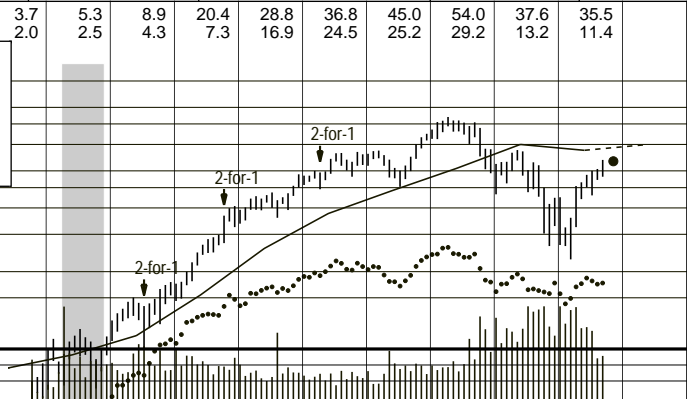


# COACH, INC. NYSE-COH

RECENT PRICE **33.31** P/E RATIO **16.7** (Trailing: 17.3 Median: NMF) RELATIVE P/E RATIO **0.99** DIV'D YLD **0.9%** VALUE LINE

**TIMELINESS** 1 Raised 10/30/09  
**SAFETY** 3 New 2/15/02  
**TECHNICAL** 3 Raised 11/6/09  
**BETA** 1.25 (1.00 = Market)

**LEGENDS**  
 --- 16.0 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 area: prior recession  
 Latest recession began 12/07



Target Price Range	2012	2013	2014
	80		
	60		
	50		
	40		
	30		
	25		
	20		
	15		
	10		
	7.5		

% TOT. RETURN 9/09		
THIS STOCK	VL ARITH. INDEX	
1 yr.	32.2	12.6
3 yr.	-3.8	5.1
5 yr.	56.0	36.4

**2012-14 PROJECTIONS**

	Price	Gain	Ann'l Total Return
High	65	(+95%)	19%
Low	45	(+35%)	9%

**Insider Decisions**

	D	J	F	M	A	M	J	J	A
to Buy	0	0	1	2	0	0	0	0	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

**Institutional Decisions**

	4Q2008	1Q2009	2Q2009	Percent shares traded
to Buy	229	196	252	30
to Sell	308	300	249	20
Hld's(000)	283427	269612	279352	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 9/26/09**

**Total Debt** \$25.1 mill. **Due in 5 Yrs** \$25.0 mill.  
**LT Debt** \$24.4 mill. **LT Interest** \$1.1 mill. (1% of Cap'l)

**Leases, Uncapitalized:** Ann'l rentals \$127.3 mill.  
**Pension Assets-9/09** \$5.2 mill. **Oblig.** \$10.7 mill.

**Pfd Stock** None

**Common Stock** 318,081,762 shs. as of 8/7/09  
**MARKET CAP: \$1.1 billion (Mid Cap)**

CURRENT POSITION (\$MILL.)	2007	2008	9/26/09
Cash Assets	1185.8	698.9	994.7
Receivables	107.8	106.7	105.1
Inventory (Avg Cst)	291.2	345.5	337.5
Other	155.4	234.6	173.2
Current Assets	1740.2	1385.7	1610.5
Accts Payable	109.3	134.7	94.20
Debt Due	2	3	7
Other	298.5	315.9	437.5
Current Liab.	408.0	450.9	532.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '07-'09 to '12-'14
Sales	--	27.0%	12.0%
"Cash Flow"	--	33.5%	8.0%
Earnings	--	34.0%	7.5%
Dividends	--	--	NMF
Book Value	--	30.5%	11.0%

Fiscal Year Ends	QUARTERLY SALES (\$ mill.) <sup>A</sup>				Full Fiscal Year
	Sep.Per	Dec.Per	Mar.Per	Jun.Per	
2006	449.0	650.3	497.9	514.3	2111.5
2007	529.5	805.6	625.3	652.1	2612.5
2008	676.7	978.1	744.5	781.5	3180.8
2009	752.5	960.3	740.0	777.7	3230.5
2010	761.4	993.6	785	835	3375

Fiscal Year Ends	EARNINGS PER SHARE <sup>A B</sup>				Full Fiscal Year
	Sep.Per	Dec.Per	Mar.Per	Jun.Per	
2006	.24	.45	.28	.30	1.27
2007	.31	.57	.39	.42	1.69
2008	.41	.69	.46	.50	2.06
2009	.44	.67	.38	.43	1.91
2010	.44	.71	.42	.48	2.05

Calendar	QUARTERLY DIVIDENDS PAID <sup>E</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2005	--	--	--	--	--
2006	--	--	--	--	--
2007	--	--	--	--	--
2008	--	--	--	--	--
2009	--	.075	.075	--	--

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
Sales per sh <sup>A</sup>	--	1.96	1.76	2.01	2.60	3.48	4.52	5.71	7.01	9.45	10.16	10.90		15.25
"Cash Flow" per sh	--	.22	.25	.31	.48	.80	1.18	1.51	1.93	2.50	2.34	2.50		3.30
Earnings per sh <sup>A B</sup>	--	.14	.19	.24	.40	.68	1.00	1.27	1.69	2.06	1.91	2.05		2.70
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	--	.30		.46
Book Value per sh	--	.76	.42	.73	1.17	2.06	2.73	3.21	5.13	4.50	5.33	6.30		8.20
Common Shs Outst'g <sup>D</sup>	--	280.21	349.49	357.81	366.02	379.24	378.43	369.83	372.52	336.73	318.01	310.00		275.00
Avg Ann'l P/E Ratio	--	--	18.7	22.1	21.4	26.5	25.8	26.2	24.7	17.7	11.3			20.0
Relative P/E Ratio	--	--	.96	1.21	1.22	1.40	1.37	1.41	1.31	1.07	.80			1.35
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--	--			1.0%
Sales (\$mill) <sup>A</sup>	507.8	548.9	616.1	719.4	953.2	1321.1	1710.4	2111.5	2612.5	3180.8	3230.5	3375		4200
Gross Margin	59.8%	64.0%	68.4%	70.7%	74.2%	78.2%	80.0%	80.7%	80.5%	78.8%	75.7%	75.5%		76.0%
Operating Margin	9.6%	14.3%	21.2%	22.6%	28.7%	36.9%	39.7%	39.3%	41.1%	40.2%	34.8%	33.5%		34.0%
Number of Stores <sup>C</sup>	163	170	189	212	232	250	275	304	352	399	441	470		550
Net Profit (\$mill)	22.9	38.6	64.0	85.8	146.6	261.7	388.7	494.3	636.5	742.0	622.1	645		765
Income Tax Rate	12.4%	30.6%	35.6%	35.5%	37.0%	37.5%	36.9%	38.0%	38.5%	39.0%	38.0%	37.0%		40.0%
Net Profit Margin	4.5%	7.0%	10.4%	11.9%	15.4%	19.8%	22.7%	23.4%	24.4%	23.3%	19.3%	19.1%		18.2%
Working Cap'l (\$mill)	51.7	54.1	47.1	128.2	287.0	523.7	443.6	632.7	1332.2	934.8	936.7	1200		1500
Long-Term Debt (\$mill)	3.8	3.7	3.7	3.6	3.5	3.4	3.3	3.1	2.9	2.6	25.1	25.0		Nil
Shr. Equity (\$mill)	203.2	212.8	148.3	260.4	426.9	782.3	1032.8	1188.7	1910.4	1515.8	1696.0	1950		2250
Return on Total Cap'l	11.1%	17.9%	42.8%	32.7%	34.1%	33.3%	37.5%	41.5%	33.3%	48.9%	36.2%	32.5%		34.0%
Return on Shr. Equity	11.3%	18.1%	43.2%	33.0%	34.3%	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	33.0%		34.0%
Retained to Com Eq	11.3%	18.1%	43.2%	33.0%	34.3%	33.5%	37.6%	41.6%	33.3%	49.0%	36.7%	28.5%		28.5%
All Div'ds to Net Prof	--	--	--	--	--	--	--	--	--	--	--	14%		17%

**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 441 North American stores (in-

cluding 111 factory outlets). Direct-to-consumer channel accounted for nearly 85% of total net sales in fiscal 2009; Indirect channel, (20%). Acquired remaining 50% interest in Coach Japan, 7/05. Off./dir. own 5.1% of common shares (10/09 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.

**A proactive posture is paying off for Coach.** The handbag and accessories maker matched last year's share earnings figure of \$0.44 in the first quarter (fiscal 2010 ends July 3rd), thus besting our estimate by 19%, despite facing one of the worst economic headwinds to date. A new pricing strategy focused on increasing the number of offerings between \$200 and \$300 in price (typically low price points) was instrumental, as consumers are opting for less expensive alternatives when it comes to discretionary items. In all, the top line increased 1% to \$761 million, with direct-to-consumer sales rising 10%. North American sales comparisons fell 1%, a marked improvement from the 6% decline experienced in the June period.

further market share in this growing area. **We have upped our full-year estimates, accordingly.** Although consumer confidence will probably remain soft for the foreseeable future, the aforementioned initiatives ought to help keep Coach's cash registers ringing, especially during the upcoming holiday season. Thus, we expect Coach to surpass last year's sales and earnings totals.

**Expansion overseas remains a crucial part of the plan.** With a strong footprint in Japan (sales there improved 11% in the most recent quarter), Coach has turned its attention to China. It is expected to open its first flagship location as well as a distribution center in Shanghai this year. Meanwhile, plans are in motion to enter department stores, which, along with the rollout of factory stores, should result in

**The stock has been on a roll . . .** It has risen approximately 20% since our August report and is up more than 60% since the start of the year. It is now ranked 1 (Highest) for Timeliness, due to the benefits we envision from the lower pricing format. **. . . but still has room to run in our opinion.** Deeper penetration into Asia and other untapped regions ought to continue driving above average gains for Coach out to 2012-2014. A relatively clean balance sheet and healthy cash position augurs well for these future ventures as well as shareholder gains. Indeed, investor returns ought to continue being padded by share repurchases and dividend growth in the meantime.

Andre J. Costanza November 6, 2009

(A) Fiscal year ends Sat. closest to June 30th. (B) Diluted eqs. Includes the expensing of stock options beginning in fiscal 2007. Reflects discontinuation of corporate accounts business beginning 2006. Excludes \$0.12 of non-recurring items in '08. Next eqs. report due late January. May not add due to rounding. (C) Store count only reflects North American retail and factory stores. Excludes 183 locations in Japan and China. (D) In mill., adj. for splits. (E) Initial dividend paid on 6/29/09 to stockholders on record as of 6/8/09.