Capri Holdings tops Q3 expectations but cuts guidance due to coronavirus impact

By Robin Driver  -  6 February 2020

Capri Holdings Ltd., the owner of brands including Michael Kors, Versace and Jimmy Choo, beat analysts’ expectations with the announcement of solid growth in both sales and earnings in the third quarter on Wednesday but dampened the news by reducing its annual guidance in response to measures being taken to deal with the coronavirus outbreak in China.

For the third quarter ended December 28, 2019, the company reported total revenue of $1.57 billion, up 9.2% from $1.44 billion in the prior-year period. According to FactSet data cited by MarketWatch, analysts had expected Capri to post revenues of $1.54 billion.

Michael Kors, the company’s largest brand, posted a 5.1% decrease in its revenues, which totaled $1.21 billion, but news was more positive at Versace and Jimmy Choo.

Versace, which was acquired by the company in January 2019, achieved revenues of $195 million, reflecting a mid-single-digit rise in comparable sales on a constant currency basis. Furthermore, comps growth at the brand was in the double digits in both the Americas and the EMEA region.
At Jimmy Choo, revenues totaled $165 million, up 1.9% compared to the prior-year period, while comps at the brand remained flat on a constant currency basis.

Capri’s quarterly net income came to $210 million, or $1.38 per diluted share, up from $200 million, or $1.33 per diluted share, in the same period in the previous year.

Excluding certain items, the company’s adjusted EPS was $1.66, beating analysts’ predictions of $1.59 per share.

“For the third quarter, we were pleased to deliver revenue and earnings per share above our expectations,” commented Capri chairman and CEO John Idol in a release. “The strategic initiatives for our recent acquisitions, Versace and Jimmy Choo, continue to gain traction, and we believe we are on the right path to position Michael Kors for future growth.”

Year to date, the company’s revenues were $4.36 billion, up from $3.89 billion in the same nine-month period in the previous year, while its income fell to $328 million ($2.15 per diluted share), down from $524 million ($3.46 per diluted share).

As the coronavirus outbreak continues in China, Capri also announced that it was cutting its full-year guidance for fiscal 2020. The company now expects revenue to total approximately $5.6 billion, while diluted earnings per share are predicted to be between $4.45 and $4.50.

“We are in the midst of a dynamic global health emergency related to the coronavirus,” explained Idol. “The situation in China and the measures being taken to protect the population are having a material impact on our business.”

In the fourth quarter, Capri expects to report revenues of around $1.3 billion and diluted earnings per share in the range of $0.68 to $0.73.

Following the announcement of the company’s results, shares in Capri Holdings were up 1.4% in premarket trading on Wednesday.