Tapestry Inc raised its full-year revenue and profit forecast on Thursday as consumers splurge on luxury handbags and apparel in the United States and Europe, boosting the Kate Spade owner’s shares 3% in premarket trade.
Rivals Capri, Ralph Lauren and Europe’s LVMH also benefited from a rebound in demand for high-end fashion as cooped-up customers returned to social events and offices. Tapestry, which also owns Coach and Stuart Weitzman, raised its share buyback target for the year to $1.25 billion from $1 billion.

Luxury goods companies have been struggling with rising costs though, after the pandemic drove up labor shortages, freight charges and inflation, forcing Tapestry and its peers to raise prices in response.

"The pandemic taught companies they could sell less, charge more and make more money. Who chooses to retain those learnings will be key," BMO Capital Markets analyst Simeon Siegel said.

"(Tapestry) continues to show a meticulous approach on driving up price and elevating their brand. This is helping to mitigate the freight and other supply chain pressures being felt by all."

The luxury goods maker's gross margin was 68.1% for the second quarter, dragged by higher freight costs incurred to maintain product flow and meet consumer demand.

The company forecast fiscal 2022 revenue of about $6.75 billion, compared with a prior estimate of nearly $6.6 billion. It expects annual profit of $3.60 to $3.65 per share, up from $3.45 to $3.50 earlier.

Total revenue rose 27% to $2.14 billion in the second quarter ended Jan. 1, surpassing analysts’ average estimate of $2 billion, according to IBES data from Refinitiv.

On an adjusted basis, it earned $1.33 per share, above estimates of $1.18.