Capri's power brands trio are bouncing back despite Q4 loss, says CEO

By Sandra Halliday - 27 May 2021

Capri Holdings may have made a loss in Q4, but the company remains upbeat that in a post-pandemic world, its trio of power brands can be a profits-generating machine.

Q4 revenue was an expectations-beating $1.2 billion and the net loss was $183 million, better than the $551 million net loss in the prior year’s Q4.

But on a conference call following its results announcement, chairman and CEO John D Idol said that while the Versace, Michael Kors and Jimmy Choo owner had faced “unprecedented challenges,” he was “encouraged by the performance of all three of our luxury houses”.

He said retail sales improved sequentially every quarter while e-commerce powered ahead and also saw “growth rates accelerating even after stores began reopening”.

The gross margin increased 340 basis points in its last financial year and the business attracted nearly nine million new consumers with double-digit increases.

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For Versace and Jimmy Choo, Idol said “we reaffirmed our long-term plans and are even more enthusiastic about the prospects of these luxury houses. For Michael Kors, we recalibrated our plans to further elevate the brand positioning and deliver higher profit margins, which we have already begun to achieve. We believe Capri Holdings is well positioned to achieve our goal to grow to $7 billion in revenue”.

Given the sequential improvement during the year, the Q4 performance was key as it was as close as it could get to ‘normal’ in some markets.

Revenue, gross margin and earnings per share all significantly exceeded Capri’s expectations, “despite big challenges in EMEA and Canada” due to additional Covid restrictions. But it saw strength in retail in the Americas and Asia, offsetting the challenged environment in EMEA”.

Idol said store performance improvement was helped by “local clienteling initiatives and improved traffic trends”. And in wholesale, sales also improved sequentially. By geography, Asia remains the fastest recovering region with retail sales increasing in double-digits year-on-year and triple-digits in Mainland China.

BRAND BREAKDOWN

Q4 was a good one for Versace with “results which were significantly ahead” of expectations. Revenues increased 10% and e-commerce again increased in triple-digits. “We were encouraged with the performance of our spring collections, which are resonating with consumers,” Idol said.

Versace saw strength across categories with women’s accessories and footwear doing “exceptionally well”, helped by the popularity of Virtus and the introduction of the new La Medusa collection, which launched in February.

Idol said Virtus and La Medusa are “two powerful, highly recognisable brand pillars to grow accessories and footwear”. But it’s soon to “introduce a third pillar with the fall launch of our La Greca signature pattern” that debuted at its fashion show in March. It combines its Greek key motif with the Versace logo and Idol thinks its launch will “significantly accelerate the trajectory of Versace’s revenues”.

Overall, the Versace accessories performance was “really extraordinary and far ahead of where we expected to be at this point in time”.

The Versace label also “saw strength across both women’s and men’s ready-to-wear and continued to expand its core lines. And its fragrance collection also shone during the quarter.

CHOO AND KORS

Moving to Jimmy Choo, its results were also ahead of the group’s forecasts with revenue increasing 16%. Sales in its retail channel increased in high-single-digits globally. In the Americas and Asia, it delivered double-digit growth, but EMEA declined. And e-commerce sales improved sequentially, rising 50%+. The company is also “encouraged with the performance of our spring collection, which encompasses 90s chic and celebrates the notion of contradictory glamour”.

Accessory sales “showed strong growth” and, in footwear, new designs by Sandra Choi “blurred the lines between shoes and jewellery” featuring styles adorned with crystals and pearls. Idol said that as restrictions begin to ease in many parts of the world, “we have seen trends improve in the dress footwear category”.

![Image](image-url)
But that doesn’t mean the company is moving away from the more casual styles it has added in recent years and it “saw continued success of Hawaii and the Diamond Sneaker franchise”. The Jimmy Choo/Marine Serre collab also did well.

As for Michael Kors, the company is “pleased with the pace of the recovery” and revenue again improved sequentially in Q4, although it was still down, but only by 4%.

Sales in retail increased in the mid-teens globally. In the Americas and Asia, it delivered double-digit growth, and e-commerce accelerated 75% compared to Q3, “benefiting from our increased use of data analytics to drive more targeted and personalised marketing”.

On the product front, it continued to increase signature penetration across all categories. Overall, signature represented 35% of the assortment across all categories compared to 28% and it thinks it will eventually account for 50%, which is key as it enjoys higher margins.

Accessory sales in its retail channel increased in double-digits globally “as consumers responded to fresh updates for spring. But men’s is actually its fastest-growing category and sales increased in double-digits, driven by signature and accessories. Importantly, its watch sales were positive for the first quarter since 2016 with retail sales up in double-digits.

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