tapestry

SPEAKERS' NOTES FOR CONFERENCE CALL

Moderator: Christina Colone
November 6, 2025
8:00 a.m. ET

Operator:

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

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

Christina Colone:

Good morning. Thank you for joining us.

With me today to discuss our first quarter results, as well as our strategies and outlook, are Joanne Crevoiserat, Tapestry's Chief Executive Officer and Scott Roe, Tapestry's Chief Financial Officer and Chief Operating Officer.

Before we begin, we must point out that this conference call will involve certain forward-looking statements within the meaning of the private securities litigation reform act. This includes projections for our business in the current or future quarters or fiscal years. Forward-looking statements are not guarantees, and our actual results may differ materially from those expressed or implied in the forward-looking statements. Please refer to our annual report on Form 10-K, the press release we issued this morning, and our other filings with the Securities and Exchange Commission for a complete list of risks and other important factors that could impact our future results and performance.

Non-GAAP financial measures are included in our comments today and in our presentation slides. For a full reconciliation to corresponding GAAP financial information please visit our website, www.tapestry.com/investors and then view the earnings release and the presentation posted today.

Now, let me outline the speakers and topics for this conference call. Joanne will begin with highlights for Tapestry and our brands. Scott will continue with our financial results, capital allocation priorities and our outlook going forward. Following that, we will hold a question-and-answer session, where we will be joined by Todd Kahn, CEO & Brand President of Coach. After Q&A, Joanne will conclude with brief closing remarks.

I'd now like to turn it over to Joanne Crevoiserat, Tapestry's CEO.

Joanne Crevoiserat:

Good morning! Thank you, Christina, and welcome everyone.

Our first quarter marked a powerful start to our next chapter of growth:

- We increased pro forma **revenue by 16%**, adjusted **operating margin by 200 basis points** and **EPS by 35%** versus prior year – all surpassing expectations. We achieved these gains while making strategic investments in the long-term growth-drivers of the business.
- **This outperformance positioned us to increase our outlook for the year** – reinforcing that our advantages **<u>are structural and sustainable.</u>**

[PAUSE]

Now touching on the strategic highlights of the quarter – we meaningfully advanced our **Amplify** growth agenda as outlined at our Investor Day in September.

- We built **emotional connections with consumers**, acquiring over 2.2 million new customers globally in the quarter, driven by Gen Z. By connecting with consumers early in their journey, we're building lifetime value and reinforcing a competitive advantage: our ability to attract and retain new generations to our brands.

- Next, we delivered **fashion innovation and product excellence** led by Coach, where our brand is strong and growing. This is evident in the accelerated growth we achieved in our core leathergoods offering. The combination of **craftsmanship and value** we offer to consumers continues to be a differentiator of our brands and business.
- We **powered global growth through compelling experiences**, driving double-digit gains in North America, China, and Europe – far outpacing the industry. Our direct-to-consumer business model enables us to connect with consumers wherever they choose to engage with our brands, while gathering real-time insights that underpin data-driven decisions. This is key to how we scale with focus and impact – and it was on display in the first quarter as we achieved strong growth in-stores and online.
- As always, our **talented teams** are the driving force behind our results –**delivering with creativity and discipline** and **building the capabilities that set us apart today and into the future**.

[PAUSE]

<u>Overall, we are delivering standout performance against an uncertain external backdrop – with a business that is healthy and positioned for long-term growth.</u>

[PAUSE]

Now moving to our results and strategies by brand.

Coach delivered an exceptional first quarter, highlighted by a 21% increase in revenue at expanding margins. We drove double-digit topline growth across our key markets: with North America increasing 26%, China up 21%, and Europe growing 39%. These broad-based gains, and outperformance versus the industry,

demonstrate that our unique <u>Expressive Luxury positioning is resonating around the world</u>.

- **This is evident in our strong customer acquisition results** as we welcomed over 1.7 million new customers globally to Coach, a strong increase over prior year led by Gen Z. **Our new and younger customers are transacting at higher AUR and have a higher retention rate than the balance of our client base. They are also influencing all generations, as we achieved growth in acquisition and retention among both Gen Z and non-Gen Z cohorts** – **a clear signal of our growing brand resonance and reach.**

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

<u>We drove strong double-digit gains in leathergoods, where we have multiple platforms powering our growth.</u>

- Our **icons continued to lead**, consistent with our strategy. In particular, the **Tabby, New York,** and **Teri families** outperformed, driven by accelerated Gen Z customer recruitment. Further, the large **Kisslock Bag** remained a highly coveted and viral success – a clear demonstration of our brand desire and the creativity of our teams.
- **Bag charms and straps** also continued their strong momentum, providing consumers with further opportunities for personalization, customization, and self-expression.

[PAUSE]

Overall, Coach's growth in handbags and accessories highlights the innovation and value we offer in the luxury market.

- **With these advantages, we drove mid-teens handbag AUR growth** for the quarter, led by North America.
- **Further, handbag <u>units</u> also rose** in the quarter globally and in North America,

despite lower promotional activity at the brand.

- **Looking forward, we expect continued gains in both AUR and units – showcasing the diversified drivers in place to support healthy and sustained growth.**

[PAUSE]

- To this point, we have a strong **pipeline of innovation.** This was clearly reflected in the brand's **Spring '26 runway show presented at New York Fashion Week in September**, which received outstanding reviews and social buzz.

[PAUSE]

Next, turning to footwear, we delivered double-digit growth in the quarter, fueled by sneakers and the continued success of the **High Line** and **Soho** families across channels. Footwear is a long-term growth opportunity for Coach, given our brand strength and the category's relevance with our target consumer.

[PAUSE]

Touching on marketing… we continued to drive cultural relevance through emotional storytelling that showcases our brand purpose and product offering.

- During the quarter, we launched our Fall campaign, **"Revive Your Courage"** – inspired by insights gained from our engagement with Gen Z around the world. The campaign featured global ambassador Elle Fanning, and two new ambassadors: Korean rapper, songwriter and producer, Soyeon, and Japanese singer-songwriter Lilas – two artists breaking boundaries and reshaping culture in their own ways.
- In addition, our **"Not Just for Walking"** footwear campaign highlighted our Soho sneaker and featured Audrey Nuna – the singing voice of Mira in the Netflix hit film K-Pop Demon Hunters. This campaign continued to support

strong demand for our product offerings and cultural relevance for our brand.

- **Our marketing execution exemplifies the brand's hallmark 'magic and logic' in action**. By using data-driven insights to scale creativity, we are enhancing the efficacy of our campaigns, expanding our reach, and enabling our growth.

[PAUSE]

<u>And finally, we are fueling brand desire through distinctive, immersive retail experiences that resonate with today's consumer.</u>

- This quarter, we launched two new **Coach Coffee Shops** in North America—at Jersey Gardens and Woodbury Commons—tapping into the importance of experiential retail, especially among younger audiences. These activations go beyond marketing—they're driving longer dwell times, commercial momentum, and deepening emotional connections with the brand.

[PAUSE]

Looking ahead to holiday, **we're leaning into proven drivers of the business**. To this end, we will bring new animations to Tabby, expand the New York Family, launch newness within our Coach Originals Collection, and deliver a compelling assortment of seasonal novelty – brought to life through marketing campaigns **that connect brand, purpose, and product**.

[PAUSE]

In closing, Coach continues to deliver standout results, guided by a bold brand vision: to be the world's most inclusive, genuine, and loved fashion brand. With the consumer at the heart of everything we do, our talented teams are operating with focus and purpose, turning insights into action and impact. By blending **creativity with disciplined brand-building, we've reimagined this iconic brand for the next generation of consumers, driving sustainable, compounding growth.**

[PAUSE]

Now, moving to Kate Spade…

Our actions to reset the brand for durable and profitable growth are underway. In the first quarter, revenue trends improved sequentially to down 9%. At the same time, we continued to back our turnaround efforts with disciplined investments – **taking the strategic steps necessary to strengthen the brand's foundation for long-term growth**.

Importantly, in the first quarter, **where we placed our strategic focus and investments, we drove progress** – as tracked against the leading KPIs we've previously outlined. We saw a lift in consideration with our fall campaign and delivered an improvement in Gen Z acquisition trends, driven by handbags. While still early in the turnaround, the improvement in these KPIs are signs that we are executing our strategies, and they are beginning to take hold.

To touch on our strategies and the results of the quarter in more detail…

<u>Our first strategic priority is to fuel brand heat through our 'Uplifting Luxury' positioning</u> to become top of mind and relevant with our target consumer – the Gen Z Connector.

- In the quarter, we launched our Fall campaign, **"Spark Something Beautiful,"** featuring influential Gen Z celebrities Ice Spice, Charli D'Amelio, Laufey, and Reign Judge. The campaign had strong organic engagement – as the most watched video on social channels for Kate Spade – and drove higher brand consideration and purchase intent. This campaign will continue into holiday – building with festive additions – as we remain focused on driving 'cut through' by increasing brand media through a 'spike and sustain' strategy.

Next, we advanced our strategy to <u>build handbag blockbusters</u> – with a consumer-informed assortment that is more relevant and focused.

- **During the quarter, we made important progress: <u>our handbag blockbusters outperformed the balance of the offering – with higher AUR and strong Gen Z acquisition</u>. This is another example of how our strategic focus is translating into early 'green shoots' in the business.**
    - In Q1, we launched **Duo** the hero of our Fall campaign**,** which became the top-performing style in retail, winning with consumers on **versatility and value.** We also successfully introduced the **454** family in outlet, an on-trend silhouette reimagined from our archives. At the same time, we continued to animate **Deco** and **Kayla** – pillars of the assortment that are supporting new Gen Z acquisition.

- And, as we continue to bring more innovation to the offering, **we are streamlining - reducing handbag styles by 40% by holiday – allowing us to stand behind our big ideas with clarity and intention.**

- Importantly, we are **embedding deeper consumer insights and a rigorous 'test before we invest' approach into all aspect of our work—ensuring that methodical consumer testing drives greater relevancy and impact across the entire assortment.**

[PAUSE]

<u>Finally, touching on our third strategic pillar: to maximize compelling omni-channel consumer experiences.</u> A critical part of this work involves removing de-selection barriers – with cohesive messaging that builds the brand through desire.

- **And we are moving in the right direction, evidenced by the higher full price selling** we delivered in the quarter - a building block to scale in a healthy way**.** We know that staying disciplined on discounting will impact our topline results – especially in promotional and highly competitive time periods like holiday – and we are committed to this strategy as we position ourselves for sustainable growth over the long-term.

[PAUSE]

Overall, we are strengthening the brand's foundation for long-term, profitable growth. While turnarounds take time, Kate Spade is a unique brand with significant runway. To unlock this potential, we have a focused strategy, targeted investments, and clear KPIs to track our progress. We remain confident in our path forward and the brand's opportunity to deliver a sequential improvement in the back half of the fiscal year and return to profitable growth in FY27.

[PAUSE]

In closing, Tapestry achieved a record quarter and we raised our outlook for the year, exemplifying the strength of our model. Our Amplify growth agenda is working, and our structural advantages are enduring. We operate in a large market where our runway is significant - and <u>we have the strategy, capabilities, and team in place to drive durable growth and value creation for years to come.</u>

Our vision – <u>to give more people the power to bring their own style and story into the world</u> – is fueled by our systemic approach to brand-building. This is what guides us and drives our success.

[PAUSE]

I'll now turn it over to Scott.

Scott Roe:

Thanks, Joanne, and good morning, everyone.

Our first quarter performance reflects the compounding momentum behind our strategic growth initiatives and the discipline of our execution.

In Q1 we outperformed expectations across revenue, operating income, and earnings, delivering record sales and EPS. In the quarter we:

- Achieved pro forma revenue growth of 16% led by 21% growth at Coach,
- Drove adjusted operating margin expansion of 200 basis points,
- And we delivered adjusted earnings per share of $1.38, an increase of 35% versus last year.

[PAUSE]

Turning to the details of the first quarter.

I'll begin with a discussion of revenue trends <u>on a pro forma constant currency basis.</u>

Sales increased 16% compared to the prior year and outperformed our expectations.

- These results reflect strong global momentum. By region:
  - **North America** sales accelerated, increasing 18% compared to the prior year, led by 26% growth at Coach. Importantly, both gross and operating margin in the region also rose versus last year.
  - **In Europe,** revenue grew 32% above last year, with increases across all channels, led by growth in our direct business. Strong new customer acquisition – particularly among Gen Z – and increased local consumer spending, continued to fuel our momentum. Given our market positioning and low penetration, we see significant opportunities for further growth in

this large and attractive market.

- In **Greater China**, revenue outperformed our expectations, increasing 19% with notable strength in Digital. Our strong performance in China underscores that our strategic initiatives and investments are working, and our business remains well-positioned for long-term sustainable growth.
- **In Other Asia,** revenue increased 3% led by growth in Australia, New Zealand, and South Korea.
- **And in Japan**, sales declined 10%, as expected, amid a challenging consumer backdrop.

Now, touching on revenue by channel for the quarter.

- **We delivered gains across all channels, fueled by Direct-to-Consumer growth of 16% compared to the prior year,** which included a mid-teens percentage increase in both Digital and global brick and mortar sales at strong and increasing profitability.

[PAUSE]

Moving down the P&L, we continued to drive healthy margin expansion versus the prior year, delivering a first quarter **gross margin** of 76.5% - 120 basis points above prior year. This expansion was driven by operational improvements of approximately 170 basis points as well as a benefit from the divestiture of Stuart Weitzman of 70 basis points. These tailwinds were partially offset by a negative tariff and duty impact of 70 basis points and a currency headwind of 60 basis points. **Our strong gross margin remains a core element of our value creation model**, supported by our agile **supply chain which delivers craftsmanship at scale** – a core competitive advantage of Tapestry.

Turning to SG&A… expenses rose 11% driven primarily by an increase in marketing investment, which represented 11% of sales. **Even with this investment, we drove 80 basis points of expense leverage, reflecting our disciplined cost control while growing our top line.**

So, taken together, **operating margin** expanded 200 basis points in the quarter, driving profit expansion of **24% over the prior year,** which was ahead of expectations.

And, our first quarter **EPS of $1.38 grew 35% over the prior year** and exceeded our guidance.

[PAUSE]

Now, turning to **shareholder returns**…

- Starting with our **dividend**, our Board of Directors declared a quarterly cash dividend of $0.40 per common share, representing $83 million in dividend payments for the quarter.
- Additionally, during the first quarter we spent $500 million to **repurchase** over 4.7 million shares.

In FY26, we now expect to return $1.3 billion or 100% of expected adjusted free cash flow to shareholders through dividends and share repurchases.

- **This includes approximately $300 million in dividend payments, for an annual rate of $1.60 per share, as well as $1 billion in share repurchases, which is an increase from our original outlook of $800 million.**
- **Our significant return of capital to shareholders is a testament to our strong organic business and robust cash flow generation - and underscores our confidence in the future.**

[PAUSE]

And now before turning to the details of our balance sheet and cash flows, I'd like to reiterate our **capital allocation priorities**, **which are unchanged**.

We have two foundational commitments.

- **First,** to **invest in our brands and business** to support long-term, sustainable growth.
- And to return capital to shareholders via our **dividend,** with the goal over time to increase the dividend at least in line with earnings growth.

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

- This includes the opportunity for **share repurchase activity, which includes our previously announced $3 billion share repurchase authorization**.
- And finally, utilizing our rigorous, four-lens framework, we consistently evaluate opportunities for **strategic portfolio management**. **Importantly, and as previously communicated, before moving forward with any acquisitions, we will ensure Coach remains strong and Kate Spade has returned to sustainable topline growth**.
- These clear capital allocation priorities are underpinned by our **firm commitment to a solid investment grade rating** and maintaining our long-term gross leverage target of below 2.5x.

[PAUSE]

Now, turning to the details of our balance sheet and cash flows…

- We ended the quarter with $743 million in **cash and investments** and **total borrowings** of $2.64 billion including $240 million outstanding borrowings under our newly established Commercial Paper program. Together, this represented **net debt** of $1.9 billion. At quarter-end, our gross debt to adjusted EBITDA leverage ratio was 1.5x - a full turn below our target.
- **Adjusted Free cash flow for quarter** was an inflow of $103 million, and **CapEx and Cloud Computing costs** were $38 million.
- **Inventory** levels at quarter-end were 1% below prior year on a reported basis, and

up high-single-digits excluding the impact of Stuart Weitzman. As we enter the holiday season, our inventory continues to be current and well-positioned globally, and by brand. For FY26, we continue to expect inventory levels to be modestly down year-over-year on a reported basis.

[PAUSE]

<u>Now, moving to our guidance for FY26 which is provided on a non-GAAP basis and excludes the impact of Stuart Weitzman from FY26 expectations…</u>

<u>We are raising our Fiscal 2026 outlook, which incorporates our first quarter outperformance and our momentum quarter-to-date. We view this guidance as prudent and achievable, balancing the realities of an uncertain external environment with the significant opportunities we see for our business.</u>

Now turning to the details.

For the fiscal year:

- We expect **revenue** to be in the area of $7.3 billion, representing pro forma growth of 7% to 8% on a nominal basis or 6% to 7% in constant currency with FX planned to be a 70-basis point tailwind.
  - Touching on sales details by region at constant currency on a pro forma basis…
    - In **North America**, we now expect revenue to increase mid-to-high-single digits
    - In **Europe** we expect growth in the area of 20%
    - In **Greater China**, we now expect to achieve low-double digit growth over the prior year
    - In **Japan**, we're forecasting a high-single digit decline
    - And, in **Other Asia**, we anticipate high-single-digit gains

- **And by brand, this guidance now incorporates low-double-digit growth at Coach. At Kate Spade, we continue to embed a high-single digit decline in**

revenue for the year with sequential improvement planned in the second half.

- In addition, our outlook assumes **operating margin** expansion of approximately 50 basis points.
  - We anticipate **gross margin to decline in the area of 50 basis points – an improvement from our prior outlook.**
    - **This assumes operational gross margin expansion of 140 basis points due primarily to improvements in AUR, slightly offset by an FX headwind of 20 basis points. Further, we expect to realize a 60-basis point structural tailwind to gross margin from the disposition of Stuart Weitzman.**
    - **Offsetting these planned margin-drivers is a 230 basis points headwind from incremental tariff and duties,** which incorporates the timing of policy implementation, product sell-through, and mitigating actions underway. For context, this is a headwind of $170 million in the fiscal year – which assumes we mitigate 30% of the annualized run-rate of $250 million. **I remain confident in our ability to offset these headwinds fully over time given the strength of our business and supply chain.**

  - **On SG&A, we expect at least 100 basis points of leverage**. This reflects our diligent expense control, partially offset by ongoing growth-focused investments in our strategic priorities. To this end, we expect marketing as a percentage of sales to increase around 90 basis points versus last year reaching over 11% of revenue. We will also realize a 20-basis point benefit to expenses from the sale of Stuart Weitzman. **All in, this means operational SG&A leverage is expected to be at least 170 basis points.**

  - **For some texture on operating profit by brand:**
    - We anticipate Coach will maintain its operating margin, even with tariff

pressure and continued brand investments

  - At Kate Spade, we continue to expect a modest profit loss given the outsized tariff impacts and brand investments as mentioned.

- Moving to below-the-line expectations for the year…
  - **Net interest expense** is expected to be approximately $65 million.
  - The **tax rate** is expected to be approximately 18%.
  - And, our **weighted average diluted share count** for the year is forecasted to be approximately 212 million shares **which includes the expectation for $1 billion in share repurchases.**

- Taken together, we now expect **EPS** to be $5.45 to $5.60, representing 7% to 10% growth compared to last year.

Moving on…

- We anticipate **adjusted free cash flow** of $1.3 billion.

- And finally, we expect **CapEx and Cloud Computing Costs** to be in the area of $200 million.
  - We anticipate about 60% of the spend to be related to store openings, renovations, and relocations, with the balance primarily related to our ongoing IT and Digital investments.

[PAUSE]

Touching on the shaping for the year…

To start, given the dynamic nature of the rapidly shifting market, it's important to note we could experience volatility by quarter - notably within profit as the tariff and duty impacts work their way through the P&L…

Now to our current assumptions, we expect **pro forma constant currency** revenue growth throughout the year, led by the first half.

<u>For Q2 specifically:</u>

- We are anticipating a **pro forma total sales growth in the area of 7%**, which includes an FX tailwind of nearly 50 basis points. This incorporates the expectation for **low-double digit revenue growth at Coach – or mid-20% growth on a two-year stack basis consistent with Q1 – and a mid-teens revenue decline at Kate Spade.**

- Turning to margin, we anticipate reported **gross margin in Q2 to decline by approximately 50 basis points,** due entirely to tariff and duty headwinds, while **SG&A is expected to leverage by over 100 basis points** in the quarter.

- Together, we expect **operating margin to increase roughly 80 basis points in the quarter.** In the second half, operating margins are planned in-line with prior year despite tariff and duty pressure.

- And finally, taking a prudent approach to our guidance, we expect **Q2 EPS to grow high-single-digits to approximately $2.15.** This includes **a projected tax rate in the area of 20% for the quarter.**

In closing…

- **We delivered another record-breaking quarter, highlighted by strong top and bottom-line growth.**

- **This outperformance positioned us to raise our outlook for the year - clear evidence of the power of our Amplify growth agenda and our disciplined and consistent execution.**

- **Moving forward, our foundation is strong, and we have competitive and**

structural advantages to fuel durable growth and sustainable value creation in the year ahead and for years to come.

[PAUSE]

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

[Q&A SESSION]

[CLOSING REMARKS]