

COACH, INC. NYSE-COH

RECENT PRICE **71.87** P/E RATIO **19.7** (Trailing: 21.4 Median: 21.0) RELATIVE P/E RATIO **1.28** DIV'D YLD **1.7%** VALUE LINE

TIMELINESS 3 Lowered 2/25/11
SAFETY 3 New 2/15/02
TECHNICAL 3 Raised 4/13/12
BETA 1.25 (1.00 = Market)

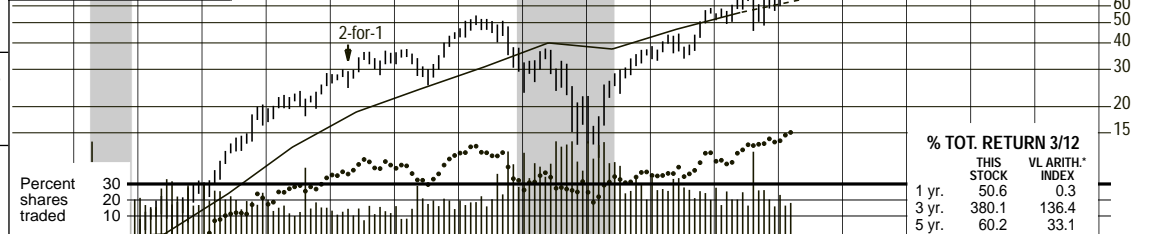
High: 5.3 8.9 20.4 28.8 36.8 45.0 54.0 37.6 37.4
 Low: 2.5 4.3 7.3 16.9 24.5 25.2 29.2 13.2 11.4
 58.6 69.2 79.7
 33.0 45.7 59.7

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 areas indicate recessions

2015-17 PROJECTIONS
 Ann'l Total
 Price Gain Return
 High 135 (+90%) 18%
 Low 90 (+25%) 8%

Insider Decisions
 J J A S O N D J F
 to Buy 0 0 0 0 0 0 0 0 0 0
 Options 0 0 1 4 2 3 0 3 1
 to Sell 0 0 1 2 2 2 0 3 1

Institutional Decisions
 2Q2011 3Q2011 4Q2011
 to Buy 249 305 263
 to Sell 328 292 342
 Hld's(000) 259404 258936 252636



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.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
Sales per sh ^A	2.01	2.60	3.48	4.52	5.71	7.01	9.45	10.16	12.15	14.41	16.90	19.45		27.25
"Cash Flow" per sh	.31	.48	.80	1.18	1.51	1.93	2.50	2.34	2.90	3.49	4.05	4.65		6.50
Earnings per sh ^{A B}	.24	.40	.68	1.00	1.27	1.69	2.06	1.91	2.33	2.92	3.52	4.05		5.65
Div'ds Decl'd per sh	--	--	--	--	--	--	--	.08	.38	.68	1.05	1.35		2.00
Book Value per sh	.73	1.17	2.06	2.73	3.21	5.13	4.50	5.33	5.07	5.59	6.00	7.60		12.75
Common Shs Outst'g ^D	357.81	366.02	379.24	378.43	369.83	372.52	336.73	318.01	296.87	288.51	284.00	280.00		265.00
Avg Ann'l P/E Ratio	22.1	21.4	26.5	25.8	26.2	24.7	17.7	11.3	15.2	17.3	17.3	17.3	<i>Bold figures are Value Line estimates</i>	20.0
Relative P/E Ratio	1.21	1.22	1.40	1.37	1.41	1.31	1.07	.75	.97	1.09	1.09	1.09		1.35
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	.3%	1.1%	1.3%	1.3%	1.3%		1.8%

CAPITAL STRUCTURE as of 12/31/11
 Total Debt \$24.0 mill. Due in 5 Yrs \$24.0 mill.
 LT Debt \$23.2 mill. LT Interest \$.9 mill. (1% of Cap'l)
 Leases, Uncapitalized: Ann'l rentals \$129.1 mill.

No Defined Benefit Pension Plan
Pfd Stock None
 Common Stock 287,767,818 shs.
 as of 1/27/12
MARKET CAP: \$20.7 billion (Large Cap)

CURRENT POSITION	2010	2011	12/31/11
Cash Assets (\$MILL)	696.4	702.0	1085.6
Receivables	109.1	143.0	212.04
Inventory (Avg Cst)	363.3	421.8	429.0
Other	133.8	185.6	169.4
Current Assets	1302.6	1452.4	1896.0
Accts Payable	105.6	118.6	136.7
Debt Due	.7	.8	.8
Other	422.7	473.6	673.5
Current Liab.	529.0	593.0	811.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Sales	20.5%	22.0%	15.0%
"Cash Flow"	28.5%	20.0%	15.0%
Earnings	30.5%	19.5%	16.0%
Dividends	--	--	32.0%
Book Value	24.5%	15.0%	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	1449	1109	1192	4800
2013	1200	1650	1250	1350	5450

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	.84	3.52
2013	.85	1.35	.90	.95	4.05

Cal-endar	QUARTERLY DIVIDENDS PAID ^E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	--	--	--	--	--
2009	--	.075	.075	.075	.225
2010	.075	--	.15	.15	.380
2011	.15	.15	.225	.225	.750
2012	.225	.225	.30		

Coach continues to impress despite a still tough operating environment. The company reported a 24% share-net advance in the third quarter (fiscal year ends June 30th), in spite of weak global economies and lofty input costs. Although share repurchases padded EPS growth, the real catalyst remained momentum at the top line, a testament to many of management's earlier initiatives. The decision to lower price points on certain lines in an attempt to keep registers ringing at traditional stores looks to have been the right move, aiding sales and reducing discounts. **We have bumped up already healthy fiscal fourth-quarter top- and bottom-line estimates.** Domestic sales ought to continue benefiting from the repositioning of Coach's women's lines, but will likely also get a significant boost from the expansion of its men's offerings. Men are undoubtedly becoming more fashion conscious, a trend that the rollout of men's stores should profit from. Coach has already introduced dual-gender stores in China, and believes that the men's business could top \$400 million this year and eventually become a \$1 billion operation.

These investments come at a cost, and will likely weigh on margins, but should help Coach achieve 25% share-net and 16% sales growth in the June period. **Our fiscal 2013 estimates assume continued success on the global stage.** Management has successfully developed its brand in Japan, and is now implementing a similar strategy in China. China represents tremendous opportunity, given its vast population and love for Western goods. The country's low labor costs also promise higher margins. Plus, Coach is also testing the European market, opening its second flagship store in London. Expansion into these areas ought to make 15% share-net growth feasible next year. **Yet, the stock appears a tad too pricey, in our eyes.** It has continued to gain momentum since our February report (COH is up about 25% over the past 52 weeks), discounting a fair portion of the gains we envision out to 2015-2017. Investors should note, though, the company's strong finances and recent willingness to reward shareholders. The quarterly dividend to be paid in July was raised 33%.

cluding 152 factory outlets). Direct-to-consumer channel accounted for nearly 87% of total net sales in fiscal 2011; Indirect channel, (13%). Acquired remaining 50% interest in Coach Japan, 7/05. Off/dir. own 2.4% of common shares (10/11 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.

Andre J. Costanza
 May 4, 2012

(A) Fiscal year ends Sat. closest to June 30th. (B) Diluted eps. 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 eps. report late July. May not add due to rounding. (C) Store count only reflects North American retail and factory stores. Excludes all other locations. (D) In mill., adj. for splits. (E) Initial dividend paid on 6/29/09. Typically paid in early January, April, July, and October.

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

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