Capri beats sales estimates on e-tail surge, China strength

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Capri Holdings Ltd reported a smaller-than-expected quarterly loss on Wednesday, helped by a recovery in demand for its Versace and Jimmy Choo brands in China and a surge in online shopping.
Shares of the company, which also makes the Michael Kors label, jumped 14% in early trading.

Capri said first-quarter sales at Versace and Jimmy Choo in Mainland China were roughly flat from a year earlier, joining European luxury goods makers LVMH and Kering in signalling a pick-up in demand in the country, where the effects of the Covid-19 pandemic were first felt.

However, the company said revenue from its Hong Kong and Macau markets remained significantly below last year.

Chinese shoppers account for a major chunk of global luxury goods sales and domestic demand has risen due to restrictions on travelling abroad.

The company warned that sales in Europe and North America would be slower to recover, with total revenue likely to be down 40% in the second quarter and 35% for the full year.

“We’re at the peak season of where tourists would be coming to London, Paris, Milan, Florence and Barcelona, which are all very important cities where we do huge volume,” CEO John Idol said. “Obviously, that’s not going to happen this year, so we continue to be cautious about what’s happening in Europe.”

Total revenue fell 66.5% to $451 million in the first quarter, a smaller drop than the company had projected in July, as online sales jumped 30%.

Excluding items, the company posted a loss of $1.04 per share, less than analysts’ expectation of a loss of $1.11 per share, according to IBES data from Refinitiv.

The company also backed its previous expectations of returning to earnings and revenue growth in fiscal 2022, which starts next year.