Coach, Kate Spade owner Tapestry helped by China recovery, but cuts costs

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Tapestry Inc reported a smaller-than-expected quarterly loss on Thursday, as a recovery in sales in China and a tight lid on expenses helped it weather some of the impact of the COVID-19 pandemic.
The New York fashion house's shares, down 42% this year, rose 7% in premarket trading as it also beat sales estimates.

The company said sales had returned to growth in mainland China, where demand for luxury handbags, apparel and accessories rose due to restrictions on traveling abroad.

Versace owner Capri Holdings and European luxury goods makers LVMH and Kering have also signaled a pick-up in sales in the region, but demand in major European and American shopping destinations remains pressured.

Tapestry, which also owns the Kate Spade and Stuart Weitzman brands, now has to navigate a path to recovery without a permanent chief executive officer, after Jide Zeitlin resigned suddenly last month amid an investigation into his personal behavior.

On Thursday, the company said it plans to streamline its business through store closures and job cuts and would incur about $100 million (£76 million) to $115 million in related charges mostly in fiscal 2021.

It has already reduced costs through pay cuts, tightening marketing purse strings and cancelling some summer and fall lines of products. On an adjusted basis, its expenses fell nearly 28% in the in the fourth quarter ended June 27.

Excluding certain items, Tapestry lost 25 cents per share, smaller than analysts' estimates of a loss of 57 cents, according to IBES data from Refinitiv. Despite a triple-digit increase in online sales, Tapestry's net sales fell nearly 53% to $714.8 million. However, that beat analysts' average estimate of $663.4 million.