Hermès booms in 2021, couldn't meet demand in Q4

By Sandra Halliday - 18 February 2022

Hermès was the latest luxury group to signal a strong recovery on Friday with the French firm’s Q4 and full-year sales highlighting the resilience of the biggest global luxury names both during and after the pandemic.
Its sales rose 11% in Q4, which was a little below analysts’ expectations but wasn’t due to a lack of demand. Instead, the group’s production caps had meant more people wanted its bags and other goods than were able to access them.

In the final three months of last year, total sales rose to €2.38 billion with growth being driven in particular by US shoppers – something that has also been noted by other big luxury names of late.

But those capacity constraints meant that sales at the leather goods and Saddlery division fell 5.4%.

Meanwhile, for the year as a whole, the company pointed to “outstanding” results as revenue rose 42% at constant exchange rates to €8.98 billion. It also rose 33% on a two-year basis so was clearly well ahead of the pre-pandemic period. Recurring operating income rose 78% to €3.5 billion and net income was up 77% at €2.445 billion.

Sales in the group’s stores increased by 44% at constant exchange rates compared to 2020 and 41% over two years. Wholesale rose 24%, “despite constraints faced by travel retail”.

REGIONAL STRENGTH

Asia and America recorded the highest growth, compared to both 2020 and 2019, while Europe returned to growth compared to 2019. That last fact is particularly good news given how Europe has struggled in the face of lower tourist arrivals since the onset of the pandemic. That it’s now growing compared to the pre-Covid period suggests both that domestic shoppers are helping to fill the gap and tourists are returning.

The American performance (+57% on the year and +24% over two years) came despite restrictions imposed in several US cities in Q4.

Asia excluding Japan was up 45% over one year and 65% over two years, driven particularly by the “sustained performance” in Greater China, Australia and Singapore, despite new restrictions in some of the region’s countries.

Japan was up 25% and 20% over one and two years, with the “sustained and regular increase in sales [being] thanks to the loyalty of local customers, while benefiting from the end of the health state of emergency in October”.

Europe excluding France was up 37% in one year and 10% over two years. It recorded “a strong second half, with a remarkable development of the local customer base, which partly offset the tourist traffic”.

France was up 35% compared to 2020 but still down 3% compared to 2019. Q4 was “marked by fewer tourists in the Paris stores”.

RTW OUTPERFORMS

Looking at products, all business lines saw growth, with a “noteworthy increase” in Ready-to-wear and Accessories, Watches and Other Hermès Business Lines (Jewellery and Homeware).

In the Leather Goods and Saddlery division (+29% and +23% over two years) sales were “exceptional” over the year, despite that Q4 capacity blip. Demand both for new bags like Della Cavalleria and 24/24 and Hermès classics was “sustained”.

The Ready-to-wear and Accessories business line (+59% and +44% over two years) saw “dynamic growth, thanks to the success of the ready-to-wear, fashion accessories and footwear collections”. The men’s and women’s SS22 collections “met with great success”.

The Silk and Textiles business line (+49% and +15% over two years) “performed well” while Perfumes and Beauty (+47% and +19% over two years) benefited from successful launches. The Watches business line (+73% and +77% over two years) drew strength from both new products and classics. And Other Hermès business lines
(+57% and +95% over two years) “confirmed their momentum, both in Jewellery and Homeware”.

For 2022, the impact of the pandemic is “still difficult to assess” but the company said it has a medium-term “ambitious goal for revenue growth at constant exchange rates”.

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