Coach owner Tapestry sees gradual recovery in lockdown-hit China

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Tapestry Inc said it was confident that demand for its luxury bags and apparel in China would recover after the key growth market lifts COVID-19 curbs, easing worries over a forecast cut and sending the Coach owner's shares 11% higher.

The company and rivals such as Gucci owner Kering SA and Ray-ban maker EssilorLuxottica have taken a hit from Beijing's zero-COVID policy that has kept consumers at home, clogged highways and shut factories.

Greater China revenue for Tapestry is expected to decline 35% in the fourth quarter, assuming lockdowns in Shanghai end at the start of June. That pushed the company to lower its full-year profit projection to $3.45 per
Shanghai end at the start of June. That pushed the company to lower its full-year profit projection to $3.45 per share, from a prior estimate of $3.60 to $3.65 a share.

However, Chief Executive Officer Joanne Crevoiserat said the company expected a gradual recovery in the market and was well-positioned to drive growth. “The Chinese consumer is incredibly resilient, we've seen that throughout the pandemic,” she said.

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In the third quarter ended April 2, Tapestry was able to overcome the China hit thanks to strong demand for luxury goods in North America.

Net sales jumped 13% to $1.44 billion, beating analysts' expectations of $1.42 billion, as consumers returning to parties and other social events after two years of the pandemic splurged on high-end fashion despite runaway inflation.

Grappling with rising raw material prices, Tapestry has tried to protect its margins by raising prices and said there was room for further increases.

"While core customers at all Tapestry brands are affected by inflation their income and financial profile means they can cope with its impacts much better than the average consumer," said Neil Saunders, managing director of GlobalData.

Adjusted profit came in at 51 cents per share, beating estimates of 41 cents, according to Refinitiv IBES data.