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APPAREL AND ACCESSORIES

Luxottica, Essilor's $49B merger naturally complementary for sector growth

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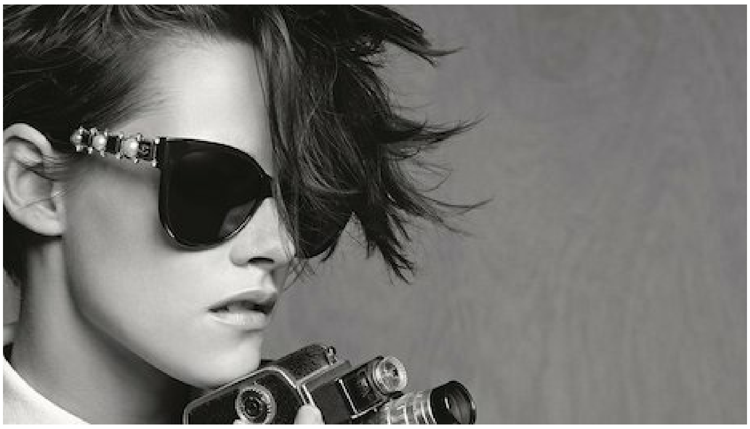

Kristen Stewart for Chanel eyewear, a license of Luxottica

By STAFF REPORTS

Eyewear manufacturers Luxottica Group and Essilor will become one entity following a 46 billion euro, or $49 billion, merger agreement.

The merger is a natural alliance, with Italy's Luxottica being behind eyewear designs by Bulgari, Chanel and Ralph Lauren, and France's Ellisor, being the leading manufacturer of lenses. Both corrective eyewear and sunglasses are a popular product category of premium goods, and Luxottica and Ellisor's merger is seen as the industry's answer to growing demand.

Seeing more opportunities
As one group, Luxottica and Ellisor will be able to better serve brand licensees through global distribution capabilities and expertise in ophthalmic lenses, prescription frames and sunglasses.

Together, Luxottica and Ellisor will have more than 140,000 employees and a sales presence in more than 150 countries. The new entity, based on the companies' 2015 results, will have posted combined net revenues of more than 15 billion euros, or $16 billion at current exchange rates, and a combined net EBITDA of approximately 3.5 billion, or $3.7 billion.

Also, based on preliminary analysis, the combined company is expected to generate revenue and cost synergies ranging from 400 million to 600 million, ($428 million to $642 million) in the medium term and increasing over time.

Ralph Lauren eyewear

"With this agreement my dream to create a major global player in the eyewear industry, fully integrated and excellent in all its parts, comes finally true," said Leonardo Del Vecchio, chairman of Delfin and executive chairman of Luxottica, in a brand statement. "It was some time now that we knew that this was the right solution but only today are there the right conditions to make it possible.

"The marriage between two key companies in their sectors will bring great benefits to the market, for employees and mainly for all our consumers," he said. "Finally, after 50 years, two products which are naturally complementary, namely frames and lenses, will be designed, manufactured and distributed under the same roof."

Merger and acquisition deals show signs of a healthy luxury market across most sectors, according to an executive from Deloitte Corporate Finance.

Luxury sales are climbing largely because of hotels and automobiles, but acquisition patterns show that fashion and jewelry are continuing to innovate and produce quality product. While the slowing economy has put luxury brands in a tough position, healthy amounts of venture capital show that the sectors are healthy, meaning that proper marketing is the key component of growth (see story).