Coach handbag maker Tapestry Inc raised its annual sales and profit forecasts on strong rebound in demand for luxury goods even as global supply chain bottlenecks threaten to create a shortage of products, sending its shares up 5% premarket.

The luxury goods industry has bounced back sharply this year from pandemic-driven weakness in 2020, as consumers return to socializing and splurging on their wardrobes.
Consumers return to socializing and splurging on their wardrobes.

Tapestry’s peers including Ralph Lauren Corp and Michael Kors Owner Capri Holdings Ltd also lifted their annual sales forecasts earlier this month.

Tapestry, which also owns Kate Spade, on Thursday also announced a $1 billion share buyback program.

Unlike many European luxury peers that manufacture bulk of their products in home markets, Coach and Kate Spade source a chunk of their handbags from Asia, which has made them more vulnerable to shipping delays and factory closures in the region.

To help counter some of the supply chain hurdles, Tapestry is spending heavily on airfreight to get as many products as it can on store shelves in time for the crucial holiday season. The company is also raising prices to cover higher shipping and commodity costs.

“When supply chain challenges persist due to the global pandemic, we’re remaining agile and taking deliberate actions to meet growing consumer demand,” Tapestry Chief Executive Officer Joanne Crevoiserat said.

Tapestry forecast fiscal 2022 revenue of nearly $6.6 billion, compared with a previous forecast of about $6.4 billion. It also raised its adjusted earnings per share range to $3.45 to $3.50, from $3.30 to $3.35.

Net sales rose 26% to $1.48 billion in the first quarter ended Oct. 2, beating analysts’ average estimate of $1.44 billion, according to IBES data from Refinitiv.

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