Sandro-owner SMCP expects slower growth as French protests drag on

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SMCP, the French fashion group behind Sandro, forecast sales would grow at a more moderate pace in 2019 as street protests rock its home market and Britain's messy EU exit spreads uncertainty, sending its shares lower on Wednesday.

The company, which also owns so-called "affordable luxury" brands Maje and Claudie Pierlot, said it expected sales to expand by 9 to 11 percent at constant currencies in 2019, after 13 percent growth in 2018.

"We're seeing a slightly uncertain macro-economic backdrop, especially in France, and also a little linked to the Brexit situation," Chief Executive Daniel Lalonde told reporters.

SMCP's adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) rose 11.6 percent to 171.5 million euros ($196 million) in 2018.

The shares were down 8 percent by 1135 GMT. Analysts at Jefferies said the group's guidance was "moderately disappointing."

SMCP is expanding rapidly across Asia and Europe with new stores but makes the bulk of its money in France, where "yellow vest" protests over the cost of living erupted last November and have led to rioting in Parisian shopping districts.

Last Saturday shops on the Champs Elysee avenue were looted as violence flared up, forcing some retailers to close shops.

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The financial effect on SMCP has so far been muted, costing it 4 million euros in lost earnings last year, or under 1 percent of its 1 billion euro ($1.14 billion) turnover.

The company, controlled by Chinese retail group Shandong Ruyi, expects to add just over 100 points of sale to its 1,466-strong network this year, mainly across Asia and in Europe.

Greater China in particular was proving promising, Lalonde said, adding the year had got off to a "very, very good start" there - a reassuring signal for other high-end fashion brands concerned about the fallout from a U.S- China trade war.

But SMCP - whose labels like Sandro sell dresses around the 400 euro mark, on a par with French rivals like The Kooples or Britain's Ted Baker - also faces risks as it adds to fixed costs and competition rises in its market segment.

Ted Baker reported its first annual profit drop since 2008 on Wednesday.

SMCP's comparable sales, when not factoring in store openings, progressed by 3.7 percent in 2018.

The group is banking on a flat operating margin in 2019, after it reached 16.9 percent last year, as it invests in e-commerce globally and in logistics in Asia, Lalonde said.