

Initiating Coverage:

# Capri Holdings Limited (\$CPRI)

Versace Finds a New Closet: Prada S.p.A Acquires Versace for \$1.4B

**Key Takeaway:** Capri Holdings is undergoing a major shift with the sale of Versace to Prada S.p.A for \$1.375B, reducing their portfolio to Michael Kors and Jimmy Choo, who are facing several financial hurdles themselves. With softening consumer discretionary spending, declining U.S. and global confidence in luxury goods, and heightened tariffs, Capri's future performance appears constrained. Even with capital from the sale of Versace helping reduce debt and fund capex improvements, macroeconomic and competitive risks overshadow these positives. The DCF analysis suggests ~20% downside.

**Sale of Key Revenue Segment Versace to Prada:** Capri originally acquired Versace in 2018 for \$2.1B and is selling it to Prada S.p.A for \$1.375B, with the transaction expected to close in late 2025. The sale reflects the underperformance of Versace and a shift in Capri's brand strategy. Starting FY2026, Versace will be classified as a discontinued operation. Proceeds will be used to pay down \$1.3B in debt, fund brand investments, and potentially reinstate share repurchases. Capri will then operate Michael Kors and Jimmy Choo.

**Macroeconomic Pressures and Retail Market Uncertainty:** The luxury and overall retail sector are facing declining consumer demand, exacerbated by price fatigue from years of hikes. Chanel and LVMH reported sharp profit declines, and consumers are questioning the value of luxury goods. In 2025, U.S. apparel tariffs surged from 14.5% to 30.6%, significantly impacting Capri's supply chain, which is heavily reliant on Asian manufacturers for Michael Kors. Fluctuating foreign exchange rates also pose a problem for the international company. Continued global uncertainty and weak consumer confidence pose ongoing risks.

**Declining Consumer Confidence in Capri's Brands:** Both Michael Kors and Jimmy are receiving criticism from consumers. Consumers believe Michael Kors has become overexposed in the U.S. market, with products commonly found in discount stores and off-price channels. The brand suffers from quality concerns, dated monogram aesthetics viewed as "tacky" and "gaudy," and is losing market share to competitors like Coach, Kate Spade, and Tory Burch. While some acknowledge improving designs and value as a first designer bag, overall brand perception remains diluted. Jimmy Choo faces similar criticism, with consumers citing poor quality for price, damaged or defective goods, inconsistent sizing, and limited relevance outside of wedding or special occasion wear. While it retains some strength in footwear and fragrance, it lacks innovation and recognition compared to peers like Aquazzura, Gianvito Rossi, and Stuart Weitzman. The brand's struggle to evolve with consumer preferences contributes to Capri's broader challenge of regaining relevance in the luxury space.

**Valuation:** We have an initiate coverage with a \$16.00 PT.



Consortium Research Group  
Consumer | Apparel  
June 29<sup>th</sup>, 2025

Stock Rating: Underweight

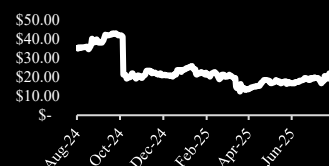
Price Target: \$16.00

Price: \$20.25

Potential Downside: -20.15%

Ticker: SCPRI

1 Year History



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## Company Overview

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**Company Description:** Capri Holdings Limited (NYSE: CPRI) is a global fashion luxury group originally founded as Michael Kors Holdings Limited by American designer Michael Kors. The company gained popularity after its acquisitions of Jimmy Choo in 2017 and Versace in 2018. In 2019, the company rebranded as Capri Holdings to reflect its multi-brand identity. Following the sale of Versace to Prada Group in 2025, Capri will operate two primary brands: Michael Kors, focused on affordable luxury, and Jimmy Choo, offering high-end luxury retail. Its product offerings include handbags, footwear, apparel, eyewear, fragrance, and accessories. Michael Kors targets aspirational shoppers, primarily women aged 25–45, with products typically priced between \$150 and \$600. Jimmy Choo serves affluent, fashion-forward consumers aged 30–55 with items priced from \$500 to over \$1,500. Under the leadership of Chairman and CEO John D. Idol, Capri delivers its products through a multi-channel model encompassing retail, wholesale, and growing digital platforms, including Amazon partnerships and influencer-driven marketing to engage younger demographics.

**Current Consumer Perception:** Kors and Jimmy Choo are receiving criticism from consumers, with customers having declining brand perception and fleeting product satisfaction. Michael Kors is frequently criticized in online forums for quality issues and the “tacky” appearance of its heavily monogrammed designs, which some view as imitative of higher-end luxury brands. Its widespread availability at discount retailers like TJ Maxx and even grocery chains has led to over-saturation and brand dilution, further weakening the brand’s image. While some consumers acknowledge the brand's affordability and consider it a good first luxury bag, others now favor competitors like Coach, Kate Spade, and Tory Burch. Jimmy Choo faces a different set of image issues. While still respected for its core footwear line, especially in bridal and occasion wear, it is increasingly seen as lacking innovation and relevance outside of those niches. Online reviews frequently cite concerns over poor material quality, inconsistent sizing, and damaged or defective items. Competing labels such as Gianvito Rossi, Stuart Weitzman, and Aquazzura are often preferred for their craftsmanship and design leadership. Overall, both brands face an uphill battle in regaining consumer trust and cultural relevance.

**Future Brand Growth:** Michael Kors has struggled with overexposure and quality perception, but is aiming to reposition itself through new initiatives, including undergoing store renovations, refreshing core styles, and focusing on storytelling through social media. Campaigns like the new travel-themed Ibiza campaign featuring Suki Waterhouse have garnered renewed consumer interest, particularly among loyalty customers and VIP clients. Capri also launched an official Amazon storefront to attract e-commerce demand, while also looking toward renovating 150 stores globally. Jimmy Choo, which competes in the high-end fashion market, is investing in expanding its casual footwear segment, including its popular Diamond Flex sneakers, and enhancing store productivity. It plans to elevate its retail experience and connect with consumers through influencer-driven campaigns and flagship store openings. Despite past challenges with quality perception and limited brand innovation, the brand is actively evolving its product strategy and digital presence to appeal to modern luxury shoppers.

## Industry Overview

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**Fluctuating Retail Demand:** The broader retail sector is experiencing a slowdown in demand, becoming increasingly erratic in 2025 as global consumers contend with inflation, elevated interest rates, and persistent economic uncertainty. In the U.S., consumer spending on apparel fell by 6.2% year-over-year in Q2 2025, according to the U.S. Census Bureau, while Eurostat reported a 4.8% drop in fashion retail sales across Europe during the same period. Capri Holdings recently reported a 14.1% decline in revenue for Q4 FY2025, driven by softer demand in North America and Europe, which regionally account for over 65% of the company's total revenue. The company explicitly cited "retail inventory imbalances" and "wholesale order reductions" as key causes for its underperformance. With wholesalers tightening reorder volumes and consumers delaying discretionary purchases, Capri's once-stable channel partners have become a source of volatility, leading the firm to cut its full-year forecast by \$200 million.

**Softening Luxury Market:** The luxury sector, previously thriving on post-COVID pent-up demand, is now facing a global slowdown, particularly in China. After accounting for over 35% of global luxury spending in 2023, Chinese consumer demand has cooled, with Bain & Co. forecasting just 2% growth in luxury sales in Asia for 2025, down from 9% in 2024. Capri Holdings reported a high single-digit sales decline in Asia last quarter and flagged continued softness in high-income consumer segments. Beyond Capri, luxury brands such as Chanel, Hermès, and LVMH have implemented steep price increases in recent years, with Chanel's classic flap bag, having more than doubled in price since 2019. As the WSJ reports, the median income of U.S. luxury shoppers has risen from \$85,000 to \$125,000 over the past five years, signaling a shift away from accessible luxury and squeezing brands like Michael Kors that rely on middle- and upper-middle-class consumers. Additionally, shoppers earning less than \$100K annually are pulling back across the U.S. and Europe amid economic headwinds, jeopardizing Michael Kors' positioning in the accessible luxury space. Capri must now invest heavily in customer acquisition and digital engagement to defend market share. This cooling demand prompted Capri to scale back store openings and trim its FY2026 CapEx by 15%.

**Volatile Tariffs and Supply Chain:** Ongoing geopolitical tensions and shifting U.S. trade policies have added new layers of complexity to global supply chains, particularly for fashion companies with a heavy reliance on international manufacturing. The May 2025 implementation of "Reciprocal Tariff Adjustments" raised average apparel duties from 17% to over 30% on goods imported from China, Vietnam, and Bangladesh—Capri Holdings' top sourcing regions. The company noted in its Q4 earnings call that these new rates could inflate COGS by \$60–\$80 million annually, unless mitigated through supply chain restructuring or price increases. Capri is not alone: G-III Apparel Group recently pulled certain forward-looking financial guidance entirely, citing tariff uncertainty, while Puma warned of elevated inventory and lower margins from accelerated pre-tariff imports.

## Peer Comparisons

Comparable Companies					
\$mm					
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Tapestry, Inc. (NYSE: TPR)	\$20,380	\$23,159	119.4x	\$7,011	\$1,571
LVMH Moet Hennessy (ENXTPA: MC)	\$286,039	\$319,799	22.4x	\$96,567	\$23,976
Ralph Lauren (NYSE: RL)	\$17,285	\$18,247	22.8x	\$7,286	\$1,213
Hugo Boss (XTRA: BOSS)	\$3,396	\$4,745	13.2x	\$4,989	\$566
<b>Capri Holdings Limited</b>	<b>\$2,391</b>	<b>\$4,986</b>	<b>-2.1x</b>	<b>\$4,391</b>	<b>\$243</b>

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate
Tapestry, Inc. (NYSE: TPR)	14.7x	75.4%	22.4%	20.1%	5.1%
LVMH Moet Hennessy (ENXTPA: MC)	13.3x	66.0%	24.8%	21.6%	(3.2%)
Ralph Lauren (NYSE: RL)	15.0x	69.0%	16.6%	13.6%	9.6%
Hugo Boss (XTRA: BOSS)	8.4x	61.7%	11.3%	8.5%	1.1%
<b>Capri Holdings Limited</b>	<b>20.5x</b>	<b>63.6%</b>	<b>5.5%</b>	<b>1.2%</b>	<b>(8.3%)</b>

High	20.52x	75.4%	24.8%	21.6%	9.6%
75th Percentile	15.05x	69.0%	22.4%	20.1%	5.1%
<b>Average</b>	<b>14.41x</b>	<b>67.1%</b>	<b>16.1%</b>	<b>13.0%</b>	<b>0.8%</b>
<b>Median</b>	<b>14.74x</b>	<b>66.0%</b>	<b>16.6%</b>	<b>13.6%</b>	<b>1.1%</b>
25th Percentile	13.34x	63.6%	11.3%	8.5%	-3.2%
Low	8.39x	61.7%	5.5%	1.2%	-8.3%

Capri Holdings Valuation	
Implied Enterprise Value (25th Percentile)	\$ 3,241
<b>Implied Enterprise Value (Median)</b>	<b>\$ 3,582</b>
Implied Enterprise Value (75th Percentile)	\$ 3,656
Implied Share Price (25th Percentile)	\$ 14.11
<b>Implied Share Price (Median)</b>	<b>\$ 16.97</b>
Implied Share Price (75th Percentile)	\$ 17.59

Source: S&P Capital IQ

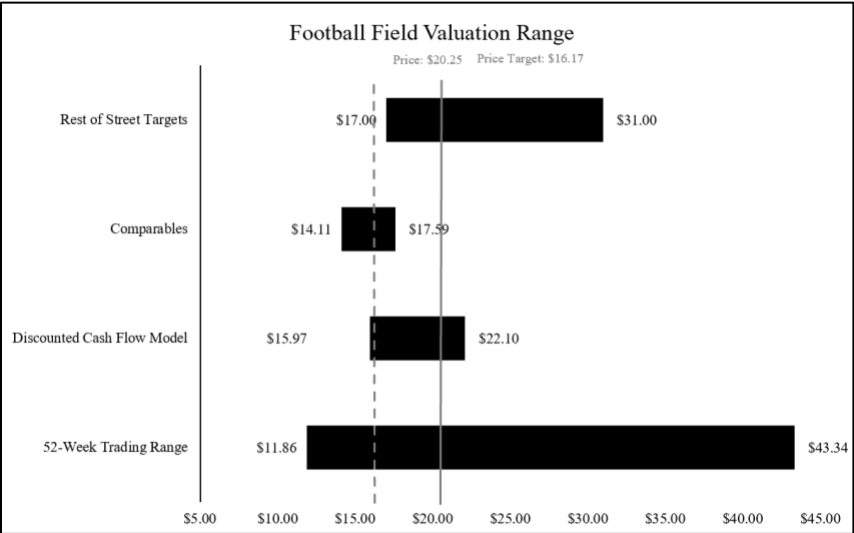
**Diminishing Brand Relevance:** In a highly competitive and fast-paced retail environment, Capri's legacy brands struggle to resonate with younger consumers, suffer from a lack of product innovation, and consist of declining product quality, resulting in declining sales. Michael Kors has been characterized as "tacky" and is oversaturated, and Jimmy Choo's styles are stagnant and poor quality. This deterioration in cultural relevance reduces pricing power, forces higher promotional activity, and threatens long-term positioning. Without a turnaround in consumer perception, Capri risks losing its current market share to stronger peers like Tapestry and Ralph Lauren.

**Annually Declining Revenue:** Capri Holdings faces revenue pressure due to softening global demand for discretionary goods, particularly in the accessible and mid-tier luxury sector. U.S. apparel sales fell 6.2% YoY in Q2 2025, while Europe experienced a 4.8% decline, with Capri reporting a 14.1% drop in revenue for Q4 FY2025. This decline is amplified by wholesalers tightening orders and inventory imbalances across retail partners, creating instability in what had once been a steady channel. Simultaneously, tariffs have increased apparel costs, raising prices for already price-sensitive consumers. Together, these factors stunt growth and shrink margins due to rising input costs, constraining Capri's ability to deliver shareholder value.

**Pending Tariff Costs:** Capri is vulnerable to rising tariff costs given its heavy reliance on Asian sourcing. Rising tariff exposure and ongoing supply chain volatility threaten to compress margins further. The May 2025 tariff hike raised apparel duties from 17% to more than 30%, which management estimated could inflate costs by \$60-\$80 million annually. Unlike high-end luxury brands with strong pricing power, Capri cannot easily pass these costs on without further depressing demand in its core middle-class customer base. Additionally, restructuring the supply chain to reduce exposure would be both costly and time intensive. This tariff exposure, combined with FX volatility and broader supply chain disruptions, puts pressure on margins and cash flows, jeopardizing Capri's ability to reinvest in brand revitalization.

Price Target & Valuation

Our analysis gives \$CPRI a price target of \$16.00 and an Underweight rating.



Potential Downsides to Our Rating

**Weak Consumer Sentiment & Competitive Pressures:** Michael Kors remains overexposed in discount/off-price channels, eroding pricing power and consumer perception. If brand initiatives (e.g., store renovations, digital campaigns) fail to restore relevance, revenue could continue to decline. Jimmy Choo, while respected in bridal and special occasion niches, lacks relevance in everyday luxury fashion. Competitors such as Gianvito Rossi, Stuart Weitzman, and Aquazzura are viewed as more innovative, pulling aspirational consumers away. This weakening consumer perception reduces pricing power and risks further revenue decline if Capri cannot shift its brand narrative.

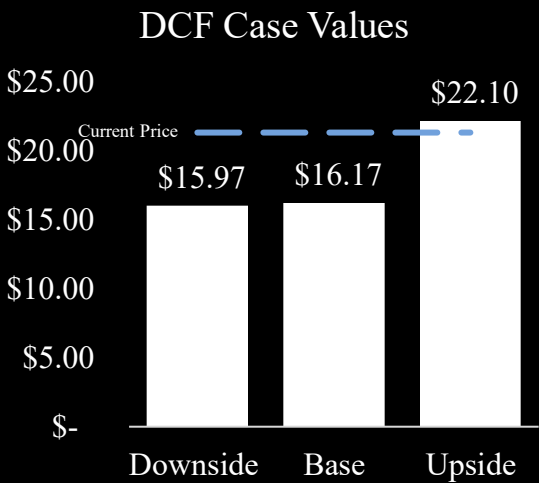
**Tariff & Supply Chain:** With over 60% of Capri’s manufacturing in Asia, the recent U.S. apparel tariff hike could add \$60–80M annually to COGS. Unlike true luxury houses such as Hermès or Chanel, Capri lacks the pricing power to fully pass these costs onto consumers without eroding demand, given its mid-tier position. If Capri cannot offset this through price increases or sourcing diversification, margins will compress further.

**Execution Risk Post-Versace Sale:** Capri will operate with only Michael Kors and Jimmy Choo after divesting Versace. If capital from the \$1.375B sale is misallocated, or debt reduction fails to stabilize the balance sheet, Capri risks losing scale and competitive positioning relative to stronger peers (LVMH, Tapestry, Ralph Lauren).

Our Price Target: **\$16.00**  
Base case is driven by a DCF model, yielding a \$16.17 target price. This reflects declining consumer demand, tariff-driven margin pressure, and weaker brand relevance at Michael Kors and Jimmy Choo. We assign an Underweight rating.

Our Upside Case: **\$22.00**  
In the upside scenario, Capri successfully executes brand repositioning, restores Michael Kors’ consumer appeal, and limits tariff-related COGS inflation. Stronger-than-expected demand in Asia and North America could lift EBITDA and justify a valuation closer to peer multiples, supporting ~\$20 per share.

Our Downside Case: **\$15.00**  
Downside case assumes continued brand dilution, decreased revenue, and tariff headwinds. Failure to reallocate Versace sale proceeds effectively, coupled with prolonged macro weakness in discretionary spending, could compress margins further and drive shares toward ~\$13 per share.



## Projections

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Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	4,442	3,350	3,426	3,524	3,646	-6.4%
EBITDA	201	300	394	417	444	30.2%
EBIT	52	150	206	227	251	69.0%
NOPAT	298	902	793	425	(400)	-210.3%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	4.5%	9.0%	11.5%	11.8%	12.2%	9.8%
EBIT Margin	1.2%	4.5%	6.0%	6.4%	6.9%	5.0%
Revenue Growth	-14.1%	-24.6%	2.3%	2.9%	3.5%	-6.0%
EBIT Growth	-86.0%	188.5%	37.0%	10.5%	10.6%	32.1%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	-12.5x	13.7x	10.8x	9.9x	9.1x	6.2x
EV/Sales	0.9x	1.2x	1.2x	1.1x	1.1x	1.1x
EV/EBITDA	19.9x	13.3x	10.2x	9.6x	9.0x	12.4x
FCF Yield	-8.0%	7.3%	9.3%	10.1%	11.0%	12.0%

## About \$CPRI

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Capri Holdings (CPRI), founded in 1981 as Michael Kors Holdings, operates as a global fashion luxury group. The company designs and sells apparel, footwear, and accessories through retail, wholesale, and e-commerce channels, aiming to offer accessible luxury while repositioning its brands in a challenging global market. The company's core goal is to deliver stylish, luxury-inspired products to the global retail market.

## Disclosures & Ratings

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Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Capri Holdings Limited

Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$20.08

DCF Analysis (\$mm)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035
Slub						0.63	1.63	2.63	3.63	4.63	5.63	6.63	7.63	8.63	9.63	10.63
Discount Period						0.18	0.87	1.87	2.87	3.87	4.87	5.87	6.87	7.87	8.87	9.87
Revenue	4,060	5,654	5,619	5,170	4,442	3,350	3,426	3,524	3,646	3,796	3,975	4,186	4,435	4,725	5,064	5,458
Revenue Growth	0%	38%	-1%	-8%	-14%	-26%	2%	3%	3%	4%	5%	5%	6%	7%	7%	8%
Versace	718	1,088	1,106	1,030	821	0	0	0	0	0	0	0	0	0	0	0
Jimmy Choo	418	613	633	618	605	550	556	564	577	593	614	639	668	704	745	794
Michael Kors	2,924	3,953	3,880	3,522	3,016	2,800	2,870	2,959	3,069	3,202	3,361	3,548	3,766	4,022	4,319	4,664
EBIT	364	994	822	371	52	150	171	196	223	253	287	326	370	420	478	546
EBIT Margin	9%	18%	15%	7%	1%	4%	5%	6%	6%	7%	7%	8%	8%	9%	9%	10%
Tax Expense	66	92	29	(54)	452	23	26	29	33	38	43	49	55	63	72	82
Effective Tax Rate	18%	8%	4%	-15%	868%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
NOPAT	298.00	902.00	793.00	425.00	(400.00)	127.50	145.58	166.40	189.41	215.08	243.59	276.75	314.15	357.02	406.52	463.91
D&A	165	144	135	143	149	150	168	180	182	196	201	207	214	223	234	246
Capex	111	131	226	189	128	130	120	119	120	120	121	123	126	129	132	136
Changes in NWC	(235)	336	6	(29)	(183)	(30)	17	18	18	19	20	21	22	24	25	27
UFCF	587	579	636	408	(196)	178	197	219	244	272	304	340	381	428	482	546
PV of FCF						175	183	186	190	194	198	203	209	215	222	231

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	5.50%
Beta	1.70
Risk Free Rate	4.35%
Cost of Equity	6.03%
Weighted Average Cost of Debt	6.50%
Tax Rate	15.00%
Cost of Debt	3.09%
Total Equity	\$2,440
Total Debt	\$1,562
Equity/Total Capitalization	44.02%
Debt/Total Capitalization	55.98%
WACC	9.12%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$546
Growth	2.00%
Terminal Value	\$7,661
PV of Terminal Value	\$3,237
PV of Projection Period	\$2,207
PV of Terminal Value	\$3,237
Implied TEV	\$5,444
(-) Debt	\$3,103
(+) Cash	\$1,541
Implied Equity Value	\$3,882
Basic Shares Outstanding	119
Implied Share Price	\$32.61
Upside/Downside	62.39%
Implied Exit BF EV/EBIT	10.0x

Terminal Value	
Exit Multiple Method	
2034 EBIT	\$546
EV/EBIT Exit Multiple	5.5x
Terminal Value	\$3,002
PV of Terminal Value	\$1,268
PV of Projection Period	\$2,207
PV of Terminal Value	\$1,268
Implied TEV	\$3,475
(-) Debt	\$3,103
(+) Cash	\$1,541
Implied Equity Value	\$1,913
Diluted Shares Outstanding	119
Implied Share Price	\$16.07
Upside/Downside	-20.0%
Implied PGR	-23.7%

Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$16.07
Upside/Downside	-19.97%