Tapestry Inc. (TPR)

Updated March 10th, 2025 by Felix Martinez

Key Metrics

Current Price:	$71	**5 Year CAGR Estimate:**	3.3%	**Market Cap:**	$15.5 B
Fair Value Price:	$59	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/06/25
% Fair Value:	120%	**5 Year Valuation Multiple Estimate:**	-3.5%	**Dividend Payment Date:**	03/24/25
Dividend Yield:	1.9%	**5 Year Price Target**	$75	**Years of Dividend Growth:**	2
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Tapestry Inc. (TPR) was founded in 2017 as a transformation from Coach IP Holdings LLC (founded in 1941) and is a leading American multinational luxury fashion holding company. The company is based in New York and is the parent company of three brands: Coach, Kate Spade, and Stuart Weitzman. The company's renaming came after Coach acquired Stuart Weitzman and Kate Spade and expanded from making Coach-brand handbags to producing a wider variety of products through their three primary brands. These products include various leather goods, footwear, accessories, clothes, fragrances, and jewelry. Tapestry has a market capitalization of approximately $15.5 billion, over 20,000 employees, and $6.7 billion in annual revenue. Coach continues to make up 70% of company sales, Kate Spade represents about a quarter of sales, and Stuart Weitzman is a small but growing segment in the overall business. The company sells products worldwide from its 1,500+ branded retail locations, brand websites, and through thousands of distributor retail locations.

Tapestry reported second-quarter results for Fiscal Year (FY)2025 on Feburary 6th., 2025. The company reported revenue of $2.2B (+5% YoY), driven by 10% growth at Coach. Gross margin expanded by 280 bps, and diluted EPS reached $1.38 (GAAP) and $2.00 (non-GAAP). The company raised its FY 2025 outlook, expecting over $6.85B in revenue (+3% YoY), operating margin expansion of 100 bps, and EPS of $4.85–$4.90 (+13–14% YoY).

Tapestry added 2.7M new customers in North America (50% Gen Z/Millennials) and saw revenue gains in Europe (+42%), North America (+4%), and APAC (+1%). Direct-to-consumer sales grew 4%, with digital sales up high-single digits and brick-and-mortar up low-single digits. Strong handbag sales at Coach drove AUR increases, while cost efficiencies improved profitability.

The company expects to return $2B+ to shareholders in FY 2025 through dividends ($1.40/share annually) and share repurchases. A $2B accelerated share repurchase (ASR) was executed, with an initial 28.4M shares repurchased. Free cash flow is projected at $1.2B, supporting continued shareholder returns and growth investments.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.92	$1.98	$2.15	$2.63	$2.57	$0.97	$2.95	$3.47	$3.88	$4.29	***$4.92***	***$6.28***
DPS	$1.35	$1.35	$1.35	$1.35	$1.35	$1.02	$1.00	$1.00	$1.20	$1.40	***$1.40***	***$1.70***
Shares[1]	276.6	278.5	281.9	288.0	286.8	278.0	283.0	270.0	241.0	233.2	***233.2***	***233.2***

Tapestry has experienced earnings growth of 9.3% since 2015, when it earned $1.92 per share, but has had 34.6% annual growth over the past five years. Revenue has continued to grow at a CAGR of 34% for the past five years, while operating margins have deteriorate. We expect earnings to grow 5.0% for the next five years. Still, the outcome is highly dependent on Tapestry's ability to maintain margins and sustain at least mild topline growth.

[1] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.4	17.4	18.3	17.4	15.2	13.7	14.6	8.9	11.0	9.4	***14.4***	***12.0***
Avg. Yld.	3.6%	3.9%	3.4%	3.0%	3.5%	0.0%	0.0%	3.3%	2.8%	3.3%	***1.9%***	***2.3%***

Over the past decade, Tapestry has averaged a P/E ratio of 14.5x. However, the company consisted entirely of the Coach brand and enjoyed higher returns on invested capital for most of that period. With slowing sales and declining margins in a competitive environment of online competition and slower global growth, we consider a P/E ratio of 12.0x to be fair until the company can demonstrate a resumption of growth and stabilized margins. The company has a headwind of -3.5% valuation multiple towards the mean of a P/E ratio of 12.0x. Thus, the stock looks to be overvalued at the current price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

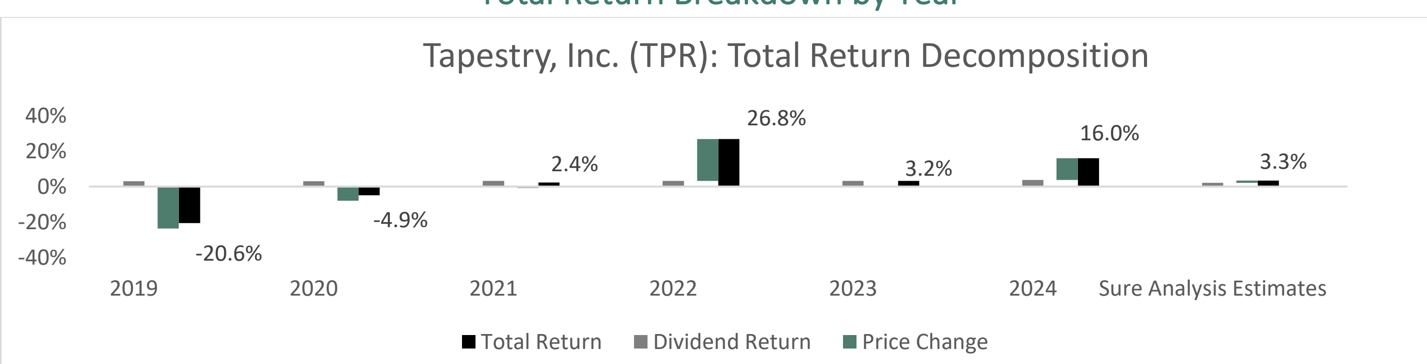
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	70.3%	68.2%	62.8%	51.3%	52.5%	105.2%	33.9%	28.8%	30.9%	32.6%	***28%***	***27%***

Tapestry's luxury brands, especially Coach, give the company at least a small economic moat. This is evidenced by its historically high returns on invested capital and considerable market outperformance since Coach went public in the early 2000s. However, the company's returns on invested capital have been declining in recent years, indicating a cyclical deterioration in brand strength as online retail puts margin pressure on all physical retailers. Overall, their investment returns and profitability remain above average but diminishing. Tapestry currently has a BBB- credit rating, which puts them on the low side of investment grade. The company's balance has gotten better, with a Debt/Equity ratio of 3.0. Still, the inconsistency of their earnings and the company's economic vulnerability appears to drive lower overall credit quality from the rating agencies. The security does not necessarily offer the growth or stability that many retirees rely on. The company did remain highly profitable during the previous two recessions as the primary Coach brand, but the expanded Tapestry company is untested by a downturn in its current form.

Final Thoughts & Recommendation

Tapestry has decent brands but faces stiff competition, global tariff uncertainty, and diminishing profitability. The good news is that Tapestry is the manufacturer of its products, rather than just a middleman, and has various online platforms from which to grow. We expect 3.3% per annum returns from Tapestry as a baseline case, but the actual result is expected to be highly variable. Overall, business uncertainty remains high. However, we consider Tapestry a hold at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,192	4,492	4,488	5,880	6,027	4,961	5,746	6,685	6,661	6671
Gross Profit	2,909	3,051	3,081	3,849	4,054	3,239	4,082	4,650	4,715	4890
Gross Margin	69.4%	67.9%	68.6%	65.5%	67.3%	65.3%	71.0%	69.6%	70.8%	73.3%
SG&A Exp.	2,291	2,398	2,294	3,177	3,234	3,312	3,114	3,475	3,542	3749
D&A Exp.	192	211	213	260	268	248	219	195	182	229
Operating Profit	618	654	787	672	820	-73	968	1,176	1,172	1140
Operating Margin	14.7%	14.5%	17.5%	11.4%	13.6%	-1.5%	16.8%	17.6%	17.6%	17.1%
Net Profit	402	461	591	398	643	-652	834	856	936	816
Net Margin	9.6%	10.3%	13.2%	6.8%	10.7%	-13.1%	14.5%	12.8%	14.1%	12.2%
Free Cash Flow	728	353	571	730	518	202	1208	759	791	1147
Income Tax	209	166	168	199	123	28	63	191	207	196

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,667	4,893	5,832	6,678	6,877	7,924	8,382	7,265	7,117	13400
Cash & Equivalents	1,292	859	2,673	1,243	969	1,426	2,008	790	726	6142
Accounts Receivable	220	245	268	314	298	193	200	252	212	228
Inventories	485	459	470	674	778	737	735	994	920	825
Goodwill & Int. Ass.	794	849	821	3,217	3,228	2,681	2,671	2,608	2,588	2558
Total Liabilities	2,177	2,210	2,830	3,434	3,364	5,648	5,123	4,980	4,839	10500
Accounts Payable	223	187	195	264	244	131	445	521	417	452
Long-Term Debt	890	876	1,580	1,594	1,597	2,299	1,591	1,690	1,661	7241
Shareholder's Equity	2,490	2,683	3,002	3,245	3,513	2,276	3,259	2,286	2,278	2897
LTD/E Ratio	0.36	0.33	0.53	0.49	0.45	1.01	0.49	0.74	0.73	2.50

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.7%	9.6%	11.0%	6.4%	9.5%	-8.8%	10.2%	10.9%	13.0%	8.0%
Return on Equity	16.4%	17.8%	20.8%	12.7%	19.0%	-22.5%	30.1%	30.9%	41.0%	31.5%
ROIC	13.5%	13.3%	14.5%	8.4%	12.9%	-13.5%	17.7%	19.4%	23.7%	11.6%
Shares Out.	276.6	278.5	281.9	288.0	286.8	278.0	283.0	270.1	241.3	233.2
Revenue/Share	15.12	16.08	15.87	20.37	20.73	17.81	20.30	24.75	27.60	28.61
FCF/Share	2.62	1.26	2.02	2.53	1.78	0.72	4.27	2.81	3.28	4.92

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.