

COACH, INC. NYSE-COH

RECENT PRICE **51.04**^G P/E RATIO **13.8** (Trailing: 16.9 Median: 21.0)

RELATIVE P/E RATIO **0.84** DIV'D YLD **2.4%**

VALUE LINE

TIMELINESS **3** Lowered 2/25/11
SAFETY **3** New 2/15/02
TECHNICAL **3** Raised 1/25/13
BETA 1.20 (1.00 = Market)

High: 5.3 8.9 20.4 28.8 36.8 45.0 54.0 37.6 37.4
Low: 2.5 4.3 7.3 16.9 24.5 25.2 29.2 13.2 11.4

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

2015-17 PROJECTIONS

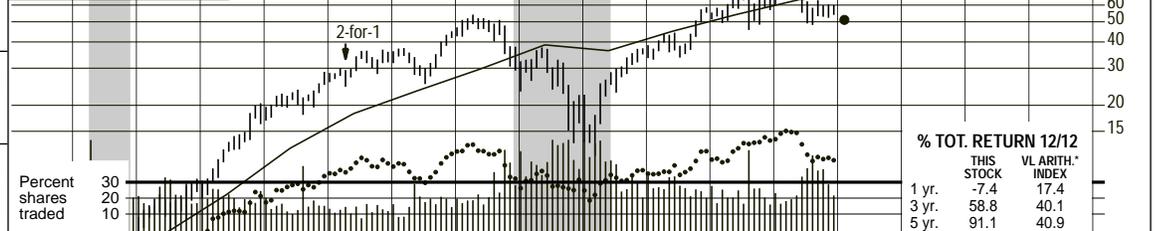
	Price	Gain	Ann'l Total Return
High	110	(+115%)	23%
Low	70	(+35%)	10%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	2	0	2	2
to Sell	2	0	0	0	0	1	0	1	2

Institutional Decisions

	1Q2012	2Q2012	3Q2012	Percent shares traded
to Buy	287	359	366	30
to Sell	355	303	350	20
Hld's(000)	256616	246552	248572	10



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 12/29/12

Total Debt \$22.7 mill. Due in 5 Yrs \$22.7 mill.
LT Debt \$5.5 mill. LT Interest NMF
(Less than 1% of capital)

Leases, Uncapitalized: Ann'l rentals \$179.3 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 285,186,057 shares as of 8/3/12
MARKET CAP: \$14.9 billion (Large Cap)

CURRENT POSITION (\$MILL.)	2011	2012	12/29/12
Cash Assets	702.0	917.2	858.7
Receivables	143.0	174.5	223.0
Inventory (Avg Cst)	421.8	504.5	493.7
Other	185.6	208.3	273.0
Current Assets	1452.4	1804.5	1848.4
Accts Payable	118.6	155.4	152.6
Debt Due	.8	22.4	22.2
Other	473.6	540.4	594.1
Current Liab.	593.0	718.2	768.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '15-'17
Sales	22.5%	20.0%	15.0%
"Cash Flow"	29.5%	18.0%	15.0%
Earnings	31.5%	17.5%	16.0%
Dividends	--	--	32.0%
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	
2009	752.5	960.3	740.0	777.7	3230.5
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	1161.4	1503.8	1165	1219.8	5050

Fiscal Year Ends	EARNINGS PER SHARE ^{A B}				Full Fiscal Year
	Sep.Per	Dec.Per	Mar.Per	Jun.Per	
2009	.44	.67	.38	.43	1.91
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	.80	.90	3.70

Calendar	QUARTERLY DIVIDENDS PAID ^E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	--	.075	.075	.075	.225
2010	.075	--	.15	.15	.380
2011	.15	.15	.225	.225	.750
2012	.225	.225	.30	.60 ^F	1.35
2013	--	--	--	--	--

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
2.01	2.60	3.48	4.52	5.71	7.01	9.45	10.16	12.15	14.41	16.71	18.35	18.35	Sales per sh ^A	25.95
.31	.48	.80	1.18	1.51	1.93	2.50	2.34	2.90	3.49	4.11	4.35	4.35	"Cash Flow" per sh	6.10
.24	.40	.68	1.00	1.27	1.69	2.06	1.91	2.33	2.92	3.53	3.70	3.70	Earnings per sh ^{AB}	5.30
--	--	--	--	--	--	--	--	.08	.38	.68	.98	1.30	Div'ds Decl'd per sh ^E	1.78
.73	1.17	2.06	2.73	3.21	5.13	4.50	5.33	5.07	5.59	6.99	7.80	7.80	Book Value per sh	13.10
357.81	366.02	379.24	378.43	369.83	372.52	336.73	318.01	296.87	288.51	285.12	275.00	275.00	Common Shs Outst'g ^D	260.00
22.1	21.4	26.5	25.8	26.2	24.7	17.7	11.3	15.2	17.3	18.4	17.3	18.4	Avg Ann'l P/E Ratio	17.0
1.21	1.22	1.40	1.37	1.41	1.31	1.07	.75	.97	1.09	1.17	1.09	1.17	Relative P/E Ratio	1.15
--	--	--	--	--	--	--	3%	1.1%	1.3%	1.5%	1.5%	1.5%	Avg Ann'l Div'd Yield	2.0%
719.4	953.2	1321.1	1710.4	2111.5	2612.5	3180.8	3230.5	3607.6	4158.5	4763.2	5050	5050	Sales (\$mill) ^A	6750
70.7%	74.2%	78.2%	80.0%	80.7%	80.5%	78.8%	75.7%	76.5%	75.7%	75.6%	75.0%	75.0%	Gross Margin	75.5%
22.6%	28.7%	36.9%	39.7%	39.3%	41.1%	40.2%	34.8%	35.4%	34.4%	34.5%	34.3%	34.3%	Operating Margin	34.5%
212	232	250	275	304	352	399	441	462	488	523	980	980	Number of Stores ^C	1175
85.8	146.6	261.7	388.7	494.3	636.5	742.0	622.1	734.9	880.8	1038.9	1050	1050	Net Profit (\$mill)	1400
35.5%	37.0%	37.5%	36.9%	38.0%	38.5%	39.0%	38.0%	36.2%	32.3%	31.0%	32.7%	32.7%	Income Tax Rate	35.0%
11.9%	15.4%	19.8%	22.7%	23.4%	24.4%	23.3%	19.3%	20.4%	21.2%	21.8%	20.8%	20.8%	Net Profit Margin	20.7%
128.2	287.0	523.7	443.6	632.7	1332.2	934.8	936.7	773.6	859.4	1086.3	1150	1150	Working Cap'l (\$mill)	2000
3.6	3.5	3.4	3.3	3.1	2.9	2.6	25.1	24.2	23.4	1.0	Nil	Nil	Long-Term Debt (\$mill)	Nil
260.4	426.9	782.3	1032.8	1188.7	1910.4	1515.8	1696.0	1505.3	1612.6	1992.9	2150	2150	Shr. Equity (\$mill)	3400
32.7%	34.1%	33.3%	37.5%	41.5%	33.3%	48.9%	36.2%	48.1%	53.9%	52.1%	49.0%	49.0%	Return on Total Cap'l	41.0%
33.0%	34.3%	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	48.8%	54.6%	52.1%	49.0%	49.0%	Return on Shr. Equity	41.0%
33.0%	34.3%	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	42.6%	43.6%	39.1%	34.5%	34.5%	Retained to Com Eq	27.5%
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BUSINESS: Coach, Inc. is a designer, producer, and marketer of high-quality modern American classic accessories. Primary product offerings include handbags, women's and men's accessories, business cases, luggage, leather outerwear, gloves, scarves, and personal planning products. Also licenses watches, footwear, and home and office furniture. Operates 523 North American stores (in-

cluding 169 factory outlets). Direct-to-consumer channel accounted for about 89% of total net sales in fiscal 2012; indirect channel, (11%). Acquired remaining 50% interest in Coach Japan, 7/05. Off./dir. own 2.3% of common shares (10/12 Proxy). Chairman and CEO: Lew Frankfort, Inc.: MD. Add.: 516 W. 34th St., New York, NY, 10001. Tel.: 212-594-1850. Internet: www.coach.com.

The investment community did not take kindly to Coach's second-quarter (fiscal year ends June 29th) results. Indeed, the stock gave back all of its early gains and is down 10% since our November report. Although the company posted share net of \$1.23, a nickel better than it did in the same period last year, it came up a nickel short of our estimate. Sales growth disappointed, with same-store sales slipping 2% (versus our call for a 2% advance) mainly due to weakness in the North American women's handbag business. It ought to be noted that the share-net advance factors in share repurchases and that earnings only advanced 1.5%.

The operating environment is likely to remain tough. No doubt that the cumulative effects of Hurricane Sandy and the averted "fiscal cliff" dampened already weak consumer confidence in the holiday period. And although these issues ought to be in the rearview mirror, we worry that there may be some other factors at play here also, namely greater competition. Indeed, the landscape has been heating up, specifically in North America, with the Michael Kors brand continuing to make a

name for itself. Kors has been posting far better comp sales and operating margins of late and looks to be taking market share. Although Coach is said to have limited promotional activity, it will be difficult to do so if the competitive pressures continue to mount and stockrooms remain filled with merchandise. Erring on the side of caution, we have tempered our fiscal second-half share-net estimate by a dime, anticipating mid-single-digit growth.

That said, we believe that the longer-term outlook remains healthy. Management's track record leads us to believe that it will be able to work out the kinks in the women's handbag business, while expansion overseas and into new market niches (namely menswear) ought to be bigger contributors by mid-decade. A healthy balance sheet, meanwhile, will likely enable management to continue rewarding shareholders. COH offers meaningful total return potential at the currently depressed price. Investors ought to note that there may be a few bumps in the road as management attempts to transform Coach into a lifestyle brand.

Andre J. Costanza February 1, 2013

(A) Fiscal year ends Sat. closest to June 30th. (B) Dil. eqs. Qtrly. EPS may not sum due to rndg. Incl. stock options as of FY'07. Reflects disc. of corporate accounts business beginning FY'06. Excl. nonrecurring: '08, (\$0.12). Next eqs. report late Apr. (C) Store count only reflects N.A. retail and factory stores through FY '12 (Includes all thereafter). (D) In mill., adjd. for splits. (E) Div. initiated in 6/09. Div. paid in early Jan., April, July, and Oct. Jan. (F) Incl. an extra \$0.30 payment on 12/27/12. (G) Price as of 10:30 AM EST on 1/24/12

Company's Financial Strength	A
Stock's Price Stability	50
Price Growth Persistence	90
Earnings Predictability	90

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