Bottega Veneta back in growth, Gucci, Saint Laurent still outperform at Kering

By Sandra Halliday - 12 February 2020

Luxury group Kering had a good year in 2019 and the final quarter was also strong. Its star brand Gucci performed better than expected and managed to shrug off problems in Hong Kong as well as improving its fortunes in the US. Saint Laurent also continued to power ahead and Bottega Veneta’s recovery looks to be well established now, despite a patchy start to the year.
But among all the good news, the company said the coronavirus outbreak in the current year is a big issue. Chairman and CEO François-Henri Pinault said the environment has “changed significantly. Due to the evolving nature of the situation, it is impossible at this time to fully evaluate the impact on business and how fast it will recover”. But he added he didn’t want to “engage in guesswork” as to the overall impact and expects a “return to normal promptly once the emergency is over.”

Looking at the full-year 2019 numbers, Kering reported revenue up 16.2% to €15.88bn with a 13.3% rise on a comparable basis, “fuelled by substantial growth across all regions”. Recurring operating income was up 19.6% to €4.7bn and the gross margin of €11.77bn was up 15.5%. But on a reported basis, net income fell 37.4% to €2.3bn due to one-off issues related to Puma and to a tax settlement. Recurring net income grew 15.1% to €3.21bn, however.

Gucci’s comparable revenue was up 13.3% and reported revenue rose 16.2% to €9.62bn, And there was an “outstanding” 14.4% comparable increase at Saint Laurent while revenue rose 17.5% reported to €2.05bn.

Kering also saw a return to growth at Bottega Veneta, which was up 2.2% comparable or 5.3% reported at €1.16bn, “owing to the success of its new collections,” which clearly justified its decision to appoint Daniel Lee as its creative chief.

It also saw a “remarkable performance” from its Other Houses, which were up 17.8% comparable and 20.3% reported at €2.53bn, “driven by momentum at Balenciaga and Alexander McQueen”.

The ‘Corporate and other’ segment reported revenue of €500.9m on strong momentum at Kering Eyewear, up 18.2% comparable. It contributed €474m to consolidated revenue after eliminating intra-group sales and royalties paid to the group’s labels (€596m including these items). Eyewear’s performance was again driven by its Gucci, Cartier and Saint Laurent licenses, as well as by the recently acquired Montblanc and Balenciaga licenses.

Clearly, the results were strong, given the challenges in some markets such as Hong Kong, where Q4 saw a sales plunge, and also the very high results in the prior year, which made comparisons tougher.

Problems in Hong Kong aside, the group’s strength was broadly spread, not just among its brands but among different channels. The company enjoyed good performances for its labels in its own stores but also saw strength in online sales with a 22.6% increase year-on-year. And wholesale was buoyant as well with a 10.4% rise on a comparable basis.

Regionally, the company said it put in an excellent showing in the Asia-Pacific region with a 20.4% rise, “despite political tensions and disruptions in Hong Kong in the second half of 2019, which impacted the group’s business”. Western Europe posted double-digit growth each quarter, with an overall progression of 13.7% over the year. North America and Japan were up 6.7% and 5.9%, respectively.

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Total revenue posted by the firm’s Luxury Houses in Q4 rose 11.6% on a comparable basis. The directly operated store network “continued on a strong uptrend”, with comparable sales up 12.3% over the quarter, higher in double-digits in all regions except Japan, “which felt the impact of the increase in sales tax”.

Gucci’s “very sustained” 10.5% growth in revenue in Q4 was fuelled by “the brand’s growth momentum across regions and product categories”. North America posted pleasing comparable revenue growth of 6.2% on a comparable basis in the last three months of 2019 in directly operated stores.

Saint Laurent also "confirmed its excellent momentum" in Q4 with revenue up 14% on a comparable basis thanks to strong performances in Western Europe and North America.
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The news from Bottega Veneta was perhaps the most encouraging though. After a mixed performance in the first half of the year, revenue swung up 8.2% in H2 and enjoyed “particularly good momentum” with Western Europe and North America comparable revenue up 7.4% and 5.7%, respectively. Then in Q4, Bottega Veneta sales advanced 9.4% on the back of strong momentum in both retail and wholesale channels.

Francois-Henri Pinault talked about “another year of sustained profitable growth as total revenues significantly exceeded the €15bn mark and our recurring operating margin topped 30% for the first time ever.

“We are pursuing the implementation of our strategy — we are focused on developing our Houses, executing flawlessly and creating value. In the challenging period China is facing right now. These particularly uncertain
flawlessly, and creating value. In the challenging period China is facing right now, these particularly uncertain conditions don’t call into question Kering’s fundamentals in the luxury industry.”

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