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

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2016

or

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

Commission file number: 1-16153

Coach, Inc.

(Exact name of registrant as specified in its charter)

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

10 Hudson Yards, New York, NY 10001
(Address of principal executive offices); (Zip Code)

(212) 594-1850
(Registrant's telephone number, including area code)

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

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

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

Large Accelerated Filer ☑	Accelerated Filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

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

On January 27, 2017 the Registrant had 280,616,067 outstanding shares of common stock, which is the Registrant's only class of common stock.

COACH, INC.
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In this Form 10-Q, references to “we,” “our,” “us,” "Coach" and the “Company” refer to Coach, Inc., including consolidated subsidiaries. Unless the context requires otherwise, references to the "Coach brand" do not include the Stuart Weitzman brand and references to the "Stuart Weitzman brand" do not include the Coach brand.

SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This document, and the documents incorporated by reference in this document, in our press releases and in oral statements made from time to time by us or on our behalf, contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, 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. These forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "may," "will," "should," "expect," "confidence," "trends," "intend," "estimate," "on track," "are positioned to," "on course," "opportunity," "continue," "project," "guidance," "target," "forecast," "anticipated," "plan," "potential," the negative of these terms or comparable terms. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of important factors, including but not limited to: (i) our ability to successfully execute our growth strategies, including our efforts to expand internationally into a global lifestyle brand; (ii) our ability to successfully execute and achieve efficiencies and other benefits related to our multi-year transformation plan and operational efficiency initiatives; (iii) the effect of existing and new competition in the market; (iv) our exposure to international risks, including currency fluctuations and changes in economic or political conditions in the markets where we sell and source our product; (v) our ability to retain the value of the Coach brand and the Stuart Weitzman brand and to respond to changing fashion trends in a timely manner; (vi) our ability to control costs; (vii) the effect of seasonal and quarterly fluctuations in our sales or operating results; (viii) our ability to protect against infringement of our trademarks and other proprietary rights; (ix) our ability to achieve intended benefits, cost savings and synergies from acquisitions; and such other risk factors as set forth in Part II, Item 1A. "Risk Factors" and elsewhere in this report and in the Company’s Annual Report on Form 10-K for the fiscal year ended July 2, 2016. Coach, Inc. assumes no obligation to revise or update any such forward-looking statements for any reason, except as required by law.

WHERE YOU CAN FIND MORE INFORMATION

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

Coach, Inc. maintains its website at www.coach.com where investors and other interested parties may obtain, free of charge, press releases and other information as well as gain access to our periodic filings with the Securities and Exchange Commission (the "SEC").

INFORMATION REGARDING HONG KONG DEPOSITORY RECEIPTS

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

COACH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2016	July 2, 2016
	(millions)	
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 1,309.7**	$ 859.0
Short-term investments	**526.2**	460.4
Trade accounts receivable, less allowances of $2.1 and $2.2, respectively	**269.6**	245.2
Inventories	**464.9**	459.2
Income tax receivable	**45.5**	13.6
Prepaid expenses and other current assets	**149.8**	135.5
Total current assets	**2,765.7**	2,172.9
Property and equipment, net	**641.2**	919.5
Long-term investments	**110.1**	558.6
Goodwill	**467.3**	502.4
Intangible assets	**344.6**	346.8
Deferred income taxes	**228.3**	248.8
Other assets	**121.5**	143.7
Total assets	**$ 4,678.7**	$ 4,892.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 152.5**	$ 186.7
Accrued liabilities	**562.7**	625.0
Current debt	**—**	15.0
Total current liabilities	**715.2**	826.7
Long-term debt	**591.6**	861.2
Other liabilities	**560.8**	521.9
Total liabilities	**1,867.6**	2,209.8
See Note 12 on commitments and contingencies		
Stockholders' Equity:		
Preferred stock: (authorized 25.0 million shares; $0.01 par value per share) none issued	**—**	—
Common stock: (authorized 1,000.0 million shares; $0.01 par value per share) issued and outstanding 280.6 million and 278.5 million shares, respectively	**2.8**	2.8
Additional paid-in-capital	**2,900.3**	2,857.1
Retained earnings (accumulated deficit)	**23.7**	(104.1)
Accumulated other comprehensive loss	**(115.7)**	(72.9)
Total stockholders' equity	**2,811.1**	2,682.9
Total liabilities and stockholders' equity	**$ 4,678.7**	$ 4,892.7

See accompanying Notes.

COACH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
	December 31, 2016	December 26, 2015	**December 31, 2016**	December 26, 2015
	(millions, except per share data) (unaudited)			
Net sales	**$ 1,321.7**	$ 1,273.8	**$ 2,359.3**	$ 2,304.1
Cost of sales	**415.5**	414.7	**738.4**	748.5
Gross profit	**906.2**	859.1	**1,620.9**	1,555.6
Selling, general and administrative expenses	**628.8**	598.1	**1,177.6**	1,153.2
Operating income	**277.4**	261.0	**443.3**	402.4
Interest expense, net	**5.1**	6.3	**10.8**	13.0
Income before provision for income taxes	**272.3**	254.7	**432.5**	389.4
Provision for income taxes	**72.6**	84.6	**115.4**	122.9
Net income	**$ 199.7**	$ 170.1	**$ 317.1**	$ 266.5
Net income per share:				
Basic	**$ 0.71**	$ 0.61	**$ 1.13**	$ 0.96
Diluted	**$ 0.71**	$ 0.61	**$ 1.13**	$ 0.96
Shares used in computing net income per share:				
Basic	**280.5**	277.6	**279.9**	277.3
Diluted	**281.8**	278.4	**281.8**	278.3
Cash dividends declared per common share	**$ 0.3375**	$ 0.3375	**$ 0.6750**	$ 0.6750

See accompanying Notes.

COACH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	December 31, 2016	December 26, 2015	**December 31, 2016**	December 26, 2015
	(millions) (unaudited)			
Net income	**$ 199.7**	$ 170.1	**$ 317.1**	$ 266.5
Other comprehensive loss, net of tax:				
Unrealized gains (losses) on cash flow hedging derivatives, net	**9.3**	(0.4)	**12.2**	(3.7)
Unrealized losses on available-for-sale investments, net	**(0.5)**	(1.4)	**(1.0)**	(1.9)
Foreign currency translation adjustments	**(56.9)**	(3.4)	**(54.0)**	(25.0)
Other comprehensive loss, net of tax	**(48.1)**	(5.2)	**(42.8)**	(30.6)
Comprehensive income	**$ 151.6**	$ 164.9	**$ 274.3**	$ 235.9

See accompanying Notes.

COACH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	December 31, 2016	December 26, 2015
	(millions) **(unaudited)**	
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income	**$ 317.1**	$ 266.5
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	**100.2**	107.1
Provision for bad debt	**0.1**	0.1
Share-based compensation	**36.2**	44.5
Excess tax effect from share-based compensation	**0.3**	9.6
Restructuring activities	**4.6**	8.1
Deferred income taxes	**12.7**	8.7
Other non-cash charges, net	**13.4**	(4.1)
Changes in operating assets and liabilities:		
Trade accounts receivable	**(35.1)**	(87.9)
Inventories	**(26.9)**	38.9
Accounts payable	**(27.6)**	(75.6)
Accrued liabilities	**(49.3)**	(49.4)
Other liabilities	**3.0**	(8.6)
Other assets	**(20.6)**	52.1
Net cash provided by operating activities	**328.1**	310.0
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Hudson Yards sale of investments	**680.6**	—
Sale of former headquarters	**126.0**	—
Purchases of investments	**(388.1)**	(450.5)
Proceeds from maturities and sales of investments	**307.2**	166.9
Purchases of property and equipment	**(121.7)**	(175.5)
Acquisition of lease rights, net	**(4.2)**	—
Acquisition of interest in equity method investment	**—**	(86.6)
Net cash provided by (used in) investing activities	**599.8**	(545.7)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend payments	**(188.5)**	(187.0)
Repayment of debt	**(285.0)**	(3.7)
Proceeds from share-based awards	**26.7**	4.7
Taxes paid to net settle share-based awards	**(19.9)**	(13.3)
Excess tax effect from share-based compensation	**(0.3)**	(9.6)
Net cash used in financing activities	**(467.0)**	(208.9)
Effect of exchange rate changes on cash and cash equivalents	**(10.2)**	(3.4)
Increase (decrease) in cash and cash equivalents	**450.7**	(448.0)
Cash and cash equivalents at beginning of period	**859.0**	1,291.8
Cash and cash equivalents at end of period	**$ 1,309.7**	$ 843.8
Supplemental information:		
Cash paid for income taxes, net	**$ 139.4**	$ 60.8
Cash paid for interest	**$ 13.2**	$ 18.3
Noncash investing activity - property and equipment obligations	**$ 48.8**	$ 50.1

See accompanying Notes.

1. Nature of Operations

Coach, Inc. (the "Company") is a leading New York design house of modern luxury accessories and lifestyle brands. The Company's primary product offerings, manufactured by third-party suppliers, include women's and men's bags, small leather goods, footwear, business cases, ready-to-wear including outerwear, watches, weekend and travel accessories, scarves, sunwear, fragrance, jewelry, travel bags and other lifestyle products. Coach branded products are primarily sold through its North America and International reportable segments. The North America segment includes sales to North American consumers through Coach-operated stores (including the Internet), and sales to wholesale customers and distributors. The International segment includes sales to consumers through Coach-branded stores and concession shop-in-shops in Japan, mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands and Switzerland. Additionally, International includes sales to consumers through the Internet in Japan, mainland China, the United Kingdom and South Korea, as well as sales to wholesale customers and distributors in approximately 55 countries. The Stuart Weitzman segment includes worldwide sales generated by the Stuart Weitzman brand, primarily through department stores in North America and international locations, within numerous independent third party distributors and within Stuart Weitzman operated stores (including the Internet) in the United States, Canada and Europe. The Company also records sales of Coach brand products generated in licensing and disposition channels.

2. Basis of Presentation and Organization

Interim Financial Statements

These interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC and are unaudited. In the opinion of management, such condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial position, income, comprehensive income and cash flows of the Company for the interim periods presented. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading. This report should be read in conjunction with the audited consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended July 2, 2016.

The results of operations, cash flows and comprehensive income for the three and six months ended December 31, 2016 are not necessarily indicative of results to be expected for the entire fiscal year, which will end on July 1, 2017 ("fiscal 2017").

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to June 30. Fiscal 2017 will be a 52-week period. Fiscal 2016 ended on July 2, 2016 and was a 53-week period ("fiscal 2016"). The second quarter of fiscal 2017 ended on December 31, 2016 and was a 13-week period. The second quarter of fiscal 2016 ended on December 26, 2015 and was also a 13-week period.

Use of Estimates

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

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

Reclassifications

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

Principles of Consolidation

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

3. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

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

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

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," which provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods, which for the Company is the first quarter of fiscal 2019. Early adoption will be permitted for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods. The Company is in the process of determining the impact of the adoption of this guidance on its consolidated financial statements or notes thereto.

4. Restructuring Activities

Operational Efficiency Plan

During the fourth quarter of fiscal 2016, the Company announced a plan (the “Operational Efficiency Plan”) to enhance organizational efficiency, update core technology platforms, and streamline its supply chain network. The Operational Efficiency Plan was adopted as a result of a strategic review of the Company’s corporate structure which focused on creating an agile and scalable business model.

During the three and six months ended December 31, 2016, the Company incurred Operational Efficiency Plan related charges within selling, general and administrative ("SG&A") expenses of $3.7 million ($2.5 million after-tax, or $0.01 per diluted share) and $10.8 million ($8.1 million after-tax, or $0.03 per diluted share), respectively, primarily due to organizational efficiency costs, technology infrastructure costs, and to a lesser extent, network optimization costs. Total cumulative charges incurred under the Operational Efficiency Plan to date are $54.7 million. Actions under our Operational Efficiency Plan will be substantially completed by the end of fiscal 2017, with estimated incremental charges in the range of $25 million.

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

	Organizational Efficiency[1]	Technology Infrastructure[2]	Network Optimization[3]	Total
		(millions)		
Liability as of July 2, 2016	$ 22.2	$ —	$ 3.2	$ 25.4
Fiscal 2017 charges	7.6	2.5	0.7	10.8
Cash payments	(13.5)	(1.5)	(3.2)	(18.2)
Non-cash charges	(3.9)	—	(0.7)	(4.6)
Liability as of December 31, 2016	$ 12.4	$ 1.0	$ —	$ 13.4

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

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

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

The balances as of December 31, 2016 and July 2, 2016 are included within accrued liabilities on the Company's Consolidated Balance Sheets. The above charges were recorded as corporate unallocated expenses within the Company's Consolidated Statements of Income. See Note 13, "Segment Information," for further information.

Transformation Plan

During the fourth quarter of fiscal year ended June 28, 2014 ("fiscal 2014"), the Company announced a multi-year strategic plan to transform the Coach brand and reinvigorate growth. This multi-faceted, multi-year transformation plan (the "Transformation Plan"), which continued through the end of fiscal 2016, included key operational and cost measures. Refer to Note 3 of our Annual Report on Form 10-K for the fiscal year ended July 2, 2016 for additional information about the Transformation Plan.

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

During the three and six months ended December 26, 2015, the Company incurred transformation-related charges within SG&A expenses of $13.9 million ($12.0 million after-tax, or $0.04 per diluted share) and $26.5 million ($20.5 million after-tax, or $0.07 per diluted share), respectively, primarily due to organizational efficiency costs and accelerated depreciation as a result of store renovations, within North America and select International stores.

The balances of liabilities under the Company's Transformation plan at December 31, 2016 and July 2, 2016 are $0.7 million and $5.5 million, respectively, and are included within accrued liabilities on the Company's Condensed Consolidated Balance Sheets.

5. Goodwill and Other Intangible Assets

Goodwill

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

	International	Stuart Weitzman	Total
		(millions)	
Balance at July 2, 2016	$ 346.9	$ 155.5	$ 502.4
Foreign exchange impact	(33.9)	(1.2)	(35.1)
Balance at December 31, 2016	$ 313.0	$ 154.3	$ 467.3

Intangible Assets

Intangible assets consist of the following:

	December 31, 2016			July 2, 2016		
	Gross Carrying Amount	**Accum. Amort.**	**Net**	Gross Carrying Amount	Accum. Amort.	Net
	(millions)					
Intangible assets subject to amortization:						
Customer relationships	**$ 54.7**	**$ (7.9)**	**$ 46.8**	$ 54.7	$ (5.8)	$ 48.9
Favorable lease rights, net	**26.1**	**(5.1)**	**21.0**	24.7	(3.6)	21.1
Total intangible assets subject to amortization	**80.8**	**(13.0)**	**67.8**	79.4	(9.4)	70.0
Intangible assets not subject to amortization:						
Trademarks and trade names	**276.8**	**—**	**276.8**	276.8	—	276.8
Total intangible assets	**$ 357.6**	**$ (13.0)**	**$ 344.6**	$ 356.2	$ (9.4)	$ 346.8

As of December 31, 2016, the expected amortization expense for intangible assets for each of the next five fiscal years and thereafter is as follows:

	Amortization Expense
	(millions)
Remainder of Fiscal 2017	$ 3.6
Fiscal 2018	6.8
Fiscal 2019	6.7
Fiscal 2020	6.5
Fiscal 2021	6.1
Fiscal 2022	5.5
Fiscal 2023 and thereafter	32.6
Total	$ 67.8

The expected amortization expense above reflects remaining useful lives of 13.3 years for customer relationships and the remaining lease terms ranging from approximately 3 months to 8.8 years for favorable lease rights.

6. Stockholders' Equity

A reconciliation of stockholders' equity is presented below:

	Shares of Common Stock	Common Stock	Additional Paid-in-Capital	(Accumulated Deficit) / Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	(millions, except per share data)					
Balance at June 27, 2015	276.6	$ 2.8	$ 2,754.4	$ (189.6)	$ (77.7)	$ 2,489.9
Net income	—	—	—	266.5	—	266.5
Other comprehensive loss	—	—	—	—	(30.6)	(30.6)
Shares issued for stock options and employee benefit plans	1.1	—	(6.1)	—	—	(6.1)
Share-based compensation	—	—	44.5	—	—	44.5
Excess tax effect from share-based compensation	—	—	(9.6)	—	—	(9.6)
Dividends declared ($0.6750 per share)	—	—	—	(187.3)	—	(187.3)
Balance at December 26, 2015	277.7	$ 2.8	$ 2,783.2	$ (110.4)	$ (108.3)	$ 2,567.3
Balance at July 2, 2016	**278.5**	**$ 2.8**	**$ 2,857.1**	**$ (104.1)**	**$ (72.9)**	**$ 2,682.9**
Net income	**—**	**—**	**—**	**317.1**	**—**	**317.1**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(42.8)**	**(42.8)**
Shares issued for stock options and employee benefit plans	**2.1**	**—**	**6.8**	**—**	**—**	**6.8**
Share-based compensation	**—**	**—**	**36.7**	**—**	**—**	**36.7**
Excess tax effect from share-based compensation	**—**	**—**	**(0.3)**	**—**	**—**	**(0.3)**
Dividends declared ($0.6750 per share)	**—**	**—**	**—**	**(189.3)**	**—**	**(189.3)**
Balance at December 31, 2016	**280.6**	**$ 2.8**	**$ 2,900.3**	**$ 23.7**	**$ (115.7)**	**$ 2,811.1**

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

	Unrealized Gains (Losses) on Cash Flow Hedges[1]	Unrealized Gains (Losses) on Available-for-Sale Debt Securities	Cumulative Translation Adjustment	Other[2]	Total
			(millions)		
Balances at June 27, 2015	$ 4.4	$ 0.5	$ (81.7)	$ (0.9)	$ (77.7)
Other comprehensive loss before reclassifications	(0.3)	(1.9)	(25.0)	—	(27.2)
Less: gains reclassified from accumulated other comprehensive income to earnings	3.4	—	—	—	3.4
Net current-period other comprehensive loss	(3.7)	(1.9)	(25.0)	—	(30.6)
Balances at December 26, 2015	$ 0.7	$ (1.4)	$ (106.7)	$ (0.9)	$ (108.3)
Balances at July 2, 2016	**$ (8.8)**	**$ 0.3**	**$ (62.9)**	**$ (1.5)**	**$ (72.9)**
Other comprehensive income (loss) before reclassifications	**6.5**	**(1.0)**	**(54.0)**	**—**	**(48.5)**
Less: losses reclassified from accumulated other comprehensive income to earnings	**(5.7)**	**—**	**—**	**—**	**(5.7)**
Net current-period other comprehensive income (loss)	**12.2**	**(1.0)**	**(54.0)**	**—**	**(42.8)**
Balances at December 31, 2016	**$ 3.4**	**$ (0.7)**	**$ (116.9)**	**$ (1.5)**	**$ (115.7)**

(1) The ending balances of AOCI related to cash flow hedges are net of tax of ($2.3) million and ($0.4) million as of December 31, 2016 and December 26, 2015, respectively. The amounts reclassified from AOCI are net of tax of $2.9 million and ($1.8) million as of December 31, 2016 and December 26, 2015, respectively.

(2) Other represents the accumulated loss on the Company's minimum pension liability adjustment. The balances at December 31, 2016 and December 26, 2015 are net of tax of $0.8 million and $0.5 million, respectively.

7. Earnings per Share

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

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

	Three Months Ended		Six Months Ended	
	December 31, 2016	December 26, 2015	**December 31, 2016**	December 26, 2015
	(millions, except per share data)			
Net income	**$ 199.7**	$ 170.1	**$ 317.1**	$ 266.5
Total weighted-average basic shares outstanding	**280.5**	277.6	**279.9**	277.3
Dilutive securities:				
Effect of dilutive securities	**1.3**	0.8	**1.9**	1.0
Total weighted-average diluted shares	**281.8**	278.4	**281.8**	278.3
Net income per share:				
Basic	**$ 0.71**	$ 0.61	**$ 1.13**	$ 0.96
Diluted	**$ 0.71**	$ 0.61	**$ 1.13**	$ 0.96

Earnings per share amounts have been calculated based on unrounded numbers. Options to purchase shares of the Company's common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding restricted stock unit awards that are issuable only upon the achievement of certain performance goals. Performance-based restricted stock unit awards are included in the computation of diluted shares only to the extent that the underlying performance conditions (and any applicable market condition modifiers) (i) are satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive under the treasury stock method. As of December 31, 2016 and December 26, 2015, there were 10.3 million and 15.6 million, respectively, of additional shares issuable upon exercise of anti-dilutive options and contingent vesting of performance-based restricted stock unit awards, which were excluded from the diluted share calculations.

8. Share-based Compensation

The following table shows the total compensation cost charged against income for share based compensation plans and the related tax benefits recognized in the condensed consolidated statements of income for the periods indicated:

	Three Months Ended		Six Months Ended	
	December 31, 2016[(1)]	December 26, 2015	**December 31, 2016[(1)]**	December 26, 2015
	(millions)			
Share-based compensation expense	**$ 20.7**	$ 21.6	**$ 36.7**	$ 44.5
Income tax benefit related to share-based compensation expense	**6.4**	7.3	**11.1**	14.2

(1) During the three and six months ended December 31, 2016, the Company incurred $0.5 million of share-based compensation expense under the Company's Operational Efficiency Plan.

Stock Options

A summary of stock option activity during the six months ended December 31, 2016 is as follows:

	Number of Options Outstanding	Weighted-Average Exercise Price per Option
	(millions)	
Outstanding at July 2, 2016	**15.1**	**$ 40.18**
Granted	**3.5**	**39.66**
Exercised	**(0.8)**	**40.11**
Forfeited or expired	**(1.0)**	**40.55**
Outstanding at December 31, 2016	**16.8**	**40.05**
Vested and expected to vest at December 31, 2016	**16.2**	**41.94**
Exercisable at December 31, 2016	**9.9**	**43.64**

At December 31, 2016, $31.9 million of total unrecognized compensation cost related to non-vested stock option awards is expected to be recognized over a weighted-average period of 1.2 years.

The weighted-average grant-date fair value of options granted during the six months ended December 31, 2016 and December 26, 2015 was $7.33 and $5.62, respectively. The total intrinsic value of options exercised during the six months ended December 31, 2016 and December 26, 2015 was $6.5 million and $0.2 million, respectively. The total cash received from option exercises was $25.5 million for the six months ended December 31, 2016 and $3.4 million for the six months ended December 26, 2015, and the cash tax benefit realized for the tax deductions from these option exercises was approximately $2.3 million and $0.1 million, respectively.

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

A summary of service-based RSU activity during the six months ended December 31, 2016 is as follows:

	Number of Non-vested RSUs	Weighted-Average Grant-Date Fair Value per RSU
	(millions)	
Non-vested at July 2, 2016	**3.7**	**$ 49.06**
Granted	**1.8**	**39.60**
Vested	**(1.6)**	**39.16**
Forfeited	**(0.3)**	**34.82**
Non-vested at December 31, 2016	**3.6**	**50.01**

At December 31, 2016, $81.9 million of total unrecognized compensation cost related to non-vested share awards is expected to be recognized over a weighted-average period of 1.2 years.

The weighted-average grant-date fair value of share awards granted during the six months ended December 31, 2016 and December 26, 2015 was $39.60 and $31.41, respectively. The total fair value of shares vested during the six months ended December 31, 2016 and December 26, 2015 was $63.8 million and $39.0 million, respectively.

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

A summary of PRSU activity during the six months ended December 31, 2016 is as follows:

	Number of Non-vested PRSUs	Weighted-Average Grant-Date Fair Value per PRSU
	(millions)	
Non-vested at July 2, 2016	**1.4**	**$ 38.67**
Granted	**0.3**	**39.34**
Change due to performance condition achievement	**(0.1)**	**53.19**
Vested[1]	**—**	**39.72**
Forfeited	**(0.1)**	**40.39**
Non-vested at December 31, 2016	**1.5**	**37.74**

(1) During the first six months ended December 31, 2016, less than 0.1 million PRSU shares vested.

At December 31, 2016, $15.7 million of total unrecognized compensation cost related to non-vested PRSU awards is expected to be recognized over a weighted-average period of 1.1 years.

Included in the non-vested amount at December 31, 2016 are approximately 0.6 million PRSU awards that are based on performance criteria which compares the Company's total stockholder return over the performance period to the total stockholder return of the companies included in the Standard and Poor's 500 Index. There were no awards granted during the six months ended December 31, 2016 with this performance criteria. The remaining 0.9 million PRSU awards included in the non-vested amount are based on certain Company-specific financial and operational metrics.

The weighted-average grant-date fair value per share of PRSU awards granted during the six months ended December 31, 2016 and December 26, 2015 was $39.34 and $31.41, respectively. The total fair value of awards that vested during the six months ended December 31, 2016 and December 26, 2015 was $0.9 million and $1.4 million, respectively.

In the six months ended December 31, 2016 and December 26, 2015, the cash tax benefit realized for the tax deductions from all RSUs (service and performance-based) was $18.5 million and $12.4 million, respectively.

9. Debt

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

	December 31, 2016	July 2, 2016
	(millions)	
Current Debt:		
Term Loan	**$ —**	$ 15.0
Total Current Debt	**$ —**	$ 15.0
Long-Term Debt:		
Term Loan	**$ —**	$ 270.0
4.250% Senior Notes	**600.0**	600.0
Total Long-Term Debt	**600.0**	870.0
Less: Unamortized Discount and Debt Issuance Costs on 4.250% Senior Notes	**(8.4)**	(8.8)
Total Long-Term Debt, net	**$ 591.6**	$ 861.2

During the three and six months ended December 31, 2016, the Company recognized interest expense related to its debt of $7.0 million and $14.4 million, respectively. During the three and six months ended December 26, 2015, the Company recognized interest expense related to its debt of $8.1 million and $16.1 million, respectively.

Amended and Restated Credit Agreement

In March 2015, the Company amended and restated its existing $700.0 million revolving credit facility (the "Revolving Facility") with certain lenders and JP Morgan Chase Bank, N.A. as the administrative agent, to provide for a five-year senior unsecured $300.0 million term loan (the “Term Loan”) and to extend the maturity date to March 18, 2020 (the "Amended and Restated Credit Agreement"). As of December 31, 2016, there were no borrowings under the Revolving Facility. The Company prepaid its outstanding borrowings under the Term Loan facility on August 3, 2016. The Revolving Facility will continue to be used for general corporate purposes of the Company and its subsidiaries.

Borrowings under the Amended and Restated Credit Agreement bear interest at a rate per annum equal to, at the Company's option, either (a) a rate based on the rates applicable for deposits in the interbank market for U.S. dollars or the applicable currency in which the loans are made plus an applicable margin or (b) an alternate base rate (which is a rate equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% or (iii) the Adjusted LIBO Rate for a one month Interest Period on such day plus 1%). Additionally, the Company pays a commitment fee on the average daily unused amount of the Revolving Facility. At December 31, 2016, there were no borrowings on the Revolving Facility and the commitment fee was 0.125%.

4.250% Senior Notes

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

At December 31, 2016 and July 2, 2016, the fair value of the 4.250% Senior Notes was approximately $599 million and $622 million, respectively, based on external pricing data, including available quoted market prices of these instruments, and consideration of comparable debt instruments with similar interest rates and trading frequency, among other factors, and is classified as a Level 2 measurement within the fair value hierarchy.

10. Fair Value Measurements

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

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

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

Level 3 — Unobservable inputs reflecting management’s own assumptions about the input used in pricing the asset or liability.

The following table shows the fair value measurements of the Company's financial assets and liabilities at December 31, 2016 and July 2, 2016:

	Level 1		Level 2		Level 3	
	December 31, 2016	July 2, 2016	December 31, 2016	July 2, 2016	December 31, 2016	July 2, 2016
	(millions)					
Assets:						
Cash equivalents[1]	$ 371.1	$ 197.9	$ 100.5	$ 0.4	$ —	$ —
Short-term investments:						
Time deposits[2]	—	—	0.6	0.6	—	—
Commercial paper[2]	—	—	85.8	54.8	—	—
Government securities - U.S.[2]	180.5	119.9	—	11.8	—	—
Corporate debt securities - U.S.[2]	—	—	142.8	161.4	—	—
Corporate debt securities - non U.S.[2]	—	—	114.6	111.5	—	—
Other	—	—	1.9	0.4	—	—
Long-term investments:						
Corporate debt securities - U.S.[3]	—	—	68.4	64.2	—	—
Corporate debt securities - non U.S.[3]	—	—	41.7	33.9	—	—
Derivative Assets:						
Inventory-related hedges[4]	—	—	9.3	0.2	—	—
Intercompany loan hedges[4]	—	—	—	0.4	—	—
Liabilities:						
Contingent earnout obligation[5]	$ —	$ —	$ —	$ —	$ 32.9	$ 28.4
Derivative liabilities:						
Inventory-related hedges[4]	—	—	1.4	11.0	—	—
Intercompany loan hedges[4]	—	—	0.6	0.1	—	—

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

(2) Short-term available-for-sale investments are recorded at fair value, which approximates their carrying value, and are primarily based upon quoted vendor or broker priced securities in active markets.

(3) Fair value is primarily determined using vendor or broker priced securities in active markets. These securities have maturity dates in calendar years 2018 and 2019.

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

(5) As part of the purchase agreement for the Stuart Weitzman acquisition, the Company is obligated to pay a potential earnout of $14.7 million annually if the Stuart Weitzman brand achieves certain revenue targets in calendar years 2015 through 2017. The agreement also contains a catch-up provision that provides that if the revenue targets are missed in any one year but are surpassed in succeeding years then amounts for past years become due upon surpassing targets in succeeding years. The revenue targets were not achieved in calendar year 2015 or 2016.

Refer to Note 9, "Debt," for the fair value of the Company's outstanding debt instruments.

The following table presents a reconciliation of the liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods ended December 31, 2016 and July 2, 2016. Level 3 liabilities consisted of the contingent earnout obligation related to the Stuart Weitzman acquisition.

	December 31, 2016	July 2, 2016
	(millions)	
Beginning of fiscal year	**$ 28.4**	$ 19.4
Increase to contingent earnout obligation	**4.5**	9.0
End of period	**$ 32.9**	$ 28.4

Non-Financial Assets and Liabilities

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

11. Investments

The following table summarizes the Company's U.S. dollar-denominated investments, recorded within the condensed consolidated balance sheets as of December 31, 2016 and July 2, 2016:

	December 31, 2016			July 2, 2016		
	Short-term	**Long-term**	**Total**	Short-term	Long-term	Total
			(millions)			
Available-for-sale investments:						
Commercial paper[1]	**$ 85.8**	**$ —**	**$ 85.8**	$ 54.8	$ —	$ 54.8
Government securities - U.S.[2]	**180.5**	**—**	**180.5**	131.7	—	131.7
Corporate debt securities - U.S.[2]	**142.8**	**68.4**	**211.2**	161.4	64.2	225.6
Corporate debt securities - non-U.S.[2]	**114.6**	**41.7**	**156.3**	111.5	33.9	145.4
Available-for-sale investments, total	**$ 523.7**	**$ 110.1**	**$ 633.8**	$ 459.4	$ 98.1	$ 557.5
Other:						
Time deposits[1]	**0.6**	**—**	**0.6**	0.6	—	0.6
Other[3]	**1.9**	**—**	**1.9**	0.4	460.5	460.9
Total Investments	**$ 526.2**	**$ 110.1**	**$ 636.3**	$ 460.4	$ 558.6	$ 1,019.0

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

(2) The securities as of December 31, 2016 have maturity dates between calendar years 2017 and 2019 and are recorded at fair value.

(3) Long-term Other as of July 2, 2016 relates to the equity method investment in an entity formed during fiscal 2013 for the purpose of developing a new office tower in Manhattan (the "Hudson Yards joint venture"), with the Company owning less than 43% of the joint venture. Refer to Note 14, "Headquarters Transactions," for further information.

There were no material gross unrealized gains or losses on available-for-sale securities during the periods ended December 31, 2016 and July 2, 2016.

12. Commitments and Contingencies

Letters of Credit

The Company had standby letters of credit totaling $9.7 million and $7.5 million outstanding at December 31, 2016 and July 2, 2016, respectively. The letters of credit, which expire at various dates through calendar 2039, primarily collateralize the Company's obligation to third parties for insurance claims, leases and materials used in product manufacturing. The Company pays certain fees with respect to letters of credit that are issued.

Other

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

13. Segment Information

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

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

The following table summarizes segment performance for the three and six months ended December 31, 2016 and December 26, 2015:

	North America	International	Other[1]	Corporate Unallocated[2]	Stuart Weitzman	Total
			(millions)			
Three Months Ended December 31, 2016						
Net sales	**$ 744.1**	**$ 448.3**	**$ 11.0**	**$ —**	**$ 118.3**	**$ 1,321.7**
Gross profit	**463.0**	**342.3**	**9.4**	**15.5**	**76.0**	**906.2**
Operating income (loss)	**258.2**	**136.2**	**9.4**	**(139.7)**	**13.3**	**277.4**
Income (loss) before provision for income taxes	**258.2**	**136.2**	**9.4**	**(144.8)**	**13.3**	**272.3**
Depreciation and amortization expense[3]	**17.5**	**15.6**	**—**	**11.4**	**3.9**	**48.4**
Additions to long-lived assets	**12.8**	**17.9**	**—**	**17.6**	**5.8**	**54.1**
Three Months Ended December 26, 2015						
Net sales	$ 731.0	$ 437.3	$ 11.5	$ —	$ 94.0	$ 1,273.8
Gross profit	447.3	327.4	9.6	14.3	60.5	859.1
Operating income (loss)	248.2	130.6	6.4	(142.5)	18.3	261.0
Income (loss) before provision for income taxes	248.2	130.6	6.4	(148.8)	18.3	254.7
Depreciation and amortization expense[3]	16.3	16.9	—	17.7	5.3	56.2
Additions to long-lived assets	14.9	22.2	—	67.0	1.9	106.0
Six Months Ended December 31, 2016						
Net sales	**$ 1,289.4**	**$ 843.8**	**$ 20.3**	**$ —**	**$ 205.8**	**$ 2,359.3**
Gross profit	**804.2**	**640.4**	**17.5**	**31.7**	**127.1**	**1,620.9**
Operating income (loss)	**422.4**	**249.5**	**15.5**	**(262.5)**	**18.4**	**443.3**
Income (loss) before provision for income taxes	**422.4**	**249.5**	**15.5**	**(273.3)**	**18.4**	**432.5**
Depreciation and amortization expense[3]	**35.1**	**34.1**	**—**	**26.8**	**7.7**	**103.7**
Additions to long-lived assets	**29.9**	**43.2**	**—**	**33.7**	**14.9**	**121.7**
Six Months Ended December 26, 2015						
Net sales	$ 1,292.0	$ 806.3	$ 24.3	$ —	$ 181.5	$ 2,304.1
Gross profit	796.2	609.6	18.0	21.6	110.2	1,555.6
Operating income (loss)	419.9	237.8	12.5	(293.8)	26.0	402.4
Income (loss) before provision for income taxes	419.9	237.8	12.5	(306.8)	26.0	389.4
Depreciation and amortization expense[3]	32.1	33.7	—	34.8	12.8	113.4
Additions to long-lived assets	36.7	53.6	—	81.6	3.6	175.5

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

(2) Corporate unallocated includes certain centrally managed Coach brand inventory-related amounts, advertising, marketing, design, administration and information systems, as well as distribution and consumer service expenses. Furthermore, Operational Efficiency Plan and Transformation Plan charges incurred by the Company as described in Note 4, "Restructuring Activities" and charges associated with contingent earn out payments of the Stuart Weitzman acquisition and other integration-related activities, are also included as unallocated corporate expenses.

(3) Depreciation and amortization expense includes $0.5 million and $3.5 million of Operational Efficiency Plan charges for the three and six months ended December 31, 2016, respectively, and $3.5 million and $6.3 million of transformation-related charges for the three and six months ended December 26, 2015, respectively. These charges are recorded as corporate unallocated expenses.

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

	Three Months Ended		Six Months Ended	
	December 31, 2016	December 26, 2015	**December 31, 2016**	December 26, 2015
	(millions)			
Inventory-related[1]	**$ 15.5**	$ 14.4	**$ 31.7**	$ 21.7
Advertising, marketing and design[2]	**(66.3)**	(63.2)	**(122.2)**	(126.3)
Administration and information systems[2][3]	**(74.8)**	(76.9)	**(144.0)**	(157.2)
Distribution and customer service[2]	**(14.1)**	(16.8)	**(28.0)**	(32.0)
Total corporate unallocated	**$ (139.7)**	$ (142.5)	**$ (262.5)**	$ (293.8)

(1) Inventory-related amounts consist primarily of production variances, which represents the difference between the expected standard cost and actual cost of inventory, and inventory-related reserves which are recorded within cost of sales.

(2) Costs recorded within SG&A expenses.

(3) During the three and six months ended December 31, 2016, Operational Efficiency Plan charges recorded within SG&A expenses were ($3.7) million and $(10.8) million, respectively. Furthermore, during the three and six months ended December 31, 2016, ($3.0) million and $(5.4) million of charges related to the Stuart Weitzman contingent earn out payments and other integration-related activities were recorded within corporate unallocated costs, respectively. During the three and six months ended December 26, 2015, Transformation Plan costs recorded within SG&A expenses were ($13.9) million and ($26.5) million, respectively. During the three and six months ended December 26, 2015, ($6.2) million and ($9.8) million of charges related to the Stuart Weitzman contingent earn out payments and other integration-related activities were recorded within corporate unallocated costs, respectively.

14. Headquarters Transactions

Sale of Interest and Lease Transaction of Hudson Yards

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

The Company has simultaneously entered into a 20-year lease, accounted for as an operating lease, for the headquarters space in the building, comprised of approximately 694,000 square feet. Under the lease, the Company has the right to expand its premises to portions of the 24th and 25th floors of the building and has a right of first offer with respect to available space on the 26th floor of the building. The total commitment related to this lease is approximately $1.05 billion, with minimum lease payments of $41.4 million due in fiscal 2017, $45.1 million due each year from fiscal 2018 through fiscal 2021, and $825.5 million total due for years subsequent to 2021. In addition to its fixed rent obligations, the Company is obligated to pay its percentage share for customary escalations for operating expenses attributable to the building and the Hudson Yards development, taxes and tax related payments. The Company is not obligated to pay any amount of contingent rent.

Sale of Former Headquarters

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

Together, the sale of investments in 10 Hudson Yards and of the Company's former headquarters resulted in a reduction of corporate unallocated net property and equipment of approximately $290 million.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

EXECUTIVE OVERVIEW

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

Coach, Inc. operates in three segments: North America (Coach brand), International (Coach brand), and Stuart Weitzman. The North America segment includes sales of Coach brand products to North American customers through Coach-operated stores (including the Internet) and sales to North American wholesale customers. The International segment includes sales of Coach brand products to customers through Coach-operated stores and concession shop-in-shops in Japan, mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands and Switzerland. Additionally, International includes sales to customers through the Internet in Japan, mainland China, the United Kingdom and South Korea, as well as sales to wholesale customers and distributors in approximately 55 countries. The Stuart Weitzman segment includes worldwide sales generated by the Stuart Weitzman brand, primarily through department stores in North America and international locations, within numerous independent third party distributors and within Stuart Weitzman operated stores (including the Internet) in the United States, Canada and Europe. Other, which is not a reportable segment, consists of sales and expenses generated by the Coach brand in licensing and disposition channels. As the Company's business model is based on multi-channel and brand global distribution, our success does not depend solely on the performance of a single channel or geographic area.

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

Drive brand relevance

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

Grow our business internationally

- Continue to increase the Coach brand's penetration internationally, most notably in mainland China and Europe.
- Support the development of the Stuart Weitzman brand, particularly in Asia.

Harness the power of the digital world

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

Build an infrastructure to support future growth initiatives

- Create an agile and scalable business model to support sustainable/future growth for Coach, Inc.

Operational Efficiency Plan

During the fourth quarter of fiscal 2016, the Company announced a series of operational efficiency initiatives focused on creating an agile and scalable business model (the "Operational Efficiency Plan"). The significant majority of the charges under this plan will be recorded within SG&A expenses, and will be substantially completed by the end of fiscal 2017. These charges are associated with organizational efficiencies, primarily related to the reduction of corporate staffing levels globally, as well as accelerated depreciation, mainly associated with information systems retirement, technology infrastructure charges related to the initial costs of replacing and updating our core technology platforms, and international supply chain and office location optimization. Refer to Note 4, "Restructuring Activities," and "GAAP to Non-GAAP Reconciliation" for further information.

Transformation Plan

During the fourth quarter of fiscal 2014, Coach, Inc. announced a multi-year strategic plan with the objective of transforming the Coach brand and reinvigorating growth, which we believe will enable the Company to return to 'best-in-class' profitability. This Transformation Plan was built on the core brand equities of quality and craftsmanship with the aim of evolving our competitive value proposition. We believe our strategy offers significant growth opportunities in handbags and accessories, as well as in the broader set of lifestyle categories that we have operated in for some time but have historically been less developed, including footwear and ready-to-wear. This strategy requires an integrated holistic approach, across product, stores and marketing and promotional activities, and entails the roll-out of carefully crafted aspirational marketing campaigns to define the Coach brand and to deliver a fuller and more consistent brand expression.

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

Current Trends and Outlook

Global consumer retail traffic remains relatively weak and inconsistent, which has led to a more promotional environment in the fragmented retail industry due to increased competition and a desire to offset traffic declines with increased levels of conversion. While certain developed geographic regions are withstanding these pressures better than others, the level of consumer travel and spending on discretionary items remains constrained due to the economic uncertainty.

Political and economic instability or changing macroeconomic conditions that exist in our major markets have further contributed to this uncertainty, including the potential impact of (1) new policies that may be implemented by the newly elected U.S. president, particularly with respect to tax and trade policies, or (2) the United Kingdom ("U.K.") voting to leave the European Union ("E.U.") in its referendum on June 23, 2016, commonly known as "Brexit." Although the terms of the U.K.'s future relationship with the E.U. are still unknown, it is possible that there will be increased regulatory and legal complexities, including potentially divergent national laws and regulations between the U.K. and E.U. Brexit may also cause disruption and create uncertainty surrounding our business, including affecting our relationship with our existing and future customers, suppliers and employees.

Additional macroeconomic events including foreign exchange rate volatility in various parts of the world, recent and evolving impacts of economic and geopolitical events in Hong Kong, Macau and mainland China ("Greater China"), the impact of terrorist acts (particularly in Europe), disease epidemics and a slowdown in emerging market growth (particularly in Asia) have contributed to this uncertainty. Our results have been impacted by foreign exchange rate fluctuations, and will continue to fluctuate with future volatility.

Certain of our wholesale customers, particularly those located in the U.S., have become highly promotional and have aggressively marked down their merchandise. Despite our planned reduction in markdown allowances during fiscal 2017 and our strategic actions in the wholesale channel discussed below, such promotional activity could negatively impact our brands, which could affect our business, results of operations, and financial condition. Over the remainder of fiscal 2017, we expect to continue investing in the elevation of shop-in-shop environments, and rationalizing the distribution footprint in the North America wholesale channel by closing about 25% of doors from fiscal 2016 year-end levels.

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

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

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part I, Item 1A. "Risk Factors" disclosed in our Annual Report on Form 10-K for the fiscal year ended July 2, 2016.

SECOND QUARTER FISCAL 2017 COMPARED TO SECOND QUARTER FISCAL 2016

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

	Three Months Ended					
	December 31, 2016		December 26, 2015		Variance	
	(millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 1,321.7**	**100.0%**	$ 1,273.8	100.0%	$ 47.9	3.8 %
Gross profit	**906.2**	**68.6**	859.1	67.4	47.1	5.5
SG&A expenses	**628.8**	**47.6**	598.1	47.0	30.7	5.1
Operating income	**277.4**	**21.0**	261.0	20.5	16.4	6.3
Interest expense, net	**5.1**	**0.4**	6.3	0.5	(1.2)	(18.7)
Provision for income taxes	**72.6**	**5.5**	84.6	6.6	(12.0)	(14.2)
Net income	**199.7**	**15.1**	170.1	13.4	29.6	17.4
Net income per share:						
Basic	**$ 0.71**		$ 0.61		$ 0.10	16.0 %
Diluted	**$ 0.71**		$ 0.61		$ 0.10	16.0 %

GAAP to Non-GAAP Reconciliation

The Company's reported results are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The reported results during the second quarter of fiscal 2017 and fiscal 2016 reflect the impact of the Operational Efficiency Plan, Acquisition-Related Costs and the Transformation Plan, as noted in the following tables. Refer to page 35 for further discussion on the Non-GAAP Measures.

Second Quarter Fiscal 2017 Items

	Three Months Ended December 31, 2016				
	GAAP Basis (As Reported)	**Transformation and Other Actions**	**Operational Efficiency Plan**	**Acquisition-Related Costs**	**Non-GAAP Basis (Excluding Items)**
	(millions, except per share data)				
Gross profit	**$ 906.2**	**$ —**	**$ —**	**$ (0.2)**	**$ 906.4**
SG&A expenses	**628.8**	**—**	**3.7**	**13.0**	**612.1**
Operating income	**277.4**	**—**	**(3.7)**	**(13.2)**	**294.3**
Provision for income taxes	**72.6**	**—**	**(1.2)**	**(4.2)**	**78.0**
Net income	**199.7**	**—**	**(2.5)**	**(9.0)**	**211.2**
Diluted net income per share	**0.71**	**—**	**(0.01)**	**(0.03)**	**0.75**

In the second quarter of fiscal 2017, the Company incurred pre-tax charges, as follows:

- *Operational Efficiency Plan* - $3.7 million primarily related to technology infrastructure and organizational efficiency costs; and
- *Acquisition-Related Costs* - $13.2 million total charges related to the acquisition of Stuart Weitzman Holdings LLC, of which $13.0 million is primarily related to charges attributable to integration-related activities and contingent payments (of which $3.0 million is recorded within unallocated corporate expenses within the Coach brand and $10.0 million is recorded within the Stuart Weitzman segment), and $0.2 million is related to the limited life impact of purchase accounting, primarily due to the amortization of the inventory step-up, all recorded within the Stuart Weitzman segment.

Total Operational Efficiency Plan and Acquisition-Related Costs taken together increased the Company's SG&A expenses by $16.7 million and cost of sales by $0.2 million, negatively impacting net income by $11.5 million, or $0.04 per diluted share.

Actions under our Operational Efficiency Plan will be substantially completed by the end of fiscal 2017, with expected incremental charges estimated in the range of $25 million (which will primarily relate to the initial costs of replacing and updating the Company's core technology platforms, organizational efficiency costs, as well as office location and supply chain consolidations). Refer to the "Executive Overview" herein and Note 4, "Restructuring Activities," for further information regarding this plan. Furthermore, the Company expects to incur aggregate Stuart Weitzman pre-tax Acquisition-Related Costs of around $20 million in fiscal 2017, which will primarily include the impact of contingent payments, and to a lesser extent, integration-related activities.

Second Quarter Fiscal 2016 Items

	Three Months Ended December 26, 2015				
	GAAP Basis (As Reported)	Transformation and Other Actions	Operational Efficiency Plan	Acquisition-Related Costs	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Gross profit	$ 859.1	$ —	$ —	$ —	$ 859.1
SG&A expenses	598.1	13.9	—	10.1	574.1
Operating income	261.0	(13.9)	—	(10.1)	285.0
Provision for income taxes	84.6	(1.9)	—	(3.8)	90.3
Net income	170.1	(12.0)	—	(6.3)	188.4
Diluted net income per share	0.61	(0.04)	—	(0.03)	0.68

In the second quarter of fiscal 2016, the Company incurred charges as follows:

- *Transformation and Other Actions* - $13.9 million under our Coach brand Transformation Plan primarily due to organizational efficiency costs and accelerated depreciation as a result of store renovations, within North America and select International stores;
- *Acquisition-Related Costs* - $10.1 million total acquisition-related costs, of which $8.5 million primarily related to charges attributable to integration-related activities, contingent payments and other consulting and legal costs (of which $6.2 million is recorded within unallocated corporate expenses within the Coach brand, and $2.3 million is recorded within the Stuart Weitzman segment), and $1.6 million related to the short-term impact of purchase accounting, primarily due to the amortization of the fair value of the order backlog asset, all recorded within the Stuart Weitzman segment.

Total Transformation Plan and Acquisition-Related Costs taken together increased the Company's SG&A expenses by $24.0 million, negatively impacting net income by $18.3 million, or $0.07 per diluted share.

Summary – Second Quarter of Fiscal 2017

Net sales in the second quarter of fiscal 2017 increased 3.8% to $1.32 billion, due to increased revenues from the Stuart Weitzman and the Coach brand businesses. Excluding the effects of foreign currency, net sales increased 3.4% or $43.3 million. Our gross profit increased by 5.5% to $906.2 million during the second quarter of fiscal 2017. SG&A expenses increased by 5.1% to $628.8 million in the second quarter of fiscal 2017. Excluding non-GAAP adjustments as described in the "GAAP to non-GAAP Reconciliation" herein, SG&A expenses increased by 6.6% to $612.1 million.

Net income increased 17.4% in the second quarter of fiscal 2017 as compared to the second quarter of fiscal 2016, primarily due to an increase in operating income of $16.4 million, as well as a decrease of $12.0 million in our provision for income taxes. Net income per diluted share increased 16.0% primarily due to higher net income. Excluding non-GAAP adjustments, net income and net income per diluted share increased 12.0% and 10.6%, respectively.

Currency Fluctuation Effects

The change in net sales for the second quarter of fiscal 2017 compared to fiscal 2016 has been presented both including and excluding currency fluctuation effects.

Net Sales

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

	Three Months Ended				
	Total Net Sales			Percentage of Total Net Sales	
	December 31, 2016	December 26, 2015	Rate of Change	**December 31, 2016**	December 26, 2015
	(dollars in millions)				
North America	**$ 744.1**	$ 731.0	1.8 %	**56.3%**	57.4%
International	**448.3**	437.3	2.5	**33.9**	34.3
Other[1]	**11.0**	11.5	(4.3)	**0.9**	0.9
Coach brand	**$ 1,203.4**	$ 1,179.8	2.0	**91.1%**	92.6%
Stuart Weitzman	**118.3**	94.0	25.7	**8.9**	7.4
Total net sales	**$ 1,321.7**	$ 1,273.8	3.8	**100.0%**	100.0%

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

Net sales for the Coach brand increased 2.0% or $23.6 million to $1.20 billion. Excluding the favorable impact of foreign currency, net sales increased 1.5%.

North America Net Sales increased 1.8% or $13.1 million to $744.1 million in the second quarter of fiscal 2017, which was not materially impacted by changes in foreign currency. This increase was driven by higher comparable store sales, which increased by $19.2 million or 2.8%, due to higher conversion. Our bricks and mortar comparable stores sales increased 3.7%. Comparable store sales for the Internet business were impacted by an increase in Internet orders fulfilled by bricks and mortar locations in the second quarter of fiscal 2017, as well as a reduction in outlet Internet events. Comparable store sales measure sales performance at stores that have been open for at least 12 months, and includes sales from the Internet. In certain instances, orders placed via the Internet are fulfilled by a physical store; such sales are recorded by the physical store. Coach excludes new locations from the comparable store base for the first twelve months of operation. Comparable store sales have not been adjusted for store expansions. North America comparable store sales are presented for the 13-weeks ending December 31, 2016 versus the analogous 13-weeks ended January 2, 2016 for comparability. Non-comparable store sales increased by $12.5 million primarily due to the calendar shift that resulted from the 53rd week of fiscal 2016 and the positive impact of reduced store return reserves, partially offset by the net impact of store openings and closures. These increases were partially offset by lower sales to wholesale customers of $18.3 million due to the Company's deliberate and strategic decision to elevate the Coach brand's positioning in the channel by limiting participation in promotional events and closing approximately 25% of its wholesale doors by the end of fiscal 2017. Since the end of the second quarter of fiscal 2016, Coach closed a net 26 retail stores in North America.

International Net Sales increased 2.5% or $11.0 million to $448.3 million in the second quarter of fiscal 2017. Excluding the favorable impact of foreign currency, net sales increased 1.2% or $5.2 million. This constant currency change is primarily due to an increase in net sales in Europe of $9.1 million due to positive comparable store sales as well as an expanded wholesale and store distribution network, and a net increase in Greater China of $8.8 million due to the impact of net new stores and positive comparable store sales in mainland China, partially offset by declines in Hong Kong and Macau due to a continued slowdown in tourist traffic, although this showed an improvement from previous trends. These increases were partially offset by a decrease in the international wholesale channel of $7.6 million due to timing of shipments and a decrease in South Korea of $3.7 million due to the challenging economic environment. Since the end of the second quarter of fiscal 2016, we opened 12 net new stores, with six net new stores in mainland China, Hong Kong, Macau and Japan, and six net new stores in the other regions.

Stuart Weitzman Net Sales increased 25.7% or $24.3 million to $118.3 million in the second quarter of fiscal 2017. Excluding the unfavorable impact of foreign currency, net sales increased 27.1% or $25.5 million. Stuart Weitzman had a $21.1 million increase in net retail sales due to the acquisition of the Stuart Weitzman Canadian distributor in the fourth quarter of fiscal 2016, positive comparable store sales and net store openings. Wholesale net sales increased by $2.8 million. Prior year wholesale net sales included shipments into the Canadian distributor. Since the end of the second quarter of fiscal 2016, Stuart Weitzman opened a net 8 new stores and acquired 14 stores associated with the acquisition of the Canadian distributor.

Gross Profit

Gross profit increased 5.5% or $47.1 million to $906.2 million in the second quarter of fiscal 2017 from $859.1 million in the second quarter of fiscal 2016. Gross margin for the second quarter of fiscal 2017 was 68.6% as compared to 67.4% in the second quarter of fiscal 2016. This gross margin increase of 120 basis points is primarily due to more favorable product mix and lower costs in the Coach brand.

Gross profit for the Coach brand increased 4.0% or $31.6 million to $830.2 million in the second quarter of fiscal 2017. Furthermore, gross margin for the Coach brand increased 130 basis points to 69.0% in the second quarter of fiscal 2017 from 67.7% in the second quarter of fiscal 2016, inclusive of a favorable 30 basis point change in the foreign currency impact of each period, as described below.

North America Gross Profit increased 3.5% or $15.7 million to $463.0 million in the second quarter of fiscal 2017. Gross margin increased 100 basis points to 62.2% in the second quarter of fiscal 2017 from 61.2% in the second quarter of fiscal 2016. The increase in gross margin is attributable to higher initial mark-ups, primarily due to lower average product costs in our outlet stores, and an improved mix of elevated product sales, favorably impacting gross margin by 250 basis points. The strategic decision to close select doors in the wholesale channel resulted in a 30 basis point favorable impact to gross margin due to a more favorable channel mix. These increases were partially offset by the impact of increased promotional activity, primarily in our outlet channel, negatively impacting gross margin by 210 basis points as the Company passed on the benefit of lower costs through pricing to consumers.

International Gross Profit increased 4.5% or $14.9 million to $342.3 million in the second quarter of fiscal 2017. Gross margin increased 140 basis points to 76.3% in the second quarter of fiscal 2017 from 74.9% in the second quarter of fiscal 2016. The change in foreign currency impact on gross margin of each period was a favorable 70 basis points, primarily due to the Japanese Yen. Excluding the impact of foreign currency in each period, International gross margin increased 70 basis points. This increase was due to the favorable effects of decreased duty costs which positively impacted gross margin by 110 basis points, as well as higher initial mark-ups, primarily due to lower average product costs in our outlet stores, and an improved mix of elevated product sales which favorably impacted gross margin by 100 basis points. These increases were partially offset by increased promotional activity, negatively impacting gross margin by 140 basis points.

Corporate Unallocated Gross Profit increased $1.2 million to $15.5 million in the second quarter of fiscal 2017, primarily due to the impact of more favorable production variances when compared to the same period in the prior year.

Stuart Weitzman Gross Profit increased 25.6% or $15.5 million to $76.0 million during the second quarter of fiscal 2017. Gross margin remained even at 64.3% in the second quarter of fiscal 2017 when compared to the same period in the prior year. Excluding the short-term impact of purchase accounting, Stuart Weitzman gross profit totaled $76.2 million in the first quarter of fiscal 2017, resulting in a gross margin of 64.4%. A shift in channel mix towards higher margin retail business resulted in a 170 basis point favorable impact on gross margin, offset by higher product costs and increased promotional activity.

Selling, General and Administrative Expenses

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

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

SG&A expenses increased 5.1% or $30.7 million to $628.8 million in the second quarter of fiscal 2017 as compared to $598.1 million in the second quarter of fiscal 2016. As a percentage of net sales, SG&A expenses increased to 47.6% during the second quarter of fiscal 2017 as compared to 47.0% during the second quarter of fiscal 2016. Excluding non-GAAP adjustments of $16.7 million and $24.0 million in the second quarter of fiscal 2017 and fiscal 2016, respectively, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, SG&A expenses increased $38.0 million from the second quarter of fiscal 2016; and SG&A expenses as a percentage of net sales increased, to 46.3% in the second quarter of fiscal 2017 from 45.1% in the second quarter of fiscal

2016, primarily due to increased SG&A expenses within the Coach brand related to occupancy costs and within the Stuart Weitzman segment to support the growth of the business.

Selling expenses were $430.5 million, or 32.6% of net sales, in the second quarter of fiscal 2017 compared to $412.6 million, or 32.4% of net sales, in the second quarter of fiscal 2016. The $17.9 million increase is primarily due to unfavorable foreign currency effects in Japan, higher store-related costs in North America associated with the new flagship store and other modern luxury store renovation costs, and increases in Stuart Weitzman and Europe to support growth in the business, partially offset by decreases in Greater China and international wholesale, primarily due to reduced employee related costs.

Advertising, marketing, and design costs were $75.6 million, or 5.7% of net sales, in the second quarter of fiscal 2017, compared to $67.8 million, or 5.3% of net sales, during the second quarter of fiscal 2016. The increase was primarily due to higher costs for Stuart Weitzman and Coach brand marketing and advertising-related events, as part of the Coach brand's 75th anniversary.

Distribution and customer service expenses were $15.5 million, or 1.2% of net sales, in the second quarter of fiscal 2017, relatively in-line with second quarter fiscal 2016 expenses of $18.5 million, or 1.5% of net sales.

Administrative expenses were $107.2 million, or 8.1% of net sales, in the second quarter of fiscal 2017 compared to $99.2 million, or 7.8% of net sales, in the second quarter of fiscal 2016. Excluding non-GAAP adjustments of $16.7 million in the second quarter of fiscal 2017 and $24.0 million in the second quarter of fiscal 2016, administrative expenses were $90.5 million and $75.2 million, respectively, or 6.8% and 5.9% of net sales. The increase is primarily due to higher corporate occupancy costs and, to a lesser extent, higher employee related costs.

Operating Income

Operating income increased 6.3% or $16.4 million to $277.4 million in the second quarter of fiscal 2017 as compared to $261.0 million in the second quarter of fiscal 2016. Operating margin was 21.0% in the second quarter of fiscal 2017 as compared to 20.5% in the second quarter of fiscal 2016. Excluding non-GAAP adjustments of $16.9 million in the second quarter of fiscal 2017 and $24.0 million in the second quarter of fiscal 2016, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, operating income increased 3.3% or $9.3 million to $294.3 million from $285.0 million in the second quarter of fiscal 2016; and operating margin was 22.3% in the second quarter of fiscal 2017 as compared to 22.4% in the second quarter of fiscal 2016.

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

	Three Months Ended			
	Operating Income		Variance	
	December 31, 2016	December 26, 2015	Amount	%
	(millions)			
North America	**$ 258.2**	$ 248.2	$ 10.0	4.0 %
International	**136.2**	130.6	5.6	4.3
Other[(1)]	**9.4**	6.4	3.0	46.9
Corporate unallocated	**(139.7)**	(142.5)	2.8	2.0
Coach brand	**$ 264.1**	$ 242.7	$ 21.4	8.8 %
Stuart Weitzman	**13.3**	18.3	(5.0)	(27.3)
Total operating income	**$ 277.4**	$ 261.0	$ 16.4	6.3 %

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

Operating income for the Coach brand increased 8.8% or $21.4 million to $264.1 million in the second quarter of fiscal 2017. Furthermore, operating margin for the Coach brand increased 130 basis points to 21.9% in the second quarter of fiscal 2017 from 20.6% in the second quarter of fiscal 2016, as described below. Excluding non-GAAP adjustments, Coach brand operating income totaled $270.8 million in the second quarter of fiscal 2017, resulting in an operating margin of 22.5%. This compared to Coach brand operating income of $262.8 million in the second quarter of fiscal 2016, or an operating margin of 22.3%.

North America Operating Income increased 4.0% or $10.0 million to $258.2 million in the second quarter of fiscal 2017 reflecting the increase in gross profit of $15.7 million, partially offset by higher SG&A expenses of $5.7 million. The increase in SG&A expenses was due to higher store-related costs for the new Fifth Avenue flagship store and depreciation costs as a result of stores that have been renovated since the second quarter of fiscal 2016, partially offset by lower wholesale costs. Operating margin increased 70 basis points to 34.7% in the second quarter of fiscal 2017 from 34.0% during the same period in the prior year due to higher gross margin of 100 basis points, partially offset by higher SG&A expense as a percentage of net sales of 30 basis points.

International Operating Income increased 4.3% or $5.6 million to $136.2 million in the second quarter of fiscal 2017 primarily reflecting higher gross profit of $14.9 million, partially offset by higher SG&A expenses of $9.3 million. The increase in SG&A expenses is primarily related to unfavorable foreign currency effects in Japan, as well as increases in Europe to support growth in business, partially offset by decreases in Greater China and international wholesale, primarily due to employee related costs. Operating margin increased 50 basis points to 30.4% in fiscal 2017 from 29.9% during the same period in the prior year primarily due to higher gross margin of 140 basis points, partially offset by higher SG&A expenses (particularly selling expenses) as a percentage of net sales, which increased by 90 basis points.

Corporate Unallocated Operating Expense decreased 2.0% or $2.8 million to $139.7 million in the second quarter of fiscal 2017 from $142.5 million in the second quarter of fiscal 2016. Excluding non-GAAP adjustments, unallocated operating expenses increased by $10.6 million to $133.0 million in the second quarter of fiscal 2017. This increase is primarily related to higher Coach brand corporate occupancy costs.

Stuart Weitzman Operating Income decreased 27.3% or $5.0 million to $13.3 million in the second quarter of fiscal 2017, resulting in an operating margin of 11.2%, compared to $18.3 million and 19.4%, respectively, in fiscal 2016. Excluding non-GAAP adjustments, Stuart Weitzman operating income totaled $23.5 million in the second quarter of fiscal 2017, resulting in an operating margin of 19.8%, compared to $22.2 million and 23.6%, respectively, in fiscal 2016. The decrease in operating margin is primarily due to higher SG&A expenses as a percentage of net sales, which increased to 44.6% in fiscal 2017 from 40.8% in fiscal 2016 due to increased investments in the growth of the business, particularly store-related costs for two new flagship stores.

Provision for Income Taxes

The effective tax rate was 26.6% in the second quarter of fiscal 2017, as compared to 33.2% in the second quarter of fiscal 2016. Excluding non-GAAP adjustments, the effective tax rate was 27.0% in the second quarter of 2017, compared to 32.4% in the second quarter of fiscal 2016. The decrease in our effective tax rate was primarily attributable to the geographic mix of earnings and the ongoing benefit of available foreign tax credits, partially offset by lower benefits from the expiration of certain statutes.

Net Income

Net income increased 17.4% or $29.6 million to $199.7 million in the second quarter of fiscal 2017 as compared to $170.1 million in the second quarter of fiscal 2016. Excluding non-GAAP adjustments, net income increased 12.0% or $22.8 million to $211.2 million in the second quarter of fiscal 2017. This increase was primarily due to higher operating income and a lower provision for income taxes.

Earnings per Share

Net income per diluted share increased 16.0% to $0.71 in the second quarter of fiscal 2017 as compared to $0.61 in the second quarter of fiscal 2016. Excluding non-GAAP adjustments, net income per diluted share increased 10.6% to $0.75 in the second quarter of fiscal 2017 from $0.68 in the second quarter of fiscal 2016, primarily due to higher net income.

FIRST SIX MONTHS FISCAL 2017 COMPARED TO FIRST SIX MONTHS FISCAL 2016

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

	Six Months Ended					
	December 31, 2016		December 26, 2015		Variance	
	(millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 2,359.3**	**100.0%**	$ 2,304.1	100.0%	$ 55.2	2.4 %
Gross profit	**1,620.9**	**68.7**	1,555.6	67.5	65.3	4.2
SG&A expenses	**1,177.6**	**49.9**	1,153.2	50.1	24.4	2.1
Operating income	**443.3**	**18.8**	402.4	17.5	40.9	10.2
Interest expense, net	**10.8**	**0.5**	13.0	0.6	(2.2)	(16.9)
Provision for income taxes	**115.4**	**4.9**	122.9	5.3	(7.5)	(6.1)
Net income	**317.1**	**13.4**	266.5	11.6	50.6	19.0
Net income per share:						
Basic	**$ 1.13**		$ 0.96		$ 0.17	17.5 %
Diluted	**$ 1.13**		$ 0.96		$ 0.17	17.5 %

GAAP to Non-GAAP Reconciliation

The Company's reported results are presented in accordance with GAAP. The reported results during the first six months of fiscal 2017 and fiscal 2016 reflect the impact of the Operational Efficiency Plan, Acquisition-Related Costs and the Transformation Plan, as noted in the following tables. Refer to page 35 for further discussion on the Non-GAAP Measures.

First Six Months of Fiscal 2017 Items

	Six Months Ended December 31, 2016				
	GAAP Basis (As Reported)	**Transformation and Other Actions**	**Operational Efficiency Plan**	**Acquisition-Related Costs**	**Non-GAAP Basis (Excluding Items)**
	(millions, except per share data)				
Gross profit	**$ 1,620.9**	**$ —**	**$ —**	**$ (0.6)**	**$ 1,621.5**
SG&A expenses	**1,177.6**	**—**	**10.8**	**16.4**	**1,150.4**
Operating income	**443.3**	**—**	**(10.8)**	**(17.0)**	**471.1**
Provision for income taxes	**115.4**	**—**	**(2.7)**	**(5.0)**	**123.1**
Net income	**317.1**	**—**	**(8.1)**	**(12.0)**	**337.2**
Diluted net income per share	**1.13**	**—**	**(0.03)**	**(0.04)**	**1.20**

In the first six months of fiscal 2017, the Company incurred pre-tax charges, as follows:

- *Operational Efficiency Plan* - $10.8 million primarily related to organizational efficiency costs, technology infrastructure costs and, to a lesser extent, network optimization costs; and
- *Acquisition-Related Costs* - $17.0 million total charges related to the acquisition of Stuart Weitzman Holdings LLC, of which $16.2 million is primarily related to charges attributable to integration-related activities and contingent payments (of which $5.4 million is recorded within unallocated corporate expenses within the Coach brand and $10.8 million is recorded within the Stuart Weitzman segment), and $0.8 million is related to the limited life impact of purchase accounting, primarily due to the amortization of the inventory step-up and distributor relationships, all recorded within the Stuart Weitzman segment.

Total Operational Efficiency Plan and Acquisition-Related Costs taken together increased the Company's SG&A expenses by $27.2 million and cost of sales by $0.6 million, negatively impacting net income by $20.1 million, or $0.07 per diluted share.

Actions under our Operational Efficiency Plan will be substantially completed by the end of fiscal 2017, with expected incremental charges estimated in the range of $25 million (which will primarily relate to the initial costs of replacing and updating the Company's core technology platforms, organizational efficiency costs, as well as office location and supply chain consolidations). Refer to the "Executive Overview" herein and Note 4, "Restructuring Activities," for further information regarding this plan. Furthermore, the Company expects to incur aggregate Stuart Weitzman pre-tax Acquisition-Related Costs of around $20 million in fiscal 2017, which will primarily include the impact of contingent payments, and to a lesser extent, integration-related activities.

First Six Months of Fiscal 2016 Items

	Six Months Ended December 26, 2015				
	GAAP Basis (As Reported)	Transformation and Other Actions	Operational Efficiency Plan	Acquisition-Related Costs	Non-GAAP Basis (Excluding Items)
	(millions, except per share data)				
Gross profit	$ 1,555.6	$ —	$ —	$ (0.9)	$ 1,556.5
SG&A expenses	1,153.2	26.5	—	20.2	1,106.5
Operating income	402.4	(26.5)	—	(21.1)	450.0
Provision for income taxes	122.9	(6.0)	—	(6.6)	135.5
Net income	266.5	(20.5)	—	(14.5)	301.5
Diluted net income per share	0.96	(0.07)	—	(0.05)	1.08

In the first six months of fiscal 2016, the Company incurred charges as follows:

- *Transformation and Other Actions* - $26.5 million under our Coach brand Transformation Plan primarily due to organizational efficiency costs and accelerated depreciation as a result of store renovations, within North America and select International stores;
- *Acquisition-Related Costs* - $21.1 million total acquisition-related costs, of which $14.4 million primarily related to charges attributable to contingent payments, other integration-related activities and other consulting and legal costs (of which $9.8 million is recorded within unallocated corporate expenses within the Coach brand, and $4.6 million is recorded within the Stuart Weitzman segment), and $6.7 million related to the short-term impact of purchase accounting, primarily due to the amortization of the fair value of the order backlog asset and inventory step-up, all recorded within the Stuart Weitzman segment.

Total Transformation Plan and Acquisition-Related Costs taken together increased the Company's SG&A expenses by $46.7 million and cost of sales by $0.9 million, negatively impacting net income by $35.0 million, or $0.12 per diluted share.

Summary – First Six Months of Fiscal 2017

Net sales in the first six months of fiscal 2017 increased 2.4% to $2.36 billion, primarily due to increased revenues from the Coach brand International and Stuart Weitzman businesses. Excluding the effects of foreign currency, net sales increased 1.6% or $37.0 million. Our gross profit increased by 4.2% to $1.62 billion during the first six months of fiscal 2017. SG&A expenses increased by 2.1% to $1.18 billion in the first six months of fiscal 2017. Excluding non-GAAP adjustments as described in the "GAAP to non-GAAP Reconciliation" herein, SG&A expenses increased by 4.0% to $1.15 billion.

Net income increased 19.0% in the first six months of fiscal 2017 as compared to the first six months of fiscal 2016, primarily due to an increase in operating income of $40.9 million, as well as a decrease of $7.5 million in our provision for income taxes. Net income per diluted share increased 17.5% primarily due to higher net income. Excluding non-GAAP adjustments, net income and net income per diluted share increased 11.8% and 10.4%, respectively.

Currency Fluctuation Effects

The change in net sales for the first six months of fiscal 2017 compared to fiscal 2016 has been presented both including and excluding currency fluctuation effects.

Net Sales

The following table presents net sales by reportable segment for the first six months of fiscal 2017 compared to the first six months of fiscal 2016:

	Six Months Ended				
	Total Net Sales			Percentage of Total Net Sales	
	December 31, 2016	December 26, 2015	Rate of Change	**December 31, 2016**	December 26, 2015
	(dollars in millions)				
North America	**$ 1,289.4**	$ 1,292.0	(0.2)%	**54.7%**	56.1%
International	**843.8**	806.3	4.6	**35.8**	35.0
Other[1]	**20.3**	24.3	(16.5)	**0.8**	1.0
Coach brand	**$ 2,153.5**	$ 2,122.6	1.5	**91.3%**	92.1%
Stuart Weitzman	**205.8**	181.5	13.3	**8.7**	7.9
Total net sales	**$ 2,359.3**	$ 2,304.1	2.4	**100.0%**	100.0%

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

Net sales for the Coach brand increased 1.5% or $30.9 million to $2.15 billion. Excluding the favorable impact of foreign currency, net sales increased 0.6%.

North America Net Sales decreased 0.2% or $2.6 million to $1.29 billion in the first six months of fiscal 2017, which was not materially impacted by changes in foreign currency. This decrease was primarily driven by lower sales to wholesale customers of $34.2 million due to the Company's deliberate and strategic decision to elevate the Coach brand’s positioning in the channel by limiting participation in promotional events and closing approximately 25% of its wholesale doors by the end of fiscal 2017. Comparable store sales increased by $28.5 million or 2.5% primarily due to higher conversion and increased transaction size in stores. Our bricks and mortar comparable stores sales increased 3.6%. Comparable store sales for the Internet business were impacted by an increase in Internet orders fulfilled by bricks and mortar locations in the second quarter of fiscal 2017. Non-comparable store sales increased by $3.4 million primarily due to the positive impact of reduced store return reserves and calendar shift that resulted from the 53rd week of fiscal 2016, partially offset by the net impact of store openings and closures. Since the end of the second quarter of fiscal 2016, Coach closed a net 26 retail stores in North America.

International Net Sales increased 4.6% or $37.5 million to $843.8 million in the first six months of fiscal 2017. Excluding the favorable impact of foreign currency, net sales increased 2.2% or $17.6 million. This constant currency change is primarily due to an increase in net sales in Europe of $15.3 million due to an expanded wholesale and store distribution network as well as positive comparable store sales, and a net increase in Greater China of $15.2 million due to the impact of net new stores and positive comparable store sales in mainland China, partially offset by declines in Hong Kong and Macau due to a continued slowdown in tourist traffic, although this showed an improvement from previous trends. These increases were partially offset by a decrease in Japan of $11.4 million primarily due to decreased traffic related to unusually high tourism in the prior year. Since the end of the second quarter of fiscal 2016, we opened 12 net new stores, with six net new stores in mainland China, Hong Kong, Macau and Japan, and six net new stores in the other regions.

Stuart Weitzman Net Sales increased 13.3% or $24.3 million to $205.8 million in the first six months of fiscal 2017. Excluding the unfavorable impact of foreign currency, net sales increased 14.3% or $25.9 million. Stuart Weitzman had a $27.6 million increase in net retail sales due to the acquisition of the Stuart Weitzman Canadian distributor in the fourth quarter of fiscal 2016, positive comparable store sales and net store openings. Wholesale net sales decreased by $3.5 million. Prior year wholesale net sales included shipments into the Canadian distributor. Since the end of the second quarter of fiscal 2016, Stuart Weitzman opened a net 8 new stores and acquired 14 stores associated with the acquisition of the Canadian distributor.

Gross Profit

Gross profit increased 4.2% or $65.3 million to $1.62 billion in the first six months of fiscal 2017 from $1.56 billion in the first six months of fiscal 2016. Gross margin for the first six months of fiscal 2017 was 68.7% as compared to 67.5% in the first six months of fiscal 2016. This gross margin increase of 120 basis points is primarily due to more favorable product mix and lower costs in the Coach brand as well as a more favorable channel mix in the Stuart Weitzman segment.

Gross profit for the Coach brand increased 3.4% or $48.4 million to $1.49 billion in the first six months of fiscal 2017. Furthermore, gross margin for the Coach brand increased 130 basis points to 69.4% in the first six months of fiscal 2017 from 68.1% in the first six months of fiscal 2016, inclusive of an unfavorable 10 basis point change in the foreign currency impact of each period, as described below.

North America Gross Profit increased 1.0% or $8.0 million to $804.2 million in the first six months of fiscal 2017. Gross margin increased 80 basis points to 62.4% in the first six months of fiscal 2017 from 61.6% in the first six months of fiscal 2016. The increase in gross margin is attributable to higher initial mark-ups, primarily due to lower average product costs in our outlet stores, and an improved mix of elevated product sales, favorably impacting gross margin by 240 basis points. The strategic decision to close select doors in the wholesale channel resulted in a 30 basis point favorable impact to gross margin due to a more favorable channel mix. These increases were partially offset by the impact of increased promotional activity, primarily in our outlet channel, negatively impacting gross margin by 210 basis points as the Company passed on the benefit of lower costs through pricing to our customers.

International Gross Profit increased 5.0% or $30.8 million to $640.4 million in the first six months of fiscal 2017. Gross margin increased 30 basis points to 75.9% in the first six months of fiscal 2017 from 75.6% in the first six months of fiscal 2016. The change in foreign currency impact on gross margin of each period was an unfavorable 50 basis points, primarily due to the Japanese Yen and Chinese Renminbi. Excluding the impact of foreign currency in each period, International gross margin increased 80 basis points. This increase was due to higher initial mark-ups, primarily due to lower average product costs in our outlet stores, and an improved mix of elevated product sales, favorably impacting gross margin by 110 basis points, as well as the favorable effects of decreased duty costs which positively impacted gross margin by 100 basis points. These increases were partially offset by increased promotional activity and a less favorable geographic mix of sales, negatively impacting gross margin by 120 basis points and 30 basis points, respectively.

Corporate Unallocated Gross Profit increased $10.1 million to $31.7 million in the first six months of fiscal 2017, primarily due to the impact of more favorable production variances when compared to the same period in the prior year.

Stuart Weitzman Gross Profit increased 15.3% or $16.9 million to $127.1 million during the first six months of fiscal 2017. Gross margin increased 110 basis points to 61.8% in the first six months of fiscal 2017 from 60.7% in the first six months of fiscal 2016. Excluding the short-term impact of purchase accounting, Stuart Weitzman gross profit totaled $127.7 million and $111.1 million in the first six months of fiscal 2017 and fiscal 2016, respectively, resulting in a gross margin of 62.0% and 61.2%, respectively. The increase in gross margin is primarily attributable to a 170 basis point impact from a shift in channel mix towards higher margin retail business, partially offset by higher product costs and increased promotional activity.

Selling, General and Administrative Expenses

SG&A expenses increased 2.1% or $24.4 million to $1.18 billion in the first six months of fiscal 2017 as compared to $1.15 billion in the first six months of fiscal 2016. As a percentage of net sales, SG&A expenses decreased to 49.9% during the first six months of fiscal 2017 as compared to 50.1% during the first six months of fiscal 2016. Excluding non-GAAP adjustments of $27.2 million and $46.7 million in the first six months of fiscal 2017 and fiscal 2016, respectively, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, SG&A expenses increased $43.9 million from the first six months of fiscal 2016; and SG&A expenses as a percentage of net sales increased, to 48.8% in the first six months of fiscal 2017 from 48.0% in the first six months of fiscal 2016, primarily due to the increased SG&A expenses within the Stuart Weitzman segment to support the growth of the business and within the Coach brand related to occupancy costs.

Selling expenses were $811.5 million, or 34.4% of net sales, in the first six months of fiscal 2017 compared to $779.8 million, or 33.8% of net sales, in the first six months of fiscal 2016. The $31.7 million increase is primarily due to unfavorable foreign currency effects in Japan, increases in Stuart Weitzman and Europe to support growth in the business and higher store-related costs in North America associated with the new flagship store, partially offset by decreases in Greater China and international wholesale, primarily due to reduced employee related costs.

Advertising, marketing, and design costs were $138.4 million, or 5.9% of net sales, in the first six months of fiscal 2017, compared to $136.9 million, or 5.9% of net sales, during the first six months of fiscal 2016. The slight increase was primarily due to higher costs for Stuart Weitzman marketing, partially offset by lower Coach brand advertising-related events, including lower costs associated with New York fashion week.

Distribution and customer service expenses were $30.7 million, or 1.3% of net sales, in the first six months of fiscal 2017, relatively in-line with first six months fiscal 2016 expenses of $35.0 million, or 1.5% of net sales.

Administrative expenses were $197.0 million, or 8.3% of net sales, in the first six months of fiscal 2017 compared to $201.5 million, or 8.7% of net sales, in the first six months of fiscal 2016. Excluding non-GAAP adjustments of $27.2 million in the first six months of fiscal 2017 and $46.7 million in the first six months of fiscal 2016, administrative expenses were $169.8 million and $154.8 million, respectively, or 7.2% and 6.7% of net sales. The increase is primarily due to higher corporate occupancy costs.

Operating Income

Operating income increased 10.2% or $40.9 million to $443.3 million in the first six months of fiscal 2017 as compared to $402.4 million in the first six months of fiscal 2016. Operating margin was 18.8% in the first six months of fiscal 2017 as compared to 17.5% in the first six months of fiscal 2016. Excluding non-GAAP adjustments of $27.8 million in the first six months of fiscal 2017 and $47.6 million in the first six months of fiscal 2016, as discussed in the "GAAP to Non-GAAP Reconciliation" herein, operating income increased 4.7% or $21.1 million to $471.1 million from $450.0 million in the first six months of fiscal 2016; and operating margin was 20.0% in the first six months of fiscal 2017 as compared to 19.5% in the first six months of fiscal 2016.

The following table presents operating income by reportable segment for the first six months of fiscal 2017 compared to the first six months of fiscal 2016:

	Six Months Ended			
	Operating Income		Variance	
	December 31, 2016	December 26, 2015	Amount	%
	(millions)			
North America	**$ 422.4**	$ 419.9	$ 2.5	0.6 %
International	**249.5**	237.8	11.7	4.9
Other[1]	**15.5**	12.5	3.0	24.0
Corporate unallocated	**(262.5)**	(293.8)	31.3	10.6
Coach brand	**$ 424.9**	$ 376.4	$ 48.5	12.9 %
Stuart Weitzman	**18.4**	26.0	(7.6)	(29.3)
Total operating income	**$ 443.3**	$ 402.4	$ 40.9	10.2 %

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

Operating income for the Coach brand increased 12.9% or $48.5 million to $424.9 million in the first six months of fiscal 2017. Furthermore, operating margin for the Coach brand increased 200 basis points to 19.7% in the first six months of fiscal 2017 from 17.7% in the first six months of fiscal 2016, as described below. Excluding non-GAAP adjustments, Coach brand operating income totaled $441.1 million in the first six months of fiscal 2017, resulting in an operating margin of 20.5%. This compared to Coach brand operating income of $412.7 million in the first six months of fiscal 2016, or an operating margin of 19.4%.

North America Operating Income increased 0.6% or $2.5 million to $422.4 million in the first six months of fiscal 2017 reflecting the increase in gross profit of $8.0 million, partially offset by higher SG&A expenses of $5.5 million. The increase in SG&A expenses was due to higher store-related costs for the new Fifth Avenue flagship store and depreciation costs as a result of stores that have been renovated since the second quarter of fiscal 2016. This increase was partially offset by lower wholesale costs, as well as favorable employee related costs due to net store closures since the end of the second quarter of fiscal 2016. Operating margin increased 30 basis points to 32.8% in the first six months of fiscal 2017 from 32.5% during the same period in the prior year due to higher gross margin of 80 basis points, partially offset by higher SG&A expense as a percentage of net sales of 50 basis points.

International Operating Income increased 4.9% or $11.7 million to $249.5 million in the first six months of fiscal 2017 primarily reflecting higher gross profit of $30.8 million, partially offset by higher SG&A expenses of $19.1 million. The increase in SG&A expenses is primarily related to unfavorable foreign currency effects in Japan, as well as increases in Europe to support growth in business, partially offset by decreases in Greater China and international wholesale, primarily due to employee related costs. Operating margin increased 10 basis points to 29.6% in fiscal 2017 from 29.5% during the same period in the prior year primarily due to higher gross margin of 30 basis points, partially offset by higher SG&A expenses (particularly selling expenses) as a percentage of net sales, which increased by 20 basis points.

Corporate Unallocated Operating Expense decreased 10.6% or $31.3 million to $262.5 million in the first six months of fiscal 2017 from $293.8 million in the first six months of fiscal 2016. Excluding non-GAAP adjustments, unallocated operating expenses decreased by $11.2 million to $246.3 million in the first six months of fiscal 2017. This decrease is primarily related to more favorable production variances.

Stuart Weitzman Operating Income decreased 29.3% or $7.6 million to $18.4 million in the first six months of fiscal 2017, resulting in an operating margin of 8.9%, compared to $26.0 million and 14.3%, respectively in fiscal 2016. Excluding non-GAAP adjustments, Stuart Weitzman operating income totaled $30.0 million in the first six months of fiscal 2017, resulting in an operating margin of 14.6%, compared to $37.3 million and 20.5%, respectively, in fiscal 2016. The decrease in operating margin is primarily due to higher SG&A expenses (particularly selling expenses) as a percentage of net sales, which increased to 47.4% in the first six months of fiscal 2017 from 40.7% in the first six months of fiscal 2016, due to increased investments in the growth of the business, particularly store-related costs for two new flagship stores, slightly offset by higher gross margin of 80 basis points.

Provision for Income Taxes

The effective tax rate was 26.7% in the first six months of fiscal 2017, as compared to 31.6% in the first six months of fiscal 2016. Excluding non-GAAP adjustments, the effective tax rate was 26.7% in the first six months of 2017, compared to 31.0% in the first six months of fiscal 2016. The decrease in our effective tax rate was primarily attributable to the geographic mix of earnings and the ongoing benefit of available foreign tax credits, partially offset by lower benefits from the expiration of certain statutes.

Net Income

Net income increased 19.0% or $50.6 million to $317.1 million in the first six months of fiscal 2017 as compared to $266.5 million in the first six months of fiscal 2016. Excluding non-GAAP adjustments, net income increased 11.8% or $35.7 million to $337.2 million in the first six months of fiscal 2017. This increase was primarily due to higher operating income and a lower provision for income taxes.

Earnings per Share

Net income per diluted share increased 17.5% to $1.13 in the first six months of fiscal 2017 as compared to $0.96 in the first six months of fiscal 2016. Excluding non-GAAP adjustments, net income per diluted share increased 10.4% to $1.20 in the first six months of fiscal 2017 from $1.08 in the first six months of fiscal 2016, primarily due to higher net income.

NON-GAAP MEASURES

The Company's reported results are presented in accordance with GAAP. The reported gross profit, SG&A expenses, operating income, provision for income taxes, net income and earnings per diluted share in the second quarter and first six months of fiscal 2017 and fiscal 2016 reflect certain items, including the impact of the Transformation Plan, the Operational Efficiency Plan and Acquisition-Related Charges. As a supplement to the Company's reported results, these metrics are also reported on a non-GAAP basis to exclude the impact of these items, along with a reconciliation to the most directly comparable GAAP measures.

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

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

We believe these non-GAAP measures are useful to investors and others in evaluating the Company's ongoing operating and financial results in a manner that is consistent with management's evaluation of business performance and understanding how such results compare with the Company's historical performance. Additionally, we believe presenting certain increases and decreases in constant currency provides a framework for assessing the performance of the Company's business outside the United States and helps investors and analysts understand the effect of significant year-over-year currency fluctuations. We believe excluding these items assists investors and others in developing expectations of future performance. By providing the non-GAAP measures, as a supplement to GAAP information, we believe we are enhancing investors' understanding of our business and our results of operations. The non-GAAP financial measures are limited in their usefulness and should be considered in addition to, and not in lieu of, U.S. GAAP financial measures. Further, these non-GAAP measures may be unique to the Company, as they may be different from non-GAAP measures used by other companies.

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Six Months Ended		
	December 31, 2016	December 26, 2015	Change
	(millions)		
Net cash provided by operating activities	**$ 328.1**	$ 310.0	$ 18.1
Net cash provided by (used in) investing activities	**599.8**	(545.7)	1,145.5
Net cash used in financing activities	**(467.0)**	(208.9)	(258.1)
Effect of exchange rate changes on cash and cash equivalents	**(10.2)**	(3.4)	(6.8)
Net increase (decrease) in cash and cash equivalents	**$ 450.7**	$ (448.0)	$ 898.7

The Company's cash and cash equivalents increased by $450.7 million in the first six months of fiscal 2017 as compared to a decrease of $448.0 million in the first six months of fiscal 2016, as discussed below.

Net cash provided by operating activities

Net cash provided by operating activities increased $18.1 million due to higher net income of $50.6 million, partially offset by changes in operating assets and liabilities of $26.0 million and lower non-cash charges of $6.5 million.

The $26.0 million decline in changes in operating asset and liability balances was primarily driven by changes in other assets and inventories, partially offset by changes in accounts receivable and accounts payable. Other assets were a use of cash of $20.6 million in the first six months of fiscal 2017 compared to a source of cash of $52.1 million in the first six months of fiscal 2016, primarily related to higher estimated tax payments in fiscal 2017. Inventories were a use of cash of $26.9 million in the first six months of fiscal 2017 as compared to a source of cash of $38.9 million in the first six months of fiscal 2016, primarily driven by increased inventory purchases. Accounts receivable was a use of cash of $35.1 million in the first six months of fiscal 2017 as compared to a use of cash of $87.9 million in the first six months of fiscal 2016, primarily driven by a smaller build in receivables compared to prior year within North America wholesale due to the strategic actions, as well as a decrease in credit card receivables due to the timing of the holidays within the fiscal quarters. Accounts payable was a use of cash of $27.6 million in the first six months of fiscal 2017 as compared to a use of cash of $75.6 million in the first six months of fiscal 2016, primarily driven by timing of inventory purchases and higher store-related payables due to timing of payments.

Net cash provided by (used in) investing activities

Net cash provided by investing activities was $599.8 million in the first six months of fiscal 2017 and a use of cash during the first six months of fiscal 2016 of $545.7 million. The $1.15 billion increase in net cash provided by investing activities is primarily due to proceeds from the sale of the Company's investments in Hudson Yards of $680.6 million in the first six months of fiscal 2017, the impact of net purchases of investments of $80.9 million in the first six months of fiscal 2017, compared to net purchases of investments of $283.6 million in the first six months of fiscal 2016 and net proceeds from the sale of our prior headquarters of $126.0 million in the first six months of fiscal 2017.

Net cash used in financing activities

Net cash used in financing activities was $467.0 million and $208.9 million in the first six months of fiscal 2017 and fiscal 2016, respectively. The $258.1 million increase was primarily due to the repayment of long-term debt of $285.0 million during the first six months of fiscal 2017, partially offset by proceeds from share-based awards of $26.7 million in the first six months of fiscal 2017 as compared to $4.7 million in the first six months of fiscal 2016.

Working Capital and Capital Expenditures

As of December 31, 2016, in addition to our cash flows from operations, our sources of liquidity and capital resources were comprised of the following:

	Sources of Liquidity	Outstanding Indebtedness	Total Available Liquidity
		(millions)	
Cash and cash equivalents[1]	$ 1,309.7	$ —	$ 1,309.7
Short-term investments[1]	526.2	—	526.2
Non-current investments	110.1	—	110.1
Amended and Restated Credit Agreement[2]	700.0	—	700.0
4.250% Senior Notes[3]	600.0	600.0	—
International credit facilities	46.0	—	46.0
Total	$ 3,292.0	$ 600.0	$ 2,692.0

(1) As of December 31, 2016, approximately 54% of our cash and short-term investments were held outside the U.S. in jurisdictions where we intend to permanently reinvest our undistributed earnings to support our continued growth. We are not dependent on foreign cash to fund our domestic operations. If we choose to repatriate any funds to the U.S., we would be subject to applicable U.S. and foreign taxes.

(2) In March 2015, the Company amended and restated its existing $700.0 million revolving credit facility (the "Revolving Facility") with certain lenders and JP Morgan Chase Bank, N.A. as the administrative agent, to provide for a five-year senior unsecured $300.0 million term loan (the "Term Loan") and to extend the maturity date to March 18, 2020 (the "Amended and Restated Credit Agreement"). On August 3, 2016, the Company prepaid its outstanding borrowings under the Term Loan facility. There were no debt borrowings under the Revolving Facility for the first six months of fiscal 2017 and fiscal 2016. The Amended and Restated Credit Agreement contains various covenants and customary events of default, including the requirement to maintain a maximum ratio of adjusted debt to consolidated EBITDAR, as defined in the agreement, of no greater than 4.0 as of the date of measurement. As of December 31, 2016, no known events of default have occurred. Refer to Note 9, "Debt," for further information on our existing debt instruments.

We believe that our Amended and Restated Credit Agreement is adequately diversified with no undue concentrations in any one financial institution. As of December 31, 2016, there were 11 financial institutions participating in the facility, with no one participant maintaining a maximum commitment percentage in excess of 14%. We have no reason at this time to believe that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the facility in the event we elect to draw funds in the foreseeable future.

(3) In March 2015, the Company issued $600.0 million aggregate principal amount of 4.250% senior unsecured notes due April 1, 2025 at 99.445% of par (the "4.250% Senior Notes"). Furthermore, the indenture for the 4.250% Senior Notes contains certain covenants limiting the Company's ability to: (i) create certain liens, (ii) enter into certain sale and leaseback transactions and (iii) merge, or consolidate or transfer, sell or lease all or substantially all of the Company's assets. As of December 31, 2016, no known events of default have occurred. Refer to Note 9, "Debt," for further information on our existing debt instruments.

We have the ability to draw on our credit facilities or access other sources of financing options available to us in the credit and capital markets for, among other things, our restructuring initiatives, acquisition or integration-related costs, settlement of a material contingency, or a material adverse business or macroeconomic development, as well as for other general corporate business purposes.

Management believes that cash flows from operations, access to the credit and capital markets and our credit lines, on-hand cash and cash equivalents and our investments will provide adequate funds to support our operating, capital, and debt service requirements for the foreseeable future, our plans for acquisitions, further business expansion and restructuring-related initiatives. Future events, such as acquisitions or joint ventures, and other similar transactions may require additional capital. There can be no assurance that any such capital will be available to the Company on acceptable terms or at all. Our ability to fund working capital needs, planned capital expenditures, dividend payments and scheduled debt payments, as well as to comply with all of the financial covenants under our debt agreements, depends on future operating performance and cash flow, which in turn are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond the Company's control.

Reference should be made to our most recent Annual Report on Form 10-K for additional information regarding liquidity and capital resources.

Stuart Weitzman Acquisition

On May 4, 2015, the Company acquired all of the equity interests of Stuart Weitzman Intermediate LLC, a luxury footwear company and the parent of Stuart Weitzman Holdings, LLC, from Topco for an aggregate payment of approximately $531.1 million in cash, subject to customary purchase price adjustments, as well as a potential earnout of up to $44.0 million based on the achievement of certain revenue targets. The total amount payable under the earnout will not exceed $44.0 million, and will be paid out in fiscal 2018 if targets are achieved. Refer to Note 10, "Fair Value Measurements," for additional information about the contingent earnout agreement.

Seasonality

Seasonality primarily impacts the Coach brand. Because Coach brand's products are frequently given as gifts, we experience seasonal variations in its net sales, operating cash flows and working capital requirements, primarily related to seasonal holiday shopping. During the first fiscal quarter, we build inventory for the holiday selling season. In the second fiscal quarter, working capital requirements are reduced substantially as we generate higher net sales and operating income, especially during the holiday months of November and December. Accordingly, the Company's net sales, operating income and operating cash flows for the three months ended December 31, 2016 are not necessarily indicative of that expected for the full fiscal 2017. However, fluctuations in net sales, operating income and operating cash flows of the Company in any fiscal quarter may be affected by the timing of wholesale shipments and other events affecting retail sales, including adverse weather conditions or other macroeconomic events.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 2 to the audited consolidated financial statements in our fiscal 2016 10-K. Our discussion of results of operations and financial condition relies on our condensed consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates which are subject to varying degrees of uncertainty. While we believe that these accounting policies are based on sound measurement criteria, actual future events can and often do result in outcomes that can be materially different from these estimates or forecasts.

For a complete discussion of our critical accounting policies and estimates, see the "Critical Accounting Policies and Estimates" section of the MD&A in our fiscal 2016 10-K. As of December 31, 2016, there have been no material changes to any of the critical accounting policies.

As disclosed in our fiscal 2016 10-K, the Company performs its annual impairment assessment of goodwill, including trademarks and trade names, during the fourth quarter of each fiscal year. Furthermore, as previously disclosed, the fair value of the Stuart Weitzman brand reporting unit exceeded its carrying value by less than 20%, valued using the discounted cash flow method. Additionally, the percentage by which the fair value of the Stuart Weitzman brand indefinite-lived trademarks and trade names exceeded its carrying value was less than 5%, valued using the relief from royalty method. Several factors could impact the brand's ability to achieve future cash flows, including optimization of the store fleet productivity, the impact of promotional activity in department stores, the consolidation or take-back of certain distributor relationships, the simplification of certain corporate overhead structures and other initiatives aimed at expanding certain higher performing categories of the business. For the three-month and six-month periods ended December 31, 2016, the Stuart Weitzman brand has generally performed in line with the estimated cash flows included in the fiscal 2016 annual impairment assessment. However, given the relatively small excess of fair value over the carrying value as noted above, if the profitability trends or market multiples decline during the remainder of fiscal 2017 from those that were expected, it is possible that an interim test, or our annual impairment test, could result in an impairment of these assets.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

Foreign Currency Exchange Rate Risk

Foreign currency exposures arise from transactions, including firm commitments and anticipated contracts, denominated in a currency other than the entity’s functional currency, and from foreign-denominated revenues and expenses translated into U.S. dollars. The Company is exposed to transaction risk from foreign currency exchange rate fluctuations resulting from its operating subsidiaries’ U.S. dollar and Euro denominated inventory purchases. To mitigate such risk, Coach Japan, Coach Canada and Stuart Weitzman enter into foreign currency derivative contracts, primarily forward foreign currency exchange contracts. As of December 31, 2016 and July 2, 2016, derivative instruments designated as cash flow hedges with a notional amount of $142.9 million and $190.1 million, respectively, were outstanding. As a result of the use of derivative instruments, we are exposed to the risk that counterparties to the derivative instruments will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we only enter into derivative contracts with carefully selected financial institutions. The Company also reviews the creditworthiness of our counterparties on a regular basis. We do not believe that we are exposed to any undue concentration of counterparty credit risk associated with our derivative contracts as of December 31, 2016.

The Company is also exposed to transaction risk from foreign currency exchange rate fluctuations with respect to various cross-currency intercompany loans which are not long term in investment nature. This primarily includes exposure to exchange rate fluctuations in the Singapore Dollar, the Euro, the British Pound Sterling, the New Taiwan Dollar and the Chinese Renminbi. To manage the exchange rate risk related to these loans, the Company primarily enters into forward foreign currency exchange contracts. As of December 31, 2016 and July 2, 2016 the total notional values of outstanding derivative instruments designated as fair value hedges related to these loans were $74.4 million and $75.5 million, respectively.

The fair value of outstanding foreign currency derivative instruments included in Other current assets at December 31, 2016 and July 2, 2016 was $9.3 million and $0.6 million, respectively. The fair value of outstanding foreign currency derivative instruments included in current liabilities at December 31, 2016 and July 2, 2016 was $2.0 million and $11.1 million, respectively.

Interest Rate Risk

The Company is exposed to interest rate risk in relation to the Revolving Facility (if utilized), the 4.250% Senior Notes and investments.

Our exposure to changes in interest rates is primarily attributable to debt outstanding under our Revolving Facility. Borrowings under the Revolving Facility bear interest at a rate per annum equal to, at Coach’s option, either (a) a rate based on the rates applicable for deposits in the interbank market for U.S. dollars or the applicable currency in which the loans are made plus an applicable margin or (b) an alternate base rate (which is a rate equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% or (iii) the Adjusted LIBO Rate for a one month Interest Period on such day plus 1%). Furthermore, we are also exposed to changes in interest rates related to the fair value of our $600.0 million 4.250% Senior Notes. At December 31, 2016 and July 2, 2016, the fair value of the 4.250% Senior Notes was approximately $599 million and $622 million, respectively, based on external pricing data, including available quoted market prices of these instruments, and consideration of comparable debt instruments with similar interest rates and trading frequency, among other factors, and is classified as Level 2 measurements within the fair value hierarchy.

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

ITEM 4. Controls and Procedures

Based on the evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2016.

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

Reference should be made to our most recent Annual Report on Form 10-K for additional information regarding discussion of the effectiveness of the Company’s controls and procedures.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

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

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

Although the Company's litigation as a defendant is routine and incidental to the conduct of Coach's business, as well as for any business of its size, such litigation can result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages.

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

ITEM 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the fiscal year ended July 2, 2016.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not repurchase any shares during the second quarter of fiscal 2017. As of December 31, 2016, the Company had zero availability remaining in the stock repurchase program.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 6. Exhibits

10.1*	Employment Offer Letter, dated December 12, 2016, between Coach and Kevin Wills
31.1*	Rule 13(a) – 14(a)/15(d) – 14(a) Certifications
32.1*	Section 1350 Certifications
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

* Filed Herewith

SIGNATURE

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

COACH, INC.
(Registrant)

By:	/s/ Melinda Brown
Name:	Melinda Brown
Title:	Corporate Controller (Principal Accounting Officer)

Dated: February 8, 2017

December 12, 2016

Kevin G. Wills

Dear Kevin,

It is with great pleasure that I confirm our offer to appoint you as Chief Financial Officer of Coach, Inc. (“Coach” or the “Company), reporting to Victor Luis, Chief Executive Officer of Coach. Upon effectiveness of the appointment, you will be a member of the Company’s Operating Group. You will be considered an “officer” under Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as well as an “Executive Officer” of Coach pursuant to Rule 3b-7 of the Exchange Act.

This letter details your base salary, bonus opportunity, annual equity opportunity, joining compensation and other benefits. It also lays out the conditions of your employment. If you accept our offer, you agree to start in your new role as early as possible, on a date (the “Effective Date”) to be determined, and hopefully before February 6th, 2017.

1. **Base Salary**

$750,000 per annum.

Your salary will be paid bi-weekly on every other Friday and will be paid less withholding and deductions authorized under applicable law.

Performance reviews are typically conducted at the end of our fiscal year, which presently runs from approximately July 1 through June 30. Any merit increases for which you may be eligible would be determined at that time, and would take effect in September. You will be eligible for a merit increase in September 2017.

2. **Incentive Compensation**

You will be eligible to participate in the Coach, Inc. 2013 Performance-Based Annual Incentive Plan ("SOPS"), a cash incentive program under which your payout is based on Coach’s financial performance (as well as your individual performance), subject to its terms and conditions. Your target bonus will be 100% of your salary actually earned during the fiscal year. The actual bonus payout may range from 0% of target for performance below established thresholds to 200% of target for maximum performance, with performance components, measures and target values to be established by the Company’s Board of Directors or the Human Resources Committee of the Board of Directors (the “Committee). You will be eligible for SOPS beginning in fiscal year 2017, and any such SOPS bonus earned will be pro-rated in accordance with the Effective Date.

Any SOPS bonus is paid within three months of the end of the fiscal year and you must be an employee in good standing with Coach on the SOPS bonus payment date in order to be eligible to receive any such SOPS bonus payment. If you resign your employment or are terminated for "cause," you are not eligible for this bonus for the fiscal year in which your employment is terminated. For the purposes of this letter, termination “cause” is defined in the Addendum. Please refer to the My Pay section of Coach’s intranet, Coachweb, for the governing terms and conditions of the SOPS bonus plan. In addition, Coach’s Board of Directors has adopted an incentive repayment policy (attached) for members of the Operating Group, which you must sign and return to me coincident with your acceptance of this offer.

3. **Special New Hire Compensation**

You will receive a gross sign-on cash bonus of $1,500,000, 50% of which will be payable within six (6) weeks of the Effective Date, and 50% on your 6 month anniversary, subject to normal tax withholding. In accepting our offer, you (i) agree that, to the extent you receive a bonus from your prior employer for its fiscal year 2016 (“prior bonus”), you will repay us a portion of your sign-on bonus equal to the amount of such prior bonus, up to a maximum of $1,500,000, and (ii) you will repay the full amount of your sign-on cash bonus, less any amount previously paid to Coach under paragraph (3)(i) above, if you resign your employment within 24 months of your Effective Date, or if your employment is terminated for “cause,” as defined in the Addendum. Full repayment of this sign-on bonus must occur within one (1) month of your termination date.

4. **Equity Compensation**

Your compensation package includes a guideline annual equity grant value of $1,400,000, to be granted in a fixed proportion of different equity vehicles as determined annually by the Committee and normally granted in August, which may include restricted stock units ("RSUs"), performance restricted stock units ("PRSUs"), and/or stock options. Notwithstanding your joining grant outlined below, Executive Officers of Coach, of which you will be one, currently receive the following mix of equity vehicles: 20% RSU’s, 40% PRSU’s and 40% stock options. Currently, PRSUs cliff vest on the third anniversary of the grant date and may vest between 0 to 200% of target shares depending on performance. RSUs vest on the third anniversary of the grant date and stock options are exercisable one third each year over three years beginning on the first anniversary of the grant date, in each case, subject to your continued employment or other service with Coach from the grant date to each applicable vesting date. Any future equity grants will be determined based on your position, performance, time in job and other criteria Coach determines it its discretion, which are subject to change. All equity awards are subject to approval by the Committee.

Your joining grant, with a grant value of $3,500,000 will be made on the first Monday of the fiscal month coincident with or following your Effective Date, and will be granted 100% as RSU’s, the number of RSUs you receive will be based on the grant price on the day of grant. The RSUs for your joining grant will vest pro rata over four years 25%, 25%, 25%, 25%, subject to your continued employment or other service with Coach.

You are subject to the terms and conditions of the grant agreements, including, but not limited to, the provisions relating to claw back of equity gains in certain post-employment scenarios. Notwithstanding anything to the contrary in this letter, the terms of the Amended and Restated Coach, Inc. 2010 Stock Incentive Plan (Amended and Restated as of September 23, 2016) (as it may be amended from time to time, the "Stock Plan") and related grant agreements, as they may be changed from time to time, are controlling.

For the avoidance of doubt, upon termination of your employment by the Company without Cause or by you for Good Reason, your joining grant will continue to vest during the severance period to the extent that such awards would have become vested had you remained employed through the end of the severance period. In the event of your death or Permanent and Total Disability, your joining grant shall become fully vested as of the date of your death or Permanent and Total Disability.

5. **Severance**

If your employment at Coach should cease involuntarily for any reason other than for "cause" (e.g., position elimination) or if you resign for “good reason” (each as defined in the attached addendum), you will be eligible to receive twelve (12) months of base salary under the Coach, Inc. Severance Pay Plan, subject to its terms and conditions (including with regard to the time and form of payment). For more information, please view the Severance Plan document on Coachweb or contact Human Resources. To receive separation pay, you will be required to sign a waiver and release agreement in the form provided by Coach. This agreement will include restrictions on your ability to compete with Coach and solicit Coach employees.

6. **Section 409A of the Internal Revenue Code**

It is expressly intended and contemplated that this letter comply with the provisions of Section 409A of the Code and the applicable guidance thereunder ("Section 409A") and that the payments hereunder will either be exempt from Section 409A or will comply with the provisions of Section 409A. This letter will be administered and interpreted in a manner consistent with this intent, and, notwithstanding any provision of this letter to the contrary, in the event that Coach determines that any amounts payable hereunder would be immediately taxable to you under Section 409A, Coach reserves the right (without any obligation to do so or to indemnify you for failure to do so) to amend this letter to satisfy Section 409A or be exempt therefrom (which amendment may be retroactive to the extent permitted by Section 409A).

Notwithstanding any other provision of this letter, if you are a "specified employee" within the meaning of Treas. Reg. §1.409A-1(i)(1), then the payment of any amount or the provision of any benefit under this letter which is considered deferred compensation subject to Section 409A shall be deferred for six (6) months after your "separation from service" or, if earlier, the date of your death to the extent required by Section 409A(a)(2)(B)(i) (the "409A Deferral Period"). In the event payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum on Coach’s first standard payroll date that arises on or after the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. For purposes of any provision of this letter providing for reimbursements to you, such reimbursements shall be made no later than the end of the calendar year following the calendar year in which you incurred such expenses, and in no event shall the unused reimbursement amount during one calendar year be carried over into a subsequent calendar year. For purposes of this letter, you shall not be deemed to have terminated employment unless you have a "separation from service" within the meaning of Treas. Reg. § 1.409A-1(h). All rights to payments and benefits under this letter shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A. In no event shall any liability for failure to comply with the requirements of Section

409A be transferred from you or any other individual to Coach or any of its affiliates, employees or agents.

7. Benefits

Your other major benefits will include medical, dental, vision, life insurance, short and long term disability, Employee Stock Purchase Plan, employee discount program and 25 business days of vacation per calendar year, as generally provided by the Company at a comparable level in accordance with the plans, practices and programs of the Company, and subject to your satisfaction of applicable eligibility requirements. These benefits are subject to change from time-to-time in the discretion of Coach. We are enclosing a summary of executive benefits highlighting these programs in Your Coach Benefits Summary Kit.

8. Confidentiality

Coach believes strongly in respecting the proprietary rights of third parties and expects each of its employees to honor their confidentiality obligations to former employers. Accordingly, we expect you to fully comply with any and all obligations you may have, including non-compete, non-solicitation and confidentiality obligations. Coach does not want, and specifically instructs you to maintain in confidence, and not destroy, delete or alter, all information which is confidential and/or proprietary to your current and former employers. As a reminder, we are offering you this position based upon your talent and the skills you have acquired throughout your career.

As an employee of Coach, and as a part of this offer, you will be subject to various Company policies set forth in the attached Addendum as well as those set forth in the Your Coach Benefits Summary Kit that accompanies this offer. Such policies include, but are not limited to the following:

- Incentive Repayment Policy;
- Executive Stock Ownership Policy;
- Notice of Intent to Terminate Employment;
- Post-Employment Restrictions; and
- Other Terms and Conditions of Employment.

By accepting this offer, you are also expressly accepting to be bound by and adhere to the Company policies set forth in the attached Addendum and in the packet of materials that accompany this offer letter. This letter, along with the documents attached hereto or referred to herein, constitutes the entire agreement and understanding between you and Coach with respect to your employment, and supersedes all prior discussions, promises, negotiations and agreements (whether written or oral) between you and Coach.

Kevin, we are excited at the prospect of your joining us at Coach. This letter and the documents attached hereto constitutes Coach's entire offer. As you review this offer, please feel free to contact me with any questions. To accept the offer, and acknowledge you are not relying on any promise or representation that is not contained in this letter, please sign in the space below and return one of the attached copies to me no later than **December 14th 2016**.

Sincerely,

/s/ Sarah J. Dunn______________________
Sarah J. Dunn
Global Human Resources Officer
Coach, Inc.

Agreed and accepted by:

/s/ Kevin Wills_____________ 12/12/16__________________
Kevin Wills Date

ADDENDUM
COMPANY POLICIES & CONDITIONS OF EMPLOYMENT

As an employee of Coach, you will be subject to the following policies. Please sign the acknowledgement at the end noting your understanding and agreement.

1. **Incentive Repayment Policy**

Coach's Board of Directors has adopted an incentive repayment policy affecting all performance-based compensation Coach pays to members of its Operating Group. Information on this policy is attached. You agree that you remain subject to this repayment policy and that it may change from time-to-time as the Committee deems appropriate and/or as is required by law.

2. **Executive Stock Ownership Policy**

Coach's Board of Directors has implemented a stock ownership policy for all Vice Presidents and above. Information on this policy and the recommended amounts of stock ownership for your position is attached. As an Operating Group member and Section 16(b) officer of Coach, you will be required to obtain pre-approval of all Coach stock transactions from the Coach Law Department.

3. **Notice of Intent to Terminate Employment**

If at any time you elect to terminate your employment with Coach, including a valid retirement from Coach, but excluding as a result of your Permanent and Total Disability (as defined below), you agree to provide six (6) months' advance written notice of your intent to terminate your employment and such notice shall be provided via email to the Chief Executive Officer and Global Human Resources Officer. After you have provided your required notice, you will continue to be an employee of Coach. Your duties and other obligations as an employee of Coach will continue and you'll be expected to cooperate in the transition of your responsibilities. Coach shall, however, have the right in its sole discretion to direct that you no longer come to work or to shorten the notice period. Nothing herein alters your status as an employee at-will. Coach reserves all legal and equitable rights to enforce the advance notice provisions of this paragraph. You acknowledge and agree that your failure to comply with the notice requirements set forth in this paragraph shall result in: (i) Coach being entitled to an immediate injunction, prohibiting you from commencing employment elsewhere for the length of the required notice, (ii) Coach being entitled to claw back any bonus paid to you within 180 days of your last day of employment with Coach, (iii) the forfeiture of any unpaid bonus as of your last day of employment with Coach, (iv) any unvested equity awards or vested stock options held by you shall be automatically forfeited on your last day of employment with Coach, and (v) Coach being entitled to claw back any Financial Gain (as defined below) you realize from the vesting of any Coach equity award within the twelve (12) month period immediately preceding your last day of employment with Coach. "Financial Gain" shall have the meaning set forth in the various equity award grant agreements that you receive during your employment with Coach. In the event you terminate your employment due to your Permanent and Total Disability, you will be deemed to have satisfied the advance notice requirement set forth above and will not be subject to the penalties, and Coach will not have the remedies, set forth in clauses (i) through (v) of this Section 3. For purposes of this Addendum, "Permanent and Total Disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months.

4. Post-Employment Restrictions

(a) Non-Competition. You are prohibited from, directly or indirectly, counseling, advising, consulting for, becoming employed by or providing services in any capacity to a “competitor” (as defined below) of Coach or any of its operating divisions, subsidiaries or affiliates (collectively, the “Coach Group”) during your employment and the twelve (12) month period beginning on your last day of employment with Coach (the “Restricted Period”).

“Competitor” includes: the companies, together with their respective subsidiaries, parent entities, and all other affiliates as set forth on Exhibit A, attached hereto (such companies subject to change from time-to-time as posted on Coach’s intranet, Coachweb). In the event your employment is terminated for any reason (other than for “cause,” as defined below) and Coach, at its sole discretion, elects to enforce its right to enjoin you from joining a competitor at any time during the Restricted Period, including prohibiting you from engaging in any of the activities prohibited by this Section 4(a), Coach shall compensate you at your most recent base salary, subject to usual withholdings, to be paid monthly, during the remainder of the Restricted Period. The foregoing payments will be made to you solely to the extent that severance or other termination payments are not paid to you during the remainder of the Restricted Period. Nothing herein shall impact or limit your right to receive any severance payments and benefits pursuant to the terms of your offer letter, except that it is expressly understood and agreed that (i) you will not be entitled to receive payments pursuant to this paragraph during any period you are receiving severance or other termination payments and (ii) your receipt of any severance or other termination payments shall not impact Coach’s right to enforce its rights under this Section 4(a) or otherwise.

You agree that if you are offered and desire to accept employment with, or provide consulting services to, another business, person or enterprise, including, but not limited to, a “competitor,” during the Restricted Period, you will promptly inform Coach’s Global Human Resources Officer, in writing, of the identity of the prospective employer or entity, your proposed title and duties with that business, person or enterprise, and the proposed starting date of that employment or consulting services. You also agree that you will inform that prospective employer or entity of the terms of these provisions. Failure to abide by the requirements of this Section 4(a) will also be deemed a failure to provide the required advance written notice set forth above under **Notice of Intent to Terminate Employment**.

(b) Non-Solicitation. You agree that during the Restricted Period, you will not, directly or indirectly, whether alone or in association with or for the benefit of others, without the prior written consent of Coach, hire or attempt to hire, employ or solicit for employment, consulting or other service, any officer, employee or agent of the Coach Group (each, a “Protected Person”), or encourage, persuade or induce any Protected Person to terminate, diminish or otherwise alter such Protected Person’s relationship with the Coach Group.

For purposes of Section 4(b) and to avoid any ambiguity, you and Coach agree that it will be a rebuttable presumption that you solicited any Protected Person if such Protected Person commences employment or other service for or on behalf of you or any entity to which you provide services or terminates, diminishes or otherwise alters such Protected Person’s relationship with the Coach Group prior to the end of the Restricted Period.

(c) Non-Interference. During the Restricted Period, you will not, directly or indirectly, whether alone or in association with or for the benefit of others, whether as an employee, owner, stockholder, partner, director, officer, consultant, advisor or otherwise, assist, attempt to or encourage (i) any vendor, supplier, customer or client of, or any other person or entity in a business relationship with, the Coach Group to terminate, reduce, limit or otherwise alter such relationship, whether contractual or otherwise, (ii) any prospective vendor, supplier, customer or client not to enter into a business or contractual relationship with the Coach Group or (iii) to impair or attempt to impair any relationship, contractual or otherwise, between the Coach Group and any vendor, supplier, customer or client or any other person or entity in a business relationship with the Coach Group.

(d) Remedies. You acknowledge that compliance with this Section 4 is necessary to protect the business, good will and proprietary and confidential information of the Coach Group and that a breach or threatened breach of any provision in this Section 4 will irreparably and continually damage the Coach Group, for which money damages may not be adequate. Accordingly, in the event that you breach any provision in this Section 4, you will forfeit any remaining earned but unpaid bonus and Coach shall be entitled to claw back any bonus paid to you within 180 days of your last day of employment with Coach. In addition, Coach will be entitled to preliminarily or permanently enjoin you from violating Section 4 in order to prevent the continuation of such harm.

(e) Reasonableness of Restrictions. You acknowledge: (i) that the scope and duration of the restrictions on your activities under Section 4 are reasonable and necessary to protect the legitimate business interests, goodwill and confidential and proprietary information of the Coach Group; (ii) that the Coach Group does business worldwide and, therefore, you specifically agree that, in order to adequately protect the Coach Group, the scope of the restrictions in this provision is reasonable; and (iii) that you will be reasonably able to earn a living without violating the terms of these provisions.

(f) Judicial Modification. If any court of competent jurisdiction determines that any of the covenants in Section 4, or any part of them, is invalid or unenforceable, the remainder of such covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court of competent jurisdiction determines that any of the covenants in Section 4, or any part of them, is invalid or unenforceable because of the geographic or temporal scope of such provisions, such court shall reduce such scope to the minimum extent necessary to make such covenants valid and enforceable. You agree that in the event that any court of competent jurisdiction finally holds that any provision of this Section 4 constitutes an unreasonable restriction against you, such provision shall not be rendered void but shall apply to such extent as such court may judicially determine constitutes a reasonable restriction under the circumstances.

5. Other Terms and Conditions of Employment

If you accept Coach's offer, our relationship is "employment-at-will." That means you are free, at any time, for any reason, to end your employment with Coach and that Coach may do the same, subject to the advance notice requirements set forth above under **Notice of Intent to Terminate Employment**.

For the purposes of this letter, termination for "cause" means a determination by Coach that your employment should be terminated for any of the following reasons: (i) your violation of the Coach Employee Guide or any other written policies or procedures of Coach, (ii) your indictment, conviction of, or plea of guilty or *nolo contendere* to, a felony or a crime involving moral turpitude, (iii) your willful or grossly negligent breach of your duties, (iv) any act of fraud, embezzlement or other similar dishonest conduct, (v) any act or omission that Coach determines could have a material adverse effect on Coach, including without limitation, its reputation, business interests or financial condition, (vi) your failure to follow the lawful directives of the Chief Executive Officer or other officer of Coach to whom you report, or (vii) your breach of this offer letter or any other written agreement between you and Coach or any of its affiliates.

For any dispute arising between the parties regarding or relating to this letter and/or any aspect of your employment, the parties hereby consent to the exclusive jurisdiction in the state and Federal courts located in New York, New York. This Agreement will be construed and enforced in accordance with the laws of the state of New York, without regard to conflicts of laws principles.

You have “Good Reason” to resign your employment upon the occurrence of either of the following without your consent: (i) failure of the Company to continue you in the position of Chief Financial Officer or (ii) relocation of the Company's executive offices more than 50 miles outside of New York, New York; provided, however, that notwithstanding the foregoing you may not resign your employment for Good Reason unless: (x) you provide the Company with at least 30 days prior written notice of your intent to resign for Good Reason (which notice is provided not later than the 60th day following the occurrence of the event constituting Good Reason) and (y) the Company does not remedy the alleged violation(s) within such 30-day period.

Our agreement regarding employment-at-will may not be changed, except specifically in writing signed by both the Committee and you. Coach may in its discretion add to, discontinue, or change compensation, duties, benefits and policies. Nothing in the preceding two sentences shall be construed as diminishing the financial obligations of either of the parties hereunder, including, without limitation, Coach’s obligations to pay salary, bonus, equity compensation, severance etc., pursuant to the pertinent provisions set forth above. All payments made hereunder are subject to the usual withholdings required by law. In the event of a breach by you of any provision of this offer letter and/or any of the Company policies which are included herewith, you agree to reimburse Coach for any and all reasonable attorney’s fees and expenses related to the enforcement of this agreement, including, but not limited to, the clawback of gains specified hereunder.

Our offer of employment is contingent on the following:

- Formal ratification of this agreement by the Human Resources Committee;
- You passing a credit/background check and verification of your identity and authorization to be employed in the United States;
- Your returning a signed copy of this offer letter by **December 14th 2016,**;
- Your agreement to be bound by, and adhere to, all of Coach's policies in effect during your employment with Coach, including the Executive Stock Ownership Policy and Incentive Repayment Policy, and our Confidentiality, Information Security and Privacy Agreement; and
- The terms and conditions of individual equity award agreements.

Agreed and Accepted by:

/s/ Kevin Wills__________________ 12/12/16___________________
Kevin Wills Date

EXHIBIT A

Competitor List
(as of November 2016)

Burberry Group PLC

Cole Haan LLC

Fast Retailing Co., Ltd.

Fung Group

G-III Apparel Group, Ltd.

The Gap, Inc.

Kering

J. Crew Group, Inc.

Kate Spade and Company

L Brands, Inc.

LVMH Moet Hennessy Louis Vuitton SA

Michael Kors Holdings Limited

PVH Corp.

Prada, S.p.A.

Proenza Schouler, LLC

Rag & Bone, Inc.

Ralph Lauren Corporation

Tory Burch LLC

Tumi Holdings, Inc.

V.F. Corporation

EXHIBIT 31.1

I, Victor Luis, certify that,

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

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

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

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

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

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

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

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

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

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

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

Date: February 8, 2017

By: /s/ Victor Luis

Name: Victor Luis

Title: Chief Executive Officer

I, Andrea Resnick, certify that,

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

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

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

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

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

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

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

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

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

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

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

Date: February 8, 2017

By: /s/ Andrea Resnick

Name: Andrea Resnick

Title: Interim Chief Financial Officer

EXHIBIT 32.1

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

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: February 8, 2017

By: /s/ Victor Luis

Name: Victor Luis
Title: Chief Executive Officer

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

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: February 8, 2017

By: /s/ Andrea Resnick

Name: Andrea Resnick
Title: Interim Chief Financial Officer