

APPAREL AND ACCESSORIES

Coach acquires Kate Spade in \$2.4B deal

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Image source Kate Spade

By STAFF REPORTS

New York-based fashion company Coach is rounding out its portfolio with the purchase of rival accessible label Kate Spade.

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Formerly a solo fashion label, Coach became a multi-brand organization after it acquired Stuart Weitzman in 2015, and the company has further aspirations of growing its umbrella of brands, having recently been rumored as a possible buyer of Jimmy Choo and Burberry ([see story](#)). Coach purchased Kate Spade in a \$2.4 billion transaction, putting some other speculation to rest.

New addition

Coach's purchase price of Kate Spade will give shareholders \$18.50 per share, an amount 27.5 percent higher than the share price at closing on Dec. 27, the day before rumors of a purchase began.

The transaction, which is subject to regulatory approval, is slated to close in the third quarter of 2017.

With the similarities between the two brands, Coach's chief financial officer Kevin Wills expects synergies in operations to save \$50 million.

Coach is planning to cut back on Kate Spade's distribution to wholesale and flash sale channels, reducing its association with the promotional environments.

"Kate Spade has a truly unique and differentiated brand positioning with a broad lifestyle assortment and strong awareness among consumers, especially millennials," said Victor Luis, CEO of Coach, Inc., in a statement.

"Through this acquisition, we will create the first New York-based house of modern luxury lifestyle brands, defined by authentic, distinctive products and fashion innovation."



Image source Kate Spade

Looking to maintain Kate Spade's unique brand identity, Coach is planning to keep key talent in their positions at the label. Across all of Coach, Inc., the brands will handle their own marketing, design, merchandising and sales, while the larger organization will share some functions and knowledge across the group.

"The acquisition of Kate Spade is an important step in Coach's evolution as a customer-focused, multi-brand organization," Mr. Luis said. "The combination enhances our position in the attractive global premium handbag and accessories, footwear and outerwear categories, bringing product, brand positioning and customer diversification to the portfolio, and establishing scale in key functions with the resources to invest in talent and innovation.

"In addition, we believe the Kate Spade brand will benefit from our best-in-class supply chain and strong corporate infrastructure," he said.

While Mr. Luis declined to comment on earlier rumored acquisitions, he noted that Coach would probably not be making another purchase of this magnitude in the near future. However, smaller acquisitions, similar to the \$574 million Stuart Weitzman deal ([see story](#)), are not out of the question.

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