Tapestry reports near 20% fall in quarterly sales, to reopen stores on route to slow recovery

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Coach handbag maker Tapestry Inc said on Thursday it would begin reopening stores in North America and Europe as the firm slowly starts to “turn the lights back on” after the coronavirus pandemic hammered its business.
Sales of luxury goods companies have been among the worst hit in the retail space as fashion capitals in Italy, France and the United States virtually halted business activity and restricted people’s movement to help curb the virus spread.

Tapestry said about 90% of its stores were either closed or operating on shortened hours during its third quarter, leading the fashion house to report its first adjusted loss in nearly 20 years as a public company.

But, with multiple U.S. states starting to ease lockdown restrictions on businesses, Tapestry said it will reopen about 40 stores in North America for contactless curbside pickup services beginning May 1.

The company, which also makes Kate Spade handbags, is also restarting business in Europe and has already reopened most of its stores in China, where the outbreak began.

While business in China is starting to gradually improve, Chief Executive Officer Jide Zeitlin said he expects a slow rebound in the West as stores reopen into what is likely a deep recession.

“Handbags are a very discretionary category and we estimate that 67% of Coach’s sales are driven by some form of external event whether that be work, going out, or specific events and occasions,” said Neil Saunders, Managing Director of GlobalData Retail.

“With these things firmly off the agenda, the need to buy handbags has dissipated.”

Tapestry’s net sales fell 19.4% to $1.07 billion in the third quarter ended March 28, its biggest drop in at least 15 years, according to data from Refinitiv.

The company’s shares, which have fallen about 37% this year, fell a further 10% in morning trading.

The company reported a quarterly net loss of $677.1 million, compared to a profit of $117.4 million a year earlier, as costs surged.

The company said it wrote down the value of its brand assets by $267 million and struck off $211 million of goodwill from its Stuart Weitzman unit, as store closures hit cash flows.

Excluding items, the company lost 27 cents per share, bigger than the 12 cents per share loss analysts were expecting, according to IBES data from Refinitiv.