Coach owner Tapestry beats sales estimates on strong China demand

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Coach owner Tapestry Inc beat quarterly results estimates on Thursday and forecast growth for the year as demand for luxury handbags and apparel rebounds in China from pandemic lows.

The New York fashion house’s shares gained 8% in premarket trading as it said online sales jumped by a triple-digit percentage while sales in Mainland China rose in double digits, reflecting similar trends reported by European peers LVMH, Kering and Hermès.

Lockdowns in some of the world’s biggest fashion capitals and a plunge in tourism brought on by the COVID-19 crisis hammered luxury goods makers earlier this year, but demand in China and some other parts of Asia has largely bounced back with the easing of restrictions.

The strong demand has come from the country’s wealthy, who usually make the bulk of their purchases while traveling abroad, but have now been led to shop more in local stores and online.

Net sales fell 13.7% to $1.17 billion in the quarter ended Sept. 26, but beat analysts’ average estimate of $1.07 billion, according to IBES data from Refinitiv.

The company’s net income rose to $231.7 million from $20 million a year earlier, when Tapestry took on more than $70 million in impairment charges.

Tapestry also recorded more than $90 million in tax benefits in the reported quarter.

Excluding items, it reported a profit of 58 cents per share, while analysts had expected earnings of 23 cents per share.