Tapestry profit beats holiday-quarter estimates as China demand soars

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Tapestry Inc beat quarterly profit estimates on Thursday on higher demand for luxury goods in China and fewer holiday discounts, sending the shares of the Coach handbag maker up nearly 3%.

Affluent customers in China returned to shopping within the country as the coronavirus restrictions eased in the second half of 2020, boosting the New York fashion house’s revenue from the key Asian market by more than 30% in its second quarter.

Gross margin expanded by 300 basis points as Tapestry sells products at a relatively higher prices in mainland China. It also benefited from a reduction in shipments to discount-prone department stores.
The company’s net income rose over 4% to $311 million, or $1.11 per share, in the quarter ended Dec. 26. Excluding items, it earned $1.15 per share, while analysts had expected $1.01 per share, according to IBES data from Refinitiv.

Net sales fell about 7% to $1.69 billion, hurt by store closures and capacity restriction, but beat market expectation of $1.63 billion.

Tapestry said it expects full-year revenue to increase at a high-single digit rate on a 52-week basis and around 10% on 53-week basis. Analysts expected full-year revenue to rise 6.9%.

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