

APPAREL AND ACCESSORIES

## Gucci drives Kering's H1 revenue gains, despite European decline

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*The Gucci Garden print*

By STAFF REPORTS

Luxury conglomerate Kering Group saw its consolidated revenue increase by 5.5 percent on a comparable basis at 5,693 million euros, or \$6.3 billion, for the first half of 2016.

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Kering saw sales accelerate in the second quarter, especially brands within its luxury, sports and lifestyle categories. The conglomerate also saw higher margins, free cash flow from operations and net income.

Up and up

As for Kering's recurring operating income, the group recorded a 4.9 percent increase. Overall, Kering noted a recurring operating margin up 20 basis points and higher numbers for both luxury and sports & lifestyle brands.

Kering's net income for group share is up 9.9 percent and its gross margin for the first half was 3,602 million euros, or \$3.98 billion at current exchange. This is an increase of 202 million euros, or \$223 million, when compared to the first half of 2015.

The conglomerate saw the fastest revenue growth during the second quarter, at 6.9 percent on a comparable basis.



*Gucci's Ace sneaker*

Comparable revenue growth was driven by demand in mature markets such as Western Europe and Japan, as well as emerging regions. Seventy-eight percent of revenue came from outside the Eurozone during the first six months of 2016, likely due to consumers' fear of terrorism in Europe decreasing tourism.

Kering's luxury business, which includes brands such as Gucci and Saint Laurent Paris, saw a comparable sales increase of 5.2 percent in the quarter.

Although comparable sales increased, brands such as Bottega Veneta and others in Kering's luxury stable are feeling the impact of lowered tourism in prime markets and working to improve trends.



*Bottega Veneta, fall/winter 2016*

But, Gucci, for example, under the direction of Alessandro Michele, is performing very well as a result of "creative impetus and strategic initiatives," such as its DIY bespoke program ([see story](#)). Saint Laurent Paris has seen "sustained robust growth" and income increase.

"We are pleased with the performances we have delivered in the first half of 2016," said Francois-Henri Pinault, chairman/CEO of Kering Group, in a statement. "Overall growth in our luxury activities in the second quarter significantly outpaced the level reached in the first three months of the year.

"Gucci's creative momentum and ambitious strategy, launched last year, are delivering tangible results: sales growth is accelerating in the second quarter on top of tough comps; recurring operating income is up 7 percent in the first half," he said.

"We owe these achievements to our integrated, effective multi-brand model, and to well-designed, well-executed strategic action plans. In an environment that remains uncertain, we intend to carry out the steadfast implementation of our strategy and maintain a strict operating and financial discipline; together with the commitment of all our teams, this reinforces our confidence that we will progress along the current growth path."

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