Coach owner Tapestry bets on summer shopping comeback as sales rebound

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Tapestry Inc returned to quarterly sales growth and forecast full-year numbers above analysts’ estimates as the Coach handbag maker benefits from a strong rebound in demand for luxury goods in North America and China.
Encouraged by rapid vaccine rollouts in its key markets, the fashion group is launching a new line of Coach handbags and rearranging store shelves with more Stuart Weitzman sandals, pumps and wedding accessories in expectation of people returning to relatively normal lives, company executives said on a call with analysts.

The luxury industry took a major hit from pandemic lockdowns last year but is making a comeback as easing curbs and vaccinations make people more confident about venturing out and spending on high-end brands.

Tapestry’s estimate-beating third-quarter results mirrored European luxury names Louis Vuitton owner LVMH and Kering’s Gucci, which also reported better-than-expected sales last month.

“We’ve seen vaccination efforts progressing, resulting in increasing consumer confidence... and improving in-store traffic trends,” Tapestry Chief Executive Officer Joanne Crevoiserat said.
Tapestry, which also owns Kate Spade, said sales in North America returned to pre-pandemic levels, while revenue from Mainland China soared about 175% compared to a year ago and was 40% above 2019.

The New York-based company forecast full-year sales to rise by a mid-teens percent, above analysts’ estimate of a 10% rise, according to IBES data from Refinitiv. It also forecast full-year earnings above 2019 levels.

However, Tapestry said it is experiencing shipping delays that are causing delays in products moving from design boards to shelves. The blockage in the Suez Canal earlier this year will have a modest impact on current quarter results, Tapestry said.

The company’s shares, which have risen nearly 56% this year, fell 2%.

Tapestry’s third-quarter net sales rose 19% to $1.27 billion beating analysts’ expectations of $1.22 billion, while its adjusted profit of 51 cents per share, was above estimates of 31 cents.