

Coach Inc

S&P Recommendation **STRONG BUY** ★★★★★

Price
\$48.08 (as of Feb 14, 2014)

12-Mo. Target Price
\$61.00

Investment Style
Large-Cap Growth

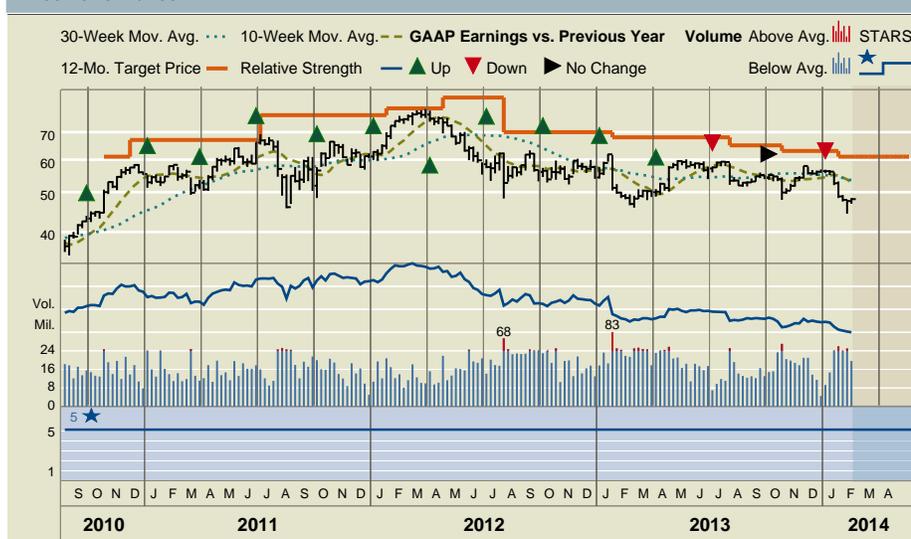
GICS Sector Consumer Discretionary
Sub-Industry Apparel, Accessories & Luxury Goods

Summary COH designs, makes and markets fine accessories for women and men, including handbags, weekend and travel accessories, outerwear, footwear, and business cases.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$60.12– 44.31	S&P Oper. EPS 2014E	3.10	Market Capitalization(B)	\$13.555	Beta	1.45
Trailing 12-Month EPS	\$3.43	S&P Oper. EPS 2015E	3.80	Yield (%)	2.81	S&P 3-Yr. Proj. EPS CAGR(%)	10
Trailing 12-Month P/E	14.0	P/E on S&P Oper. EPS 2014E	15.5	Dividend Rate/Share	\$1.35		
\$10K Invested 5 Yrs Ago	\$37,119	Common Shares Outstg. (M)	281.9	Institutional Ownership (%)	85		

Price Performance



Qualitative Risk Assessment

LOW MEDIUM HIGH

Our risk assessment reflects our view of COH's strong brand equity and rising cash flow, offset by a highly competitive market amid retail consolidation.

Quantitative Evaluations

S&P Quality Ranking **B+**

D C B- B **B+** A- A A+

Relative Strength Rank **WEAK**

13

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2014	1,151	1,420	--	--	--
2013	1,161	1,504	1,188	1,223	5,075
2012	1,050	1,449	1,109	1,155	4,763
2011	911.7	1,264	950.7	1,032	4,159
2010	761.4	1,065	830.7	950.5	3,608
2009	752.5	960.3	739.9	777.7	3,230

Earnings Per Share (\$)	2014	2013	2012	2011	2010	2009
	0.77	1.06	E0.56	E0.71	E3.10	
	0.77	1.23	0.84	0.78	3.61	
	0.73	1.18	0.77	0.86	3.53	
	0.63	1.00	0.62	0.68	2.92	
	0.44	0.75	0.50	0.64	2.33	
	0.44	0.67	0.36	0.46	1.91	

Fiscal year ended Jun. 30. Next earnings report expected: NA. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.338	05/16	06/05	06/07	07/01/13
0.338	08/21	09/05	09/09	09/30/13
0.338	11/15	12/04	12/06	01/03/14
0.338	02/14	03/05	03/07	03/31/14

Dividends have been paid since 2009. Source: Company reports.

Analysis prepared by Equity Analyst **Jason N. Asaeda** on Jan 27, 2014, when the stock traded at **\$48.47**.

Highlights

- We project net sales of \$4.9 billion in FY 14 (Jun.). We expect intense competition in the North American women's handbag market to weigh on COH's performance. Globally, COH plans to increase its retail square footage by about 9%, supported by a \$280 million capital budget. As part of its efforts to reposition Coach from an accessories brand into a lifestyle brand anchored in accessories, the company launched a new women's footwear assortment in spring 2013 and is broadening its ready-to-wear offering in FY 14. COH is also increasing its focus on leather handbags across all price points to meet strong consumer demand.
- Before restructuring charges, COH reported FY 13 gross and EBIT margins of 73.0% and 31.1%, respectively. We see gross margins narrowing to 70.3% in FY 14, reflecting a weaker Japanese yen, rising product costs, increased promotional activity (mainly on clearance inventory) in the North American factory channel, and amortization of Coach Europe inventory. With SG&A expenses forecasted to grow about 2%, we see EBIT margins narrowing to 26.0% in FY 14.
- Factoring \$700 million in planned share repurchases, we see EPS of \$3.10 in FY 14.

Investment Rationale/Risk

- North American same-store sales fell 13.6% in the December quarter on weakness in the women's business and the adverse impact of inclement weather on outlet mall traffic. That said, with consumers responding to fashion innovation in new product offerings and sales penetration of \$400+ handbags increasing to 22% in the December quarter from 20% a year ago, our company outlook remains positive. We expect the North American women's business to regain traction this fall when COH launches its first full price collection designed by Stuart Vevers, who joined the company as executive creative director in September 2013. COH's turnaround potential, coupled with what we consider to be its attractive international growth opportunities and its compelling valuation, support our strong buy recommendation.
- Risks to our recommendation and target price include sales shortfalls due to a sharp decline in global consumer spending, increased competition in core markets, and fashion risk.
- We arrive at our 12-month target price of \$61 by applying a multiple of 16X, below COH's 10-year average of 19X, reflecting turnaround execution risk, to our FY 15 EPS estimate of \$3.80.

Coach Inc

Business Summary January 27, 2014

CORPORATE OVERVIEW. Coach is a leading U.S. designer and marketer of high-quality accessories. Founded in 1941, COH has over the past several years transformed the Coach brand, building on its popular core categories by introducing new products in a broader array of materials, styles and categories. The company has also implemented a flexible sourcing and manufacturing model, which it believes enables it to bring a broader range of products to market more rapidly and efficiently.

PRIMARY BUSINESS DYNAMICS. Women's handbags accounted for 58% of FY 13 (Jun.) sales, women's accessories 23%, men's products 11%, and the remaining 8% consisted of all other, including watches, footwear, jewelry, wearables, sunwear, travel bags and fragrances. COH estimated that the combined North American premium women's and men's bags and accessories markets grew 15% in FY 13, to \$11 billion, versus a 6% increase in its direct sales. The company estimated its combined market share at about 30%. We think the Coach brand drove the men's category but lost market share in women's.

COH sells its products through direct-to-consumer and indirect channels. As of December 28, 2013, the company directly-operated 556 retail locations (351 full price and 205 factory stores) in North America, 196 in Japan, 142 in China (mainland, Hong Kong and Macau), 49 in Korea, 28 in Taiwan, 24 in Europe, 12 in Malaysia, and nine in Singapore. Indirect channels included mainly department stores in the U.S. and Canada as well as both wholesale locations and distributor-run businesses in other countries. In July 2013, COH acquired 100% of its European joint venture with Hackett Limited.

The company has two reportable segments, North America and International, with the former accounting for 69% of total sales in FY 13. North America segment net sales rose 4.9% to \$3.48 billion in FY 13. Growth came from new and expanded stores and a 0.3% increase in comparable store sales that was driven by online traffic. International segment net sales grew 9.9% to \$1.54 billion in FY 13, driven by new store sales and COH's acquisition of its retail operations in Malaysia and Korea. Depreciation of the Japanese yen reduced international net sales by \$82.2 million. Sales in China increased 40% to \$430 million in FY 13, supported by double-digit growth in comparable store sales. The company sees sales in China reaching \$530 million in FY 14.

CORPORATE STRATEGY. COH is pursuing four key strategies to strengthen its market positioning and improve productivity: (1) transform Coach from an international accessories business to a global lifestyle brand; (2) grow the men's business in North America and Asia; (3) increase brand penetration and build market share in emerging markets, notably China; and (4) raise brand awareness and maximize online sales through its global e-commerce sites, marketing sites and social media.

As part of its brand repositioning, the company is developing lifestyle categories such as footwear, watches and outerwear. Following a successful re-launch of women's footwear (featuring more trend-right fashion styles) in 170 domestic full price stores this spring, COH introduced an expanded fashion footwear assortment to wholesale locations and over 100 of its international retail stores this fall. The company is also testing a new collection of fashion watches with an average price of \$225. Within the factory channel, the company launched an assortment of made-for-factory footwear in 20 stores, which it plans to roll out to an additional 70 stores next spring, and outerwear in 140 locations this fall.

COH is expanding its addressable market through a renewed focus on its men's business. The company estimated that the North American men's premium bags and accessories market grew 25% in FY 13, to \$1 billion. In Asia, where COH believes men tend to be more fashion conscious, the company sees a \$12 billion market. Of that, China represents about a \$3.2 billion opportunity. Globally, Coach men's sales rose nearly 50% in FY 13, to \$600 million, supported by investments COH made in new dual-gender and stand-alone men's stores, as well as expanded men's assortments in North American retail locations. The company believes its men's business can reach \$1 billion in sales by FY 16.

COH plans to increase its total retail square footage by 9% in FY 14. In North America, the company is targeting 7% square footage growth with the opening of 20 new stores (mainly factory), the closure of 15 to 20 full-price stores, and the expansion of 20 stores (both full price and factory). In China, COH plans to grow its square footage by 25% with the net addition of 30 stores. In Japan, the company expects modest square footage growth with the opening of 5 to 10 stores (mostly dedicated men's). In its other direct Asia markets of Korea, Taiwan, Malaysia and Singapore, COH plans to open a few stores, but its focus will be on improving existing store productivity. In Europe, the company expects to open 10 retail locations focused on key capitals and about 30 wholesale locations.

FINANCIAL TRENDS. From FY 07 through FY 12, COH posted a revenue compound annual growth rate (CAGR) of 13%, an EBIT CAGR of 9%, and an income from continuing operations CAGR of 10%. In FY 13, revenue and EBIT growth slowed to 6.6% and 4.3%, respectively, and income from continuing operations declined 0.4%, reflecting weakness in the company's core North American women's handbag and accessories businesses. In our view, COH failed to meet consumer demand for more fashion-forward products being offered by competitors such as Michael Kors.

Corporate Information

Investor Contact

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Officers

Chrmn

L. Frankfort

EVP, Secy & General Counsel

T. Kahn

CEO

V. Luis

EVP & CIO

C. Putur

EVP, CFO & Chief

Acctg Officer

J. Nielsen

Board Members

L. Frankfort

S. J. Kropf

G. W. Loveman

V. Luis

I. M. Menezes

M. E. Murphy

I. Ruth Miller

S. Tilenius

J. J. Zeitlin

Domicile

Maryland

Founded

1941

Employees

17,200

Stockholders

4,930

Coach Inc



Quantitative Evaluations

S&P Fair Value Rank	2+	1	2	3	4	5
		LOWEST		HIGHEST		

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **\$44.80** Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that COH is slightly overvalued by \$3.28 or 6.8%.

Investability Quotient Percentile **95**
 LOWEST = 1 HIGHEST = 100
 COH scored higher than 95% of all companies for which an S&P Report is available.

Volatility **LOW** **AVERAGE** **HIGH**

Technical Evaluation **BEARISH** Since January, 2014, the technical indicators for COH have been BEARISH.

Insider Activity **UNFAVORABLE** **NEUTRAL** **FAVORABLE**

Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	3.17	3.43	4.43	4.84
Price/EBITDA	9.23	9.93	12.87	13.70
Price/Pretax Income	10.57	10.84	14.15	15.17
P/E Ratio	15.54	15.72	20.90	23.77
Avg. Diluted Shares Outstg (M)	286.3	294.1	301.6	315.8

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	6.55	12.30	10.97	15.42
Net Income	-0.43	12.64	9.28	14.50

Ratio Analysis (Annual Avg.)	2013	2012	2011	2010
Net Margin (%)	20.38	21.12	20.61	22.02
% LT Debt to Capitalization	0.02	0.50	0.91	0.60
Return on Equity (%)	47.00	53.71	49.17	46.61

Company Financials Fiscal Year Ended Jun. 30

Per Share Data (\$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible Book Value	7.29	5.64	4.41	4.01	4.41	3.73	4.52	2.57	2.07	2.00
Cash Flow	4.18	3.98	3.34	2.73	2.29	2.45	1.90	1.44	1.14	0.79
Earnings	3.61	3.53	2.92	2.33	1.91	2.17	1.69	1.27	1.00	0.68
S&P Core Earnings	3.61	3.53	2.92	2.33	1.91	2.17	1.69	1.26	0.91	0.61
Dividends	1.24	0.98	0.68	0.38	0.08	Nil	Nil	Nil	Nil	Nil
Payout Ratio	34%	28%	23%	16%	4%	Nil	Nil	Nil	Nil	Nil
Prices:High	61.94	79.70	69.20	58.55	37.36	37.64	54.00	44.99	36.84	28.85
Prices:Low	45.87	48.24	45.70	32.96	11.41	13.19	29.22	25.18	24.51	16.88
P/E Ratio:High	17	23	24	25	20	17	32	35	37	42
P/E Ratio:Low	13	14	16	14	6	6	17	20	25	25

Income Statement Analysis (Million \$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	5,075	4,763	4,159	3,608	3,230	3,181	2,612	2,112	1,710	1,321
Operating Income	1,741	1,645	1,430	1,276	1,095	1,280	1,074	830	679	487
Depreciation	163	133	125	127	123	101	80.9	65.1	57.0	42.9
Interest Expense	NA	NA	NA	NA	NA	NA	Nil	Nil	1.22	0.81
Pretax Income	1,521	1,506	1,301	1,152	977	1,195	1,035	797	638	448
Effective Tax Rate	32.0%	31.0%	32.3%	36.2%	36.2%	34.5%	38.5%	38.0%	36.9%	37.5%
Net Income	1,034	1,039	881	735	623	783	637	494	389	262
S&P Core Earnings	1,034	1,039	881	735	625	783	637	492	356	236

Balance Sheet & Other Financial Data (Million \$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cash	1,135	917	702	696	800	699	557	143	155	263
Current Assets	2,071	1,805	1,452	1,303	1,396	1,386	1,740	974	709	706
Total Assets	3,532	3,104	2,635	2,467	2,564	2,274	2,450	1,627	1,347	1,029
Current Liabilities	723	718	593	529	460	451	408	342	266	182
Long Term Debt	0.49	0.99	23.4	24.2	25.1	2.58	2.87	3.10	3.27	3.42
Common Equity	2,409	1,993	1,613	1,505	1,696	1,516	1,910	1,189	1,033	782
Total Capital	2,410	2,016	1,637	1,530	1,721	1,545	1,950	1,223	1,041	842
Capital Expenditures	241	184	148	81.1	240	175	141	134	94.6	67.7
Cash Flow	1,197	1,172	1,006	862	746	884	717	559	446	305
Current Ratio	2.9	2.5	2.5	2.5	3.0	3.1	4.3	2.9	2.7	3.9
% Long Term Debt of Capitalization	0.0	0.1	1.4	1.6	1.5	0.2	0.1	0.3	0.3	0.4
% Net Income of Revenue	20.4	21.8	21.2	20.4	19.3	24.6	24.4	23.4	22.7	19.8
% Return on Assets	31.2	36.2	34.5	29.2	25.8	33.2	31.2	33.0	32.5	31.8
% Return on Equity	47.0	57.6	56.5	45.9	38.8	45.7	41.1	44.0	42.8	43.3

Coach Inc



Sub-Industry Outlook

Our fundamental outlook for the apparel, accessories & luxury goods sub-industry is neutral. We expect sales of both accessories and luxury goods to outpace that of apparel over the near term. While apparel is a relatively low cost category, we expect shoppers on limited budgets to invest more in accessories, which offer more "bang for the buck."

As for personal luxury goods, our outlook is positive despite global macroeconomic headwinds. According to international management consulting firm Bain & Co. and Italian luxury goods association Fondazione Altgamma, worldwide sales of personal luxury goods grew an estimated 10% in 2012, to 212 billion euros, led by an estimated 16% increase in the leather goods category. By region, sales rose an estimated 18% in Asia-Pacific, 13% in the Americas, 8% in Japan, and 5% in Europe. As of October 2012, Bain and Altgamma were projecting worldwide luxury goods sales to grow 2% (6% at constant exchange rates) in 2013, including a 4% gain in the Americas, and an average of 3% to 5% annually from 2013 through 2016. We look for growth to be supported by underlying demand for luxury goods in the U.S., Europe and Japan, and growing luxury demographics in Asia-Pacific, particularly China, and emerging markets.

Apparel, accessory, and luxury brands are increasing their investments in company-owned retail, outlet and online stores, which provide higher-margin growth opportunities than the wholesale channel and enable them to showcase their entire merchandise assortment, enhance consumer brand awareness, and test new products. Some companies are also pursuing growth through development of new product lines specifically for discounters and mass merchandisers, as well as international expansion.

Finally, we expect supply chain improvements to support gross margin expansion for apparel, accessories and luxury goods brands in 2014. We also look for companies to maintain discipline in inventory and expense management in support of earnings growth. We believe companies with strong brands, differentiated products and attractive price-value propositions are likely to outperform their peers.

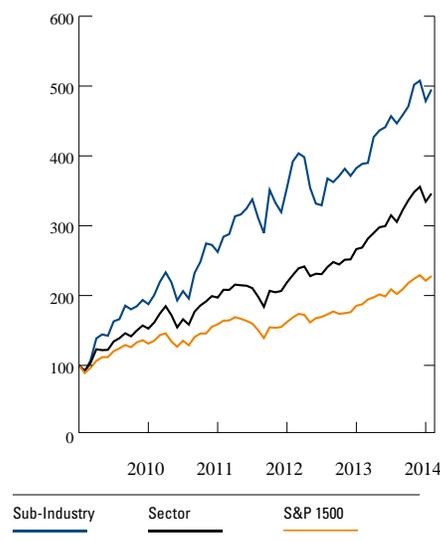
Year to date through January 17, the S&P Apparel, Accessories & Luxury Goods Index was down 6.0%, versus a 0.5% decline for the S&P 1500 Composite Index. In 2013, the sub-industry index rose 36.7%, versus a 30.1% increase for the S&P 1500.

--Jason Asaeda

Stock Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Apparel, Accessories & Luxury Goods

Based on S&P 1500 Indexes
 Month-end Price Performance as of 1/31/14



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Apparel, Accessories & Luxury Goods Peer Group*: Designer Mens/Womens Apparel

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Coach Inc	COH	13,555	48.08	60.12/44.31	1.45	2.8	14	44.80	B+	95	20.4	Nil
Fifth & Pacific Cos	FNP	3,795	30.92	34.41/16.57	2.64	Nil	NM	NA	C	78	NM	139.5
Jones Group	JNY	1,189	14.92	17.78/11.02	NM	1.3	NM	12.60	B-	77	NM	48.1
PVH Corp	PVH	9,646	118.25	138.94/102.72	1.94	0.1	39	118.00	B+	96	7.2	39.8
Ralph Lauren Corp 'A'	RL	9,576	158.39	192.03/146.00	1.52	1.1	20	153.40	A	99	10.8	NA
VF Corp	VFC	25,031	56.85	63.45/38.90	0.98	1.8	22	54.70	A	100	10.0	20.2

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

S&P Analyst Research Notes and other Company News

January 22, 2014

UP 0.00 to 52.55... COH posts \$1.06 vs. \$1.23 Q2 EPS 6% lower sales. Capital IQ consensus forecast is \$1.11.

January 22, 2014

11:55 am ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON SHARES OF COACH, INC. (COH 49.5001****): On revised sales expectations, we cut our FY 14 (Jun.) EPS estimate \$0.50 to \$3.10, FY 15's by \$0.40 to \$3.80, and our target price by \$2 to \$61. Dec-Q EPS of \$1.06, vs. \$1.23, misses our estimate by \$0.06 as North American comps fell 13.6% on lower in-store traffic and changes in COH's online sales strategy. Growth in men's, footwear, and international sales helped to offset weakness in core North American women's handbag/accessories sales. With fashion newness and innovation driving strong sell-through of new lines, we remain confident COH's ability to execute a turnaround. /J. Asaeda

January 22, 2014

11:38 am ET ... COACH, INC. (COH 49.33) DOWN 3.22, COACH (COH) POSTS LOWER Q2 PROFIT, SALES. BREAN CAPITAL CUTS ESTS, KEEPS HOLD... Analyst Eric Beder says COH's Q2 EPS of \$1.06 was a miss on numerous levels, with North America the key downward driver. Notes revenue fell 6% to \$1.42B driven by a -13.8% comp in North America, with Japan down 21% (forex adj.). With guidance once again reduced, limited near-term catalysts, rising inventories, shrinking operating margins, continued loss of market share, believes COH is shaping up as a classic "value trap" for investors; remains firmly on the sidelines. Cuts \$3.41 FY 14 (Jun) EPS estimate to \$3.13, \$3.71 FY 15 to \$3.49. M.Morrow

December 24, 2013

On December 23, 2013, Coach, Inc. announced that as contemplated by its previous public announcements, Lew Frankfort, the company's Chief Executive Officer and Chairman of the company's Board of Directors, had given notice of his retirement as Chief Executive Officer, effective January 1, 2014, and that the Board appointed Mr. Frankfort to the position of Executive Chairman, effective January 1, 2014. Concurrently, the Board had appointed Victor Luis, the Company's President, Chief Commercial Officer and member of the Board, to the position of Chief Executive Officer, effective January 1, 2014. Messrs. Frankfort and Luis will continue as members of the Board, with Mr. Frankfort remaining as Chairman of the Board.

October 22, 2013

UP 0.00 to 54.18... COH posts \$0.77 vs. \$0.77 Q1 EPS on 1% lower revenue. Capital IQ consensus forecast is \$0.76.

October 22, 2013

12:55 pm ET ... COACH, INC. (COH 50.33) DOWN 3.85, COACH (COH) POSTS Q1 RESULTS. BREAN CAPITAL CUTS ESTIMATES, KEEPS HOLD... Analyst Eric Beder says COH reported Q1 EPS of \$0.77 which was in line with the Street and beat his estimate by a penny, as slightly better-than-expected SG&A leverage offset weaker sales levels. While Q1 EPS were in line, notes dreary guidance, weak comps and inventory level erosion suggests to him near-term upside potential remains remote, co. is poised to lose material market share in the near term. Cuts \$3.83 FY 14 (Jun) EPS est. to \$3.41, \$4.17 FY 15 to \$3.71. Believes COH is, at best, "dead money" for the near term, remains firmly on the sidelines. M.Morrow

October 22, 2013

11:27 am ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON SHARES OF COACH, INC. (COH 49.88****): Reflecting our more cautious sales outlook for North America, we cut our FY 14 (Jun.) EPS estimate \$0.20 to \$3.60, FY 15's by \$0.10 to \$4.20, and our target price by \$2 to \$63. Sep-Q EPS of \$0.77, vs. \$0.77, beats our \$0.75 estimate on lower marketing spend. North American comps fell 6.8% as in-store traffic weakened. However, conversion increased, giving us confidence in COH's turnaround strategies. Growth momentum in men's and China, as well as what we consider to be attractive growth opportunities in Europe and other international markets, also support our positive view. /J. Asaeda

October 14, 2013

09:30 am ET ... COACH, INC. (COH 54.59) UNCHANGED, CANACCORD DOWNGRADES COACH (COH) TO HOLD FROM BUY... Analyst Laura Champine tells salesforce expects COH will report a U.S. (70% of total sales) same-store

sales decline of 6% on top of +6% when it reports Q3 results in the next few weeks. Notes traffic trends appear to be deteriorating, believes co. will be hard-pressed to maintain its leading 30% market share with the current product in stores. Expects fastgrowing rival MICHAEL KORS will continue to gain ground. Downgrades given limited near-term visibility. Also cuts \$3.72 FY 14 (Jun) EPS estimate to \$3.61, \$4.09 FY 15 to \$3.94. M.Morrow

August 5, 2013

On July 29, 2013, Coach, Inc. entered into a resignation letter agreement with Reed Krakoff, who will resign from his positions as President and Executive Creative Director of the Company on the earlier to occur of the Closing or termination of the Purchase Agreement. The Resignation Letter supersedes the terms of the letter agreement dated as of July 10, 2013 between Coach and Krakoff. Pursuant to the Resignation Letter, Krakoff agreed to waive his right to receive any compensation, salary, bonuses, equity vesting and other benefits (except for continuation under Coach's health and welfare benefits) during the period from June 30, 2013 to the effective date of his resignation if the Closing occurs. In addition, Krakoff agreed to waive his right to receive any severance and bonus compensation if the Closing does not occur due to a breach of the Purchase Agreement by Buyer or Krakoff or the failure of Buyer or Krakoff to satisfy certain closing conditions. If the Closing does not occur due to the failure to obtain additional equity financing, Krakoff agreed to waive (i) \$3 million in severance compensation plus (ii) an additional amount of severance compensation equal to approximately \$3 million per month (subject to pro-ratio for partial months) for the period beginning on August 1, 2013 and ending on the date that the Purchase Agreement is terminated. If the Closing does not occur for any reason other than those mentioned, Krakoff's resignation will be deemed for 'Good Reason' under his employment agreement with Coach. Following his resignation, Krakoff will be subject to certain restrictions with respect to the non-solicitation of Coach employees and the non-interference with Coach customers, vendors and suppliers. Such restrictions will extend through the first anniversary of the effective date of Krakoff's resignation.

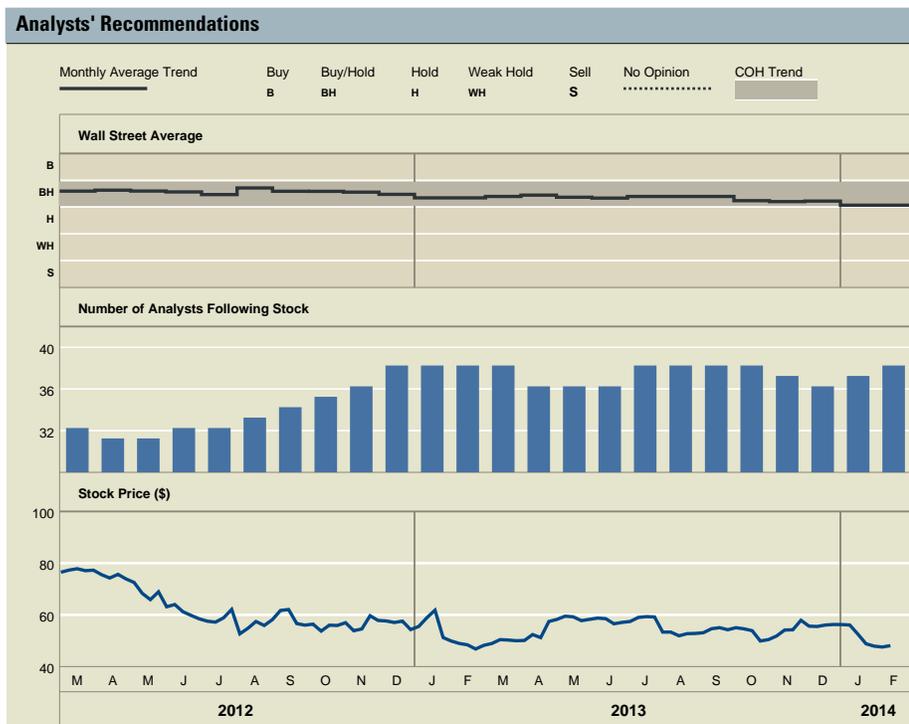
July 30, 2013

DOWN 4.89 to 52.96... COH posts \$0.78 vs. \$0.86 Q2 EPS as higher costs offset 5.8% revenue rise. Posts \$0.89 Q2 non-GAAP EPS. Capital IQ consensus forecast was \$0.89.

July 30, 2013

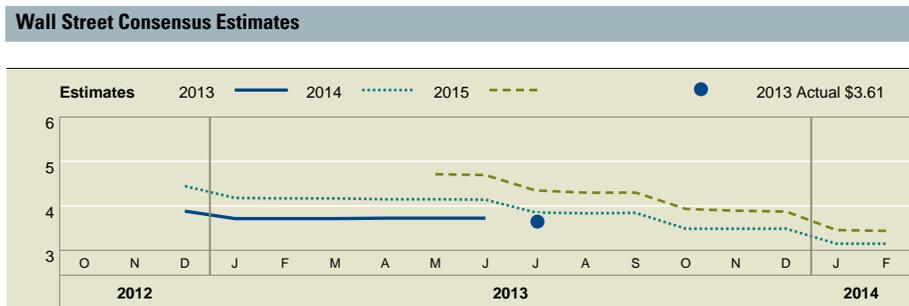
12:08 pm ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF COACH, INC. (COH 52.71****): We lower our FY 14 (Jun.) EPS estimate \$0.45 to \$3.80 and our target price by \$3 to \$65. Jun-Q adjusted EPS of \$0.89, vs. \$0.86, misses our \$0.91 estimate on higher operating expenses in Asia. While the U.S. women's handbag business remained challenging, net sales rose 6% on strength in men's, footwear and international. We see a weaker yen and rising labor costs pressuring FY 14 margins. However, our outlook for COH remains positive as we see investments being made in new talent, products and distribution increasing global awareness and market penetration of the Coach brand. /J. Asaeda

Coach Inc



Of the total 50 companies following COH, 39 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	9	23	9	12
Buy/Hold	5	13	4	3
Hold	23	59	23	21
Weak Hold	1	3	1	1
Sell	0	0	0	0
No Opinion	1	3	1	1
Total	39	100	38	38



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	3.44	4.20	3.13	36	14.0
2014	3.15	3.34	3.05	37	15.3
2015 vs. 2014	▲9%	▲26%	▲3%	▼-3%	▼-8%
Q3'15	0.72	0.92	0.65	14	66.8
Q3'14	0.62	0.74	0.55	31	77.5
Q3'15 vs. Q3'14	▲16%	▲24%	▲18%	▼-55%	▼-14%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- Accountability Research Corporation
 - Argus Research Company
 - Atlantic Equities LLP
 - Avondale Partners, LLC
 - BMO Capital Markets, U.S. Equity Research
 - BofA Merrill Lynch
 - Brean Capital LLC
 - Buckingham Research Group Inc.
 - CLSA Americas LLC
 - Canaccord Genuity
 - Cantor Fitzgerald Europe
 - Citigroup Inc
 - Collins Stewart LLC
 - Cowen and Company, LLC
 - Credit Suisse
 - DBS Vickers Research
 - Daiwa Capital Markets America Inc.
 - Daiwa Securities Co. Ltd.
 - Deutsche Bank
 - Goldman Sachs
 - HSBC
 - ISI Group Inc.
 - JP Morgan
 - Jefferies LLC
 - KeyBanc Capital Markets Inc.
 - Lazard Capital Markets
 - Macquarie Research
 - Miller Tabak & Co., LLC
 - Morgan Stanley
 - Morningstar Inc.

Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that COH will earn \$3.15. For the 2nd quarter of fiscal year 2014, COH announced earnings per share of \$1.06, representing 34% of the total annual estimate. For fiscal year 2015, analysts estimate that COH's earnings per share will grow by 9% to \$3.44.

Glossary

S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

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Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★★☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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STARS Stock Reports:

S&P Capital IQ Global STARS Distribution as of December 31, 2013

Ranking	North America	Europe	Asia	Global
Buy	36.4%	37.1%	34.4%	36.3%
Hold	54.1%	41.3%	59.2%	52.5%
Sell	9.5%	21.6%	6.4%	11.2%
Total	100%	100%	100%	100%

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