Capri estimates 70% plunge in first-quarter revenue, plans Michael Kors store closures

2 July 2020

Michael Kors owner Capri Holdings Ltd on Wednesday estimated a stunning 70% drop in first-quarter revenue as the Covid-19 pandemic hammered demand for its luxury handbags and dresses.
Sales for luxury goods companies dried up early in the quarter as lockdowns to contain the outbreak shut shopping hubs in Europe, Asia and North America and crippled major department operators like Neiman Marcus.

Capri, which also owns Versace and Jimmy Choo, said it may permanently close up to 170 stores, mostly Michael Kors, over the next two years and cut capital expenditures by about $150 million in fiscal 2021 to ease the pressure.

“Customers are probably going to be less in stores over the next few years until we get a vaccine and until people feel more comfortable shopping outdoors,” Capri Chief Executive Officer John Idol said on a call with analysts.

The company also forecast a return to profits in the second half of fiscal 2021, which started in April, helping send its shares up over 3%.

Capri said sales at its reopened stores hit 50% to 75% of prior year levels with stronger trends in China, but shipments to department stores had plunged and would result in “significant” losses in the first quarter.

Analysts had forecast a 46.7% fall in revenue for the first quarter ended June, according to IBES data from Refinitiv.

In delayed fourth-quarter results, Capri’s total revenue fell 11.3% to $1.19 billion in the three months ended March 28, slightly above the average analyst estimate of $1.12 billion.

The company reported a fourth-quarter net loss attributable to Capri of $551 million, compared to a profit of $19 million a year earlier.

On an adjusted basis, the company earned 11 cents per share, missing estimates of 15 cents per share.