

# Coach, Inc (COH)

Coach, Inc

New York, NY, 10001

Telephone (212) 594-1850

Fax (212) 594-1682

Website <http://www.coach.com/>



# Coach, Inc. (COH)

- Coach, Inc. (Coach) is a marketer of fine accessories and gifts for women and men. Product offerings :
  - Women's and men's bag, accessories,
  - Business cases, footwear, wearables,
  - Jewelry, sunwear, travel bags, watches and fragrance.
- The Company operates in two segments:
  - Direct-to-Consumer 89%
    - North America – 63%
    - Japan – 18%
    - China – 6%
  - Indirect 11%
    - Coach Wholesale – 6%
    - International – 4%



# Coach, Inc. (COH)

- Growth Strategies:
  - Increase global distribution – primarily in North America and China
  - Improve store sales productivity
- Five Key Initiatives
  - Building stores – target of 500
  - Raise brand awareness – in emerging markets
  - Refocus on Men's opportunities
  - Expand market share in Japan
  - Raise brand awareness through digital strategy





# Coach, Inc. (COH)

- All products are manufactured by independent manufactures. However, Coach maintains control of the supply chain process from design through manufacture.
- 850,000 sq ft distribution center in Florida. Automated facility – bar code scanning warehouse management system.
- Facilities in China and Japan are owned and operated by a third party.



# Coach, Inc. (COH)

- Stock Repurchase
  - \$1.0 billion in 2011
  - Committed to \$1.5 billion through 2013
- Debt
  - Assumed \$22 million in mortgage for the headquarters building in 2009
  - Final payment due in 2013



# Coach, Inc. (COH)

	Fiscal Year Ended		
	June 30, 2012	July 2, 2011	July 3, 2010
Men's & Women's Handbags	65%	66%	65%
Accessories	28	27	26
All other products	7	7	9
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

- Average Store Size
  - Retail – 2,700 sq ft
  - Factory Outlet – 4,500 sq ft



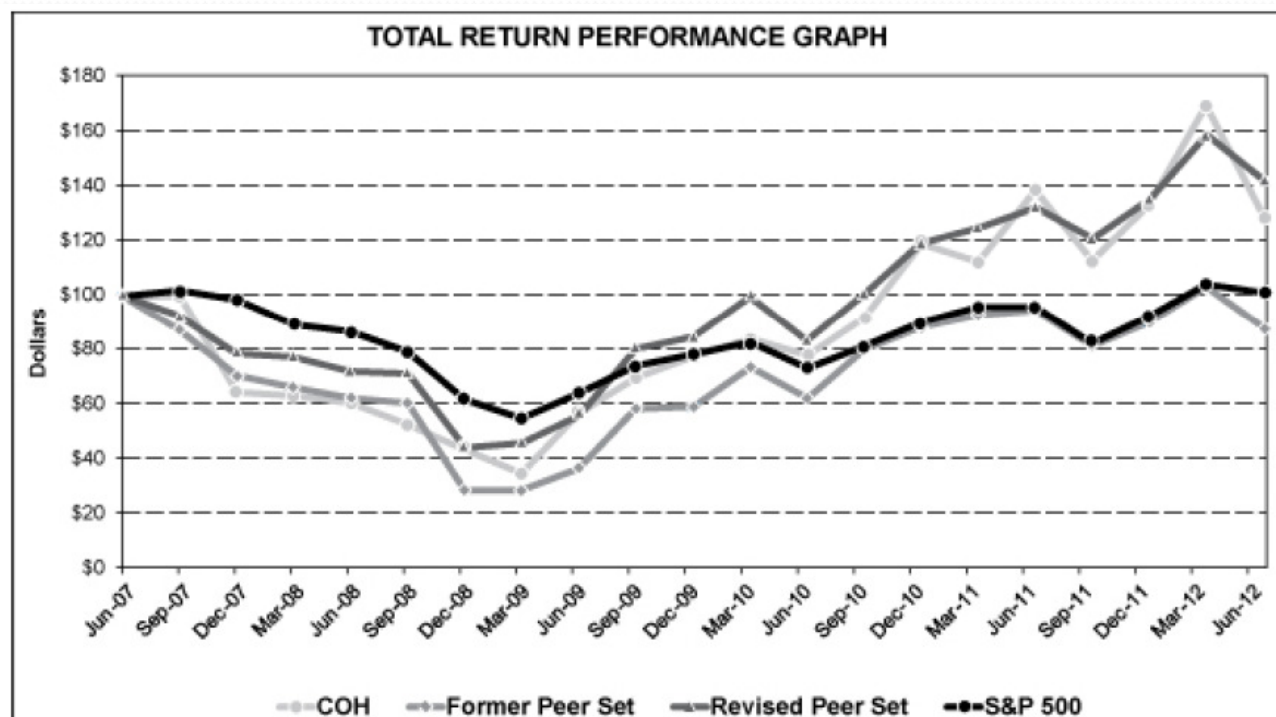
# Coach, Inc. (COH)

During fiscal 2012, the Company established a “revised peer set” consisting of:

- The Gap, Inc.,
- Guess?, Inc.,
- Limited Brands, Inc.,
- PVH Corporation,
- Ralph Lauren Corporation,
- Tiffany & Co.,
- V.F. Corporation, and
- Williams-Sonoma, Inc.

Coach management selected the “revised peer set” on an industry/line-of-business basis and believes these companies represent good faith comparables based on their history, size, and business models in relation to Coach, Inc.

# Coach, Inc. (COH)



	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
COH	\$ 100.00	\$ 60.94	\$ 56.88	\$ 78.16	\$ 138.48	\$ 128.60
Former Peer Set	\$ 100.00	\$ 62.51	\$ 36.82	\$ 62.47	\$ 94.44	\$ 88.03
Revised Peer Set	\$ 100.00	\$ 72.17	\$ 56.14	\$ 83.70	\$ 132.21	\$ 142.00
S&P 500	\$ 100.00	\$ 86.88	\$ 64.11	\$ 73.36	\$ 95.87	\$ 101.09



# Coach, Inc. (COH)

	<b>Fiscal Year Ended</b>		
	<b>June 30, 2012</b>	<b>July 2, 2011</b>	<b>July 3, 2010</b>
Coach Japan locations	180	169	161
Net increase vs. prior year	11	8	6
Percentage increase vs. prior year	6.5%	5.0%	3.9%
Coach Japan square footage	320,781	303,925	293,441
Net increase vs. prior year	16,856	10,484	13,013
Percentage increase vs. prior year	5.5%	3.6%	4.6%
Average square footage	1,782	1,798	1,823

# Coach, Inc. (COH)

	<b>Fiscal Year Ended</b>		
	<b>June 30, 2012</b>	<b>July 2, 2011</b>	<b>July 3, 2010</b>
Retail stores	354	345	342
Net increase vs. prior year	9	3	12
Percentage increase vs. prior year	2.6%	0.9%	3.6%
Retail square footage	959,099	936,277	929,580
Net increase vs. prior year	22,822	6,697	36,543
Percentage increase vs. prior year	2.4%	0.7%	4.1%
Average square footage	2,709	2,714	2,718

# Coach, Inc. (COH)

	Fiscal Year Ended		
	<u>June 30, 2012</u>	<u>July 2, 2011</u>	<u>July 3, 2010</u>
Factory stores	169	143	121
Net increase vs. prior year	26	22	10
Percentage increase vs. prior year	18.2%	18.2%	9.0%
Factory square footage	789,699	649,094	548,797
Net increase vs. prior year	140,605	100,297	71,073
Percentage increase vs. prior year	21.7%	18.3%	14.9%
Average square footage	4,673	4,539	4,536



# Coach, Inc. (COH)

	<b>Fiscal Year Ended</b>		
	<b><u>June 30, 2012</u></b>	<b><u>July 2, 2011</u></b>	<b><u>July 3, 2010</u></b>
Coach China locations	96	66	41
Net increase vs. prior year	30	25	13
Percentage increase vs. prior year	45.5%	61.0%	46.4%
Coach China square footage	201,736	127,550	78,887
Net increase vs. prior year	74,186	48,663	26,216
Percentage increase vs. prior year	58.2%	61.7%	49.8%
Average square footage	2,101	1,933	1,924

# Coach, Inc. (COH)

	<b>Fiscal Year Ended</b>		
	<b>June 30, 2012</b>	<b>July 2, 2011</b>	<b>July 3, 2010</b>
Coach Singapore and Taiwan locations	34	27	22
Net increase vs. prior year	7	5	2
Percentage increase vs. prior year	25.9%	22.7%	10.0%
Coach Singapore and Taiwan square footage	55,840	43,158	36,078
Net increase vs. prior year	12,682	7,080	5,542
Percentage increase vs. prior year	29.4%	19.6%	18.1%
Average square footage	1,642	1,598	1,640

# Coach, Inc. (COH)

	Fiscal Year Ended <sup>(1)</sup>				
	June 30, 2012 (2)	July 2, 2011 <sup>(2)</sup>	July 3, 2010	June 27, 2009 (2)	June 28, 2008 (2)
<b>Coach Operated Store Data: <sup>(5)</sup></b>					
North American retail stores	354	345	342	330	297
North American factory stores	169	143	121	111	102
Coach Japan locations	180	169	161	155	149
Coach China locations	96	66	41	28	24
Coach Singapore and Taiwan locations	34	27	22	20	17
<b>Total stores open at fiscal year-end</b>	<b>833</b>	<b>750</b>	<b>687</b>	<b>644</b>	<b>589</b>
North American retail stores	959,099	936,277	929,580	893,037	795,226
North American factory stores	789,699	649,094	548,797	477,724	413,389
Coach Japan locations	320,781	303,925	293,441	280,428	259,993
Coach China locations	201,736	127,550	78,887	52,671	44,504
Coach Singapore and Taiwan locations	55,840	43,158	36,078	30,536	24,360
<b>Total store square footage at fiscal year-end</b>	<b>2,327,155</b>	<b>2,060,004</b>	<b>1,886,783</b>	<b>1,734,396</b>	<b>1,537,472</b>
<b>Average store square footage at fiscal year-end:</b>					
North American retail stores	2,709	2,714	2,718	2,706	2,678
North American factory stores	4,673	4,539	4,536	4,304	4,053
Coach Japan locations	1,782	1,798	1,823	1,809	1,745
Coach China locations	2,101	1,933	1,924	1,881	1,854
Coach Singapore and Taiwan locations	1,642	1,598	1,640	1,527	1,433





# Coach, Inc. (COH)

## FISCAL 2012

The key metrics of fiscal 2012 were:

- Earnings per diluted share rose 20.9% to \$3.53.
- Net sales increased 14.5% to \$4.76 billion.
- Direct-to-consumer sales rose 16.1% to \$4.23 billion.
- Comparable sales in Coach's North American stores increased 6.6%.
- In North America, Coach opened 9 net new retail stores and 26 new factory stores, including 16 Men's, bringing the total number of retail and factory stores to 354 and 169, respectively, at the end of fiscal 2012. We also expanded 10 factory stores in North America.
- Coach China results continued to be strong with double-digit growth in comparable stores. Coach China opened 30 net new locations, bringing the total number of locations at the end of fiscal 2012 to 96.
- Coach Japan opened 11 net new locations, bringing the total number of locations at the end of fiscal 2012 to 180. In addition, we expanded three locations.
- The company acquired its domestic retail Coach businesses in Taiwan and Singapore. As the result of these acquisitions and subsequent openings, the company operated 7 retail locations in Singapore and 27 in Taiwan as of the end of fiscal 2012. The Company has assumed direct control of its domestic business in Malaysia in July 2012 and its domestic retail business in Korea in August 2012.
- Coach's Board increased the Company's cash dividend by 33%, to an expected annual rate of \$1.20 per share starting with the dividend paid on July 2, 2012.

# Coach, Inc. (COH)

## Last 4 Quarters

# Positive Surprises (> 2%)	1
# Negative Surprises (< -2%)	1
# In-Line (within 2%)	2
Avg Surprise	0.2%

## Earnings Surprise

Investors frequently compare a company's actual earnings to the mean expectation of professional analysts. The difference between the two is referred to as a "positive" or "negative"

surprise. Academic research has shown that when a company reports a surprise, it is often followed by more of the same surprise type.

### Surprise Summary - Last 12 Quarters

Surprise Type	#	%
Positive Quarters (> 2%)	9	75.0%
Negative Quarters (< -2%)	1	8.3%
In-Line Quarters (within 2%)	2	16.7%

### Surprise Detail - Last 6 Periods

Surprise Type	Announce Date	Period End Date	Actual EPS (USD)	Mean EPS (USD)	Surprise (%)
NEGATIVE	01/23/13	12/12	1.230	1.284	-4.2%
IN-LINE	10/23/12	09/12	0.770	0.757	1.7%
IN-LINE	07/31/12	06/12	0.860	0.849	1.3%
POSITIVE	04/24/12	03/12	0.770	0.754	2.1%
POSITIVE	01/24/12	12/11	1.180	1.152	2.4%
POSITIVE	10/25/11	09/11	0.730	0.701	4.1%



# Coach, Inc. (COH)

- What I Like
  - Strong historical and projected sales and EPS growth
  - 93.3 quality rating / 20.7 PAR
  - High end, niche products /
  - Growth in Asia and in Men's products
- What I Don't like
  - Economy – slowing growth in China
  - Impact of foreign currency