

Capri Holdings: Where Should the Next Increment Go?

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Capri Holdings had completed the sale of Versace to Prada in December 2025. In the latest reported quarter, the company had two operating segments: Michael Kors (MK) and Jimmy Choo (JC). Capri still provided some transition services to the former Versace business, so the legal sale had not ended every transaction-related activity. [P02, Note 3](#)

The public financial snapshot ended June 27, 2026. Since then, management had described a sequence of product, marketing and store changes at both brands. At a September 15 investor conference, CEO John Idol called the early indications “green shoots” and said Capri expected stronger growth in the second half of FY2027. The remarks were management’s interpretation and outlook; no Q2 financial results had been reported by October 2. [P07, official event notice](#); [conference transcript locator](#)

Two brands, different signals

For the quarter ended June 27, Capri reported \$590 million in MK revenue, down 7.1% year over year, and \$179 million in JC revenue, up 10.5%. MK segment operating income was \$55 million, compared with \$63 million a year earlier. JC segment operating income rose to \$13 million from \$4 million, but its gross margin declined from 70.4% to 68.7% as channel mix changed. These are segment operating figures, not cash flow or standalone brand profit after corporate costs. [P01, release lines 48-62](#); [P02, segment results](#)

Management attributed the lower MK outlook to several factors, including inventory arriving later than expected for the second quarter, softer EMEA trends and foreign exchange. Capri reduced FY2027 revenue guidance from the May estimate of \$3.525 billion to about \$3.4 billion, while maintaining adjusted EPS guidance of about \$2.15 through expense actions. The guidance is forward-looking and adjusted/non-GAAP. [P01, lines 67-125](#); [P06, May outlook](#)

Management’s September comments sharpened the execution question:

- **Michael Kors:** The CEO said inventory was rebuilding but remained below the level the company wanted. He described lower clearance/markdown inventory, higher average unit retail (AUR) and full-price sell-through, and said second-half marketing would approach 10% of revenue. In the MK store discussion, he said Capri aimed to renovate about half of “our store fleet” over two to three years, with about 100 stores completed by “next year.” The relative year was not specified. These are management remarks, not audited post-Q1 results or independently verified store returns.

- **Jimmy Choo:** Management reported accessories “running over 20% increases as we speak,” without specifying the comparison basis. It described an ambition for accessories to exceed 35% of sales “over a period of time” and identified casual footwear as another growth lever. These are management-reported indicators and a longer-term ambition, not a dated forecast or margin analysis.

The event remarks came from CEO John Idol and CFO/COO Tyler Reddien at the public September 15 conference. Capri’s official notice said the session would be webcast and replayed; the available transcript is a third-party text locator. [P07; transcript, lines 179-197, 256-260, 287-309](#)

Resources and constraints

Capri reported June-quarter operating cash flow of \$73 million and capital expenditures of \$25 million; its issuer-defined free cash flow was \$48 million. Management’s FY2027 capex outlook was about \$125 million for store renovations across both brands and IT/digital enhancements. The outlook does not disclose a brand-by-brand split or identify the full amount as movable. Management said liquidity was adequate for the next 12 months and beyond. [P01, lines 43-46; P02, liquidity and capex](#)

At June 27, cash was \$114 million, total borrowings were \$338 million and reported net debt was \$224 million. Capri had \$678 million of availability under its \$1 billion revolver and reported covenant compliance. It repurchased \$50 million of shares during Q1 FY2027; \$871 million remained authorized at June 27. The authorization can be suspended or discontinued and is not a planned outflow. Debt repayment, working capital, capex and shareholder returns all draw on financial flexibility. [P01, lines 43-46 and 64-65; P02, debt and repurchases](#)

Capri’s stated strategies were already underway: MK emphasized full-price sell-through, hero products, pricing architecture and store productivity; JC emphasized its glamorous brand codes, accessories, casual/fashion-active footwear and sales density. Capri also described sharing selected capabilities across brands. The case is not asking whether Capri should begin those publicly stated initiatives. It asks how management should govern the next increment of operating support while the initiatives proceed and while their costs and paybacks remain undisclosed. [P03, lines 335-352](#)

Exhibit 1. Q1 FY2027 operating snapshot

Quarter ended June 27, 2026	Michael Kors	Jimmy Choo
Revenue	\$590m; –7.1% reported	\$179m; +10.5% reported
Gross margin	63.9%, up from 61.1%	68.7%, down from 70.4%
Segment operating income	\$55m, down from \$63m	\$13m, up from \$4m
Management’s strategic emphasis	Full-price sell-through, hero products, inventory availability, marketing and store renovation	Accessories mix, casual footwear, brand codes and client acquisition

Revenue and segment results are company-reported; percentage changes are year over year. Management explanations and targets are not independent results. [P01, lines 48-62; P07, conference remarks](#)

Exhibit 2. Financial flexibility at June 27, 2026

Reported item	Amount / description
Cash	\$114m
Total borrowings	\$338m
Net debt	\$224m
Revolver availability	\$678m
Q1 operating cash flow / capital expenditures	\$73m / \$25m
Q1 issuer-defined free cash flow	\$48m
FY2027 capital expenditure outlook	About \$125m, both brands' store renovations and IT/digital
Q1 share repurchases / authorization remaining	\$50m / \$871m

The FY2027 capex outlook is a company forecast, not a full discretionary pool. The share-repurchase authorization is capacity, not a commitment. Free cash flow is a non-GAAP measure defined by Capri as operating cash flow less capital expenditures. [P01, lines 43-46 and 64-65](#); [P02, lines 1476-1504 and 1589-1608](#)

The decision

For a **constructed management-planning exercise, not a disclosed company proposal**, recommend where Capri should place its next increment of operating attention and any genuinely discretionary support. Choose a primary emphasis, explain what remains funded under the public plans, and set measurable review gates. No brand-level budgets, initiative costs, paybacks or incremental return estimates were disclosed. Do not assume the entire \$125 million capex outlook or the repurchase authorization is free to reallocate.

Possible approaches include:

1. **Protect and sequence the Michael Kors reset.** Prioritize product availability, full-price execution, marketing and the stated store-renovation cadence; release further support against evidence on sell-through, AUR, inventory and margin.
2. **Selectively accelerate Jimmy Choo priorities.** Expand support for accessories, casual footwear or client acquisition only with evidence that growth can translate into sustainable margin and brand-fit economics.
3. **Constrain incremental brand commitments.** Continue the already-stated strategies within published plans, while prioritizing debt reduction and retaining repurchases as a conditional capital-return option.

A hybrid recommendation is possible, but identify the primary priority and the conditions that would change it. How should Capri judge progress before the next reported quarter? What additional information would you request before assigning brand-specific budgets?

Source note: Information stops at the cutoff above. Q1 FY2027 is the latest reported financial quarter. September conference remarks are management statements obtained from third-party transcript text and should be treated as attributed, forward-looking or illustrative-not as audited

performance. A source register with exact filing locators is at [site/research/capri-holdings-ltd/source-register.md](https://www.sec.gov/corpfin/financials/capri-holdings-ltd/source-register.md).