Coach owner Tapestry forecasts higher revenue, profit as luxury demand returns

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Coach and Kate Spade owner Tapestry Inc forecast annual revenue and profit above estimates after posting better-than-expected results on Thursday, expecting vaccine-aided reopening of economies to boost demand for designer apparel and bags.

Resumption of social events and growing vaccination rates are expected to aid sales of handbags, shoes and clothes this year, bolstering the rebound seen in demand for luxury goods.

Other high-end labels including Ralph Lauren Corp, Michael Kors-owner Capri Holdings Ltd, LVMH and Gucci parent Kering have also posted strong results in recent weeks.

Increasing freight costs due to port congestions and global supply chain disruptions, however, have pressurised industries across sectors, including luxury companies.

“Today, we find ourselves in a dynamic where the consumer demand backdrop is strong, while supply chain
remains challenging. So I want to emphasise the underlying strength ... of our business and separate that from the uncertainty in the macro environment,” Chief Financial Officer Scott Roe said in a post-earnings call.

Tapestry forecast full-year revenue of about $6.4 billion, edging past market estimates of $6.08 billion.

It also expects annual profit per share in the range of $3.30 to $3.35, higher than analysts’ average estimate of $3.19 per share.

The luxury brand said it plans to return more than $750 million to shareholders in fiscal year 2022 by reinstating its dividend and share buyback program.

Net sales rose 126% to $1.62 billion in the fourth quarter ending July 3, topping analysts’ average estimate of $1.56 billion, according to IBES data from Refinitiv.

Excluding one-off items, the company reported a profit of 74 cents per share, compared with analysts’ expectations of a profit of 69 cents per share.

The New York fashion house’s shares, which have risen about 33% so far this year, fell 1.4% in morning trade amid a broader market decline.