Safilo recovers in Q3, helped by US and China, but uncertainty remains

By Sandra Halliday  -  4 November 2020

Eyewear giant Safilo’s Q3 results on Wednesday showed growth in net sales and profitability that was "led by the rebound of North America and a surging online business".

The company makes eyewear under labels including Dior, Fendi, Fossil, Jimmy Choo, Marc Jacobs, Tommy Hilfiger, Pierre Cardin, Carrera, Givenchy and many more. It said net sales rose 6% to €219.1 million at constant exchange rates in the quarter, or 3% at current exchange rates. But for the first nine months of the financial year, they fell 21.1% at constant exchange rates to €554.7 million.

The company highlighted further strong progress of its online business "spurred by the full-quarter contribution of the new brands Blenders Eyewear and Privé Revaux, and Smith’s D2C sales". Online now accounts for 16% of total sales.

Its Q3 adjusted EBITDA rose 9.3% to €14.3 million and it saw a margin on sales of 6.5%. But for the nine months, the loss was €13.9 million.

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CEO Angelo Trocchi said: “After we were heavily impacted by the Covid-19 outbreak and the consequent global lockdowns between the first and the second quarters of the year, in the third quarter, our business had a positive reaction reflecting, on one side, the sales rebound recorded in July as an expected catch-up effect after the strong H1 pandemic impacts, and, on the other side, a dynamic US market continuing into August and September, making North America the main driver of our recovery.”

The exec added that in Q3, all of its core markets and channels recorded an improvement compared to the first half of the year. That included “outstanding growth in China [and] more positive results in some of the main European markets such as Italy, Germany and France, while the IMEA countries, Latin America and the travel retail channel remained key hurdles to a full recovery”.

In detail, Q3 saw North American organic revenues up 12.1% at constant exchange rates, mainly thanks to the solid sales recovery experienced by independent optical stores, Safilo’s most important distribution channel in the US. All of its core licensed brands, from Kate Spade to Tommy Hilfiger to Jimmy Choo, enjoyed “solid momentum”.

There were mixed trends in Europe with net sales down 16.4% at constant exchange rates. In Italy and in all the main countries of the region, sales to independent optician stores were up, growing in the different markets from mid-single-digit to double-digits.

The significant business improvement in Asia Pacific saw net sales down only 6.4% at constant exchange rates. “The continued hardship of the travel retail business, down in the region by 63%, was more significantly offset by the surge recorded by Safilo in Mainland China, where supportive domestic demand and the contribution of the group’s new brands, namely Levi’s and Ports, pushed sales up 83% at constant exchange rates,” the company said.

It added that work on its digital transformation strategy has also progressed with the launch in August of its new B2B platform in Europe and of a new Customer Relationship Management system in November.

These are the first two pieces of a “significant mid-term project which goes in the direction of reshaping and enhancing the relationship, the engagement and the way we do business with our many European opticians, improving after-sales-service and client satisfaction, to ultimately increase the share of our B2B business”.

But the current situation remains difficult for the firm. There are “significant uncertainties in front of us due to the Covid-19 pandemic and the business environment, as we enter November and the very important holiday season with a new wave of infections emerging in several countries,” it said.

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