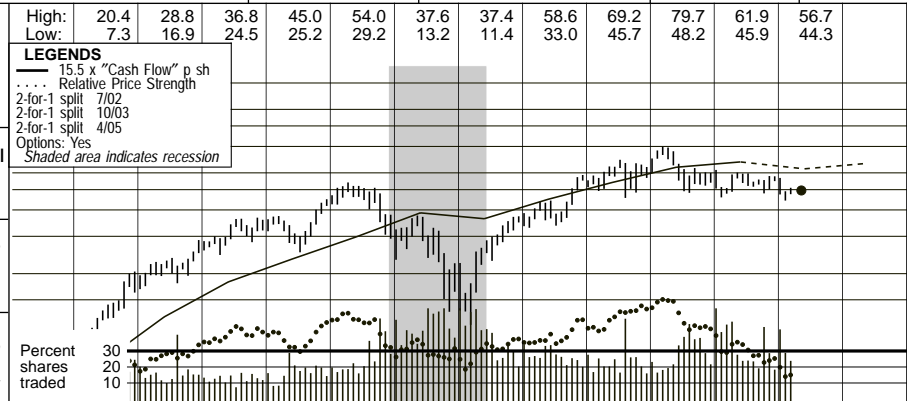


# COACH, INC. NYSE-COH

RECENT PRICE **49.52** P/E RATIO **15.1** (Trailing: 13.9 Median: 20.0) RELATIVE P/E RATIO **0.80** DIV'D YLD **2.7%** VALUE LINE

**TIMELINESS** 4 Lowered 4/25/14  
**SAFETY** 3 New 2/15/02  
**TECHNICAL** 3 Lowered 4/4/14  
**BETA** 1.15 (1.00 = Market)



**2017-19 PROJECTIONS**  
 Ann'l Total  
 Price Gain Return  
 High 90 (+80%) 18%  
 Low 60 (+20%) 8%

**Insider Decisions**  
 J A S O N D J F  
 to Buy 0 0 0 0 1 0 0 0 0 0  
 Options 0 0 3 0 0 0 0 1 0  
 to Sell 0 0 4 1 0 0 0 1 0

**Institutional Decisions**  
 2Q2013 3Q2013 4Q2013  
 to Buy 353 328 336  
 to Sell 378 367 364  
 Hld's(000) 236714 241955 245473

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 12/28/13**  
 Total Debt \$5.5 mill. Due in 5 Yrs \$5.5 mill.  
 LT Debt None.  
 Leases, Uncapitalized: Ann'l rentals \$196.5 mill.  
 No Defined Benefit Pension Plan  
 Pfd Stock None  
 Common Stock 277,581,114 shares as of 1/24/14

**MARKET CAP: \$13.7 billion (Large Cap)**

CURRENT POSITION	2012	2013	12/28/13
Cash Assets (\$MILL)	917.2	1134.9	798.8
Receivables	174.5	175.5	228.6
Inventory (Avg Cst)	504.5	524.7	553.0
Other	208.3	235.8	207.2
Current Assets	1804.5	2070.9	1787.7
Accts Payable	155.4	178.9	135.1
Debt Due	22.4	.5	.5
Other	540.4	543.1	567.3
Current Liab.	718.2	722.5	702.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Sales	22.5%	17.0%	12.0%
"Cash Flow"	27.5%	15.0%	11.0%
Earnings	28.5%	15.0%	11.0%
Dividends	--	--	22.0%
Book Value	24.5%	10.5%	16.0%

Fiscal Year Ends	QUARTERLY SALES (\$ mill) A				Full Fiscal Year
	Sep.Per	Dec.Per	Mar.Per	Jun.Per	
2011	911.7	1264.4	950.7	1031.7	4158.5
2012	1050.4	1448.6	1109.0	1155.2	4763.2
2013	1161.3	1503.8	1187.6	1222.7	5075.4
2014	1150.8	1419.6	1119.6	1185	4875
2015	1185	1500	1200	1250	5135

Fiscal Year Ends	EARNINGS PER SHARE A B				Full Fiscal Year
	Sep.Per	Dec.Per	Mar.Per	Jun.Per	
2011	.63	1.00	.62	.67	2.92
2012	.73	1.18	.77	.86	3.53
2013	.77	1.23	.84	.89	3.73
2014	.77	1.06	.70	.72	3.25
2015	.80	1.10	.77	.83	3.50

Cal-endar	QUARTERLY DIVIDENDS PAID E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	.075	--	.15	.15	.38
2011	.15	.15	.225	.225	.75
2012	.225	.225	.30	.60F	1.35
2013	--	.30	.675F	--	.975
2014	.675	--	--	--	--

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
Price	3.48	4.52	5.71	7.01	9.45	10.16	12.15	14.41	16.71	18.00	17.85	19.25	Sales per sh A	24.70
P/E	.80	1.18	1.51	1.93	2.50	2.34	2.90	3.49	4.11	4.36	4.05	4.30	"Cash Flow" per sh	5.70
Div Yield	.68	1.00	1.27	1.69	2.06	1.91	2.33	2.92	3.53	3.73	3.25	3.50	Earnings per sh AB	4.60
EPS	--	--	--	--	--	.08	.38	.68	.98	1.24	1.35	1.48	Div'ds Decl'd per sh E	1.92
Book Value	2.06	2.73	3.21	5.13	4.50	5.33	5.07	5.59	6.99	8.55	8.60	9.55	Book Value per sh	14.10
Market Cap	379.24	378.43	369.83	372.52	336.73	318.01	296.87	288.51	285.12	281.90	273.00	267.00	Common Shs Outst'g D	255.00
EPS	26.5	25.8	26.2	24.7	17.7	11.3	15.2	17.3	18.4	14.9	Bold figures are Value Line estimates	14.9	Avg Ann'l P/E Ratio	16.0
P/E	1.40	1.37	1.41	1.31	1.07	.75	.97	1.09	1.17	.83			Relative P/E Ratio	1.00
Div Yield	--	--	--	--	.3%	1.1%	1.3%	1.5%	2.2%				Avg Ann'l Div'd Yield	2.6%
Debt	1321.1	1710.4	2111.5	2612.5	3180.8	3230.5	3607.6	4158.5	4763.2	5075.4	4875	5135	Sales (\$mill) A	6300
Debt %	78.2%	80.0%	80.7%	80.5%	78.8%	75.7%	76.5%	75.7%	75.6%	73.0%	73.0%	73.5%	Gross Margin	75.0%
Operating Margin	36.9%	39.7%	39.3%	41.1%	40.2%	34.8%	35.4%	34.4%	34.5%	34.3%	33.0%	33.5%	Operating Margin	34.0%
Number of Stores	250	275	304	352	399	441	462	488	523	953	1050	1125	Number of Stores C	1250
Net Profit	261.7	388.7	494.3	636.5	742.0	622.1	734.9	880.8	1038.9	1067.0	915	950	Net Profit (\$mill)	1200
Income Tax Rate	37.5%	36.9%	38.0%	38.5%	39.0%	38.0%	36.2%	32.3%	31.0%	32.2%	32.0%	32.0%	Income Tax Rate	33.0%
Net Profit Margin	19.8%	22.7%	23.4%	24.4%	23.3%	19.3%	20.4%	21.2%	21.8%	21.0%	18.8%	18.5%	Net Profit Margin	19.0%
Working Cap	523.7	443.6	632.7	1332.2	934.8	936.7	773.6	859.4	1086.3	1348.4	1250	1425	Working Cap'1 (\$mill)	2500
Long-Term Debt	3.4	3.3	3.1	2.9	2.6	25.1	24.2	23.4	1.0	.5	Nil	Nil	Long-Term Debt (\$mill)	Nil
Share Equity	782.3	1032.8	1188.7	1910.4	1515.8	1696.0	1505.3	1612.6	1992.9	2409.2	2350	2550	Shr. Equity (\$mill)	3600
Return on Total Cap'l	33.3%	37.5%	41.5%	33.3%	48.9%	36.2%	48.1%	53.9%	52.1%	44.3%	39.0%	37.5%	Return on Total Cap'l	33.5%
Return on Shr. Equity	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	48.8%	54.6%	52.1%	44.3%	39.0%	37.5%	Return on Shr. Equity	33.5%
Retained to Com Eq	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	42.6%	43.6%	39.1%	30.2%	23.0%	21.0%	Retained to Com Eq	19.5%
All Div'ds to Net Prof	--	--	--	--	--	--	13%	20%	25%	32%	42%	43%	All Div'ds to Net Prof	41%

**BUSINESS:** Coach is a leading American marketer of fine accessories and gifts for women and men, including handbags, men's bags, women's and men's leathers, footwear, outerwear, watches, travel accessories, scarves, sunwear, fragrance, jewelry, and related accessories. Operates 544 North American stores (including 193 factory outlets); 191 Coach Japan locations; 218 Coach

China, Singapore, Taiwan, Malaysia and Korea stores; and 42 international locations. Acquired remaining 50% interest in Coach Japan, 7/05. Officers & directors own 2.5% of common stock; BlackRock, 6.6% (9/13 Proxy). Chairman & CEO: Lew Frankfort. Incorporated: MD. Address: 516 West 34th Street, New York, NY, 10001. Telephone: 212-594-1850. Internet: www.coach.com.

**Coach's product offerings are getting a makeover.** Increased competition and declining market share have prompted the company to take measures in hopes of becoming fashionable to consumers. To do so, it has enlisted the services of Stuart Vevers to lead the charge. The highly touted designer, who has worked with Marc Jacobs and Louis Vuitton in the past, and has built a track record for helping retailers establish luxury brand status, has been named the executive creative director. Mr. Vevers' debut line will hit stores in September. We think that first-quarter fiscal 2015 (ends September 30th) results will be somewhat telling about the company's future prospects. Sales have been on the decline, with the North American handbag market the biggest problem. **Meantime, the company's efforts to transition to a lifestyle brand remain ongoing.** No longer wanting to be thought of as just a handbag and accessories maker, Coach has been expanding its footprint into new niches, such as women's ready-to-wear apparel and menswear. All the while, it continues to look abroad. **Near-term earnings prospects remain**

**limited as a result.** The aforementioned changes are major and will probably fail to register at the bottom line anytime soon. In fact, the costs associated with the changes are expected to result in unfavorable earnings comparisons in the second half of fiscal 2014 and throughout a good part of 2015, even though share repurchases will mask some of the weakness. Meanwhile, we expect consumers will be hesitant to return, given the highly competitive industry landscape and Michael Kors' recent success. **That said, we think that the recent price represents a good entry point for buy-and-hold accounts.** This untimely stock has been beaten down over the last two years and trades at a considerable discount compared to historical levels and the competition. We believe its transformation may well take some time, but will pay off in the end and help drive above-average 3- to 5-year appreciation potential. Coach's strong cash flow generation, meanwhile, ought to allow for future dividend hikes and ongoing share repurchases. *Andre J. Costanza* *May 2, 2014*

(A) Fiscal year ends Sat. closest to June 30th. (B) Dil. eqs. Quarterly EPS may not sum due to rounding. Reflects disc. corporate accounts business beginning FY'06. Excludes nonrecuring. (C) Store count only reflects North American retail and factory stores thru FY'12 (includes all thereafter). (D) In millions, adjusted for splits. (E) Dividends historically paid in early Jan., April, July, and Oct. (F) Dividends paid in previous quarters (12/27/12 & 9/30/13). (G) Price as of 9:45 EST on 1/22/14.

Company's Financial Strength	A+
Stock's Price Stability	50
Price Growth Persistence	80
Earnings Predictability	90

To subscribe call 1-800-833-0046.