Stella McCartney swings to loss on higher costs, focuses on Asia expansion

By Sandra Halliday  -  9 March 2020

Higher costs, partly linked to Stella McCartney's buyout of her brand from Kering, helped to wipe out profits at the brand in its latest year, with the accounts that have only just been filed for 2018 showing an operating loss of more than £10 million.
In its previous year, the company had made an operating profit of £9.1 million, and although the Kering transaction hadn't completed at the end of the financial year, it still turned that profit into losses of £10.8 million. The corporate reorganisation costs mounted up, but the large new flagship store on Old Bond Street also added to the company's outgoings. Overall, expenses rose from £29 million in 2017 to £49 million.

Sales were virtually flat during the period – actually they rose by a tiny 0.2% after having risen 2% during 2017 – to reach £42.6 million. Frustratingly the company didn't give any information about what happened in 2019 and given that it's now in a partnership with LVMH (although McCartney retains control of the business), that information would have been very useful.

In the accounts, the company said that its strategy is to expand its worldwide retail portfolio with new stores and concessions, particularly in Asia. In fact, the company is heavily focused on international sales in general and doesn't seem to be worried about Brexit.

That makes it something of a rarity in the UK fashion sector, but it's able to feel that confident because at the moment, less than 5% of its global revenue happens in its UK shops. That also means only a small proportion of its sales are dependent on cross-border movement of goods to Britain.

Furthermore, the majority of foreign revenue recorded by the company relates to royalties, which benefit from UK international tax treaties that are unlikely to be affected by Brexit.

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