

COACH, INC. NYSE-COH

RECENT PRICE **48.82** P/E RATIO **14.2** (Trailing: 14.1 Median: 21.0) RELATIVE P/E RATIO **0.75** DIV'D YLD **2.8%** VALUE LINE

TIMELINESS 3 Raised 6/7/13	High: 8.9 20.4 28.8 36.8 45.0 54.0 37.6 37.4 58.6 69.2 79.7 61.9	Target Price Range 2016 2017 2018
SAFETY 3 New 2/15/02	Low: 4.3 7.3 16.9 24.5 25.2 29.2 13.2 11.4 33.0 45.7 48.2 45.9	
TECHNICAL 4 Lowered 1/17/14	LEGENDS 15.5 x "Cash Flow" p sh Relative Price Strength 2-for-1 split 7/02 2-for-1 split 10/03 2-for-1 split 4/05 Options: Yes Shaded areas indicate recessions	
BETA 1.15 (1.00 = Market)		
2016-18 PROJECTIONS		
	Ann'l Total	
Price	Gain	Return
High 85	(+75%)	17%
Low 55	(+15%)	6%
Insider Decisions		
	M A M J J A S O N	
to Buy	0 0 0 0 0 0 0 0 1 0	
Options	0 0 0 0 0 0 3 0 0 0	
to Sell	0 0 0 0 0 4 1 0 0	
Institutional Decisions		
	1Q2013 2Q2013 3Q2013	
to Buy	427 353 328	
to Sell	348 378 367	
Hld's(000)	228852 236714 241955	
	Percent shares traded	30 20 10

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
Sales per sh ^A	2.60	3.48	4.52	5.71	7.01	9.45	10.16	12.15	14.41	16.71	18.00	18.05		23.55
"Cash Flow" per sh	.48	.80	1.18	1.51	1.93	2.50	2.34	2.90	3.49	4.11	4.25	4.30		5.55
Earnings per sh ^{AB}	.40	.68	1.00	1.27	1.69	2.06	1.91	2.33	2.92	3.53	3.73	3.45		4.50
Div'ds Decl'd per sh ^E	--	--	--	--	--	--	.08	.38	.68	.98	1.24	1.38		1.80
Book Value per sh	1.17	2.06	2.73	3.21	5.13	4.50	5.33	5.07	5.59	6.99	8.55	8.90		12.95
Common Shs Outst'g ^D	366.02	379.24	378.43	369.83	372.52	336.73	318.01	296.87	288.51	285.12	281.90	270.00		255.00
Avg Ann'l P/E Ratio	21.4	26.5	25.8	26.2	24.7	17.7	11.3	15.2	17.3	18.4	14.8			15.5
Relative P/E Ratio	1.22	1.40	1.37	1.41	1.31	1.07	.75	.97	1.09	1.17	.93			1.05
Avg Ann'l Div'd Yield	--	--	--	--	--	.3%	1.1%	1.3%	1.5%	2.3%				2.6%
Sales (\$mill) ^A	953.2	1321.1	1710.4	2111.5	2612.5	3180.8	3230.5	3607.6	4158.5	4763.2	5075.4	4875		6000
Gross Margin	74.2%	78.2%	80.0%	80.7%	80.5%	78.8%	75.7%	76.5%	75.7%	72.9%	72.5%			75.0%
Operating Margin	28.7%	36.9%	39.7%	39.3%	41.1%	40.2%	34.8%	35.4%	34.4%	34.5%	33.2%	33.0%		34.0%
Number of Stores ^C	232	250	275	304	352	399	441	462	488	523	995	1050		1200
Net Profit (\$mill)	146.6	261.7	388.7	494.3	636.5	742.0	622.1	734.9	880.8	1038.9	1034.4	975		1175
Income Tax Rate	37.0%	37.5%	36.9%	38.0%	38.5%	39.0%	38.0%	36.2%	32.3%	31.0%	32.0%	32.0%		33.0%
Net Profit Margin	15.4%	19.8%	22.7%	23.4%	24.4%	23.3%	19.3%	20.4%	21.2%	21.8%	20.4%	20.0%		19.6%
Working Cap'l (\$mill)	287.0	523.7	443.6	632.7	1332.2	934.8	936.7	773.6	859.4	1086.3	1348.4	1350		2250
Long-Term Debt (\$mill)	3.5	3.4	3.3	3.1	2.9	2.6	25.1	24.2	23.4	1.0	.5	Nil		Nil
Shr. Equity (\$mill)	426.9	782.3	1032.8	1188.7	1910.4	1515.8	1696.0	1505.3	1612.6	1922.9	2409.2	2400		3300
Return on Total Cap'l	34.1%	33.3%	37.5%	41.5%	33.3%	48.9%	36.2%	48.1%	53.9%	52.1%	42.9%	40.5%		35.5%
Return on Shr. Equity	34.3%	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	48.8%	54.6%	52.1%	42.9%	40.5%		35.5%
Retained to Com Eq	34.3%	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	42.6%	43.6%	39.1%	28.8%	25.0%		23.5%
All Div'ds to Net Prof	--	--	--	--	--	--	--	13%	20%	25%	33%	39%		39%

Coach, Inc. was founded in 1941 as a maker of leather handbags. It was acquired by Sara Lee in 1985. 7,380,000 shares were issued to the public at \$16.00 a share in October, 2000. The transaction was led by Goldman Sachs & Co., Morgan Stanley Dean Witter, and Prudential Securities. Sara Lee subsequently distributed the remaining stock to shareholders.

CAPITAL STRUCTURE as of 12/28/13

Total Debt \$5.5 mill. Due in 5 Yrs \$5.5 mill.
LT Debt None.

Leases, Uncapitalized: Ann'l rentals \$196.5 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 281,933,908 shares as of 8/2/13

MARKET CAP: \$13.8 billion (Large Cap)

CURRENT POSITION	2012	2013	12/28/13
Cash Assets (\$MILL)	917.2	1134.9	798.8
Receivables	174.5	175.5	228.6
Inventory (Avg Cst)	504.5	524.7	553.0
Other	208.3	235.8	207.2
Current Assets	1804.5	2070.9	1787.7
Accts Payable	155.4	178.9	135.1
Debt Due	22.4	.5	.5
Other	540.4	543.1	567.3
Current Liab.	718.2	722.5	702.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '16-'18
Sales	22.5%	20.0%	12.0%
"Cash Flow"	29.5%	18.0%	11.0%
Earnings	31.5%	17.5%	11.0%
Dividends	--	--	22.0%
Book Value	25.0%	10.0%	16.0%

Fiscal Year Ends	QUARTERLY SALES (\$mill) ^A				Full Fiscal Year
	Sep.Per	Dec.Per	Mar.Per	Jun.Per	
2010	761.4	1065.0	830.7	950.5	3607.6
2011	911.7	1264.4	950.7	1031.7	4158.5
2012	1050.4	1448.6	1109.0	1155.2	4763.2
2013	1161.3	1503.8	1187.6	1222.7	5075.4
2014	1150.8	1419.6	1119.6	1185	4875

Fiscal Year Ends	EARNINGS PER SHARE ^{A B}				Full Fiscal Year
	Sep.Per	Dec.Per	Mar.Per	Jun.Per	
2010	.44	.75	.50	.64	2.33
2011	.63	1.00	.62	.67	2.92
2012	.73	1.18	.77	.86	3.53
2013	.77	1.23	.84	.89	3.73
2014	.77	1.06	.78	.84	3.45

Cal-endar	QUARTERLY DIVIDENDS PAID ^E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	.075	--	.15	.15	.38
2011	.15	.15	.225	.225	.75
2012	.225	.225	.30	.60 ^F	1.35
2013	--	.30	.675 ^F	--	
2014					

BUSINESS: Coach is a leading American marketer of fine accessories and gifts for women and men, including handbags, men's bags, women's and men's leathers, footwear, outerwear, watches, travel accessories, scarves, sunwear, fragrance, jewelry, and related accessories. Operates 544 North American stores (including 193 factory outlets); 191 Coach Japan locations; 218 Coach China, Singapore, Taiwan, Malaysia and Korea stores; and 42 international locations. Acquired remaining 50% interest in Coach Japan, 7/05. Officers & directors own 2.5% of common stock; BlackRock, 6.6% (9/13 Proxy). Chairman & CEO: Lew Frankfort. Incorporated: MD. Address: 516 West 34th Street, New York, NY, 10001. Telephone: 212-594-1850. Internet: www.coach.com.

Coach's near-term earnings prospects remain muddled. The company's sales fell 6% in the second quarter (fiscal year ends June 28th), due largely to weakness in the North American handbag business. In retrospect, the top line increased 20% on average over each of the past five years. Margins remained relatively steady, but are likely to regress a bit as the aforementioned top-line weakness results in greater promotional activity. Plus, we look for further pressure from the company's transformation and expansion (see below for more color) initiatives. In all, we think that earnings will come up short of last-year's weak comparisons in the second half, despite healthy share repurchases.

So what is the problem? While there are a multitude of reasons for the slowdown, we believe that it really boils down to one main reason. Coach has lost its cachet. In an effort to be everything to everyone, the company introduced a number of lower-price offerings a few years back. And although the decision helped circumvent the tough demand environment and keep sales afloat while many retailers were not able to, the move appears to have

damaged the brand's image. The luxury accessories maker's goods were no longer as sought after and became more mainstream. Higher-end buyers tend to prefer exclusivity and Coach saturated the marketplace. Further adding pressure, though, has definitely been greater competition, specifically the launch of Michael Kors into this space. Kors has been able to steal key market share and seems to wear the "it" moniker at this time.

We are not certain that the company will be able to regain its place atop the handbag market. It may be too steep a hill for it to climb at this juncture. That said, the Coach's transformation into a lifestyle brand may pay off. It is focusing a fair share of its efforts on the overseas market, but is not ignoring the domestic side of things by any stretch of the imagination, eyeing men's accessories and the ready-to-wear niche. It is likely to be a bumpy ride, but the stock offers decent total return potential out to 2016-2018 at the currently deflated price. In the meantime, this stock is a middling offering in terms of Timeliness.

Andre J. Costanza January 31, 2014