make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. The most significant assumptions and estimates involved in preparing the financial statements include allowances for customer deductions, sales returns, sales discounts, credit losses, estimates of inventory net realizable value, the valuation of share-based compensation, the valuation of deferred taxes, goodwill, intangible assets, operating lease right-of-use assets and property and equipment, along with the estimated useful lives assigned to these assets. Actual results could differ from those estimates.

Seasonality

The Company experiences certain effects of seasonality with respect to its business. The Company generally experiences greater sales during its third fiscal quarter, primarily driven by holiday season sales, and the lowest sales during its first fiscal quarter.

Cash, Cash Equivalents and Restricted Cash

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Included in the Company's cash and cash equivalents as of July 1, 2023 and April 1, 2023 are credit card receivables of $31 million and $22 million, respectively, which generally settle within two to three business days.

A reconciliation of cash, cash equivalents and restricted cash as of July 1, 2023 and April 1, 2023 from the consolidated balance sheets to the consolidated statements of cash flows is as follows (in millions):

	July 1, 2023	April 1, 2023
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 238	$ 249
Restricted cash included within prepaid expenses and other current assets	2	7
Total cash, cash equivalents and restricted cash shown on the consolidated statements of cash flows	$ 240	$ 256

Inventories, net

Inventories primarily consist of finished goods with the exception of raw materials and work in process inventory. The combined total of raw materials and work in process inventory, net, recorded on the Company's consolidated balance sheets was $47 million as of July 1, 2023 and April 1, 2023.

Derivative Financial Instruments

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to manage its exposure to fluctuations in foreign currency for certain transactions. The Company, in its normal course of business, enters into transactions with foreign suppliers and seeks to minimize risks related to these transactions. The Company employs these contracts to hedge the Company's cash flows as they relate to foreign currency transactions. Certain of these contracts are designated as hedges for accounting purposes, while others remain undesignated. All of the Company's derivative instruments are recorded in the Company's consolidated balance sheets at fair value on a gross basis, regardless of their hedge designation.

The Company designates certain contracts related to the purchase of inventory that qualify for hedge accounting as cash flow hedges. Formal hedge documentation is prepared for all derivative instruments designated as hedges, including a description of the hedged item and the hedging instrument and the risk being hedged. The changes in the fair value for contracts designated as cash flow hedges is recorded in equity as a component of accumulated other comprehensive income until the hedged item affects earnings. When the inventory related to forecasted inventory purchases that are being hedged is sold to a third party, the gains or losses deferred in accumulated other comprehensive income are recognized within cost of goods sold. The Company uses regression analysis to assess effectiveness of derivative instruments that are designated as hedges, which compares the change in the fair value of the derivative instrument to the change in the related hedged item. If the hedge is no longer expected to be highly effective in the future, future changes in the fair value are recognized in earnings. For those contracts that are not designated as hedges, changes in the fair value are recorded to foreign currency loss in the Company's consolidated statements of operations and comprehensive income. The Company classifies cash flows relating to its forward foreign currency exchange contracts related to purchase of inventory consistently with the classification of the hedged item, within cash flows from operating activities.

The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. In order to mitigate counterparty credit risk, the Company only enters into contracts with carefully selected financial institutions based upon their credit ratings and certain other financial factors, adhering to established limits for credit exposure. The aforementioned forward contracts generally have a term of no more than 12 months. The period of these contracts is directly related to the foreign transaction they are intended to hedge.

Net Investment Hedges

The Company also uses cross-currency swap agreements to hedge its net investments in foreign operations against future volatility in the exchange rates between different currencies. The Company has elected the spot method of designating these contracts under Accounting Standards Update ("ASU") 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*", and has designated these contracts as net investment hedges. The net gain or loss on the net investment hedge is reported within foreign currency translation gains and losses ("CTA"), as a component of accumulated other comprehensive income on the Company's consolidated balance sheets. Interest accruals and coupon payments are recognized directly in interest expense (income), net, in the Company's consolidated statements of operations and comprehensive income. Upon discontinuation of a hedge, all previously recognized amounts remain in CTA until the net investment is sold, diluted or liquidated.

Fair Value Hedges

When a cross-currency swap is designated as a fair value hedge and qualifies as highly effective, the fair value hedge will be recorded at fair value each period on the Company's consolidated balance sheets, with the difference resulting from the changes in the spot rate recognized in foreign currency loss on the Company's consolidated statements of operations and comprehensive income, which will offset the related foreign currency impact of the underlying transaction being hedged.

Leases

The Company leases retail stores, office space and warehouse space under operating lease agreements that expire at various dates through September 2043. The Company's leases generally have terms of up to 10 years, generally require a fixed annual rent and may require the payment of additional rent if store sales exceed a negotiated amount. Although most of the Company's equipment is owned, the Company has limited equipment leases that expire on various dates through August 2027. The Company acts as sublessor in certain leasing arrangements, primarily related to closed stores from previous restructuring activities. Fixed sublease payments received are recognized on a straight-line basis over the sublease term. The Company determines the sublease term based on the date it provides possession to the subtenant through the expiration date of the sublease.

The Company recognizes operating lease right-of-use assets and lease liabilities at lease commencement date, based on the present value of fixed lease payments over the expected lease term. The Company uses its incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the lease commencement date, as the rate implicit in the lease is not readily determinable for the Company's leases. The Company's incremental borrowing rates are based on the term of the leases, the economic environment of the leases and reflect the expected interest rate it would incur to borrow on a secured basis. Certain leases include one or more renewal options. The exercise of lease renewal options is generally at the Company's sole discretion and as such, the Company typically determines that exercise of these renewal options is not reasonably certain. As a result, the Company generally does not include renewal options in the expected lease term and the associated lease payments are not included in the measurement of the operating lease right-of-use asset and lease liability. Certain leases also contain termination options with an associated penalty. Generally, the Company is reasonably certain not to exercise these options and as such, they are not included in the determination of the expected lease term. The Company recognizes operating lease expense on a straight-line basis over the lease term.

Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for its short-term leases on a straight-line basis over the lease term.

The Company's leases generally provide for payments of non-lease components, such as common area maintenance, real estate taxes and other costs associated with the leased property. The Company accounts for lease and non-lease components of its real estate leases together as a single lease component and, as such, includes fixed payments of non-lease components in the measurement of the operating lease right-of-use assets and lease liabilities for its real estate leases. Variable lease payments, such as percentage rentals based on sales, periodic adjustments for inflation, reimbursement of real estate taxes, any variable common area maintenance and any other variable costs associated with the leased property are expensed as incurred as variable lease costs and are not recorded on the balance sheet. The Company's lease agreements do not contain any material residual value guarantees, material restrictions or covenants.

The following table presents the Company's supplemental cash flow information related to leases (in millions):

	Three Months Ended	
	July 1, 2023	July 2, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 131	$ 125

During each of the three months ended July 1, 2023 and July 2, 2022, the Company recorded sublease income of $2 million within selling, general and administrative expenses.

Net Income per Share

The Company's basic net income per ordinary share is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the period. Diluted net income per ordinary share reflects the potential dilution that would occur if share options or any other potentially dilutive instruments, including restricted shares and restricted share units ("RSUs"), were exercised or converted into ordinary shares. These potentially dilutive securities are included in diluted shares to the extent they are dilutive under the treasury stock method for the applicable periods. Performance-based RSUs are included as diluted shares if the related performance conditions are considered satisfied as of the end of the reporting period and to the extent they are dilutive under the treasury stock method.

The components of the calculation of basic net income per ordinary share and diluted net income per ordinary share are as follows (in millions, except share and per share data):

	Three Months Ended	
	July 1, 2023	July 2, 2022
Numerator:		
Net income attributable to Capri	$ 48	$ 201
Denominator:		
Basic weighted average shares	117,431,941	141,913,586
Weighted average dilutive share equivalents:		
Share options and restricted shares/units, and performance restricted share units	850,692	1,820,398
Diluted weighted average shares	118,282,633	143,733,984
Basic net income per share (1)	$ 0.41	$ 1.42
Diluted net income per share (1)	$ 0.41	$ 1.40

(1) Basic and diluted net income per share are calculated using unrounded numbers.

During the three months ended July 1, 2023, share equivalents of 287,571 shares have been excluded from the above calculations due to their anti-dilutive effect. Share equivalents of 657,340 shares have been excluded from the above calculations for the three months ended July 2, 2022 due to their anti-dilutive effect.

See Note 2 in the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2023 for a complete disclosure of the Company's significant accounting policies.

Recently Adopted Accounting Pronouncements

Supplier Finance Programs

In September 2022, the FASB issued ASU 2022-04, "Disclosure of Supplier Finance Program Obligations" which makes a number of changes. The amendments require a buyer in a supplier finance program to disclose sufficient information about the program 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 amendments in this update do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. The Company adopted the update in the first quarter of Fiscal 2024 on a retrospective basis, except for the requirement to disclose rollforward information, which will be effective for the Company in the first quarter of Fiscal 2025 on a prospective basis. See Note 9 for the Company's disclosures relating to this update.

Recently Issued Accounting Pronouncements

The Company has considered all new accounting pronouncements and has concluded that there are no new pronouncements that may have a material impact on the Company's results of operations, financial condition or cash flows based on current information.

3. Revenue Recognition

The Company accounts for contracts with its customers when there is approval and commitment from both parties, the rights of the parties and payment terms have been identified, the contract has commercial substance and collectibility of consideration is probable. Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for goods or services.

The Company sells its products through three primary channels of distribution: retail, wholesale and licensing. Within the retail and wholesale channels, substantially all of the Company's revenues consist of sales of products that represent a single performance obligation, where control transfers at a point in time to the customer. For licensing arrangements, royalty and advertising revenue is recognized over time based on access provided to the Company's trademarks.

Retail

The Company generates sales through directly operated stores and e-commerce sites throughout the Americas (United States, Canada and Latin America), certain parts of EMEA (Europe, Middle East and Africa) and certain parts of Asia (Asia and Oceania).

Gift Cards. The Company sells gift cards that can be redeemed for merchandise, resulting in a contract liability upon issuance. Revenue is recognized when the gift card is redeemed or upon "breakage" for the estimated portion of gift cards that are not expected to be redeemed. "Breakage" revenue is calculated under the proportional redemption methodology, which considers the historical patterns of redemption in jurisdictions where the Company is not required to remit the value of the unredeemed gift cards as unclaimed property. The contract liability related to gift cards, net of estimated "breakage" of $14 million as of July 1, 2023 and April 1, 2023, is included within accrued expenses and other current liabilities in the Company's consolidated balance sheet.

Loyalty Program. The Company offers a loyalty program, which allows its Michael Kors United States customers to earn points on qualifying purchases toward monetary and non-monetary rewards, which may be redeemed for purchases at Michael Kors retail stores and e-commerce sites. The Company defers a portion of the initial sales transaction based on the estimated relative fair value of the benefits based on projected timing of future redemptions and historical activity. These amounts include estimated "breakage" for points that are not expected to be redeemed.

Wholesale

The Company's products are sold primarily to major department stores, specialty stores and travel retail shops throughout the Americas, EMEA and Asia. The Company also has arrangements where its products are sold to geographic licensees in certain parts of EMEA, Asia and South America.

Licensing

The Company provides its third-party licensees with the right to access its Versace, Jimmy Choo and Michael Kors trademarks under product and geographic licensing arrangements. Under geographic licensing arrangements, third party licensees receive the right to distribute and sell products bearing the Company's trademarks in retail and/or wholesale channels within certain geographical areas, including Brazil, the Middle East, Eastern Europe, South Africa and certain parts of Asia.

The Company recognizes royalty revenue and advertising contributions based on the percentage of sales made by the licensees. Generally, the Company's guaranteed minimum royalty amounts due from licensees relate to contractual periods that do not exceed 12 months, however, certain guaranteed minimums for Versace are multi-year based.

As of July 1, 2023, contractually guaranteed minimum fees from the Company's license agreements expected to be recognized as revenue during future periods were as follows (in millions):

	Contractually Guaranteed Minimum Fees
Remainder of Fiscal 2024	$ 25
Fiscal 2025	33
Fiscal 2026	30
Fiscal 2027	26
Fiscal 2028	18
Fiscal 2029 and thereafter	29
Total	$ 161

Sales Returns

The refund liability recorded as of July 1, 2023 was $58 million, and the related asset for the right to recover returned product as of July 1, 2023 was $18 million. The refund liability recorded as of April 1, 2023 was $54 million, and the related asset for the right to recover returned product as of April 1, 2023 was $17 million.

Contract Balances

Total contract liabilities were $37 million and $36 million as of July 1, 2023 and April 1, 2023, respectively. For the three months ended July 1, 2023, the Company recognized $5 million in revenue which related to contract liabilities that existed at April 1, 2023. For the three months ended July 2, 2022, the Company recognized $5 million in revenue which related to contract liabilities that existed at April 2, 2022. There were no material contract assets recorded as of July 1, 2023 and April 1, 2023.

There were no changes in historical variable consideration estimates that were materially different from actual results.

Disaggregation of Revenue

The following table presents the Company's segment revenue disaggregated by geographic location (in millions):

	Three Months Ended	
	July 1, 2023	July 2, 2022
Versace revenue - the Americas	$ 82	$ 115
Versace revenue - EMEA	116	107
Versace revenue - Asia	61	53
Total Versace	259	275
Jimmy Choo revenue - the Americas	49	54
Jimmy Choo revenue - EMEA	81	66
Jimmy Choo revenue - Asia	53	52
Total Jimmy Choo	183	172
Michael Kors revenue - the Americas	501	625
Michael Kors revenue - EMEA	175	191
Michael Kors revenue - Asia	111	97
Total Michael Kors	787	913
Total revenue - the Americas	632	794
Total revenue - EMEA	372	364
Total revenue - Asia	225	202
Total revenue	$ 1,229	$ 1,360

See Note 3 in the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2023 for a complete disclosure of the Company's revenue recognition policy.

4. Receivables, net

Receivables, net, consist of (in millions):

	July 1, 2023	April 1, 2023
Trade receivables (1)	$ 336	$ 412
Receivables due from licensees	15	14
	351	426
Less: allowances	(51)	(57)
Total receivables, net	$ 300	$ 369

(1) As of July 1, 2023 and April 1, 2023, $97 million and $96 million, respectively, of trade receivables were insured.

Receivables are presented net of allowances for discounts, markdowns, operational chargebacks and credit losses. Discounts are based on open invoices where trade discounts have been extended to customers. Markdowns are based on wholesale customers' sales performance, seasonal negotiations with customers, historical deduction trends and an evaluation of current market conditions. Operational chargebacks are based on deductions taken by customers, net of expected recoveries. Such provisions, and related recoveries, are reflected in revenues.

The Company's allowance for credit losses is determined through analysis of periodic aging of receivables and assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers and the impact of general economic conditions. The past due status of a receivable is based on its contractual terms. Amounts deemed uncollectible are written off against the allowance when it is probable the amounts will not be recovered. Allowance for credit losses was $8 million as of July 1, 2023 and April 1, 2023. The Company had credit losses of $1 million for the three months ended July 1, 2023 and July 2, 2022.

5. Property and Equipment, net

Property and equipment, net, consists of (in millions):

	July 1, 2023	April 1, 2023
Leasehold improvements	$ 540	$ 577
Computer equipment and software	246	237
Furniture and fixtures	205	216
Equipment	126	106
Building	52	48
In-store shops	45	44
Land	18	18
Total property and equipment, gross	1,232	1,246
Less: accumulated depreciation and amortization	(782)	(784)
Subtotal	450	462
Construction-in-progress	101	90
Total property and equipment, net	$ 551	$ 552

Depreciation and amortization of property and equipment was $34 million for the three months ended July 1, 2023 and July 2, 2022. The Company did not record any property and equipment impairment charges for the three months ended July 1, 2023 and July 2, 2022.

6. Intangible Assets and Goodwill

The following table details the carrying values of the Company's intangible assets and goodwill (in millions):

	July 1, 2023	April 1, 2023
Definite-lived intangible assets:		
Reacquired rights	$ 400	$ 400
Trademarks	23	23
Customer relationships (1)	405	397
Gross definite-lived intangible assets	828	820
Less: accumulated amortization	(282)	(268)
Net definite-lived intangible assets	546	552
Indefinite-lived intangible assets:		
Jimmy Choo brand (2)	286	277
Versace brand (1)	905	899
Net indefinite-lived intangible assets	1,191	1,176
Total intangible assets, excluding goodwill	$ 1,737	$ 1,728
Goodwill (3)	$ 1,308	$ 1,293

(1) The change in the carrying value since April 1, 2023 reflects the impact of foreign currency translation.

(2) Includes accumulated impairment of $273 million as of July 1, 2023 and April 1, 2023. The change in the carrying value since April 1, 2023 reflects the impact of foreign currency translation.

(3) Includes accumulated impairment of $347 million related to the Jimmy Choo reporting units as of July 1, 2023 and April 1, 2023. The change in the carrying value since April 1, 2023 reflects the impact of foreign currency translation.

Amortization expense for the Company's definite-lived intangible assets was $11 million for the three months ended July 1, 2023 and July 2, 2022.

7. Current Assets and Current Liabilities

Prepaid expenses and other current assets consist of the following (in millions):

	July 1, 2023	April 1, 2023
Prepaid taxes	$ 116	$ 105
Prepaid contracts	19	22
Prepaid insurance	14	2
Interest receivable related to hedges	13	10
Other accounts receivables	10	10
Other	44	46
Total prepaid expenses and other current assets	$ 216	$ 195

Accrued expenses and other current liabilities consist of the following (in millions):

	July 1, 2023	April 1, 2023
Return liabilities	$ 58	$ 54
Other taxes payable	39	32
Accrued advertising and marketing	34	26
Accrued capital expenditures	27	33
Accrued rent (1)	20	18
Advance royalties	18	18
Professional services	17	14
Accrued interest	16	16
Gift cards and retail store credits	14	14
Accrued purchases and samples	12	8
Accrued litigation	11	12
Other	74	69
Total accrued expenses and other current liabilities	$ 340	$ 314

(1) The accrued rent balance relates to variable lease payments.

8. Restructuring and Other (Income) Expense

During the three months ended July 1, 2023, the Company recorded other income of $2 million primarily related to a $10 million gain on the sale of a long-lived corporate asset partially offset by expenses related to equity awards associated with the acquisition of Versace and severance expenses incurred during the first quarter.

During the three months ended July 2, 2022, the Company recorded expenses of $3 million primarily related to equity awards associated with the acquisition of Versace.

9. Debt Obligations

The following table presents the Company's debt obligations (in millions):

	July 1, 2023	April 1, 2023
Revolving Credit Facilities	$ 973	$ 874
Versace Term Loan	491	488
Senior Notes due 2024	450	450
Other	25	17
Total debt	1,939	1,829
Less: Unamortized debt issuance costs	2	2
Total carrying value of debt	1,937	1,827
Less: Short-term debt	13	5
Total long-term debt	$ 1,924	$ 1,822

Senior Revolving Credit Facility

On July 1, 2022, the Company entered into a revolving credit facility (the "2022 Credit Facility") with, among others, JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), as administrative agent (the "Administrative Agent"), which refinanced its existing senior unsecured revolving credit facility. The Company, a U.S. subsidiary of the Company, a Canadian subsidiary of the Company, a Dutch subsidiary of the Company and a Swiss subsidiary of the Company are the borrowers under the 2022 Credit Facility, and the borrowers and certain subsidiaries of the Company provide unsecured guaranties of the 2022 Credit Facility. The 2022 Credit Facility replaced the third amended and restated senior unsecured credit facility, dated as of November 15, 2018 (the "2018 Credit Facility").

The 2022 Credit Facility provides for a $1.5 billion revolving credit facility (the "2022 Revolving Credit Facility"), which may be denominated in U.S. dollars and other currencies, including Euros, Canadian Dollars, Pounds Sterling, Japanese Yen and Swiss Francs. The 2022 Revolving Credit Facility also includes sub-facilities for the issuance of letters of credit of up to $125 million and swing line loans at the Administrative Agent's discretion of up to $100 million. The Company has the ability to expand its borrowing availability under the 2022 Credit Facility in the form of increased revolving commitments or one or more tranches of term loans by up to an additional $500 million, subject to the agreement of the participating lenders and certain other customary conditions. See Note 11 to the Company's Fiscal 2023 Annual Report on Form 10-K for information regarding the Company's interest rates associated with borrowings under the 2022 Credit Facility.

The 2022 Credit Facility provides for an annual administration fee and a commitment fee equal to 7.5 basis points to 17.5 basis points per annum, which was 15.0 basis points as of July 1, 2023. The fees are based on the Company's public debt ratings and/or net leverage ratio, applied to the average daily unused amount of the 2022 Credit Facility.

Loans under the 2022 Credit Facility may be prepaid and commitments may be terminated or reduced by the borrowers without premium or penalty other than customary "breakage" costs with respect to loans bearing interest based upon Adjusted Term SOFR, the Adjusted EURIBOR Rate, the Adjusted CDOR Rate and the Adjusted TIBOR Rate.

The 2022 Credit Facility requires the Company to maintain a net leverage ratio as of the end of each fiscal quarter of no greater than 4.0 to 1.0. Such net leverage ratio is calculated as the ratio of the sum of total indebtedness as of the date of the measurement plus the capitalized amount of all operating lease obligations, minus unrestricted cash and cash equivalents not to exceed $200 million, to Consolidated EBITDAR for the last four consecutive fiscal quarters. Consolidated EBITDAR is defined as consolidated net income plus provision for taxes based on income, profits or capital, net interest expense, depreciation and amortization expense, consolidated rent expense and other non-cash losses, charges and expenses, subject to certain additions and deductions. The 2022 Credit Facility also includes covenants that limit additional indebtedness, liens, acquisitions and other investments, restricted payments and affiliate transactions.

The 2022 Credit Facility also contains events of default customary for financings of this type, including, but not limited to, payment defaults, material inaccuracy of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy or insolvency, certain events under the Employee Retirement Income Security Act, material judgments, actual or asserted failure of any guaranty supporting the 2022 Credit Facility to be in full force and effect, and changes of control. If such an event of default occurs and is continuing, the lenders under the 2022 Credit Facility would be entitled to take various actions, including, but not limited to, terminating the commitments and accelerating amounts outstanding under the 2022 Credit Facility.

As of July 1, 2023 and April 1, 2023, the Company had $973 million and $874 million of borrowings outstanding under the 2022 Revolving Credit Facility, respectively. In addition, stand-by letters of credit of $3 million were outstanding as of both July 1, 2023 and April 1, 2023. At July 1, 2023 and April 1, 2023, the amount available for future borrowings under the 2022 Revolving Credit Facility was $524 million and $623 million, respectively. The Company had $6 million of deferred financing fees related to Revolving Credit Facilities for both July 1, 2023 and April 1, 2023, and are recorded within other assets in the Company's consolidated balance sheets.

As of July 1, 2023, and the date these financial statements were issued, the Company was in compliance with all covenants related to the 2022 Credit Facility.

Versace Term Loan

On December 5, 2022, Gianni Versace S.r.l., a wholly owned subsidiary of Capri Holdings Limited, entered into a credit facility with Intesa Sanpaolo S.p.A., Banco Nazionale del Lavoro S.p.A., and UniCredit S.p.A., as arrangers and lenders, and Intesa Sanpaolo S.p.A., as agent, which provides a senior unsecured term loan (the "Versace Term Loan") in an aggregate principal amount of €450 million. The Versace Term Loan is not subject to amortization and matures on December 5, 2025. The Company provides an unsecured guaranty of the Versace Term Loan.

The Versace Term Loan bears interest at a rate per annum equal to the greater of EURIBOR for the applicable interest period and zero, plus a margin of 1.35%.

The Versace Term Loan may be prepaid without premium or penalty other than customary "breakage" costs. The Versace Term Loan requires the Company to maintain a net leverage ratio as of the end of each fiscal quarter of no greater than 4.0 to 1.0. Such net leverage ratio is calculated as the ratio of the sum of total indebtedness as of the date of the measurement plus the capitalized amount of all operating lease obligations, minus unrestricted cash and cash equivalents not to exceed $200 million, to Consolidated EBITDAR for the last four consecutive fiscal quarters. Consolidated EBITDAR is defined as consolidated net income plus provision for taxes based on income, profits or capital, net interest expense, depreciation and amortization expense, consolidated rent expense and other non-cash losses, charges and expenses, subject to certain additions and deductions. The Versace Term Loan also includes covenants that limit additional financial indebtedness, liens, acquisitions, loans and guarantees, restricted payments and mergers of GIVI Holding S.r.l., Gianni Versace S.r.l. and their respective subsidiaries.

The Versace Term Loan contains events of default customary for financings of this type, including, but not limited to payment defaults, material inaccuracy of representations and warranties, covenant defaults, cross-defaults to material financial indebtedness, certain events of bankruptcy or insolvency, illegality or repudiation of any loan document under the Versace Term Loan or any failure thereof to be in full force and effect, and changes of control. If such an event of default occurs and is continuing, the lenders under the Versace Term Loan would be entitled to take various actions, including, but not limited to, accelerating amounts outstanding under the Versace Term Loan.

As of July 1, 2023 and April 1, 2023, the carrying value of the Versace Term Loan was $490 million and $487 million, respectively, net of $1 million of deferred financing fees for both July 1, 2023 and April 1, 2023, which were recorded within long-term debt in the Company's consolidated balance sheets.

As of July 1, 2023, and the date these financial statements were issued, the Company was in compliance with all covenants related to the Versace Term Loan.

Versace Facilities

During Fiscal 2022, the Company's subsidiary, Versace, entered into an agreement with Banco BPM Banking Group ("the Bank") to sell certain tax receivables to the Bank in exchange for cash. The arrangement was determined to be a financing arrangement as the de-recognition criteria for the receivables was not met at the time of the cash receipt from the Bank. As of July 1, 2023 and April 1, 2023, the outstanding balance was $11 million, with $1 million and $10 million recorded within short-term debt and long-term debt in the Company's consolidated balance sheets, respectively.

Supplier Financing Program

The Company offers a supplier financing program which enables the Company's inventory suppliers, at their sole discretion, to sell their receivables (i.e., the Company's payment obligations to suppliers) to a financial institution on a non-recourse basis in order to be paid earlier than current payment terms provide. The Company's obligations, including the amount due and scheduled payment dates, which generally do not exceed 90 days, are not impacted by a suppliers' decision to participate in this program. The Company does not reimburse suppliers for any costs they incur to participate in the program and their participation is voluntary. The amount outstanding under this program as of July 1, 2023 and April 1, 2023 was $12 million and $4 million, respectively, and is presented as short-term debt in the Company's consolidated balance sheets.

See Note 11 to the Company's Fiscal 2023 Annual Report on Form 10-K for additional information regarding the Company's credit facilities and debt obligations.

10. Commitments and Contingencies

In the ordinary course of business, the Company is party to various legal proceedings and claims. Although the outcome of such claims cannot be determined with certainty, the Company believes that the outcome of all pending legal proceedings, in the aggregate, will not have a material adverse effect on its cash flow, results of operations or financial position.

Please refer to the *Contractual Obligations and Commercial Commitments* disclosure within the *Liquidity and Capital Resources* section of the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2023 for a detailed disclosure of other commitments and contractual obligations as of April 1, 2023.

11. Fair Value Measurements

Financial assets and liabilities are measured at fair value using the three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company's own assumptions about market participant assumptions based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At July 1, 2023 and April 1, 2023, the fair values of the Company's derivative contracts were determined using broker quotations, which were calculations derived from observable market information: the applicable currency rates at the balance sheet date and those forward rates particular to the contract at inception. The Company makes no adjustments to these broker obtained quotes or prices, but assesses the credit risk of the counterparty and would adjust the provided valuations for counterparty credit risk when appropriate. The fair values of the forward contracts are included in prepaid expenses and other current assets, and in accrued expenses and other current liabilities in the consolidated balance sheets, depending on whether they represent assets or liabilities to the Company. The fair value of net investment hedges is included in other assets, and in other long-term liabilities in the consolidated balance sheets, depending on whether they represent assets or liabilities of the Company. See Note 12 for further detail.

All contracts are measured and recorded at fair value on a recurring basis and are categorized in Level 2 of the fair value hierarchy, as shown in the following table (in millions):

	Fair value at July 1, 2023 using:			Fair value at April 1, 2023 using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative assets:						
Net investment hedges	$ —	$ 4	$ —	$ —	$ 1	$ —
Fair value hedges	—	1	—	—	—	—
Total derivative assets	$ —	$ 5	$ —	$ —	$ 1	$ —
Derivative liabilities:						
Net investment hedges	$ —	$ 93	$ —	$ —	$ 36	$ —
Fair value hedges	—	3	—	—	3	—
Total derivative liabilities	$ —	$ 96	$ —	$ —	$ 39	$ —

The Company’s long-term debt obligations are recorded in its consolidated balance sheets at carrying values, which may differ from the related fair values. The fair value of the Company’s long-term debt is estimated using external pricing data, including any available quoted market prices and based on other debt instruments with similar characteristics. Borrowings under revolving credit agreements, if outstanding, are recorded at carrying value, which approximates fair value due to the frequent nature of such borrowings and repayments. See Note 9 for detailed information related to carrying values of the Company’s outstanding debt. The following table summarizes the carrying values and estimated fair values of the Company’s long-term debt, based on Level 2 measurements (in millions):

	July 1, 2023		April 1, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Revolving Credit Facilities	$ 973	$ 973	$ 874	$ 874
Versace Term Loan	$ 490	$ 486	$ 487	$ 481
Senior Notes due 2024	$ 449	$ 432	$ 449	$ 435

The Company’s cash and cash equivalents, accounts receivable and accounts payable are recorded at carrying value, which approximates fair value.

Non-Financial Assets and Liabilities

The Company’s non-financial assets include goodwill, intangible assets, operating lease right-of-use assets and property and equipment. Such assets are reported at their carrying values and are not subject to recurring fair value measurements. The Company’s goodwill and its indefinite-lived intangible assets (Versace and Jimmy Choo brands) are assessed for impairment at least annually, while its other long-lived assets, including operating lease right-of-use assets, property and equipment and definite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The Company determines the fair values of these assets based on Level 3 measurements using the Company’s best estimates of the amount and timing of future discounted cash flows, based on historical experience, market conditions, current trends and performance expectations.

The Company recorded no impairment charges during the three months ended July 1, 2023 and July 2, 2022.

12. Derivative Financial Instruments

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to manage its exposure to fluctuations in foreign currencies for certain of its transactions. The Company, in its normal course of business, enters into transactions with foreign suppliers and seeks to minimize risks related to certain forecasted inventory purchases by using forward foreign currency exchange contracts. The Company only enters into derivative instruments with highly credit-rated counterparties. The Company does not enter into derivative contracts for trading or speculative purposes.

Net Investment Hedges

During the first quarter of Fiscal 2024, the Company entered into multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of $2.5 billion to hedge its net investment in Swiss Franc (“CHF”) denominated subsidiaries. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on United States Dollar notional amounts for fixed rate payments of 0.0% in CHF. These contracts have maturity dates between September 2024 and June 2028 and are designated as net investment hedges.

During the first quarter of Fiscal 2024, the Company entered into multiple float-to-float cross-currency swap agreements with aggregate notional amounts of $1.0 billion to hedge its net investment in Euro denominated subsidiaries. The Company will exchange Euro floating rate payments based on EURIBOR for the United States dollar floating rate amounts based on SOFR CME Term over the life of the agreement. The fixed rate component of semi-annual Euro payments range from 1.149% to 1.215%. These contracts have maturity dates between May 2028 and August 2030 and are designated as net investment hedges.

During the first quarter of Fiscal 2024, the Company entered into multiple fixed-to-fixed cross-currency swap agreements with an aggregate notional amount of $350 million to hedge its net investment in Euro denominated subsidiaries. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on United States Dollar notional amounts for fixed rate payments of 0.0% in Euro. These contracts have maturity dates between January 2027 and April 2027 and have been designated as net investment hedges.

During the first quarter of Fiscal 2024, the Company entered into a fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of €150 million to hedge its net investment in British Pound (“GBP”) denominated subsidiaries (the “GBP/EUR Net Investment Hedges”). As of July 1, 2023, the Company had multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of €1.15 billion to hedge its net investment in GBP denominated subsidiaries. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on GBP notional amounts for fixed rate payments of 0.0% in Euro. These contracts have maturity dates between November 2024 and November 2027 and are designated as net investment hedges.

As of July 1, 2023, the Company had Japanese Yen net investment hedges with aggregate notional amounts of $294 million. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on United States notional amounts for fixed rate payments of 0% to 2.665% in Japanese Yen. These contracts have maturity dates between May 2027 and February 2051 and are designated as net investment hedges. Certain of these contracts are supported by a credit support annex (“CSA”) which provides for collateral exchange with the earliest effective date being September 2027. If the outstanding position of a contract exceeds a certain threshold governed by the aforementioned CSA’s, either party is required to post cash collateral.

When a cross-currency swap is used as a hedging instrument in a net investment hedge assessed under the spot method, the cross-currency basis spread is excluded from the assessment of hedge effectiveness and is recognized as a reduction in interest expense in the Company’s consolidated statements of operations and comprehensive income. Accordingly, the Company recorded interest income of $15 million and $17 million during the three months ended July 1, 2023 and July 2, 2022, respectively.

Fair Value Hedges

The Company is exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans which will impact earnings on a consolidated basis. To manage the foreign currency exchange rate risk related to these balances, the Company entered into fair value cross-currency swap agreements to hedge its exposure in GBP denominated subsidiaries (the "GBP Fair Value Hedge") on a Euro denominated intercompany loan. As of July 1, 2023, the total notional values of outstanding fair value cross-currency swaps related to these loans were €1 billion. Under the term of these contracts, the Company will exchange the semi-annual fixed rate payments on GBP notional amounts for fixed rate payments of 0% in Euro. These contracts have maturity dates between March 2025 and March 2026 and are designated as fair value hedges.

When a cross-currency swap is designated as a fair value hedge and qualifies as highly effective, the fair value hedge will be recorded at fair value each period on the Company's consolidated balance sheets, with the difference resulting from the changes in the spot rate recognized in foreign currency loss on the Company's consolidated statements of operations and comprehensive income, which will offset the earnings impact of the underlying transaction being hedged. Accordingly, the Company recorded a foreign currency gain of $28 million during the three months ended July 1, 2023.

The following table details the fair value of the Company's derivative contracts, which are recorded on a gross basis in the consolidated balance sheets as of July 1, 2023 and April 1, 2023 (in millions):

	Notional Amounts		Fair Value			
			Assets		Liabilities	
	July 1, 2023	April 1, 2023	July 1, 2023	April 1, 2023	July 1, 2023	April 1, 2023
Designated net investment hedges	$ 5,399	$ 1,378	$ 4 (1)	$ 1 (1)	$ 93 (2)	$ 36 (2)
Designated fair value hedges	1,091	1,084	1 (1)	—	3 (2)	3 (2)
Total	$ 6,490	$ 2,462	$ 5	$ 1	$ 96	$ 39

(1) Recorded within other assets in the Company's consolidated balance sheets.
(2) Recorded within other long-term liabilities in the Company's consolidated balance sheets.

The Company records and presents the fair values of all of its derivative assets and liabilities in its consolidated balance sheets on a gross basis, as shown in the above table. However, if the Company were to offset and record the asset and liability balances for its derivative instruments on a net basis in accordance with the terms of its master netting arrangements, which provide for the right to set-off amounts for similar transactions denominated in the same currencies and with the same banks, the resulting impact as of July 1, 2023 and April 1, 2023 would be as follows (in millions):

	Net Investment Hedges		Fair Value Hedges	
	July 1, 2023	April 1, 2023	July 1, 2023	April 1, 2023
Assets subject to master netting arrangements	$ 4	$ 1	$ 1	$ —
Liabilities subject to master netting arrangements	$ 93	$ 36	$ 3	$ 3
Derivative assets, net	$ —	$ 1	$ 1	$ —
Derivative liabilities, net	$ 89	$ 36	$ 3	$ 3

Currently, the Company's master netting arrangements do not require cash collateral to be pledged by the Company or its counterparties.

Changes in the fair value of the Company's forward foreign currency exchange contracts that are designated as accounting hedges are recorded in equity as a component of accumulated other comprehensive income and are reclassified from accumulated other comprehensive income into earnings when the items underlying the hedged transactions are recognized into earnings, as a component of cost of goods sold within the Company's consolidated statements of operations and comprehensive income. The net gain or loss on net investment hedges are reported within CTA as a component of accumulated other comprehensive income on the Company's consolidated balance sheets. Upon discontinuation of the hedge, such amounts remain in CTA until the related net investment is sold or liquidated. The net gain or loss on cross-currency swap contracts designated as fair value hedges and associated with cross-currency intercompany loans are recognized within foreign currency loss on the Company's consolidated statements of operations and comprehensive income generally in the period in which the related balances being hedged are revalued.

The following table summarizes the pre-tax impact of the gains and losses on the Company's designated forward foreign currency exchange contracts and net investment hedges (in millions):

	Three Months Ended	
	July 1, 2023	July 2, 2022
	Pre-Tax Losses Recognized in OCI	Pre-Tax Gains Recognized in OCI
Designated forward foreign currency exchange contracts	$ —	$ 6
Designated net investment hedges	$ (54)	$ 213
Designated fair value hedge	$ (25)	$ —

The following tables summarize the pre-tax impact of the gains within the consolidated statements of operations and comprehensive income related to the designated forward foreign currency exchange contracts for the three months ended July 1, 2023 and July 2, 2022 (in millions):

	Three Months Ended		
	Pre-Tax Gain Reclassified from Accumulated OCI		Location of Gain Recognized
	July 1, 2023	July 2, 2022	
Designated forward foreign currency exchange contracts	$ 3	$ 4	Cost of goods sold

The Company expects that substantially all of the amounts recorded in accumulated other comprehensive income for its forward foreign currency exchange contracts will be reclassified into earnings during the next 12 months, based upon the timing of inventory purchases and turnover.

Undesignated Hedges

During the three months ended July 1, 2023, there was no gain or loss recognized within foreign currency loss in the Company's consolidated statements of operations and comprehensive income as there were no undesignated hedges outstanding. During the three months ended July 2, 2022, a $2 million gain was recognized within foreign currency loss in the Company's consolidated statements of operations and comprehensive income as a result of the changes in the fair value of undesignated forward foreign currency exchange contracts.

13. Shareholders' Equity

Share Repurchase Program

On June 1, 2022, the Company announced its Board of Directors authorized a share repurchase program (the "Fiscal 2023 Plan") pursuant to which the Company was permitted, from time to time, to repurchase up to $1.0 billion of its outstanding ordinary shares within a period of two years from the effective date of the program.

On November 9, 2022, the Company announced its Board of Directors approved a new share repurchase program (the "Existing Share Repurchase Plan") to purchase up to $1.0 billion of its outstanding ordinary shares, providing additional capacity to return cash to shareholders over the longer term. This new two-year program replaced the Fiscal 2023 Plan. Share repurchases may be made in open market or privately negotiated transactions and/or pursuant to Rule 10b5-1 trading plans, subject to market conditions, applicable legal requirements, trading restrictions under the Company's insider trading policy and other relevant factors. The program may be suspended or discontinued at any time.

During the three months ended July 1, 2023, the Company purchased 2,636,564 shares for a total cost of approximately $100 million, including commissions, through open market transactions under the Existing Share Repurchase Plan. As of July 1, 2023, the remaining availability under the Company's Existing Share Repurchase Plan was $300 million.

During the three months ended July 2, 2022, the Company purchased 6,120,174 shares for a total cost of approximately $300 million including commissions, through open market transactions under the Fiscal 2023 Plan.

The Company also has in place a "withhold to cover" repurchase program, which allows the Company to withhold ordinary shares from certain executive officers and directors to satisfy minimum tax withholding obligations relating to the vesting of their restricted share awards. During the three month periods ended July 1, 2023 and July 2, 2022, the Company withheld 164,377 shares and 265,311 shares, respectively, with a fair value of $6 million and $12 million, respectively, in satisfaction of minimum tax withholding obligations relating to the vesting of restricted share awards.

Accumulated Other Comprehensive Income

The following table details changes in the components of accumulated other comprehensive income ("AOCI"), net of taxes, for the three months ended July 1, 2023 and July 2, 2022, respectively (in millions):

	Foreign Currency Adjustments (1)	Net Gain on Derivatives (2)	Other Comprehensive Income Attributable to Capri
Balance at April 1, 2023	$ 143	$ 4	$ 147
Other comprehensive loss before reclassifications	(7)	—	(7)
Less: amounts reclassified from AOCI to earnings	—	3	3
Other comprehensive loss, net of tax	(7)	(3)	(10)
Balance at July 1, 2023	$ 136	$ 1	$ 137
Balance at April 2, 2022	$ 184	$ 10	$ 194
Other comprehensive (loss) income before reclassifications	(107)	6	(101)
Less: amounts reclassified from AOCI to earnings	—	4	4
Other comprehensive (loss) income, net of tax	(107)	2	(105)
Balance at July 2, 2022	$ 77	$ 12	$ 89

(1) Foreign currency translation adjustments for the three months ended July 1, 2023 primarily include a $58 million loss, net of taxes of $21 million, relating to the Company's net investment and fair value hedges partially offset by a net $51 million translation gain. Foreign currency translation adjustments for the three months ended July 2, 2022 primarily include a $151 million gain, net of taxes of $62 million, relating to the Company's net investment hedges, and a net $253 million translation loss.

(2) Reclassified amounts primarily relate to the Company's forward foreign currency exchange contracts for inventory purchases and are recorded within cost of goods sold in the Company's consolidated statements of operations and comprehensive income. All tax effects were not material for the periods presented.

14. Share-Based Compensation

The Company grants equity awards to certain employees and directors of the Company at the discretion of the Company's Compensation and Talent Committee. The Company has two equity plans, one stock option plan adopted in Fiscal 2008 (as amended and restated, the "2008 Plan"), and an Omnibus Incentive Plan adopted in the third fiscal quarter of Fiscal 2012 and amended and restated with shareholder approval in May 2015, and again in June 2020 (the "Incentive Plan"). The 2008 Plan only provided for grants of share options and was authorized to issue up to 23,980,823 ordinary shares. As of July 1, 2023, there were no shares available to grant equity awards under the 2008 Plan.

The Incentive Plan allows for grants of share options, restricted shares and RSUs, and other equity awards, and authorizes a total issuance of up to 22,471,000 ordinary shares after amendments in August 2022. At July 1, 2023, there were 4,150,946 ordinary shares available for future grants of equity awards under the Incentive Plan. Option grants issued from the 2008 Plan generally expire ten years from the date of the grant, and those issued under the Incentive Plan generally expire seven years from the date of the grant.

The following table summarizes the Company's share-based compensation activity during the three months ended July 1, 2023:

	Options	Service-Based RSUs	Performance-Based RSUs
Outstanding/Unvested at April 1, 2023	229,675	3,181,926	165,239
Granted	—	1,874,967	203,693
Exercised/Vested	(14,503)	(1,589,310)	—
Canceled/Forfeited	(23,205)	(36,481)	—
Outstanding/Unvested at July 1, 2023	191,967	3,431,102	368,932

The weighted average grant date fair value of service-based and performance-based RSUs granted during the three months ended July 1, 2023 was $36.86 and $36.82, respectively. The weighted average grant date fair value of service-based and performance-based RSUs granted during the three months ended July 2, 2022 was $49.02 and $47.41, respectively.

Share-Based Compensation Expense

The following table summarizes compensation expense attributable to share-based compensation for the three months ended July 1, 2023 and July 2, 2022 (in millions):

	Three Months Ended	
	July 1, 2023	July 2, 2022
Share-based compensation expense	$ 30	$ 28
Tax benefit related to share-based compensation expense	$ 5	$ 5

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates forfeitures based on historical forfeiture rates. The estimated value of future forfeitures for equity awards as of July 1, 2023 is approximately $14 million.

See Note 16 in the Company's Fiscal 2023 Annual Report on Form 10-K for additional information relating to the Company's share-based compensation awards.

15. Income Taxes

The Company's effective tax rate for the three months ended July 1, 2023 was 4.0%. This rate differs from the United Kingdom ("U.K.") federal statutory rate of 25% primarily due to the release of a valuation allowance on Korean deferred tax assets during the three months ended July 1, 2023 and the impact of global financing activities.

The Company's effective tax rate for the three months ended July 2, 2022 was 12.1%. Such rates differed from the U.K. federal statutory rate of 19% primarily due to the impact of global financing activities.

The global financing activities are related to the Company's 2014 move of its principal executive office from Hong Kong to the U.K. and decision to become a U.K. tax resident. In connection with this decision, the Company funded its international growth strategy through intercompany debt financing arrangements. These debt financing arrangements reside between certain of our U.S. and U.K. subsidiaries. Due to the difference in the statutory income tax rates between these jurisdictions, the Company realized lower effective tax rates for the three months ended July 1, 2023.

16. Segment Information

The Company operates its business through three operating segments — Versace, Jimmy Choo and Michael Kors, which are based on its business activities and organization. The reportable segments are segments of the Company for which separate financial information is available and for which operating results are evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to allocate resources, as well as in assessing performance. The primary key performance indicators are revenue and operating income for each segment. The Company's reportable segments represent components of the business that offer similar merchandise, customer experience and sales/marketing strategies.

The Company's three reportable segments are as follows:

- Versace — segment includes revenue generated through the sale of Versace luxury ready-to-wear, accessories and footwear through directly operated Versace boutiques throughout the Americas, certain parts of EMEA and certain parts of Asia, as well as through Versace outlet stores and e-commerce sites. In addition, revenue is generated through wholesale sales to distribution partners (including geographic licensing arrangements that allow third parties to use the Versace trademarks in connection with retail and/or wholesale sales of Versace branded products in specific geographic regions), multi-brand department stores and specialty stores worldwide, as well as through product license agreements in connection with the manufacturing and sale of jeans, fragrances, watches, jewelry, eyewear and home furnishings.

- Jimmy Choo — segment includes revenue generated through the sale of Jimmy Choo luxury footwear, handbags and small leather goods and accessories through directly operated Jimmy Choo retail and outlet stores throughout the Americas, certain parts of EMEA and certain parts of Asia, through its e-commerce sites, as well as through wholesale sales of luxury goods to distribution partners (including geographic licensing arrangements that allow third parties to use the Jimmy Choo trademarks in connection with retail and/or wholesale sales of Jimmy Choo branded products in specific geographic regions), multi-brand department stores and specialty stores worldwide. In addition, revenue is generated through product licensing agreements, which allow third parties to use the Jimmy Choo brand name and trademarks in connection with the manufacturing and sale of fragrances and eyewear.

- Michael Kors — segment includes revenue generated through the sale of Michael Kors products through four primary Michael Kors retail store formats: "Collection" stores, "Lifestyle" stores (including concessions), outlet stores and e-commerce sites, through which the Company sells Michael Kors products, as well as licensed products bearing the Michael Kors name, directly to consumers throughout the Americas, certain parts of EMEA and certain parts of Asia. The Company also sells Michael Kors products directly to department stores, primarily located across the Americas and Europe, to specialty stores and travel retail shops, and to its geographic licensees. In addition, revenue is generated through product and geographic licensing arrangements, which allow third parties to use the Michael Kors brand name and trademarks in connection with the manufacturing and sale of products, including watches, jewelry, fragrances and eyewear.

In addition to these reportable segments, the Company has certain corporate costs that are not directly attributable to its brands and, therefore, are not allocated to its segments. Such costs primarily include certain administrative, corporate occupancy, shared service and information system expenses, including enterprise resource planning system implementation costs and Capri transformation program costs. In addition, certain other costs are not allocated to segments, including restructuring and other (income) expense and COVID-19 related expenses. The segment structure is consistent with how the Company's CODM plans and allocates resources, manages the business and assesses performance. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance.

The following table presents the key performance information of the Company's reportable segments (in millions):

	Three Months Ended	
	July 1, 2023	July 2, 2022
Total revenue:		
Versace	$ 259	$ 275
Jimmy Choo	183	172
Michael Kors	787	913
Total revenue	$ 1,229	$ 1,360
Income from operations:		
Versace	$ 3	$ 52
Jimmy Choo	16	19
Michael Kors	130	222
Total segment income from operations	149	293
Less: Corporate expenses	(71)	(60)
Restructuring and other income (expense)	2	(3)
COVID-19 related expenses	—	1
Total income from operations	$ 80	$ 231

Depreciation and amortization expense for each segment are as follows (in millions):

	Three Months Ended	
	July 1, 2023	July 2, 2022
Depreciation and amortization:		
Versace	$ 13	$ 12
Jimmy Choo	7	7
Michael Kors	21	25
Corporate	4	1
Total depreciation and amortization	$ 45	$ 45

Total revenue (based on country of origin) by geographic location are as follows (in millions):

	Three Months Ended	
	July 1, 2023	July 2, 2022
Revenue:		
The Americas (United States, Canada and Latin America) (1)	$ 632	$ 794
EMEA	372	364
Asia	225	202
Total revenue	$ 1,229	$ 1,360

(1) Total revenue earned in the U.S. was $578 million and $733 million for the three months ended July 1, 2023 and July 2, 2022, respectively.

17. Subsequent Events

On August 10, 2023, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Tapestry, Inc., a Maryland corporation (“Tapestry”), and Sunrise Merger Sub, Inc., a British Virgin Islands business company limited by shares and a direct wholly owned subsidiary of Tapestry (“Merger Sub”).

The Merger Agreement provides that, among other things and on the terms and subject to the conditions set forth therein, Tapestry will acquire Capri in an all-cash transaction by means of a merger of Merger Sub with and into Capri (the “Merger”), with Capri surviving the Merger as a wholly owned subsidiary of Tapestry.

On the terms and subject to the conditions set forth therein, at the effective time of the Merger (the “Effective Time”), each issued and outstanding ordinary share, no par value, of the Company (an “Ordinary Share”) (other than (a) Ordinary Shares that are issued and outstanding immediately prior to the Effective Time that are owned or held in treasury by the Company or by Tapestry or any of its direct or indirect subsidiaries and (b) Ordinary Shares that are issued and outstanding immediately prior to the Effective Time that are held by holders who have properly exercised dissenters’ rights in accordance with, and who have complied with, Section 179 of the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands) will be converted into the right to receive $57.00 in cash, without interest, subject to any required tax withholding as provided in the Merger Agreement.

The Company’s Board of Directors has unanimously approved the Merger Agreement and the transactions contemplated thereby and, subject to certain exceptions set forth in the Merger Agreement, resolved to recommend that Capri’s shareholders adopt a resolution authorizing the Merger Agreement and the Plan of Merger (as defined in the Merger Agreement) and approving the Merger and the other transactions contemplated by the Merger Agreement (“Shareholder Approval”).

The completion of the Merger is subject to the fulfillment or waiver of certain customary mutual closing conditions, including (a) the Shareholder Approval having been obtained, (b) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of certain other regulatory approvals, and (c) the absence of any injunction or order by a court or other governmental entity of competent jurisdiction in U.S. or other specified jurisdictions preventing, enjoining, prohibiting or making illegal the consummation of the Merger. The obligation of each party to consummate the Merger is also conditioned upon the other party’s representations and warranties being true and correct (subject to certain customary materiality exceptions) and the other party having performed in all material respects its obligations under the Merger Agreement. Tapestry’s obligation to consummate the Merger is also conditioned upon the absence of a material adverse effect on Capri’s business prior to the Effective Time as more specifically defined in the Merger Agreement. The consummation of the Merger is not subject to any financing condition.

Additional information about the Merger Agreement is set forth in the Company’s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on August 10, 2023.

Exhibit 99.3

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	September 30, 2023	April 1, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 238	$ 249
Receivables, net	383	369
Inventories, net	1,099	1,057
Prepaid expenses and other current assets	270	195
Total current assets	1,990	1,870
Property and equipment, net	542	552
Operating lease right-of-use assets	1,307	1,330
Intangible assets, net	1,676	1,728
Goodwill	1,268	1,293
Deferred tax assets	308	296
Other assets	255	226
Total assets	$ 7,346	$ 7,295
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 355	$ 475
Accrued payroll and payroll related expenses	95	154
Accrued income taxes	82	73
Short-term operating lease liabilities	406	429
Short-term debt	15	5
Accrued expenses and other current liabilities	291	314
Total current liabilities	1,244	1,450
Long-term operating lease liabilities	1,291	1,348
Deferred tax liabilities	508	508
Long-term debt	2,079	1,822
Other long-term liabilities	312	318
Total liabilities	5,434	5,446
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, no par value; 650,000,000 shares authorized; 225,768,777 shares issued and 116,140,358 outstanding at September 30, 2023; 224,166,250 shares issued and 117,347,045 outstanding at April 1, 2023	—	—
Treasury shares, at cost (109,628,419 shares at September 30, 2023 and 106,819,205 shares at April 1, 2023)	(5,457)	(5,351)
Additional paid-in capital	1,392	1,344
Accumulated other comprehensive income	130	147
Retained earnings	5,846	5,708
Total shareholders' equity of Capri	1,911	1,848
Noncontrolling interest	1	1
Total shareholders' equity	1,912	1,849
Total liabilities and shareholders' equity	$ 7,346	$ 7,295

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In millions, except share and per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Total revenue	$ 1,291	$ 1,412	$ 2,520	$ 2,772
Cost of goods sold	459	461	876	920
Gross profit	832	951	1,644	1,852
Selling, general and administrative expenses	664	642	1,353	1,264
Depreciation and amortization	48	43	93	88
Impairment of assets	20	11	20	11
Restructuring and other expense (income)	—	3	(2)	6
Total operating expenses	732	699	1,464	1,369
Income from operations	100	252	180	483
Other income, net	(1)	(1)	—	(1)
Interest expense, net	3	5	11	1
Foreign currency (gain) loss	(3)	(11)	18	(7)
Income before income taxes	101	259	151	490
Provision for income taxes	11	35	13	63
Net income	90	224	138	427
Less: Net income attributable to noncontrolling interest	—	—	—	2
Net income attributable to Capri	$ 90	$ 224	$ 138	$ 425
Weighted average ordinary shares outstanding:				
Basic	116,674,030	136,037,449	117,052,986	138,975,518
Diluted	117,563,573	137,051,575	117,923,103	140,392,780
Net income per ordinary share attributable to Capri:				
Basic	$ 0.77	$ 1.64	$ 1.18	$ 3.06
Diluted	$ 0.77	$ 1.63	$ 1.17	$ 3.03
Statements of Comprehensive Income:				
Net income	$ 90	$ 224	$ 138	$ 427
Foreign currency translation adjustments	(6)	(125)	(13)	(232)
Net (loss) gain on derivatives	(1)	1	(4)	3
Comprehensive income	83	100	121	198
Less: Net income attributable to noncontrolling interest	—	—	—	2
Comprehensive income attributable to Capri	$ 83	$ 100	$ 121	$ 196

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except share data which is in thousands)
(Unaudited)

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares		Accumulated Other Comprehensive Income	Retained Earnings	Total Equity of Capri	Non-controlling Interest	Total Equity
	Shares	Amounts		Shares	Amounts					
Balance at July 1, 2023	225,684	$ —	$ 1,375	(109,620)	$ (5,457)	$ 137	$ 5,756	$ 1,811	$ 1	$ 1,812
Net income	—	—	—	—	—	—	90	90	—	90
Other comprehensive loss	—	—	—	—	—	(7)	—	(7)	—	(7)
Total comprehensive income	—	—	—	—	—	—	—	83	—	83
Vesting of restricted awards, net of forfeitures	84	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	17	—	—	—	—	17	—	17
Repurchase of ordinary shares	—	—	—	(8)	—	—	—	—	—	—
Balance at September 30, 2023	225,768	$ —	$ 1,392	(109,628)	$ (5,457)	$ 130	$ 5,846	$ 1,911	$ 1	$ 1,912

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares		Accumulated Other Comprehensive Income	Retained Earnings	Total Equity of Capri	Non-controlling Interest	Total Equity
	Shares	Amounts		Shares	Amounts					
Balance at April 1, 2023	224,166	$ —	$ 1,344	(106,819)	$ (5,351)	$ 147	$ 5,708	$ 1,848	$ 1	$ 1,849
Net income	—	—	—	—	—	—	138	138	—	138
Other comprehensive loss	—	—	—	—	—	(17)	—	(17)	—	(17)
Total comprehensive income	—	—	—	—	—	—	—	121	—	121
Vesting of restricted awards, net of forfeitures	1,588	—	—	—	—	—	—	—	—	—
Exercise of employee share options	14	—	1	—	—	—	—	1	—	1
Share-based compensation expense	—	—	47	—	—	—	—	47	—	47
Repurchase of ordinary shares	—	—	—	(2,809)	(106)	—	—	(106)	—	(106)
Balance at September 30, 2023	225,768	$ —	$ 1,392	(109,628)	$ (5,457)	$ 130	$ 5,846	$ 1,911	$ 1	$ 1,912

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except share data which is in thousands)
(Unaudited)

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity of Capri	Non-controlling Interest	Total Equity
	Shares	Amounts		Shares	Amounts					
Balance at July 2, 2022	223,504	$ —	$ 1,294	(85,547)	$ (4,299)	$ 89	$ 5,293	$ 2,377	$ 1	$ 2,378
Net income	—	—	—	—	—	—	224	224	—	224
Other comprehensive loss	—	—	—	—	—	(124)	—	(124)	—	(124)
Total comprehensive income	—	—	—	—	—	—	—	100	—	100
Vesting of restricted awards, net of forfeitures	199	—	—	—	—	—	—	—	—	—
Exercise of employee share options	4	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	16	—	—	—	—	16	—	16
Repurchase of ordinary shares	—	—	—	(7,071)	(351)	—	—	(351)	—	(351)
Other	—	—	1	—	—	—	—	1	(1)	—
Balance at October 1, 2022	223,707	$ —	$ 1,311	(92,618)	$ (4,650)	$ (35)	$ 5,517	$ 2,143	$ —	$ 2,143

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity of Capri	Non-controlling Interest	Total Equity
	Shares	Amounts		Shares	Amounts					
Balance at April 2, 2022	221,967	$ —	$ 1,260	(79,161)	$ (3,987)	$ 194	$ 5,092	$ 2,559	$ (1)	$ 2,558
Net income	—	—	—	—	—	—	425	425	2	427
Other comprehensive loss	—	—	—	—	—	(229)	—	(229)	—	(229)
Total comprehensive income	—	—	—	—	—	—	—	196	2	198
Vesting of restricted awards, net of forfeitures	1,619	—	—	—	—	—	—	—	—	—
Exercise of employee share options	121	—	6	—	—	—	—	6	—	6
Share-based compensation expense	—	—	44	—	—	—	—	44	—	44
Repurchase of ordinary shares	—	—	—	(13,457)	(663)	—	—	(663)	—	(663)
Other	—	—	1	—	—	—	—	1	(1)	—
Balance at October 1, 2022	223,707	$ —	$ 1,311	(92,618)	$ (4,650)	$ (35)	$ 5,517	$ 2,143	$ —	$ 2,143

See accompanying notes to consolidated financial statements.

CAPRI HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended	
	September 30, 2023	October 1, 2022
Cash flows from operating activities		
Net income	$ 138	$ 427
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93	88
Share-based compensation expense	47	44
Deferred income taxes	(4)	(1)
Impairment of assets	20	11
Changes to lease related balances, net	(59)	(54)
Foreign currency loss	16	11
Other non-cash adjustments	8	3
Change in assets and liabilities:		
Receivables, net	(23)	(38)
Inventories, net	(70)	(170)
Prepaid expenses and other current assets	(80)	(66)
Accounts payable	(112)	(151)
Accrued expenses and other current liabilities	(57)	(33)
Other long-term assets and liabilities	(14)	(32)
Net cash (used in) provided by operating activities	(97)	39
Cash flows from investing activities		
Capital expenditures	(90)	(86)
Settlement of net investment hedges	—	409
Net cash (used in) provided by investing activities	(90)	323
Cash flows from financing activities		
Debt borrowings	1,102	2,797
Debt repayments	(799)	(2,345)
Debt issuance costs	—	(4)
Repurchase of ordinary shares	(106)	(663)
Exercise of employee share options	1	6
Net cash provided by (used in) financing activities	198	(209)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(23)	(106)
Net (decrease) increase in cash, cash equivalents and restricted cash	(12)	47
Beginning of period	256	172
End of period	$ 244	$ 219
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 48	$ 28
Net cash paid for income taxes	$ 65	$ 80
Supplemental disclosure of non-cash investing and financing activities		
Accrued capital expenditures	$ 26	$ 43

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Basis of Presentation

Capri Holdings Limited ("Capri", and together with its subsidiaries, the "Company") was incorporated in the British Virgin Islands on December 13, 2002. The Company is a holding company that owns brands that are leading designers, marketers, distributors and retailers of branded women's and men's accessories, footwear and ready-to-wear bearing the Versace, Jimmy Choo and Michael Kors tradenames and related trademarks and logos. The Company operates in three reportable segments: Versace, Jimmy Choo and Michael Kors. See Note 17 for additional information.

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of the Company and its wholly-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The interim consolidated financial statements as of September 30, 2023 and for the three and six months ended September 30, 2023 and October 1, 2022 are unaudited. The Company consolidates the results of its Versace business on a one-month lag, as consistent with prior periods. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation in conformity with U.S. GAAP. The interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended April 1, 2023, as filed with the Securities and Exchange Commission on May 31, 2023, in the Company's Annual Report on Form 10-K. The results of operations for the interim periods should not be considered indicative of results to be expected for the full fiscal year.

The Company utilizes a 52- to 53-week fiscal year and the term "Fiscal Year" or "Fiscal" refers to that 52- or 53-week period. The results for the three and six months ended September 30, 2023 and October 1, 2022 are based on 13-week and 26-week periods, respectively. The Company's Fiscal Year 2024 is a 52-week period ending March 30, 2024.

2. Merger Agreement

On August 10, 2023, Capri entered into an Agreement and Plan of Merger (the "Merger Agreement") with Tapestry, Inc., a Maryland corporation ("Tapestry"), and Sunrise Merger Sub, Inc., a British Virgin Islands business company limited by shares and a direct wholly owned subsidiary of Tapestry ("Merger Sub").

The Merger Agreement provides that, among other things and on the terms and subject to the conditions set forth therein, Tapestry will acquire Capri in an all-cash transaction by means of a merger of Merger Sub with and into Capri (the "Merger"), with Capri surviving the Merger as a wholly owned subsidiary of Tapestry. For additional information related to the Merger Agreement, please refer to Capri's Definitive Proxy Statement on Schedule 14A filed with the U.S. Securities and Exchange Commission (the "SEC") on September 20, 2023, as well as the supplemental disclosures contained in Capri's Current Report on Form 8-K filed with the SEC on October 17, 2023.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to use judgment and make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. The most significant assumptions and estimates involved in preparing the financial statements include allowances for customer deductions, sales returns, sales discounts, credit losses, estimates of inventory net realizable value, the valuation of share-based compensation, the valuation of deferred taxes, goodwill, intangible assets, operating lease right-of-use assets and property and equipment, along with the estimated useful lives assigned to these assets. Actual results could differ from those estimates.

Seasonality

The Company experiences certain effects of seasonality with respect to its business. The Company generally experiences greater sales during its third fiscal quarter, primarily driven by holiday season sales, and the lowest sales during its first fiscal quarter.

Cash, Cash Equivalents and Restricted Cash

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Included in the Company's cash and cash equivalents as of September 30, 2023 and April 1, 2023 are credit card receivables of $29 million and $22 million, respectively, which generally settle within two to three business days.

A reconciliation of cash, cash equivalents and restricted cash as of September 30, 2023 and April 1, 2023 from the consolidated balance sheets to the consolidated statements of cash flows is as follows (in millions):

	September 30, 2023	April 1, 2023
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 238	$ 249
Restricted cash included within prepaid expenses and other current assets	6	7
Total cash, cash equivalents and restricted cash shown on the consolidated statements of cash flows	$ 244	$ 256

Inventories, net

Inventories primarily consist of finished goods with the exception of raw materials and work in process inventory. The combined total of raw materials and work in process inventory, net, recorded on the Company's consolidated balance sheets was $47 million as of both September 30, 2023 and April 1, 2023.

Derivative Financial Instruments

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to manage its exposure to fluctuations in foreign currency for certain transactions. The Company, in its normal course of business, enters into transactions with foreign suppliers and seeks to minimize risks related to these transactions. The Company employs these contracts to hedge the Company's cash flows as they relate to foreign currency transactions. Certain of these contracts are designated as hedges for accounting purposes, while others remain undesignated. All of the Company's derivative instruments are recorded in the Company's consolidated balance sheets at fair value on a gross basis, regardless of their hedge designation.

The Company designates certain contracts related to the purchase of inventory that qualify for hedge accounting as cash flow hedges. Formal hedge documentation is prepared for all derivative instruments designated as hedges, including a description of the hedged item and the hedging instrument and the risk being hedged. The changes in the fair value for contracts designated as cash flow hedges is recorded in equity as a component of accumulated other comprehensive income until the hedged item affects earnings. When the inventory related to forecasted inventory purchases that are being hedged is sold to a third party, the gains or losses deferred in accumulated other comprehensive income are recognized within cost of goods sold. The Company uses regression analysis to assess effectiveness of derivative instruments that are designated as hedges, which compares the change in the fair value of the derivative instrument to the change in the related hedged item. If the hedge is no longer expected to be highly effective in the future, future changes in the fair value are recognized in earnings. For those contracts that are not designated as hedges, changes in the fair value are recorded to foreign currency (gain) loss in the Company's consolidated statements of operations and comprehensive income. The Company classifies cash flows relating to its forward foreign currency exchange contracts related to purchase of inventory consistently with the classification of the hedged item, within cash flows from operating activities.

The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. In order to mitigate counterparty credit risk, the Company only enters into contracts with carefully selected financial institutions based upon their credit ratings and certain other financial factors, adhering to established limits for credit exposure. The aforementioned forward contracts generally have a term of no more than 12 months. The period of these contracts is directly related to the foreign transaction they are intended to hedge.

Net Investment Hedges

The Company also uses cross-currency swap agreements to hedge its net investments in foreign operations against future volatility in the exchange rates between different currencies. The Company has elected the spot method of designating these contracts under Accounting Standards Update ("ASU") 2017-12, *"Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities"*, and has designated these contracts as net investment hedges. The net gain or loss on the net investment hedge is reported within foreign currency translation adjustments ("CTA"), as a component of accumulated other comprehensive income on the Company's consolidated balance sheets. Interest accruals and coupon payments are recognized directly in interest expense, net in the Company's consolidated statements of operations and comprehensive income. Upon discontinuation of a hedge, all previously recognized amounts remain in CTA until the net investment is sold, diluted or liquidated.

Fair Value Hedges

When a cross-currency swap is designated as a fair value hedge and qualifies as highly effective, the fair value hedge will be recorded at fair value each period on the Company's consolidated balance sheets, with the difference resulting from the changes in the spot rate recognized in foreign currency (gain) loss on the Company's consolidated statements of operations and comprehensive income, which will offset the related foreign currency impact of the underlying transaction being hedged.

Leases

The Company leases retail stores, office space and warehouse space under operating lease agreements that expire at various dates through September 2043. The Company's leases generally have terms of up to 10 years, generally require a fixed annual rent and may require the payment of additional rent if store sales exceed a negotiated amount. Although most of the Company's equipment is owned, the Company has limited equipment leases that expire on various dates through October 2027. The Company acts as sublessor in certain leasing arrangements, primarily related to closed stores from previous restructuring activities. Fixed sublease payments received are recognized on a straight-line basis over the sublease term. The Company determines the sublease term based on the date it provides possession to the subtenant through the expiration date of the sublease.

The Company recognizes operating lease right-of-use assets and lease liabilities at lease commencement date, based on the present value of fixed lease payments over the expected lease term. The Company uses its incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the lease commencement date, as the rate implicit in the lease is not readily determinable for the Company's leases. The Company's incremental borrowing rates are based on the term of the leases, the economic environment of the leases and reflect the expected interest rate it would incur to borrow on a secured basis. Certain leases include one or more renewal options. The exercise of lease renewal options is generally at the Company's sole discretion and as such, the Company typically determines that exercise of these renewal options is not reasonably certain. As a result, the Company generally does not include renewal options in the expected lease term and the associated lease payments are not included in the measurement of the operating lease right-of-use asset and lease liability. Certain leases also contain termination options with an associated penalty. Generally, the Company is reasonably certain not to exercise these options and as such, they are not included in the determination of the expected lease term. The Company recognizes operating lease expense on a straight-line basis over the lease term.

Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for its short-term leases on a straight-line basis over the lease term.

The Company's leases generally provide for payments of non-lease components, such as common area maintenance, real estate taxes and other costs associated with the leased property. The Company accounts for lease and non-lease components of its real estate leases together as a single lease component and, as such, includes fixed payments of non-lease components in the measurement of the operating lease right-of-use assets and lease liabilities for its real estate leases. Variable lease payments, such as percentage rentals based on sales, periodic adjustments for inflation, reimbursement of real estate taxes, any variable common area maintenance and any other variable costs associated with the leased property are expensed as incurred as variable lease costs and are not recorded on the balance sheet. The Company's lease agreements do not contain any material residual value guarantees, material restrictions or covenants.

The following table presents the Company's supplemental cash flow information related to leases (in millions):

	Six Months Ended	
	September 30, 2023	October 1, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 261	$ 248

During the three and six months ended September 30, 2023, the Company recorded sublease income of $2 million and $4 million, respectively, within selling, general and administrative expenses. During the three and six months ended October 1, 2022, the Company recorded sublease income of $3 million and $5 million, respectively, within selling, general and administrative expenses.

Net Income per Share

The Company's basic net income per ordinary share is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the period. Diluted net income per ordinary share reflects the potential dilution that would occur if share options or any other potentially dilutive instruments, including restricted shares and restricted share units ("RSUs"), were exercised or converted into ordinary shares. These potentially dilutive securities are included in diluted shares to the extent they are dilutive under the treasury stock method for the applicable periods. Performance-based RSUs are included as diluted shares if the related performance conditions are considered satisfied as of the end of the reporting period and to the extent they are dilutive under the treasury stock method.

The components of the calculation of basic net income per ordinary share and diluted net income per ordinary share are as follows (in millions, except share and per share data):

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Numerator:				
Net income attributable to Capri	$ 90	$ 224	$ 138	$ 425
Denominator:				
Basic weighted average shares	116,674,030	136,037,449	117,052,986	138,975,518
Weighted average dilutive share equivalents:				
Share options and restricted shares/units, and performance restricted share units	889,543	1,014,126	870,117	1,417,262
Diluted weighted average shares	117,563,573	137,051,575	117,923,103	140,392,780
Basic net income per share [(1)]	$ 0.77	$ 1.64	$ 1.18	$ 3.06
Diluted net income per share [(1)]	$ 0.77	$ 1.63	$ 1.17	$ 3.03

(1) Basic and diluted net income per share are calculated using unrounded numbers.

During the three and six months ended September 30, 2023, share equivalents of 441,685 and 364,628 shares, respectively, have been excluded from the above calculations due to their anti-dilutive effect. Share equivalents of 794,933 and 726,136 shares have been excluded from the above calculations for the three and six months ended October 1, 2022, respectively, due to their anti-dilutive effect.

See Note 2 in the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2023 for a complete disclosure of the Company's significant accounting policies.

Recently Adopted Accounting Pronouncements

Supplier Finance Programs

In September 2022, the FASB issued ASU 2022-04, "Disclosure of Supplier Finance Program Obligations" which makes a number of changes. The amendments require a buyer in a supplier finance program to disclose sufficient information about the program to allow users of the financial statements to understand the program's nature, activity during the period, changes from period to period and potential magnitude. The amendments in this update do not affect the recognition, measurement or financial statement presentation of obligations covered by supplier finance programs. The Company adopted the update in the first quarter of Fiscal 2024 on a retrospective basis, except for the requirement to disclose rollforward information, which will be effective for the Company in the first quarter of Fiscal 2025 on a prospective basis. See Note 10 for the Company's disclosures relating to this update.

Recently Issued Accounting Pronouncements

The Company has considered all new accounting pronouncements and has concluded that there are no new pronouncements that may have a material impact on the Company's results of operations, financial condition or cash flows based on current information.

4. Revenue Recognition

The Company accounts for contracts with its customers when there is approval and commitment from both parties, the rights of the parties and payment terms have been identified, the contract has commercial substance and collectibility of consideration is probable. Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for goods or services.

The Company sells its products through three primary channels of distribution: retail, wholesale and licensing. Within the retail and wholesale channels, substantially all of the Company's revenues consist of sales of products that represent a single performance obligation where control transfers at a point in time to the customer. For licensing arrangements, royalty and advertising revenue is recognized over time based on access provided to the Company's trademarks.

Retail

The Company generates sales through directly operated stores and e-commerce sites throughout the Americas (United States, Canada and Latin America), certain parts of EMEA (Europe, Middle East and Africa) and certain parts of Asia (Asia and Oceania).

Gift Cards. The Company sells gift cards that can be redeemed for merchandise, resulting in a contract liability upon issuance. Revenue is recognized when the gift card is redeemed or upon "breakage" for the estimated portion of gift cards that are not expected to be redeemed. "Breakage" revenue is calculated under the proportional redemption methodology, which considers the historical pattern of redemption in jurisdictions where the Company is not required to remit the value of the unredeemed gift cards as unclaimed property. The contract liability related to gift cards, net of estimated "breakage" of $14 million as of September 30, 2023 and April 1, 2023, is included within accrued expenses and other current liabilities in the Company's consolidated balance sheet.

Loyalty Program. The Company offers a loyalty program, which allows its Michael Kors North America customers to earn points on qualifying purchases toward monetary and non-monetary rewards, which may be redeemed for purchases at Michael Kors retail stores and e-commerce sites. The Company defers a portion of the initial sales transaction based on the estimated relative fair value of the benefits based on projected timing of future redemptions and historical activity. These amounts include estimated "breakage" for points that are not expected to be redeemed.

Wholesale

The Company's products are sold primarily to major department stores, specialty stores and travel retail shops throughout the Americas, EMEA and Asia. The Company also has arrangements where its products are sold to geographic licensees in certain parts of EMEA, Asia and South America.

Licensing

The Company provides its third-party licensees with the right to access its Versace, Jimmy Choo and Michael Kors trademarks under product and geographic licensing arrangements. Under geographic licensing arrangements, third party licensees receive the right to distribute and sell products bearing the Company's trademarks in retail and/or wholesale channels within certain geographical areas, including Brazil, the Middle East, Eastern Europe, South Africa and certain parts of Asia.

The Company recognizes royalty revenue and advertising contributions based on the percentage of sales made by the licensees. Generally, the Company's guaranteed minimum royalty amounts due from licensees relate to contractual periods that do not exceed 12 months, however, certain guaranteed minimums for Versace are multi-year based.

As of September 30, 2023, contractually guaranteed minimum fees from the Company's license agreements expected to be recognized as revenue during future periods were as follows (in millions):

	Contractually Guaranteed Minimum Fees
Remainder of Fiscal 2024	$ 17
Fiscal 2025	33
Fiscal 2026	30
Fiscal 2027	26
Fiscal 2028	18
Fiscal 2029 and thereafter	30
Total	$ 154

Sales Returns

The refund liability recorded as of September 30, 2023 was $48 million, and the related asset for the right to recover returned product as of September 30, 2023 was $15 million. The refund liability recorded as of April 1, 2023 was $54 million, and the related asset for the right to recover returned product as of April 1, 2023 was $17 million.

Contract Balances

Total contract liabilities were $26 million and $36 million as of September 30, 2023 and April 1, 2023, respectively. For the three and six months ended September 30, 2023, the Company recognized $2 million and $7 million, respectively, in revenue which related to contract liabilities that existed at April 1, 2023. For the three and six months ended October 1, 2022, the Company recognized $3 million and $8 million, respectively, in revenue which related to contract liabilities that existed at April 2, 2022. There were no material contract assets recorded as of September 30, 2023 and April 1, 2023.

There were no changes in historical variable consideration estimates that were materially different from actual results.

Disaggregation of Revenue

The following table presents the Company's segment revenue disaggregated by geographic location (in millions):

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Versace revenue - the Americas	$ 96	$ 120	$ 178	$ 235
Versace revenue - EMEA	125	130	241	237
Versace revenue - Asia	59	58	120	111
Total Versace	280	308	539	583
Jimmy Choo revenue - the Americas	38	43	87	97
Jimmy Choo revenue - EMEA	57	57	138	123
Jimmy Choo revenue - Asia	37	42	90	94
Total Jimmy Choo	132	142	315	314
Michael Kors revenue - the Americas	556	643	1,057	1,268
Michael Kors revenue - EMEA	219	213	394	404
Michael Kors revenue - Asia	104	106	215	203
Total Michael Kors	879	962	1,666	1,875
Total revenue - the Americas	690	806	1,322	1,600
Total revenue - EMEA	401	400	773	764
Total revenue - Asia	200	206	425	408
Total revenue	$ 1,291	$ 1,412	$ 2,520	$ 2,772

See Note 3 in the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2023 for a complete disclosure of the Company's revenue recognition policy.

5. Receivables, net

Receivables, net, consist of (in millions):

	September 30, 2023	April 1, 2023
Trade receivables [1]	$ 408	$ 412
Receivables due from licensees	22	14
	430	426
Less: allowances	(47)	(57)
Total receivables, net	$ 383	$ 369

(1) As of September 30, 2023 and April 1, 2023, $93 million and $96 million, respectively, of trade receivables were insured.

Receivables are presented net of allowances for discounts, markdowns, operational chargebacks and credit losses. Discounts are based on open invoices where trade discounts have been extended to customers. Markdowns are based on wholesale customers' sales performance, seasonal negotiations with customers, historical deduction trends and an evaluation of current market conditions. Operational chargebacks are based on deductions taken by customers, net of expected recoveries. Such provisions, and related recoveries, are reflected in revenues.

The Company’s allowance for credit losses is determined through analysis of periodic aging of receivables and assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of the Company’s customers and the impact of general economic conditions. The past due status of a receivable is based on its contractual terms. Amounts deemed uncollectible are written off against the allowance when it is probable the amounts will not be recovered. Allowance for credit losses was $10 million and $8 million as of September 30, 2023 and April 1, 2023, respectively. The Company had credit losses of $1 million and $2 million for the three and six months ended September 30, 2023, and the three and six months ended October 1, 2022, respectively.

6. Property and Equipment, net

Property and equipment, net, consists of (in millions):

	September 30, 2023	April 1, 2023
Leasehold improvements	$ 531	$ 577
Computer equipment and software	319	237
Furniture and fixtures	197	216
Equipment	125	106
Building	48	48
In-store shops	45	44
Land	18	18
Total property and equipment, gross	1,283	1,246
Less: accumulated depreciation and amortization	(793)	(784)
Subtotal	490	462
Construction-in-progress	52	90
Total property and equipment, net	$ 542	$ 552

Depreciation and amortization of property and equipment for the three and six months ended September 30, 2023 was $37 million and $71 million, respectively. Depreciation and amortization of property and equipment was $31 million and $65 million for the three and six months ended October 1, 2022, respectively. During the three and six months ended September 30, 2023, the Company recorded $6 million in property and equipment impairment charges. During the three and six months ended October 1, 2022, the Company recorded $2 million in property and equipment impairment charges.

7. Intangible Assets and Goodwill

The following table details the carrying values of the Company's intangible assets and goodwill (in millions):

	September 30, 2023	April 1, 2023
Definite-lived intangible assets:		
Reacquired rights	$ 400	$ 400
Trademarks	23	23
Customer relationships [1]	390	397
Gross definite-lived intangible assets	813	820
Less: accumulated amortization	(288)	(268)
Net definite-lived intangible assets	525	552
Indefinite-lived intangible assets:		
Jimmy Choo brand [2]	274	277
Versace brand [1]	877	899
Net indefinite-lived intangible assets	1,151	1,176
Total intangible assets, excluding goodwill	$ 1,676	$ 1,728
Goodwill [3]	$ 1,268	$ 1,293

(1) The change in the carrying value since April 1, 2023 reflects the impact of foreign currency translation.

(2) Includes accumulated impairment of $273 million as of September 30, 2023 and April 1, 2023. The change in the carrying value since April 1, 2023 reflects the impact of foreign currency translation.

(3) Includes accumulated impairment of $347 million related to the Jimmy Choo reporting units as of September 30, 2023 and April 1, 2023. The change in the carrying value since April 1, 2023 reflects the impact of foreign currency translation.

Amortization expense for the Company's definite-lived intangible assets for the three and six months ended September 30, 2023 was $11 million and $22 million, respectively. Amortization expense for the Company's definite-lived intangible asset for the three and six months ended October 1, 2022 was $12 million and $23 million, respectively.

8. Current Assets and Current Liabilities

Prepaid expenses and other current assets consist of the following (in millions):

	September 30, 2023	April 1, 2023
Prepaid taxes	$ 145	$ 105
Interest receivable related to hedges	41	10
Prepaid contracts	25	22
Prepaid insurance	8	2
Other accounts receivables	5	10
Other	46	46
Total prepaid expenses and other current assets	$ 270	$ 195

Accrued expenses and other current liabilities consist of the following (in millions):

	September 30, 2023	April 1, 2023
Return liabilities	$ 48	$ 54
Other taxes payable	29	32
Accrued capital expenditures	26	33
Accrued advertising and marketing	26	26
Accrued interest	17	16
Accrued rent [(1)]	17	18
Professional services	17	14
Gift cards and retail store credits	14	14
Accrued purchases and samples	12	8
Accrued litigation	11	12
Advance royalties	7	18
Other	67	69
Total accrued expenses and other current liabilities	$ 291	$ 314

(1) The accrued rent balance relates to variable lease payments.

9. Restructuring and Other Expense (Income)

During the three months ended September 30, 2023, the Company recorded income due to gains on termination of leases fully offset by expenses primarily related to equity awards associated with the acquisition of Versace, which resulted in no net restructuring and other (income) expense. During the six months ended September 30, 2023, the Company recorded other income of $2 million, primarily related to a $10 million gain on the sale of a long-lived corporate asset, partially offset by expenses related to equity awards associated with the acquisition of Versace.

During the three and six months ended October 1, 2022, the Company recorded expenses of $3 million and $6 million, respectively, primarily related to equity awards associated with the acquisition of Versace.

10. Debt Obligations

The following table presents the Company's debt obligations (in millions):

	September 30, 2023	April 1, 2023
Revolving Credit Facilities	$ 1,143	$ 874
Versace Term Loan	476	488
Senior Notes due 2024	450	450
Other	27	17
Total debt	2,096	1,829
Less: Unamortized debt issuance costs	2	2
Total carrying value of debt	2,094	1,827
Less: Short-term debt	15	5
Total long-term debt	$ 2,079	$ 1,822

Senior Revolving Credit Facility

On July 1, 2022, the Company entered into a revolving credit facility (the "2022 Credit Facility") with, among others, JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), as administrative agent (the "Administrative Agent"), which refinanced its existing senior unsecured revolving credit facility. The Company, a U.S. subsidiary of the Company, a Canadian subsidiary of the Company, a Dutch subsidiary of the Company and a Swiss subsidiary of the Company are the borrowers under the 2022 Credit Facility, and the borrowers and certain subsidiaries of the Company provide unsecured guaranties of the 2022 Credit Facility. The 2022 Credit Facility replaced the third amended and restated senior unsecured credit facility, dated as of November 15, 2018 (the "2018 Credit Facility").

The 2022 Credit Facility provides for a $1.5 billion revolving credit facility (the "2022 Revolving Credit Facility"), which may be denominated in U.S. dollars and other currencies, including Euros, Canadian Dollars, Pounds Sterling, Japanese Yen and Swiss Francs. The 2022 Revolving Credit Facility also includes sub-facilities for the issuance of letters of credit of up to $125 million and swing line loans at the Administrative Agent's discretion of up to $100 million. The Company has the ability to expand its borrowing availability under the 2022 Credit Facility in the form of increased revolving commitments or one or more tranches of term loans by up to an additional $500 million, subject to the agreement of the participating lenders and certain other customary conditions. See Note 11 to the Company's Fiscal 2023 Annual Report on Form 10-K for information regarding the Company's interest rates associated with borrowings under the 2022 Credit Facility.

The 2022 Credit Facility provides for an annual administration fee and a commitment fee equal to 7.5 basis points to 17.5 basis points per annum, which was 15.0 basis points as of September 30, 2023. The fees are based on the Company's public debt ratings and/or net leverage ratio, applied to the average daily unused amount of the 2022 Credit Facility.

Loans under the 2022 Credit Facility may be prepaid and commitments may be terminated or reduced by the borrowers without premium or penalty other than customary "breakage" costs with respect to loans bearing interest based upon Adjusted Term SOFR, the Adjusted EURIBOR Rate, the Adjusted CDOR Rate and the Adjusted TIBOR Rate.

The 2022 Credit Facility requires the Company to maintain a net leverage ratio as of the end of each fiscal quarter of no greater than 4.0 to 1.0. Such net leverage ratio is calculated as the ratio of the sum of total indebtedness as of the date of the measurement plus the capitalized amount of all operating lease obligations, minus unrestricted cash and cash equivalents not to exceed $200 million, to Consolidated EBITDAR for the last four consecutive fiscal quarters. Consolidated EBITDAR is defined as consolidated net income plus provision for taxes based on income, profits or capital, net interest expense, depreciation and amortization expense, consolidated rent expense and other non-cash losses, charges and expenses, subject to certain additions and deductions. The 2022 Credit Facility also includes covenants that limit additional indebtedness, liens, acquisitions and other investments, restricted payments and affiliate transactions.

The 2022 Credit Facility also contains events of default customary for financings of this type, including, but not limited to, payment defaults, material inaccuracy of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy or insolvency, certain events under the Employee Retirement Income Security Act, material judgments, actual or asserted failure of any guaranty supporting the 2022 Credit Facility to be in full force and effect, and changes of control. If such an event of default occurs and is continuing, the lenders under the 2022 Credit Facility would be entitled to take various actions, including, but not limited to, terminating the commitments and accelerating amounts outstanding under the 2022 Credit Facility.

As of September 30, 2023 and April 1, 2023, the Company had $1.143 billion and $874 million of borrowings outstanding under the 2022 Revolving Credit Facility, respectively. In addition, stand-by letters of credit of $3 million were outstanding as of September 30, 2023 and April 1, 2023, respectively. As of September 30, 2023 and April 1, 2023, the amount available for future borrowings under the 2022 Revolving Credit Facility was $354 million and $623 million, respectively. The Company had $5 million and $6 million of deferred financing fees related to Revolving Credit Facilities for September 30, 2023 and April 1, 2023, respectively, and are recorded within other assets in the Company's consolidated balance sheets.

As of September 30, 2023, and the date these financial statements were issued, the Company was in compliance with all covenants related to the 2022 Credit Facility.

Versace Term Loan

On December 5, 2022, Gianni Versace S.r.l., a wholly owned subsidiary of Capri Holdings Limited, entered into a credit facility with Intesa Sanpaolo S.p.A., Banco Nazionale del Lavoro S.p.A., and UniCredit S.p.A., as arrangers and lenders, and Intesa Sanpaolo S.p.A., as agent, which provides a senior unsecured term loan (the "Versace Term Loan") in an aggregate principal amount of €450 million. The Versace Term Loan is not subject to amortization and matures on December 5, 2025. The Company provides an unsecured guaranty of the Versace Term Loan.

The Versace Term Loan bears interest at a rate per annum equal to the greater of EURIBOR for the applicable interest period and zero, plus a margin of 1.35%.

The Versace Term Loan may be prepaid without premium or penalty other than customary "breakage" costs. The Versace Term Loan requires the Company to maintain a net leverage ratio as of the end of each fiscal quarter of no greater than 4.0 to 1.0. Such net leverage ratio is calculated as the ratio of the sum of total indebtedness as of the date of the measurement plus the capitalized amount of all operating lease obligations, minus unrestricted cash and cash equivalents not to exceed $200 million, to Consolidated EBITDAR for the last four consecutive fiscal quarters. Consolidated EBITDAR is defined as consolidated net income plus provision for taxes based on income, profits or capital, net interest expense, depreciation and amortization expense, consolidated rent expense and other non-cash losses, charges and expenses, subject to certain additions and deductions. The Versace Term Loan also includes covenants that limit additional financial indebtedness, liens, acquisitions, loans and guarantees, restricted payments and mergers of GIVI Holding S.r.l., Gianni Versace S.r.l. and their respective subsidiaries.

The Versace Term Loan contains events of default customary for financings of this type, including, but not limited to payment defaults, material inaccuracy of representations and warranties, covenant defaults, cross-defaults to material financial indebtedness, certain events of bankruptcy or insolvency, illegality or repudiation of any loan document under the Versace Term Loan or any failure thereof to be in full force and effect, and changes of control. If such an event of default occurs and is continuing, the lenders under the Versace Term Loan would be entitled to take various actions, including, but not limited to, accelerating amounts outstanding under the Versace Term Loan.

As of September 30, 2023 and April 1, 2023, the carrying value of the Versace Term Loan was $475 million and $487 million, respectively, net of $1 million of deferred financing fees for both September 30, 2023 and April 1, 2023, which were recorded within long-term debt in the Company's consolidated balance sheets.

As of September 30, 2023, and the date these financial statements were issued, the Company was in compliance with all covenants related to the Versace Term Loan.

Senior Notes

On October 20, 2017, Michael Kors (USA), Inc. (the "Issuer"), the Company's wholly owned subsidiary, completed its offering of $450 million aggregate principal amount senior notes due November 1, 2024 (the "Senior Notes"), pursuant to an exemption from registration under the Securities Act of 1933, as amended. The Senior Notes were issued under an indenture dated October 20, 2017, among the Issuer, the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (the "Indenture").

As of September 30, 2023, the Senior Notes bear interest at a rate of 4.250% per year, subject to adjustments from time to time if either Moody's or S&P (or a substitute rating agency therefore) downgrades (or downgrades and subsequently upgrades) the credit rating assigned to the Senior Notes. Interest on the Senior Notes is payable semi-annually on May 1 and November 1 of each year, beginning on May 1, 2018.

The Senior Notes are unsecured and are guaranteed by the Company and its existing and future subsidiaries that guarantee or are borrowers under the 2022 Credit Facility (subject to certain exceptions, including subsidiaries organized in China). The Senior Notes may be redeemed at the Company's option at any time in whole or in part at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a "make-whole" amount calculated at the applicable Treasury Rate plus 30 basis points.

The Indenture contains covenants, including those that limit the Company's ability to create certain liens and enter into certain sale and leaseback transactions. In the event of a "Change of Control Triggering Event," as defined in the Indenture, the Issuer will be required to make an offer to repurchase the Senior Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of the Senior Notes being repurchased plus any unpaid interest. These covenants are subject to important limitations and exceptions, as per the Indenture.

As of both September 30, 2023 and April 1, 2023, the carrying value of the Senior Notes was $449 million, net of issuance costs and unamortized discount of $1 million, which were recorded within long-term debt in the Company's consolidated balance sheets.

Versace Facilities

During Fiscal 2022, the Company's subsidiary, Versace, entered into an agreement with Banco BPM Banking Group ("the Bank") to sell certain tax receivables to the Bank in exchange for cash. The arrangement was determined to be a financing arrangement as the de-recognition criteria for the receivables was not met at the time of the cash receipt from the Bank. As of September 30, 2023 and April 1, 2023, the outstanding balance was $11 million, with $1 million and $10 million recorded within short-term debt and long-term debt in the Company's consolidated balance sheets, respectively.

Supplier Financing Program

The Company offers a supplier financing program which enables the Company's inventory suppliers, at their sole discretion, to sell their receivables (i.e., the Company's payment obligations to suppliers) to a financial institution on a non-recourse basis in order to be paid earlier than current payment terms provide. The Company's obligations, including the amount due and scheduled payment dates, which generally do not exceed 90 days, are not impacted by a suppliers' decision to participate in this program. The Company does not reimburse suppliers for any costs they incur to participate in the program and their participation is voluntary. The amount outstanding under this program as of September 30, 2023 and April 1, 2023 was $14 million and $4 million, respectively, and is presented as short-term debt in the Company's consolidated balance sheets.

See Note 11 to the Company's Fiscal 2023 Annual Report on Form 10-K for additional information regarding the Company's credit facilities and debt obligations.

11. Commitments and Contingencies

In the ordinary course of business, the Company is party to various legal proceedings and claims. Although the outcome of such claims cannot be determined with certainty, the Company believes that the outcome of all pending legal proceedings, in the aggregate, will not have a material adverse effect on its cash flow, results of operations or financial position.

Please refer to the *Contractual Obligations and Commercial Commitments* disclosure within the *Liquidity and Capital Resources* section of the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2023 for a detailed disclosure of other commitments and contractual obligations as of April 1, 2023.

12. Fair Value Measurements

Financial assets and liabilities are measured at fair value using the three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company's own assumptions about market participant assumptions based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At September 30, 2023 and April 1, 2023, the fair values of the Company's derivative contracts were determined using broker quotations, which were calculations derived from observable market information: the applicable currency rates at the balance sheet date and those forward rates particular to the contract at inception. The Company makes no adjustments to these broker obtained quotes or prices, but assesses the credit risk of the counterparty and would adjust the provided valuations for counterparty credit risk when appropriate. The fair values of the forward contracts are included in prepaid expenses and other current assets, and in accrued expenses and other current liabilities in the consolidated balance sheets, depending on whether they represent assets or liabilities to the Company. The fair value of net investment hedges is included in prepaid expenses and other current assets, other assets, and in other long-term liabilities in the consolidated balance sheets, depending on whether they represent assets or liabilities of the Company. See Note 13 for further detail.

All contracts are measured and recorded at fair value on a recurring basis and are categorized in Level 2 of the fair value hierarchy, as shown in the following table (in millions):

	Fair value at September 30, 2023 using:			Fair value at April 1, 2023 using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative assets:						
Net investment hedges	$ —	$ 40	$ —	$ —	$ 1	$ —
Fair value hedges	—	5	—	—	—	—
Total derivative assets	$ —	$ 45	$ —	$ —	$ 1	$ —
Derivative liabilities:						
Net investment hedges	$ —	$ 49	$ —	$ —	$ 36	$ —
Fair value hedges	—	—	—	—	3	—
Total derivative liabilities	$ —	$ 49	$ —	$ —	$ 39	$ —

The Company's long-term debt obligations are recorded in its consolidated balance sheets at carrying values, which may differ from the related fair values. The fair value of the Company's long-term debt is estimated using external pricing data, including any available quoted market prices and based on other debt instruments with similar characteristics. Borrowings under revolving credit agreements, if outstanding, are recorded at carrying value, which approximates fair value due to the frequent nature of such borrowings and repayments. See Note 10 for detailed information related to carrying values of the Company's outstanding debt. The following table summarizes the carrying values and estimated fair values of the Company's long-term debt, based on Level 2 measurements (in millions):

	September 30, 2023		April 1, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Revolving Credit Facilities	$ 1,143	$ 1,143	$ 874	$ 874
Versace Term Loan	$ 475	$ 477	$ 487	$ 481
Senior Notes due 2024	$ 449	$ 441	$ 449	$ 435

The Company's cash and cash equivalents, accounts receivable and accounts payable are recorded at carrying value, which approximates fair value.

Non-Financial Assets and Liabilities

The Company's non-financial assets include goodwill, intangible assets, operating lease right-of-use assets and property and equipment. Such assets are reported at their carrying values and are not subject to recurring fair value measurements. The Company's goodwill and its indefinite-lived intangible assets (Versace and Jimmy Choo brands) are assessed for impairment at least annually, while its other long-lived assets, including operating lease right-of-use assets, property and equipment and definite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The Company determines the fair values of these assets based on Level 3 measurements using the Company's best estimates of the amount and timing of future discounted cash flows, based on historical experience, market conditions, current trends and performance expectations.

The Company recorded $20 million of impairment charges during the three and six months ended September 30, 2023. The Company recorded $11 million of impairment charges during the three and six months ended October 1, 2022. The following table details the carrying values and fair values of the Company's assets that have been impaired during the three and six months ended September 30, 2023 and the three and six months ended October 1, 2022 (in millions):

	Three and Six Months Ended September 30, 2023			Three and Six Months Ended October 1, 2022		
	Carrying Value Prior to Impairment	Fair Value	Impairment Charge	Carrying Value Prior to Impairment	Fair Value	Impairment Charge
Operating Lease Right-of-Use Assets	$ 24	$ 10	$ 14	$ 25	$ 16	$ 9
Property and Equipment	7	1	6	3	1	2
Total	$ 31	$ 11	$ 20	$ 28	$ 17	$ 11

13. Derivative Financial Instruments

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to manage its exposure to fluctuations in foreign currencies for certain of its transactions. The Company, in its normal course of business, enters into transactions with foreign suppliers and seeks to minimize risks related to certain forecasted inventory purchases by using forward foreign currency exchange contracts. The Company only enters into derivative instruments with highly credit-rated counterparties. The Company does not enter into derivative contracts for trading or speculative purposes.

Net Investment Hedges

During the first quarter of Fiscal 2024, the Company entered into multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of $2.5 billion to hedge its net investment in Swiss Franc ("CHF") denominated subsidiaries. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on United States Dollar notional amounts for fixed rate payments of 0.0% in CHF. These contracts have maturity dates between September 2024 and June 2028 and are designated as net investment hedges.

During the first quarter of Fiscal 2024, the Company entered into multiple float-to-float cross-currency swap agreements with aggregate notional amounts of $1.0 billion to hedge its net investment in Euro denominated subsidiaries. The Company will exchange Euro floating rate payments based on EURIBOR for the United States dollar floating rate amounts based on SOFR CME Term over the life of the agreement. The fixed rate component of semi-annual Euro payments range from 1.149% to 1.215%. These contracts have maturity dates between May 2028 and August 2030 and are designated as net investment hedges.

During the first quarter of Fiscal 2024, the Company entered into multiple fixed-to-fixed cross-currency swap agreements with an aggregate notional amount of $350 million to hedge its net investment in Euro denominated subsidiaries. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on United States Dollar notional amounts for fixed rate payments of 0.0% in Euro. These contracts have maturity dates between January 2027 and April 2027 and have been designated as net investment hedges.

During the first quarter of Fiscal 2024, the Company entered into a fixed-to-fixed cross-currency swap agreement with an aggregate notional amount of €150 million to hedge its net investment in British Pound ("GBP") denominated subsidiaries (the "GBP/EUR Net Investment Hedges"). As of September 30, 2023, the Company had multiple fixed-to-fixed cross-currency swap agreements with aggregate notional amounts of €1.15 billion to hedge its net investment in GBP denominated subsidiaries. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on GBP notional amounts for fixed rate payments of 0.0% in Euro. These contracts have maturity dates between November 2024 and November 2027 and are designated as net investment hedges.

As of September 30, 2023, the Company had Japanese Yen net investment hedges with aggregate notional amounts of $294 million. Under the terms of these contracts, the Company will exchange the semi-annual fixed rate payments on United States notional amounts for fixed rate payments of 0% to 2.665% in Japanese Yen. These contracts have maturity dates between May 2027 and February 2051 and are designated as net investment hedges. Certain of these contracts are supported by a credit support annex ("CSA") which provides for collateral exchange with the earliest effective date being September 2027. If the outstanding position of a contract exceeds a certain threshold governed by the aforementioned CSA's, either party is required to post cash collateral.

When a cross-currency swap is used as a hedging instrument in a net investment hedge assessed under the spot method, the cross-currency basis spread is excluded from the assessment of hedge effectiveness and is recognized as a reduction in interest expense in the Company's consolidated statements of operations and comprehensive income. Accordingly, the Company recorded interest income of $25 million and $40 million during the three and six months ended September 30, 2023, respectively. Additionally, the Company recorded interest income of $11 million and $28 million during the three and six months ended October 1, 2022, respectively.

Fair Value Hedges

The Company is exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans which will impact earnings on a consolidated basis. To manage the foreign currency exchange rate risk related to these balances, the Company entered into fair value cross-currency swap agreements to hedge its exposure in GBP denominated subsidiaries (the "GBP Fair Value Hedge") on a Euro denominated intercompany loan. As of September 30, 2023, the total notional values of outstanding fair value cross-currency swaps related to these loans were €1 billion. Under the term of these contracts, the Company will exchange the semi-annual fixed rate payments on GBP notional amounts for fixed rate payments of 0% in Euro. These contracts have maturity dates between March 2025 and March 2026 and are designated as fair value hedges.

When a cross-currency swap is designated as a fair value hedge and qualifies as highly effective, the fair value hedge will be recorded at fair value each period on the Company's consolidated balance sheets, with the difference resulting from the changes in the spot rate recognized in foreign currency (gain) loss on the Company's consolidated statements of operations and comprehensive income, which will offset the earnings impact of the underlying transaction being hedged. Accordingly, the Company recorded a foreign currency loss of $7 million and a foreign currency gain of $21 million during the three and six months ended September 30, 2023, respectively.

The following table details the fair value of the Company's derivative contracts, which are recorded on a gross basis in the consolidated balance sheets as of September 30, 2023 and April 1, 2023 (in millions):

	Notional Amounts		Fair Value			
			Assets		Liabilities	
	September 30, 2023	April 1, 2023	September 30, 2023	April 1, 2023	September 30, 2023	April 1, 2023
Designated net investment hedges	$ 5,360	$ 1,378	$ 40 (1)	$ 1 (2)	$ 49 (3)	$ 36 (3)
Designated fair value hedges	1,057	1,084	5 (2)	—	—	3 (3)
Total	$ 6,417	$ 2,462	$ 45	$ 1	$ 49	$ 39

(1) As of September 30, 2023, the Company recorded $1 million within prepaid expenses and other current assets and $39 million within other assets in the Company's consolidated balance sheets.

(2) Recorded within other assets in the Company's consolidated balance sheets.

(3) Recorded within other long-term liabilities in the Company's consolidated balance sheets.

The Company records and presents the fair values of all of its derivative assets and liabilities in its consolidated balance sheets on a gross basis, as shown in the above table. However, if the Company were to offset and record the asset and liability balances for its derivative instruments on a net basis in accordance with the terms of its master netting arrangements, which provide for the right to set-off amounts for similar transactions denominated in the same currencies and with the same banks, the resulting impact as of September 30, 2023 and April 1, 2023 would be as follows (in millions):

	Net Investment Hedges		Fair Value Hedges	
	September 30, 2023	April 1, 2023	September 30, 2023	April 1, 2023
Assets subject to master netting arrangements	$ 40	$ 1	$ 5	$ —
Liabilities subject to master netting arrangements	$ 49	$ 36	$ —	$ 3
Derivative assets, net	$ 30	$ 1	$ 5	$ —
Derivative liabilities, net	$ 39	$ 36	$ —	$ 3

Currently, the Company's master netting arrangements do not require cash collateral to be pledged by the Company or its counterparties.

Changes in the fair value of the Company's forward foreign currency exchange contracts that are designated as accounting hedges are recorded in equity as a component of accumulated other comprehensive income and are reclassified from accumulated other comprehensive income into earnings when the items underlying the hedged transactions are recognized into earnings, as a component of cost of goods sold within the Company's consolidated statements of operations and comprehensive income. The net gain or loss on net investment hedges are reported within CTA as a component of accumulated other comprehensive income on the Company's consolidated balance sheets. Upon discontinuation of the hedge, such amounts remain in CTA until the related net investment is sold or liquidated. The net gain or loss on cross-currency swap contracts designated as fair value hedges and associated with cross-currency intercompany loans are recognized within foreign currency (gain) loss on the Company's consolidated statements of operations and comprehensive income generally in the period in which the related balances being hedged are revalued.

The following table summarizes the pre-tax impact of the gains and losses on the Company's designated forward foreign currency exchange contracts and net investment hedges (in millions):

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
	Pre-Tax Gains Recognized in OCI	Pre-Tax Gains Recognized in OCI	Pre-Tax Gains (Losses) Recognized in OCI	Pre-Tax Gains Recognized in OCI
Designated forward foreign currency exchange contracts	$ —	$ 5	$ —	$ 11
Designated net investment hedges	$ 79	$ 152	$ 25	$ 365
Designated fair value hedge	$ 16	$ —	$ (9)	$ —

The following tables summarize the pre-tax impact of the gains within the consolidated statements of operations and comprehensive income related to the designated forward foreign currency exchange contracts for the three and six months ended September 30, 2023 and October 1, 2022 (in millions):

	Three Months Ended		
	Pre-Tax Gain Reclassified from Accumulated OCI		
	September 30, 2023	October 1, 2022	Location of Gain Recognized
Designated forward foreign currency exchange contracts	$ 1	$ 3	Cost of goods sold

	Six Months Ended		
	Pre-Tax Gain Reclassified from Accumulated OCI		
	September 30, 2023	October 1, 2022	Location of Gain Recognized
Designated forward foreign currency exchange contracts	$ 4	$ 7	Cost of goods sold

The Company expects that substantially all of the amounts recorded in accumulated other comprehensive income for its forward foreign currency exchange contracts will be reclassified into earnings during the next 12 months, based upon the timing of inventory purchases and turnover.

Undesignated Hedges

During both the three and six months ended September 30, 2023, there was no gain or loss recognized within foreign currency (gain) loss in the Company's consolidated statements of operations and comprehensive income as there were no undesignated hedges outstanding. During the three months ended October 1, 2022, there was no gain recognized within foreign currency (gain) loss in the Company's consolidated statements of operations and comprehensive income, while during the six months ended October 1, 2022, a $2 million gain was recognized within foreign currency (gain) loss in the Company's consolidated statements of operations and comprehensive income as a result of the changes in the fair value of undesignated forward foreign currency exchange contracts.

14. Shareholders' Equity

Share Repurchase Program

On June 1, 2022, the Company announced its Board of Directors authorized a share repurchase program (the "Fiscal 2023 Plan") pursuant to which the Company was permitted, from time to time, to repurchase up to $1.0 billion of its outstanding ordinary shares within a period of two years from the effective date of the program.

On November 9, 2022, the Company announced its Board of Directors approved a new share repurchase program (the "Existing Share Repurchase Plan") to purchase up to $1.0 billion of its outstanding ordinary shares, providing additional capacity to return cash to shareholders over the longer term. This new two-year program replaced the Fiscal 2023 Plan. Share repurchases may be made in open market or privately negotiated transactions and/or pursuant to Rule 10b5-1 trading plans, subject to market conditions, applicable legal requirements, trading restrictions under the Company's insider trading policy and other relevant factors; however, pursuant to the terms of the Merger Agreement, and subject to certain limited exceptions, the Company may not repurchase its ordinary shares other than the acceptance of Company ordinary shares as payment of the exercise price of Company options or for withholding taxes in respect of Company equity awards. Accordingly, the Company did not repurchase any of its ordinary shares during the three months ended September 30, 2023 pursuant to the Existing Share Repurchase Plan, and the Company does not expect to repurchase any of its ordinary shares in connection with the Existing Share Repurchase Plan prior to the Merger or earlier termination of the Merger Agreement.

During the six months ended September 30, 2023, the Company purchased 2,637,102 shares for a total cost of approximately $100 million, including commissions, through open market transactions under the Existing Share Repurchase Plan. As of September 30, 2023, the remaining availability under the Company's Existing Share Repurchase Plan was $300 million.

During the six months ended October 1, 2022, the Company purchased 13,183,355 shares for a total cost of approximately $650 million including commissions, through open market transactions under the Fiscal 2023 Plan.

The Company also has in place a "withhold to cover" repurchase program, which allows the Company to withhold ordinary shares from certain executive officers and directors to satisfy minimum tax withholding obligations relating to the vesting of their restricted share awards. During the six month periods ended September 30, 2023 and October 1, 2022, the Company withheld 172,112 shares and 273,197 shares, respectively, with a fair value of $6 million and $13 million, respectively, in satisfaction of minimum tax withholding obligations relating to the vesting of restricted share awards.

Accumulated Other Comprehensive Income

The following table details changes in the components of accumulated other comprehensive income ("AOCI"), net of taxes, for the six months ended September 30, 2023 and October 1, 2022, respectively (in millions):

	Foreign Currency Adjustments (1)	Net Gain on Derivatives (2)	Other Comprehensive Income Attributable to Capri
Balance at April 1, 2023	$ 143	$ 4	$ 147
Other comprehensive loss before reclassifications	(13)	—	(13)
Less: amounts reclassified from AOCI to earnings	—	4	4
Other comprehensive loss, net of tax	(13)	(4)	(17)
Balance at September 30, 2023	$ 130	$ —	$ 130
Balance at April 2, 2022	$ 184	$ 10	$ 194
Other comprehensive (loss) income before reclassifications	(232)	10	(222)
Less: amounts reclassified from AOCI to earnings	—	7	7
Other comprehensive (loss) income, net of tax	(232)	3	(229)
Balance at October 1, 2022	$ (48)	$ 13	$ (35)

(1) Foreign currency translation adjustments for the six months ended September 30, 2023 primarily include a net $29 million translation loss, partially offset by a $16 million gain, net of taxes, relating to the Company's net investment and fair value hedges. The tax effect of the net investment and fair value hedges was not material. Foreign currency translation adjustments for the six months ended October 1, 2022 primarily include a $486 million translation loss partially offset by a $247 million gain, net of taxes of $118 million, relating to the Company's net investment hedges.

(2) Reclassified amounts primarily relate to the Company's forward foreign currency exchange contracts for inventory purchases and are recorded within cost of goods sold in the Company's consolidated statements of operations and comprehensive income. All tax effects were not material for the periods presented.

15. Share-Based Compensation

The Company grants equity awards to certain employees and directors of the Company at the discretion of the Company's Compensation and Talent Committee. The Company has two equity plans, one stock option plan adopted in Fiscal 2008 (as amended and restated, the "2008 Plan"), and an Omnibus Incentive Plan adopted in the third fiscal quarter of Fiscal 2012 and amended and restated with shareholder approval in May 2015, and again in June 2020 (the "Incentive Plan"). The 2008 Plan only provided for grants of share options and was authorized to issue up to 23,980,823 ordinary shares. As of September 30, 2023, there were no shares available to grant equity awards under the 2008 Plan.

The Incentive Plan allows for grants of share options, restricted shares and RSUs, and other equity awards, and authorizes a total issuance of up to 22,471,000 ordinary shares after amendments in August 2022. At September 30, 2023, there were 4,184,265 ordinary shares available for future grants of equity awards under the Incentive Plan. Option grants issued from the 2008 Plan generally expire ten years from the date of the grant, and those issued under the Incentive Plan generally expire seven years from the date of the grant.

The following table summarizes the Company's share-based compensation activity during the six months ended September 30, 2023:

	Options	Service-Based RSUs	Performance-Based RSUs
Outstanding/Unvested at April 1, 2023	229,675	3,181,926	165,239
Granted	—	1,937,270	203,693
Exercised/Vested	(14,503)	(1,675,374)	—
Canceled/Forfeited	(23,205)	(132,103)	—
Outstanding/Unvested at September 30, 2023	191,967	3,311,719	368,932

The weighted average grant date fair value of service-based and performance-based RSUs granted during the six months ended September 30, 2023 was $36.87 and $36.82, respectively. The weighted average grant date fair value of service-based and performance-based RSUs granted during the six months ended October 1, 2022 was $49.80 and $47.41, respectively.

Share-Based Compensation Expense

The following table summarizes compensation expense attributable to share-based compensation for the three and six months ended September 30, 2023 and October 1, 2022 (in millions):

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Share-based compensation expense	$ 17	$ 16	$ 47	$ 44
Tax benefit related to share-based compensation expense	$ 2	$ 2	$ 7	$ 7

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates forfeitures based on historical forfeiture rates. The estimated value of future forfeitures for equity awards as of September 30, 2023 is approximately $13 million.

See Note 16 in the Company's Fiscal 2023 Annual Report on Form 10-K for additional information relating to the Company's share-based compensation awards.

16. Income Taxes

The Company's effective tax rate for the three and six months ended September 30, 2023 was 10.9% and 8.6%, respectively. This rate differs from the United Kingdom ("U.K.") federal statutory rate of 25% primarily due to the impact of global financing activities, the release of uncertain tax positions outside the U.S. for the three and six months ended September 30, 2023 and the release of a valuation allowance on Korean deferred tax assets during the six months ended September 30, 2023.

The Company's effective tax rate for the three and six months ended October 1, 2022 was 13.5% and 12.9%, respectively. Such rates differed from the U.K. federal statutory rate of 19% primarily due to the impact of global financing activities.

The global financing activities are related to the Company's 2014 move of its principal executive office from Hong Kong to the U.K. and decision to become a U.K. tax resident. In connection with this decision, the Company funded its international growth strategy through intercompany debt financing arrangements. These debt financing arrangements reside between certain of our U.S. and U.K. subsidiaries. Due to the difference in the statutory income tax rates between these jurisdictions, the Company realized lower effective tax rates for the three and six months ended September 30, 2023.

17. Segment Information

The Company operates its business through three operating segments — Versace, Jimmy Choo and Michael Kors, which are based on its business activities and organization. The reportable segments are segments of the Company for which separate financial information is available and for which operating results are evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to allocate resources, as well as in assessing performance. The primary key performance indicators are revenue and operating income for each segment. The Company's reportable segments represent components of the business that offer similar merchandise, customer experience and sales/marketing strategies.

The Company's three reportable segments are as follows:

- Versace — segment includes revenue generated through the sale of Versace luxury ready-to-wear, accessories and footwear through directly operated Versace boutiques throughout the Americas, certain parts of EMEA and certain parts of Asia, as well as through Versace outlet stores and e-commerce sites. In addition, revenue is generated through wholesale sales to distribution partners (including geographic licensing arrangements that allow third parties to use the Versace trademarks in connection with retail and/or wholesale sales of Versace branded products in specific geographic regions), multi-brand department stores and specialty stores worldwide, as well as through product license agreements in connection with the manufacturing and sale of jeans, fragrances, watches, jewelry, eyewear and home furnishings.

- Jimmy Choo — segment includes revenue generated through the sale of Jimmy Choo luxury footwear, handbags and small leather goods and accessories through directly operated Jimmy Choo retail and outlet stores throughout the Americas, certain parts of EMEA and certain parts of Asia, through its e-commerce sites, as well as through wholesale sales of luxury goods to distribution partners (including geographic licensing arrangements that allow third parties to use the Jimmy Choo trademarks in connection with retail and/or wholesale sales of Jimmy Choo branded products in specific geographic regions), multi-brand department stores and specialty stores worldwide. In addition, revenue is generated through product licensing agreements, which allow third parties to use the Jimmy Choo brand name and trademarks in connection with the manufacturing and sale of fragrances and eyewear.

- Michael Kors — segment includes revenue generated through the sale of Michael Kors products through four primary Michael Kors retail store formats: “Collection” stores, “Lifestyle” stores (including concessions), outlet stores and e-commerce sites, through which the Company sells Michael Kors products, as well as licensed products bearing the Michael Kors name, directly to consumers throughout the Americas, certain parts of EMEA and certain parts of Asia. The Company also sells Michael Kors products directly to department stores, primarily located across the Americas and Europe, to specialty stores and travel retail shops, and to its geographic licensees. In addition, revenue is generated through product and geographic licensing arrangements, which allow third parties to use the Michael Kors brand name and trademarks in connection with the manufacturing and sale of products, including watches, jewelry, fragrances and eyewear.

In addition to these reportable segments, the Company has certain corporate costs that are not directly attributable to its brands and, therefore, are not allocated to its segments. Such costs primarily include certain administrative, corporate occupancy, shared service and information system expenses, including enterprise resource planning system implementation costs and Capri transformation program costs. In addition, certain other costs are not allocated to segments, including merger related costs, restructuring and other expense (income) and COVID-19 related expenses. The segment structure is consistent with how the Company’s CODM plans and allocates resources, manages the business and assesses performance. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance.

The following table presents the key performance information of the Company’s reportable segments (in millions):

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Total revenue:				
Versace	$ 280	$ 308	$ 539	$ 583
Jimmy Choo	132	142	315	314
Michael Kors	879	962	1,666	1,875
Total revenue	$ 1,291	$ 1,412	$ 2,520	$ 2,772
Income (loss) from operations:				
Versace	$ 35	$ 62	$ 38	$ 114
Jimmy Choo	(9)	8	7	27
Michael Kors	169	248	299	470
Total segment income from operations	195	318	344	611
Less: Corporate expenses	(71)	(55)	(142)	(115)
Impairment of assets [1]	(20)	(11)	(20)	(11)
Merger related costs	(4)	—	(4)	—
Restructuring and other (expense) income	—	(3)	2	(6)
COVID-19 related expenses	—	3	—	4
Total income from operations	$ 100	$ 252	$ 180	$ 483

(1) Impairment of assets during the three and six months ended September 30, 2023 primarily related to operating lease right-of-use assets at certain Versace and Michael Kors store locations. Impairment of assets during the three and six months ended October 1, 2022 primarily related to operating lease right-of-use assets at certain Michael Kors store locations.

Depreciation and amortization expense for each segment are as follows (in millions):

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Depreciation and amortization:				
Versace	$ 13	$ 12	$ 26	$ 24
Jimmy Choo	8	7	15	14
Michael Kors	20	23	41	48
Corporate	7	1	11	2
Total depreciation and amortization	$ 48	$ 43	$ 93	$ 88

Total revenue (based on country of origin) by geographic location are as follows (in millions):

	Three Months Ended		Six Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenue:				
The Americas (United States, Canada and Latin America) (1)	$ 690	$ 806	$ 1,322	$ 1,600
EMEA	401	400	773	764
Asia	200	206	425	408
Total revenue	$ 1,291	$ 1,412	$ 2,520	$ 2,772

(1) Total revenue earned in the U.S. was $617 million and $1.195 billion, respectively, for the three and six months ended September 30, 2023. Total revenue earned in the U.S. was $739 million and $1.472 billion, respectively, for the three and six months ended October 1, 2022.

18. Subsequent Events

On October 25, 2023, the Company held a special meeting of shareholders to consider certain proposals related to the Merger Agreement. At the special meeting, the Company's shareholders voted to adopt the resolution authorizing the Merger Agreement and approve, on an advisory (nonbinding) basis, the compensation that may be paid or become payable to the Company's named executive officers that is based on or otherwise relates to the Merger Agreement and the transactions contemplated by the Merger Agreement. Completion of the Merger remains subject to the fulfillment or waiver of the closing conditions set forth in the Merger Agreement, including the receipt of certain regulatory approvals.

On November 3, 2023, the Company and Tapestry each received a request for additional information and documentary materials (the "Second Request") from the U.S. Federal Trade Commission (the "FTC") in connection with the FTC's review of the Merger. The effect of the Second Request is to extend the waiting period imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, until 30 days after the Company and Tapestry have substantially complied with the Second Request, unless that period is extended voluntarily by the Company and Tapestry or terminated sooner by the FTC.

Exhibit 99.4

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements have been prepared to reflect the acquisition (the "Capri Acquisition") of the entire equity interest of Capri Holdings Limited ("Capri") by Tapestry, Inc. ("Tapestry" or the "Company") and the related financing transactions. The following unaudited pro forma condensed combined financial statements have been prepared in accordance with Article 11 of Regulation S-X. The Company intends to finance the Capri Acquisition, inclusive of related fees and expenses, with the net proceeds of senior unsecured notes offerings, new term loans, cash on hand, cash on hand at Capri and anticipated future cash flow. Refer to Note 2 to the notes to the unaudited pro forma condensed combined financial statements for further detail on the debt financing.

The unaudited pro forma condensed combined financial statements have been prepared on the basis set forth in the notes below and have been adjusted to illustrate the estimated effects of the following:

- the acquisition of Capri, the impact of preliminary purchase accounting for the acquired assets and assumed liabilities, and acquisition related adjustments;
- the debt financing as described in Note 2 to the notes to the unaudited pro forma condensed combined financial statements; and
- the reclassification of certain Capri historical information to conform to Tapestry's presentation.

The unaudited pro forma condensed combined statements of operations for the year ended July 1, 2023 and for the three months ended September 30, 2023 give effect to the Capri Acquisition and related transactions as if they had occurred on July 3, 2022. The unaudited pro forma condensed combined balance sheet as of September 30, 2023, gives effect to the Capri Acquisition and related transactions as if they had occurred on September 30, 2023.

Tapestry utilizes a 52- or 53-week fiscal year that ends on June 30, or the Saturday closest to June 30 if June 30 does not fall on a Saturday. Capri utilizes a 52- or 53-week fiscal year that ends on March 31 or the Saturday closest to March 31, if March 31 does not fall on a Saturday. As a result, in order to prepare the unaudited pro forma condensed combined statement of operations for the year ended July 1, 2023 and the three-month period ended September 30, 2023, the historical financial information for Capri was prepared as follows:

- the historical statement of operations for the fiscal year ended April 1, 2023 of Capri was adjusted to reflect a trailing twelve-month period ending July 1, 2023 and a trailing three-month period ending September 30, 2023. The statement of operations of Capri for the trailing twelve-month period ending July 1, 2023 was derived by taking the audited statement of operations for the fiscal year ended April 1, 2023, combining the results for the three-month unaudited period ended July 1, 2023 and removing the results for the three-month unaudited period ended July 2, 2022.

The pro forma condensed combined financial statements have been prepared using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States, with Tapestry treated as the acquirer and Capri as the acquiree. The acquisition method of accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measure. Accordingly, the pro forma adjustments are preliminary, have been made solely for the purpose of providing pro forma financial statements, and are subject to revision based on a final determination of fair value as of the date of acquisition. Differences between these preliminary estimates and the final acquisition accounting may have a material impact on the accompanying unaudited pro forma condensed combined financial statements and Tapestry’s future results of operations and financial position.

Pro forma adjustments related to the balance sheet reflect the preliminary allocation of the estimated purchase price to the estimated fair value of Capri’s assets and liabilities based on a preliminary estimate of their fair value, as well as accounting policy changes and financing adjustments. Pro forma adjustments to the statements of operations reflect financing adjustments, acquisition and transaction accounting adjustments, and conforming changes for accounting policy differences. The transaction related adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma condensed combined financial statements do not give effect to the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any other synergies that may result from the Capri Acquisition.

The unaudited pro forma condensed combined financial statements are provided for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Tapestry would have been had the acquisition occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

Actual amounts set forth in the unaudited pro forma condensed financial statements and in the accompanying notes are subject to adjustments and may differ at the time of the consummation of the proposed Capri Acquisition and related financing transactions depending on several factors, including finalization of the accounting consideration in accordance with the Merger Agreement, changes in the actual amount of fees and expenses related to the proposed Capri Acquisition and related financing transactions, the actual closing date of the Capri Acquisition, and the outstanding amount of indebtedness at that time. There can be no assurance that the Capri Acquisition or the related financing will be consummated under the terms contemplated or at all and, if consummated, when the closings of such transactions will take place.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the following information:

- Notes to the unaudited pro forma condensed combined financial statements;

- Audited consolidated financial statements of Tapestry for the year ended July 1, 2023 and the related notes included in Tapestry’s Form 10-K, filed with the Securities Exchange Commission ("SEC") on August 17, 2023;

- Unaudited interim condensed consolidated financial statements of Tapestry as of and for the three months ended September 30, 2023 and the related notes included in Tapestry’s Form 10-Q, filed with the SEC on November 9, 2023;

- Audited consolidated financial statements of Capri for the year ended April 1, 2023 and the related notes included in Exhibit 99.1 to the Current Report on Form 8-K (the "Current Report") to which these unaudited pro forma condensed combined financial statements are attached;

- Unaudited interim consolidated financial statements of Capri as of September 30, 2023 and April 1, 2023 and for the three and six months ended September 30, 2023 and October 1, 2022 and the related notes included in Exhibit 99.3 to the Current Report; and

- Unaudited interim consolidated financial statements of Capri as of July 1, 2023 and April 1, 2023 and for the three months ended July 1, 2023 and July 2, 2022 and the related notes included in Exhibit 99.2 to the Current Report.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2023

(millions)

	Tapestry Historical	Capri Historical After Reclassifications (Note 5)	Financing Adjustments	Note Reference	Transaction Accounting Adjustments	Note Reference	Pro Forma Combined
Current Assets:							
Cash and cash equivalents	$ 622	$ 209	$ 7,773	6(a)	$ (7,991)	7(a), 7(b),7(c)	$ 613
Short-term investments	17	—	—		—		17
Trade accounts receivable, net	265	385	—		—		650
Inventories	943	1,099	—		250	7(a1)	2,292
Income tax receivable	246	114	6	6(b)	12	7(c)	378
Prepaid expenses	161	69	—		—		230
Other current assets	155	82	—		—		237
Total current assets	2,409	1,958	7,779		(7,729)		4,417
Property and equipment, net	540	542	—		562	7(a3)	1,644
Operating lease right-of-use assets	1,352	1,307	—		(4)	7(a5)	2,655
Goodwill	1,219	1,268	—		696	7(a6)	3,183
Intangible assets	1,358	1,676	—		4,677	7(a2)	7,711
Deferred income taxes	39	308	—		—		347
Other assets	226	255	(26)	6(b), 6(c)	(5)	7(a)	450
Total assets	$ 7,143	$ 7,314	$ 7,753		$ (1,803)		$ 20,407
Current Liabilities:							
Accounts payable	$ 386	$ 355	$ —		—		741
Accrued liabilities	487	436	(8)	6(d)	(19)	7(b)	896
Current portion of operating lease liabilities	296	406	—		—		702
Current debt	25	15	918	6(e)	—		958
Total current liabilities	1,194	1,212	910		(19)		3,297
Long-term debt	1,630	2,079	6,864	6(e)	(1,143)	7(a)	9,430
Long-term operating lease liabilities	1,297	1,291	—		(68)	7(a5)	2,520
Deferred income taxes	284	508	—		1,354	7(a4), 7(b)	2,146
Long-term income taxes payable	33	—	—		—		33
Other liabilities	289	312	—		—		601
Total liabilities	$ 4,727	$ 5,402	$ 7,774		$ 124		$ 18,027
Commitments and Contingencies							
Stockholders' Equity:							
Preferred stock	—	—	—		—		—
Common stock	2	—	—		—		2
Additional paid-in-capital	3,671	1,392	—		(1,334)	7(a), 7(d)	3,729
Retained earnings (accumulated deficit)	(1,102)	5,846	(21)	6(b), 6(f)	(5,920)	7(b), 7(c), 7(d)	(1,197)
Accumulated other comprehensive income (loss)	(155)	130	—		(130)	7(d)	(155)
Treasury shares, at cost	—	(5,457)	—		5,457	7(d)	—
Non-controlling interest	—	1	—		—		1
Total stockholders' equity	$ 2,416	$ 1,912	$ (21)		$ (1,927)		$ 2,380
Total liabilities	$ 7,143	$ 7,314	$ 7,753		$ (1,803)		$ 20,407

and equity					

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Three Months Ended September 30, 2023

	Tapestry Historical	Capri Historical After Reclassifications (Note 5)	Financing Adjustments	Note Reference	Transaction Accounting Adjustments	Note Reference	Pro Forma Combined
			(millions, except per share data)				
Net sales	$ 1,513	$ 1,291	$ —		$ —		$ 2,804
Cost of sales	415	453	—		—		868
Gross profit	1,098	838	—		—		1,936
Selling, general and administrative expenses	845	738	—		21	7(c)	1,604
Operating income (loss)	253	100	—		(21)		332
Interest expense, net	13	3	124	6(g)	—		140
Other expense (income)	1	(4)	—		—		(3)
Income (loss) before provision for income taxes	239	101	(124)		(21)		195
Provision for income taxes	44	11	(32)	6(i)	(4)	7(e)	19
Net income (loss)	$ 195	$ 90	$ (92)		$ (17)		$ 176
Less: Net income (loss) attributable to non-controlling interest	—	$ —	$ —		$ —		$ —
Net income (loss) attributable to controlling interest	$ 195	$ 90	$ (92)		$ (17)		$ 176
Net income (loss) attributable to controlling interest per share:							
Basic	$ 0.85						$ 0.76
Diluted	$ 0.84						$ 0.74
Shares used in computing net income (loss) attributable to controlling interest per share:							
Basic	228				4	7(f)	232
Diluted	233				4	7(f)	237

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Year Ended July 1, 2023

	Tapestry Historical	Capri Historical After Reclassifications (Note 5)	Financing Adjustments	Note Reference	Transaction Accounting Adjustments	Note Reference	Pro Forma Combined
	(millions, except per share data)						
Net sales	$ 6,661	$ 5,488	$ —		$ —		$ 12,149
Cost of sales	1,946	1,825	—		250	7(a1)	4,021
Gross profit	4,715	3,663	—		(250)		8,128
Selling, general and administrative expenses	3,543	3,135	—		122	7(c)	6,800
Operating income (loss)	1,172	528	—		(372)		1,328
Interest expense, net	28	36	554	6(g), 6(h)	—		618
Other expense (income)	1	25	—		—		26
Income (loss) before provision for income taxes	1,143	467	(554)		(372)		684
Provision for income taxes	207	3	(138)	6(i)	(120)	7(e)	(48)
Net income (loss)	$ 936	$ 464	$ (416)		$ (252)		$ 732
Less: Net income (loss) attributable to non-controlling interest	—	1	—		—		1
Net income (loss) attributable to controlling interest	$ 936	$ 463	$ (416)		$ (252)		$ 731
Net income (loss) attributable to controlling interest per share:							
Basic	$ 3.96						$ 3.07
Diluted	$ 3.88						$ 2.99
Shares used in computing net income (loss) attributable to controlling interest per share:							
Basic	236				2	7(f)	238
Diluted	241				4	7(f)	245

See the accompanying notes to the unaudited pro forma condensed combined financial statements.

TAPESTRY, INC.

Notes to Unaudited Condensed Combined Pro Forma Financial Statements

1. DESCRIPTION OF THE MERGER

On August 10, 2023, the Company entered into an Agreement and Plan of Merger (as it may be amended, supplemented or otherwise modified in accordance with its terms, the "Merger Agreement") by and among the Company, Sunrise Merger Sub, Inc., a direct wholly owned subsidiary of Tapestry, and Capri Holdings Limited ("Capri"), which contemplates, among other things on the terms and subject to the conditions set forth therein, the merger of the Merger Sub with and into Capri, with Capri surviving the merger as a wholly owned subsidiary of Tapestry (the "Merger"). Under the terms of the Merger Agreement, Tapestry has agreed to acquire all of Capri’s ordinary shares issued and outstanding as of immediately prior to the effective time of the Merger (other than (a) Capri’s ordinary Shares that are issued and outstanding immediately prior to the effective time of the Merger that are owned or held in treasury by Capri or by Tapestry or any of its direct or indirect subsidiaries and (b) Capri’s ordinary shares that are issued and outstanding immediately prior to the effective time of the Merger that are held by holders who have properly exercised dissenters’ rights in accordance with, and who have complied with, Section 179 of the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands) in cash at a purchase price of $57.00 per share, without interest, subject to any required tax withholding as provided in the Merger Agreement. The Capri Acquisition values Capri at an enterprise value of approximately $8.5 billion, and is expected to close during calendar year 2024.

2. DESCRIPTION OF THE DEBT FINANCING

Tapestry intends to finance the Capri Acquisition, inclusive of related fees and expenses, with the net proceeds of senior unsecured notes offerings, the New Term Loan Facilities (as defined below), cash on hand, cash on hand at Capri and anticipated future cash flow and does not intend to borrow under the Bridge Facility (as defined below) to finance the Capri Acquisition. Tapestry currently expects to issue new senior unsecured notes in an aggregate principal amount of approximately $6 billion with expected maturities between 2 and 10 years. For purposes of the unaudited pro forma condensed combined financial statements, the Company has assumed interim financing of $900 million, which approximately reflects the combined entity's free cash flow for the quarter ended December 31, 2022.

Bridge Facility

In connection with entry into the Merger Agreement, Tapestry entered into a commitment letter, dated as of August 10, 2023, with Bank of America, N.A., Morgan Stanley Senior Funding, Inc. and the other commitment parties party thereto, to provide a 364-day senior unsecured bridge loan facility in an aggregate principal amount of up to $8.0 billion (the "Bridge Facility") to fund the purchase price of the Capri Acquisition and to pay related fees and expenses. Upon entering into the New Term Loan Credit Agreement (as defined below) and, as a result of the commitments thereunder with respect to the New Term Loan Facilities (as defined below), the Bridge Facility commitments were reduced to $6.6 billion. As of September 30, 2023 there were no outstanding borrowings on the Bridge Facility. As described in Note 6, the Company does not intend to draw down on the Bridge Facility.

Senior Unsecured Notes

Tapestry currently expects to issue new senior unsecured notes in an aggregate principal amount of approximately $6 billion with expected maturities between 2 and 10 years to pay a portion of the consideration for the Capri Acquisition and to pay related fees and expenses.

New Term Loan Facilities

On August 30, 2023, Tapestry entered into a definitive credit agreement (such agreement, the "New Term Loan Credit Agreement") whereby Bank of America, N.A, as administrative agent, and the other agents party thereto, and a syndicate of banks and financial institutions have committed to lend Tapestry, subject to the satisfaction or waiver of the conditions set forth in the Term Loan Agreement, a $1.05 billion unsecured term loan facility maturing three years after the term loans thereunder are borrowed (the “Three-Year Term Loan Facility”) and a $350 million term loan facility maturing five years after the term loans thereunder are borrowed (the “Five-Year Term Loan Facility”; and collectively with the Three-Year Term Loan Facility, the “New Term Loan Facilities”). Tapestry plans to use borrowings under the New Term Loan Facilities to pay a portion of the consideration for the Capri Acquisition and to pay related fees and expenses. There were no outstanding borrowings on the New Term Loan Facilities as of September 30, 2023 in the historical financial statements.

$2.0 Billion Revolving Credit Facility

On August 30, 2023, pursuant to that certain Amendment No. 1 to Credit Agreement (the "Amendment"), Tapestry amended its Existing Credit Agreement (as defined below), originally dated as of May 11, 2022, among the Company, as borrower, certain of our subsidiaries, as guarantors, Bank of America, N.A., as administrative agent, and the financial institutions parties thereto as lenders (the "Existing Credit Agreement", and as amended by the Amendment, the "Amended Credit Agreement"). Under the Amended Credit Agreement, a syndicate of financial institutions and other lenders provided increases to the aggregate commitments to the revolving facility under the Existing Credit Agreement from $1.25 billion to $2.0 billion (the “Revolving Facility”). The Revolving Facility will mature on May 11, 2027. While there were no outstanding borrowings on the Revolving Facility as of September 30, 2023 in the historical financial statements, for purposes of the unaudited pro forma balance sheet, the Company assumed it would draw down $900 million against the Revolving Credit Facility to fund a portion of the purchase price of the Capri Acquisition. The Company has historically generated higher net sales, operating income, and cash flows in the second quarter as compared to the rest of the year due to holiday seasonality and, therefore, expects to fund a portion of the purchase price of the Capri Acquisition with this additional cash rather than with borrowings under the Revolving Facility. The assumed $900 million draw down against the Revolving Credit Facility approximates the combined entity's free cash flow for the quarter ended December 31, 2022.

Capri Revolving Credit Facility

On July 1, 2022, Capri entered into a revolving credit facility ("Capri Revolver") with, among others, JPMorgan Chase Bank, N.A., as administrative agent, which refinanced its existing senior unsecured revolving credit facility. The Capri Revolver provides for a $1.5 billion revolving credit facility. As of September 30, 2023, Capri had $1.1 billion of borrowings outstanding related to the Capri Revolver and $5 million of deferred financing fees within Other assets on Capri's consolidated balance sheets. The Capri Revolver will terminate upon closing of the Capri Acquisition and will be repaid with funds received at transaction closing (i.e, part of consideration transferred). Refer to Note 7 for additional information.

Capri Term Loan

On December 5, 2022, Gianni Versace S.r.l., a wholly owned subsidiary of Capri, entered into a credit facility with Intesa Sanpaolo S.p.A., Banco Nazionale del Lavoro S.p.A., and UniCredit S.p.A., as arrangers and lenders, and Intesa Sanpaolo S.p.A., as agent, which provides a senior unsecured term loan (the “Capri Term Loan”) in an aggregate principal amount of €450 million. As of September 30, 2023, the carrying value of the Capri Term Loan was $475 million, net of $1 million of deferred financing fees, which was recorded within long-term debt in the Capri consolidated balance sheets. Tapestry intends to pay off and terminate the Capri Term Loan in connection with closing the Capri Acquisition. Refer to Note 6 for additional information.

3. BASIS OF PRESENTATION

The unaudited pro forma condensed combined balance sheet gives effect to the Capri Acquisition as if it occurred on September 30, 2023. The pro forma adjustments required to reflect the acquired assets and assumed liabilities of Capri are based on the estimated fair value of the assets and liabilities of Capri. The unaudited pro forma condensed combined statements of operations for the three months ended September 30, 2023 and the year ended July 1, 2023 gives effect to the Capri Acquisition as if it had occurred on July 3, 2022.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting and are based on the historical financial information of Tapestry and Capri. The acquisition method of accounting, in accordance with ASC 805, “Business Combinations” (ASC 805) requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date, using the fair value concepts defined in ASC 820, “Fair Value Measurement” (ASC 820). As the accounting acquirer, Tapestry will estimate the fair value of Capri’s assets acquired and liabilities assumed and will conform Capri’s accounting policies to its own accounting policies. The following unaudited pro forma combined financial information has been prepared in accordance with Article 11 of Regulation S-X. Tapestry has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the following unaudited pro forma condensed combined financial information.

Fair value is defined in ASC 820 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” This is an exit price concept for the valuation of an asset or liability. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assumes the highest and best use by these market participants. As a result of the requirements of ASC 820, Tapestry may be required to record assets which are not intended to be used or sold and/or to value assets at fair value measurement that do not reflect Tapestry’s intended use for those assets. Fair value measurements can be highly subjective and it is possible the application of reasonable judgment could lead to different assumptions resulting in a range of alternative estimates using the same facts and circumstances.

Notes to Unaudited Condensed Combined Pro Forma Financial Statements

4. ACCOUNTING POLICIES

Acquisition accounting rules require evaluation of certain assumptions, estimates, or determination of financial statement classifications which are completed during the measurement period as defined in current accounting standards. The accounting policies of Tapestry may materially vary from those of Capri. During preparation of the unaudited pro forma condensed combined financial statements, management has performed a preliminary analysis and is not aware of any material differences, and accordingly, the unaudited pro forma condensed combined financial statements assume no material differences in accounting policies between the two companies other than the pro forma reclassifications detailed in Note 5. Following the closing of the Capri Acquisition and during the measurement period, management will conduct a final review of Capri's accounting policies in order to determine if differences in accounting policies require adjustment or reclassification of Capri's results of operations or reclassification of assets or liabilities to conform to Tapestry's accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial statements.

Notes to Unaudited Condensed Combined Pro Forma Financial Statements

5. RECLASSIFICATION OF CAPRI'S HISTORICAL FINANCIAL INFORMATION

Certain reclassifications have been made to Capri's historical financial statements to conform to the Tapestry's presentation, as follows:

Reclassifications included in the unaudited pro forma condensed combined balance sheet

	As of September 30, 2023		
	Capri Before Reclassification	Reclassifications	Capri After Reclassification
		(millions)	
Cash and cash equivalents (a)	$ 238	$ (29)	$ 209
Trade accounts receivable, net (a), (b), (c)	383	2	385
Prepaid expenses and other current assets (b)	270	(270)	—
Income tax receivable (b)	—	114	114
Prepaid expenses (b)	—	69	69
Other current assets (b)	—	82	82
Accrued payroll and payroll related expenses (b)	95	(95)	—
Accrued expenses and other current liabilities (b), (c)	291	(291)	—
Accrued income taxes (b)	82	(82)	—
Accrued liabilities (b), (c)	—	436	436

(a) Reclassification of Capri credit card receivables from Cash and cash equivalents to Trade accounts receivable, net to conform to Tapestry policy.

(b) Reclassification to conform to Tapestry's financial statement line item presentation.

(c) Reclassification of wholesale returns reserves from Accrued expenses and other current liabilities to Trade accounts receivable, net to conform to Tapestry policy.

Notes to Unaudited Condensed Combined Pro Forma Financial Statements

Reclassifications included in the unaudited pro forma condensed combined statements of operations

	Three Months Ended September 30, 2023		
	Capri Before Reclassification	Reclassifications	Capri After Reclassification
		(millions)	
Cost of sales (d)	$ 459	$ (6)	$ 453
Selling, general and administrative expenses ("SG&A") (d)(e)	664	74	738
Depreciation and amortization (e)	48	(48)	—
Impairment of assets (e)	20	(20)	—
Restructuring and other (income) expense (e)	—	—	—
Other expense (income) (e)	—	(4)	(4)
Other expense, net (e)	(1)	1	—
Foreign currency loss (e)	(3)	3	—

	Year Ended July 1, 2023		
	Capri Before Reclassification	Reclassifications	Capri After Reclassification
		(millions)	
Cost of sales (d)	$ 1,853	$ (28)	$ 1,825
Selling, general and administrative expenses ("SG&A") (d)(e)	2,775	360	3,135
Depreciation and amortization (e)	179	(179)	—
Impairment of assets (e)	142	(142)	—
Restructuring and other (income) expense (e)	11	(11)	—
Other expense (income) (e)	—	25	25
Other expense, net (e)	(2)	2	—
Foreign currency loss (e)	27	(27)	—

(d) Reclassification of certain distribution expenses included in Cost of sales by Capri to be included in Selling, general and administrative expenses ("SG&A") to conform to Tapestry policy.

(e) Reclassification to conform to Tapestry's financial statement line item presentation.

6. FINANCING ADJUSTMENTS

(a) Reflects the debt financing funding of the Capri Acquisition consideration as described in Note 2, payment of related debt financing fees and payment of outstanding balances on the Capri Term Loan and related Accrued Interest. Tapestry intends to pay off and terminate the Capri Term Loan in connection with closing the Capri Acquisition with cash on hand (i.e., not part of the consideration transferred). The Capri Revolver terminates and will be paid off in connection with closing the Capri Acquisition, with funds received at transaction closing (i.e, part of consideration transferred) discussed in Note 7(a).

	Amount (millions)
Senior Unsecured Notes	$ 6,000
New Term Loan Facilities	1,400
Debt financing fees	(43)
Prepayment of Capri Term Loan and Related Accrued Interest	(484)
Net cash adjustment before Interim Revolver Debt	**$ 6,873**
Interim Revolver Debt*	900
Net adjustment to cash and cash equivalents	**$ 7,773**

* *The Company has assumed additional interim borrowings on the Revolving Facility of $900 million, which approximates the free cash flow of the combined entity for the quarter ended December 31, 2022. The Company has historically generated higher net sales, operating income, and cash flows in the second quarter as compared to the rest of the year due to holiday seasonality and, therefore, expects to fund a portion of the purchase price of the Capri Acquisition with this additional cash rather than with borrowings under the Revolving Facility. Please see Note 6(e) for more information.*

(b) Reflects the elimination of the unamortized debt financing fees on the Bridge Facility. Unamortized debt financing fees of $25 million have been eliminated from Other assets, $1 million remaining to be paid has been applied as a reduction of Cash in Note 6(a), and a $20 million impact to Retained earnings, net of tax, has been recorded as shown below in Note 6(f).

(c) Reflects the reclassification of fees related to the New Term Loan Facilities of $1 million from Other assets to Long-term debt and estimated incremental term loan fees of $2 million, which are included within the debt financing fees paid in Note 6(a) and shown in Note 6(e).

(d) Reflects the payment of the previously accrued interest on the Capri Revolver and Capri Term Loan of $8 million. Refer to Note 6(a) for more information.

(e) Reflects the debt financing of $8.3 billion, which includes the expected issuance of senior unsecured notes, New Term Loan Facilities, and Interim Revolver Debt, net of unamortized debt financing fees of $43 million, and pay down of the Capri Term Loan aggregating to $475 million. As disclosed in Note 1, in addition to the New Term Loans and senior unsecured notes, the consideration for the Capri Acquisition and the payment of related fees and expenses is intended to be funded with cash on hand and anticipated future cash flow.

In the second fiscal quarter, due to holiday seasonality, Tapestry has historically generated higher net sales, operating income and cash flows than in other fiscal quarters. Assuming this trend is true for the second fiscal quarter of 2024, we expect that this will result in additional operating cash flows subsequent to September 30, 2023 to fund a portion of the Capri Acquisition consideration to be paid. However, for purposes of the unaudited pro forma condensed combined financial statements, as of September 30, 2023, the Company has assumed additional interim borrowings on the Revolving Facility of $900 million which approximates the free cash flow of the combined entity for the quarter ended December 31, 2022.

The following table summarizes the financing transactions in connection with the Capri Acquisition:

	Balance	Interest Rate	Financing Fees	Net Proceeds	Term	As of September 30, 2023 Current debt	As of September 30, 2023 Long-term debt
	(millions, except rate and term data)						
Senior unsecured notes offerings*	$ 6,000	7.02%	$ (40)	$ 5,960	2 - 10 years	$ —	$ 5,960
Term loan - 3 year	1,050	6.10%	(2)	1,048	3 years	—	1,048
Term loan - 5 year	350	6.10%	(1)	349	5 years	18	331
Less: Capri Term Loan	(476)	N/A	1	(475)	N/A	—	(475)
Total Financing, net	**$ 6,924**		**$ (42)**	**$ 6,882**		**$ 18**	**$ 6,864**
Interim Revolver Debt	900	6.88%	—	900	**	900	—
Net adjustment to debt	**$ 7,824**		**$ (42)**	**$ 7,782**		**$ 918**	**$ 6,864**

** Interest rate for Senior unsecured notes offerings represents a blended weighted-average interest rate.*

*** For pro forma purposes, the Company has reflected interest expense associated with the borrowings of the Interim Revolver Debt for both the three months ended September 30, 2023 and the year ended July 1, 2023. The Company has classified the borrowings on the Revolving Facility as Current debt, consistent with historical precedent, as the Company has the ability and intent to use cash generated from operations to pay down this debt within twelve months.*

(f) Reflects the impact on Retained Earnings of elimination of the Bridge Facility financing fees, as mentioned in Note 6(b), and the Capri Term Loan unamortized debt financing fees net of tax of $20 million and $1 million, respectively.

(g) Reflects the estimated incremental interest expense and amortization of debt financing fees on new debt financing, and elimination of previously recorded interest expense on the Capri Revolver and Capri Term Loan to be repaid upon closing as discussed in Note 6(a). Interest expense for new borrowings is based on the anticipated borrowing rates applicable to the expected financing transactions, reflecting an assumed weighted average borrowing rate of 6.84%. When including financing costs of $43 million, this results in an effective interest rate of 6.92%. The weighted effective borrowing rate decreases to 6.90% after considering the Company's interest rate hedging activities. This borrowing rate reflects the amortization of approximately $20 million of deferred gains as of September 30, 2023 over 10 years, the term over which interest rates are being hedged. The estimated interest rates may be materially different from the actual interest rates incurred based on market conditions at the time of the financing. A change of 0.125% in the interest rate on the senior unsecured notes, New Term Loan Facilities, and Interim Revolver Debt would change interest expense on a pro forma basis by approximately $3 million for the three months ended September 30, 2023 and approximately $11 million for the year ended July 1, 2023. Refer to Note 6(e) for additional information.

Notes to Unaudited Condensed Combined Pro Forma Financial Statements

	Three Months Ended September 30, 2023	Year Ended July 1, 2023
	(millions)	
Adjustments to interest expense, net:		
Interest expense on anticipated permanent borrowings	$ 127	$ 504
Interest expense on Interim Revolver Debt	15	61
Amortization of debt financing fees	2	10
Elimination of interest expense on Capri Revolver and Capri Term Loan	(20)	(47)
Total adjustments to interest expense, net	**$ 124**	**$ 528**

(h) Elimination of Bridge Facility deferred financing costs previously recorded in Other assets. The Bridge Facility debt issuance cost of $26 million has been recorded as interest expense in the year ended July 1, 2023.

(i) Estimated income tax expense related to the pro forma financing adjustments is calculated based on a tax rate of 25%. This represents Tapestry's best estimate of the blended statutory rate related to Capri's operations for all jurisdictions after combining with Tapestry. The total effective tax rate of the combined company could be significantly different depending on the post-acquisition geographical mix of income and other factors influencing the historical periods presented.

7. PRELIMINARY PURCHASE PRICE ALLOCATION AND TRANSACTION ACCOUNTING ADJUSTMENTS

The estimated pro forma adjustments as a result of recording assets acquired and liabilities assumed at their respective fair values in accordance with ASC 805 discussed below are preliminary. The final allocation of the purchase price will be determined at a later date and is dependent on a number of factors, including the final valuation of Capri's tangible and intangible assets acquired and liabilities assumed. The final valuation of assets acquired and liabilities assumed may be materially different than the value of assets acquired and liabilities assumed in the estimated pro forma adjustments. The pro forma adjustments included in the unaudited pro forma condensed combined financial information are as follows:

(a) The preliminary consideration and estimated fair value of assets acquired and liabilities assumed as if the closing date of the Capri Acquisition were September 30, 2023 is presented as follows:

	Amount (millions)
Consideration estimated to be transferred:	
Consideration to Capri shareholders and equity award holders	$ 6,702
Estimated indebtedness amount paid	1,143
Fair value of total consideration	$ 7,845
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Book value of net assets acquired	$ 2,984
Less: historical Capri goodwill and intangible assets	(2,944)
Subtotal	$ 40
Adjustments to net book value of assets acquired and liabilities assumed:	
Inventory fair value adjustment	$ 250
Identifiable intangible assets at fair value	6,353
Property and equipment adjustment	562
Adjustment to deferred income taxes	(1,388)
Adjustment to operating lease right-of-use assets	(4)
Adjustment to long-term operating lease liabilities	68
Goodwill	1,964
Estimated preliminary purchase price allocation	**$ 7,845**

Consideration estimated to be transferred:

Consideration to Capri shareholders and equity award holders - Represents anticipated consideration to be transferred to (i) Capri shareholders and (ii) holders of vested Capri stock options and unvested Capri options and share unit awards as to which service requirements have been partially completed. A summary is as follows:

	Shares	Offering Price per Share	Amount (millions)
Consideration to be paid to Capri shareholders	116,140,358	$ 57.00	$ 6,620
Consideration related to outstanding equity awards*			82
Consideration to Capri shareholders and equity award holders			**$ 6,702**

* Of the total value, $24 million is expected to be paid in cash, all of which will be payable at closing. As a result, $24 million has been adjusted as a reduction of Cash. The additional $58 million is expected to be converted to Tapestry shares or options and has been adjusted on the pro forma condensed combined balance sheet as an adjustment to Additional paid-in-capital.

Estimated indebtedness amount paid - Represents pay off and termination of the Capri Revolver in connection with closing the Capri Acquisition with the funds received at transaction closing (i.e, part of consideration transferred).

Recognized amounts of identifiable assets acquired and liabilities assumed:

Book value of net assets acquired - Represents the net book value of assets acquired from Capri, which includes the elimination of Capri's unamortized Revolver Fees of $5 million within Other assets as a result of the pay down of the outstanding Capri Revolver balance upon closing of the Capri Acquisition. In addition, the impact of Capri's acquisition costs of $65 million, net of tax, is also included. Refer to Note 7(b) for more information.

Adjustments to net book value of assets acquired and liabilities assumed:

7(a1) Inventory fair value adjustment - Historical inventory of Capri has been adjusted by $250 million to reflect estimated fair values. The fair value was determined based on the estimated selling price of the inventory, less an estimate for selling costs and profit margin net of contributory asset charges for applicable tangible and intangible assets. The unaudited pro forma condensed combined statement of operations for the year ended July 1, 2023 has also been adjusted to increase cost of products sold by the same amount as the inventory fair value adjustment, as this inventory is expected to be sold within one year of the acquisition date.

7(a2) Identifiable intangible assets at fair value - Identifiable intangible assets related to Capri of $6.4 billion have been recorded based on Tapestry's preliminary estimate of fair value determined based upon the present value of the estimated future cash flows projected by management, and historical intangibles of Capri have been eliminated in recording of the Capri Acquisition.

Indefinite-lived intangible assets of approximately $6 billion are brand related trade names principally associated with the Michael Kors, Versace and Jimmy Choo brands. Tapestry preliminarily assigned an indefinite life to these intangible assets as these brand-related intangible assets have no legal, regulatory, or contractual provisions that may limit their maximum useful lives, and Tapestry expects that they will directly or indirectly contribute to cash flows of Tapestry for an indefinite period. Key factors included in Tapestry's determination were the brands' strong history, the current and anticipated competitive environment, and the anticipated future operating plans for the brand under Tapestry ownership.

Finite-lived intangible assets of approximately $345 million are customer relationship assets and $8 million for order backlog. For purposes of determining the impact on the unaudited pro forma condensed combined statements of operations, the customer relationship intangible assets are being amortized over an estimated weighted-average useful life of approximately 15 years and the order backlog intangible assets are being amortized over 1 year.

Identifiable intangible assets expected to be acquired consist of the following:

	As of September 30, 2023 (millions)
Identifiable intangible assets:	
Brand names and trademarks	$ 6,000
Customer relationship intangibles	345
Order backlog	8
Pro forma adjustment for estimated fair value of identifiable intangible assets	**$ 6,353**

7(a3) Property and equipment adjustment - Net book value of property and equipment of Capri has been adjusted by $562 million to estimated fair value based on a preliminary assessment of the acquired assets. For purposes of determining the impact on the unaudited pro forma condensed combined statements of operations, the estimated fair value adjustment is being depreciated over a useful life of 1 to 35 years.

7(a4) Adjustment to deferred income taxes - Differences in the financial reporting and tax reporting treatment of assets acquired and liabilities assumed in the Capri Acquisition result in a deferred tax adjustment of $1.4 billion. A blended statutory tax rate of 25% was applied, as appropriate, to each adjustment. The estimate of deferred income tax assets and liabilities is preliminary and is subject to change based upon management's final determination of the fair value of assets acquired and liabilities assumed by jurisdiction. The Company will continue to evaluate and consider all income tax related accounts for purposes of recognition and realizability.

7(a5) Adjustment to operating lease right-of-use assets and Adjustment to long-term operating lease liabilities - For purposes of the unaudited pro forma condensed combined financial statements, the Company has estimated the pro forma adjustments, including any fair value adjustment for the off-market portion of our leases, to the Operating lease right-of-use assets, Current portion of operating lease liabilities, and Long-term operating lease liabilities, by utilizing recent lease valuations of both Companies, historical lease right adjustments resulting from previous acquisitions and by applying the approximate incremental borrowing rate as of September 30, 2023, weighted for the geographies in which Capri operates stores. As the Company does not have access to individual lease details, it is possible that these estimated adjustments may be materially different when additional information is available and final valuation procedures are performed in accordance with ASC 805.

7(a6) Goodwill - Represents $2.0 billion excess of the purchase price over Tapestry's preliminary estimates of the fair value assigned to the identifiable tangible and intangible assets acquired and liabilities assumed.

(b) Tapestry expects to incur a total of $69 million of acquisition costs. As of September 30, 2023, Tapestry had recognized $20 million of acquisition related charges, of which $15 million was recorded as an Accrued Liability on its Condensed Combined Balance Sheet. To eliminate the Accrued Liability and reflect the costs to be incurred, there is a $64 million reduction of cash, a $15 million elimination of the accrual, a $12 million impact to Deferred income taxes, and a $37 million impact to Retained earnings, net of tax.

Capri expects to incur a total of $91 million of acquisition costs. As of September 30, 2023, Capri had recognized $4 million of acquisition related charges which were recorded as an Accrued Liability on its Combined Balance Sheet. To eliminate the Accrued Liability and reflect the costs to be incurred, there is a $91 million reduction of cash, a $4 million elimination of the accrual, a $22 million impact to Deferred income taxes, and a $65 million impact to Capri's Retained earnings, net of tax. Capri's Retained earnings is eliminated in the business combination under Note 7(d). Capri's non-recurring transaction costs of $87 million subsequent to September 30, 2023 are not reflected in the pro forma income statement because they are not incurred by nor affect Tapestry's results of operations.

(c) The following adjustments have been made to Selling, general and administrative expenses:

	Three Months Ended September 30, 2023	Year Ended July 1, 2023
	(millions)	
Adjustments to SG&A expenses/(income):		
Tapestry's anticipated acquisition-related transaction costs	$ —	$ 49
Eliminate Capri's historical intangible asset amortization expense	(11)	(44)
Eliminate Capri's historical intangible asset impairment	—	(106)
Estimated transaction-related intangible asset amortization	6	31
Estimated impact as a result of the fair value adjustment to property and equipment	17	69
Incremental compensation expense as a result of the acquisition	9	124
Estimated amortization of fair value adjustment to operating lease right-of-use assets	—	(1)
Total adjustments to SG&A	**$ 21**	**$ 122**

Tapestry's anticipated acquisition-related transaction costs - Incremental transaction costs of $49 million incurred relating to the Capri Acquisition which have been reflected as a reduction in Cash. Transaction costs are reflected as if incurred on July 3, 2022, the date the Capri Acquisition closed for the purposes of the unaudited pro forma condensed combined statements of operations. These costs, along with $20 million of transaction costs that were incurred during the three months ended September 30, 2023, are not expected to affect the Company's statements of operations beyond twelve months after the closing of the Capri Acquisition.

Eliminate Capri's historical intangible asset amortization expense - Removal of historical finite-lived intangible asset amortization in order to prepare for the intangible asset fair value step-up of Capri's intangible assets as described in Note 7(a2).

Eliminate Capri's historical intangible asset impairment - Removal of historical goodwill and finite-lived intangible asset impairment due to intangible asset fair value step-up of Capri's intangible assets as described in Note 7(a2).

Estimated transaction-related intangible asset amortization - The Company expects to incur amortization expense as a result of the preliminary fair value adjustment to record identifiable finite-lived intangible assets of Capri, as discussed in Note 7(a2). For purposes of determining the impact on the unaudited pro forma condensed combined statements of operations, the finite-lived intangible assets are amortized using a straight-line method over an estimated useful life of approximately 15 years for the customer relationship intangible and 1 year for the order backlog intangible.

Estimated impact as a result of the fair value adjustment to property and equipment - Depreciation expense related to property and equipment will increase as a result of the preliminary adjustment to record Capri's property and equipment at estimated fair values. For purposes of determining the impact on the unaudited pro forma condensed combined statements of operations, the fair value adjustment related to property and equipment is being depreciated using a straight-line method over a useful life of between 1 to 35 years.

Incremental compensation expense as a result of the acquisition - As set forth in certain individual agreements, incremental compensation expense will be payable to certain Capri employees. These amounts relate to unvested equity awards and cash severance and bonus payments, which vest upon the employee's termination. The Company estimates that $49 million will be paid in cash ($22 million of that amount relates to previously unvested equity awards) and recognized at transaction close. This also results in a reduction of Retained earnings of $37 million, net of tax.

Estimated amortization of fair value adjustment to operating lease right-of-use assets - Amortization related to operating lease right-of-use assets will decrease lease expense as a result of the preliminary adjustment to record Capri's right-of-use assets at estimated fair values, amortized over the estimated weighted-average remaining lease term.

(d) Adjustment made to remove the historical equity balances of Capri.

(e) Estimated income tax expense related to the pro forma transaction accounting adjustments is calculated based on a tax rate of 25%. This represents Tapestry's best estimate of the blended statutory rate related to Capri's operations for all jurisdictions after combining with Tapestry. The total effective tax rate of the combined company could be significantly different depending on the post-acquisition geographical mix of income and other factors influencing the historical periods presented.

(f) The pro forma combined basic and diluted earnings per share have been adjusted to reflect the pro forma net income for the year ended July 1, 2023 and the three months ended September 30, 2023. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the total number of shares of common stock of the combined company outstanding as of the closing date. For the year ended July 1, 2023 and the three months ended September 30, 2023, the pro forma weighted average shares outstanding has been calculated as follows:

	Three Months Ended September 30, 2023	Year Ended July 1, 2023
	(millions)	
Tapestry's weighted-average basic shares outstanding	228	236
Shares of Tapestry issued, or issuable, to holders of Capri equity awards pursuant to the Merger Agreement based on completion of service requirement*	4	2
Weighted-average basic shares	**232**	**238**
Tapestry's existing dilutive securities	5	5
Dilutive impact of Tapestry restricted stock unit awards to be issued to replace Capri restricted stock unit awards by applying the treasury stock method	—	2
Weighted-average diluted shares	**237**	**245**

** Represents the number of restricted stock unit awards assumed and converted into Tapestry restricted stock unit awards that become vested during the pro forma period or that are no longer subject to service vesting based on retirement provisions.*

Exhibit 99.5

UNAUDITED SUPPLEMENTAL NON-GAAP PRO FORMA FINANCIAL MEASURE

Description of the Capri Acquisition

On August 10, 2023, Tapestry, Inc. (the “Company” or “Tapestry”) entered into an Agreement and Plan of Merger (as it may be amended, supplemented or otherwise modified in accordance with its terms, the “Merger Agreement”) by and among the Company, Sunrise Merger Sub, Inc., a direct wholly owned subsidiary of Tapestry, and Capri Holdings Limited (“Capri”), which contemplates, among other things and on the terms and subject to the conditions set forth therein, the merger of Merger Sub with and into Capri, with Capri surviving the merger as a wholly owned subsidiary of Tapestry (the “Merger”). Under the terms of the Merger Agreement, Tapestry has agreed to acquire (the “Capri Acquisition”) all of Capri’s ordinary shares issued and outstanding as of immediately prior to the effective time of the Merger (other than (a) Capri’s ordinary shares that are issued and outstanding immediately prior to the effective time of the Merger that are owned or held in treasury by Capri or by Tapestry or any of its direct or indirect subsidiaries and (b) Capri’s ordinary shares that are issued and outstanding immediately prior to the effective time of the Merger that are held by holders who have properly exercised dissenters’ rights in accordance with, and who have complied with, Section 179 of the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands) in cash at a purchase price of $57.00 per share, without interest, subject to any required tax withholding as provided in the Merger Agreement. The transaction values Capri at an enterprise value of approximately $8.5 billion, and is expected to close during calendar year 2024.

Pro Forma Financial Information

The Company has provided unaudited pro forma condensed combined financial statements prepared in accordance with Article 11 of Regulation S-X in Exhibit 99.4 to the Company’s Current Report of Form 8-K filed on November 9, 2023, to which this unaudited supplemental non-GAAP pro forma financial measure is attached.

The unaudited pro forma condensed combined statements of operations for the year ended July 1, 2023 and for the three months ended September 30, 2023 give effect to the Capri Acquisition and related transactions as if they had occurred on July 3, 2022. The unaudited pro forma condensed combined balance sheet as of September 30, 2023, gives effect to the Capri Acquisition and related transactions as if they had occurred on September 30, 2023.

The unaudited pro forma condensed combined financial statements are provided for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Tapestry would have been had the Capri Acquisition closed on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. Actual amounts set forth in the unaudited pro forma condensed combined financial statements and in the accompanying notes in Exhibit 99.4 to the Company’s Current Report of Form 8-K are subject to adjustments and may differ at the time of the consummation of the proposed Capri Acquisition and related financing transactions depending on several factors, including finalization of the purchase price, changes in the actual amount of fees and expenses related to the proposed Capri Acquisition and related financing transactions, the actual closing date of the Capri Acquisition, and the outstanding amount of indebtedness at that time. There can be no assurance that the Capri Acquisition or the related financing will be consummated under the terms contemplated or at all and, if consummated, when the closings of such transactions will take place.

Unaudited Supplemental Non-GAAP Pro Forma Financial Measure

Pro forma Adjusted EBITDA

Pro forma Adjusted EBITDA has not been prepared in accordance with United States generally accepted accounting principles (“GAAP”). The Company defines pro forma Adjusted EBITDA as pro forma net income (loss) prior to interest expense, income taxes, depreciation and amortization, certain non-cash charges that the Company may add back such as stock-based compensation expense and cloud computing amortization, as well as items affecting comparability, including acquisition and integration costs.

The Company believes that excluding certain items from its GAAP results allows management to better understand the Company’s consolidated financial performance from period to period and better project the Company’s future consolidated financial performance as forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, the Company believes that these non-GAAP financial measures provide its stakeholders with useful information to help them evaluate the Company’s operating results by facilitating an enhanced understanding of its operating performance and enabling them to make more meaningful period-to-period comparisons.

In particular, the Company believes that pro forma Adjusted EBITDA is useful to investors as a means of evaluating operating performance and reflects the Adjusted EBITDA of Tapestry and Capri on a combined basis. Pro forma Adjusted EBITDA is a non-GAAP measure, which is an addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP and should not be considered as an alternative to performance measures derived in accordance with GAAP. Non-GAAP financial measures as used by us may not be comparable to similarly titled amounts used by other companies.

The Company believes pro forma Adjusted EBITDA:

- reflects the ongoing business of the combined company in a manner that allows for meaningful period-to-period comparison and analysis of trends in its business, as they exclude certain non-recurring income and expense that do not occur regularly as part of the normal activities;

- provides useful information in understanding and evaluating the underlying sustainable performance of the combined business across periods; and

- provides a normalized view of the operating performance of the combined business by excluding items that are either noncash or infrequently occurring in nature.

Following the consummation of the Capri Acquisition, Adjusted EBITDA will be one of the primary measures management of the combined company will use for planning and budgeting processes and to monitor and evaluate financial and operating results.

Adjusted EBITDA is used by different companies for differing purposes and is often calculated in ways that reflects the particular circumstances of those companies. You should exercise caution in comparing this non-GAAP metric reported by us to such metric or other similar metrics as reported by other companies. Adjusted EBITDA is not a measurement of performance under GAAP, and you should not consider this measure as an alternative to net income (loss) determined in accordance with GAAP. This non-GAAP metric does not necessarily indicate whether cash flow will be sufficient or available to meet the Company’s cash requirement and may not be indicative of the Company’s historical operating results, nor is such measure meant to be predictive of the Company’s future results. This non-GAAP metric has limitations as analytical tools, and should not be considered in isolation.

The Company compensates for these limitations by reconciling pro forma Adjusted EBITDA to net income (loss), the most comparable GAAP financial measure, in the table below. Pro forma Adjusted EBITDA gives effect to the Capri Acquisition and the related transactions as if they had been consummated on July 3, 2022.

	Pro Forma	
	Three Months Ended September 30, 2023	Year Ended July 1, 2023
	Combined	
	(Unaudited)	
	(in millions)	
Pro forma net income (loss)	**$ 176**	**$ 731**
Adjusted for:		
Interest expense, net	140	618
Provision for income taxes	19	(48)
Depreciation and amortization	104	417
Cloud computing amortization (a)	14	45
Stock-based compensation expense (b)	46	283
Acquisition and purchase accounting adjustments affecting comparability:		
Acquisition costs (c)	24	49
Inventory fair value adjustment (d)	-	250
Historical items affecting comparability:		
Capri historical items affecting comparability (e)	53	165
Pro forma Adjusted EBITDA	**$ 576**	**$ 2,510**

(a) Represents non-cash amortization expenses relating to the amortization of cloud computing arrangements for each of Tapestry ($13 million and $42 million) and Capri ($1 million and $3 million) for the three months ended September 30, 2023 and the year ended July 1, 2023, respectively.

(b) Represents non-cash stock-based compensation expenses for each of Tapestry ($20 million and $79 million) and Capri ($17 million and $80 million) for the three months ended September 30, 2023 and the year ended July 1, 2023, respectively, as adjusted by incremental compensation expense as a result of the Capri Acquisition of $9 million and $124 million for the three months ended September 30, 2023 and the year ended July 1, 2023, respectively.

(c) Represents charges related to the Capri Acquisition.

(d) Represents inventory purchase accounting adjustments related to the Capri Acquisition.

(e) Includes the following items affecting comparability, and the respective amounts, for the three months ended September 30, 2023 and the year ended July 1, 2023: (i) impairment of assets ($20 million and $36 million, respectively) primarily related to impairment of right-of-use assets and fixed assets of retail stores; (ii) restructuring and other ($0 million and $42 million, respectively), which includes charges recorded in connection with the acquisition of Gianni Versace S.r.l., and foreign currency exchange loss recognized in conjunction with restructuring activities to rationalize certain legal entities within the Capri structure; (iii) Covid-19-related charges ($0 million and $(8) million, respectively); (iv) ERP implementation ($4 million and $21 million, respectively), which represents a multi-year ERP implementation which includes accounting, finance and wholesale and retail inventory solutions in order to create standardized finance IT applications across the organization; and (v) transformation ($29 million and $77 million, respectively), which represents a multi-year, multi-project initiative extending through fiscal 2026 intended to improve the operating effectiveness and efficiency of the organization by creating best in class shared platforms across the Capri brands and by expanding the digital capabilities. These initiatives cover multiple aspects of the Capri operations including supply chain, marketing, omni-channel customer experience, e-commerce, data analytics and IT infrastructure; and (vi) War in Ukraine ($0 million and $(3) million, respectively).

Forward-Looking Statements

This Exhibit contains certain “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are based on management’s current expectations, that involve risks and uncertainties that could cause our actual results to differ materially from our current expectations. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as “may,” “can,” “continue,” “project,” “should,” “expect,” “confidence,” “goals,” “trends,” “anticipate,” “intend,” “estimate,” “on track,” “future,” “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, our results 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. We assume no obligation to revise or update any such forward-looking statements for any reason, except as required by law.

Our 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:

- the impact of economic conditions, recession and inflationary measures;
- the impact of the Covid-19” pandemic;
- 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;
- 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;
- our ability to successfully implement the initiatives under our 2025 growth strategy;
- the effect of existing and new competition in the marketplace;
- our ability to control costs;
- the effect of seasonal and quarterly fluctuations on our sales or operating results;
- the risk of cyber security threats and privacy or data security breaches;
- our ability to protect against infringement of our trademarks and other proprietary rights;
- the impact of tax and other legislation;
- the risks associated with potential changes to international trade agreements and the imposition of additional duties on importing our products;
- our ability to achieve intended benefits, cost savings and synergies from acquisitions, including our proposed acquisition of Capri;
- the impact of pending and potential future legal proceedings; and

- the risks associated with climate change and other corporate responsibility issues.

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. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is described in “Risk Factors” in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.