

APPAREL AND ACCESSORIES

## Michael Kors shows long-term optimism despite current challenges

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*Michael Kors Access smartwatch*

By STAFF REPORTS

U.S. fashion label Michael Kors' total revenue decreased 3.2 percent in the third quarter of fiscal 2017.

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While the company's retail sales were up 9.2 percent, wholesale and licensing revenue dropped from the same quarter of 2016. As with other luxury brands, Michael Kors is facing a difficult market thanks to factors such as political uncertainty, declining store traffic and currency fluctuations, the brand sees potential for growth ahead.

### Outlook ahead

For the third quarter of fiscal 2017, ended Dec. 31, Michael Kors' total revenue was \$1.35 billion, down from \$1.4 billion the previous year.

Michael Kors' retail sales were helped by the addition of 193 new stores from the third quarter of fiscal 2016. These included the brand's buy back of its South Korean and Chinese business, which had previously been operated through a licensing deal.

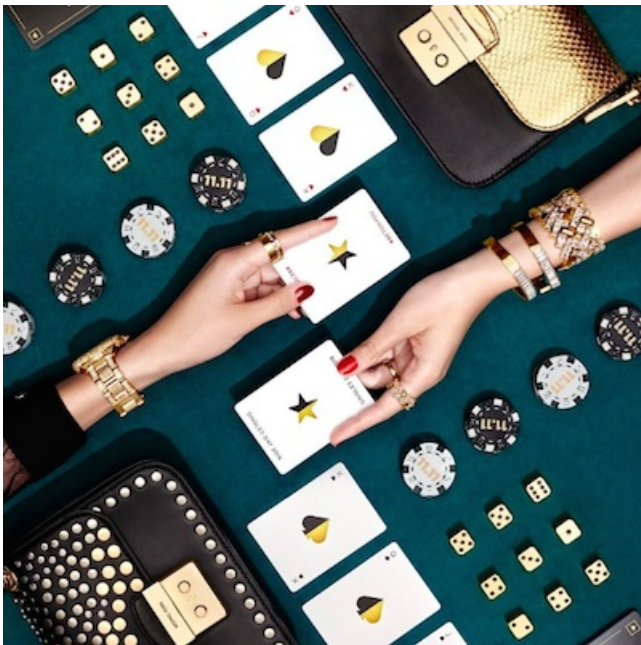
Partly due to this acquisition, Michael Kors' revenue in Asia for the quarter grew 89.1 percent from the previous year. The company plans to further expand in Asia, which it sees as a \$1 billion opportunity.

Deducting Michael Kors' retail expansion, comparable sales were down 6.9 percent.

Licensing revenue declined 22.9 percent, while wholesale revenue also took a hit with a decrease of 17.8 percent.

Michael Kors' revenue in both the Americas and Europe fell about 7 percent.

The brand's results from the third quarter reflect the overall results so far in fiscal 2017. In the first nine months, revenue is down 2.4 percent and profits are 2.8 percent lower than the previous year.



*Image courtesy of Michael Kors*

Michael Kors predicts that its total revenue for the year will be \$4.48 billion, which would see it down from \$4.7 billion in fiscal 2016.

"During the quarter, we delivered earnings per share results that were in line with our expectations and we continued to focus on our growth pillars, which are centered on consistently delivering innovative fashion products for our customers and enhancing consumer engagement with the Michael Kors brand worldwide," said John D. Idol, chairman/CEO of Michael Kors.

The executive noted positive consumer response to launches including the brand's holiday handbag line, its Wonderlust fragrance produced by licensee Este Lauder and its Access collection of smart accessories ([see story](#)).

Another priority of Michael Kors is an expanded omnichannel presence. The brand recently opened digital flagships in Europe and has rolled out digital initiatives aimed at a seamless cross channel experience.

"Overall, we were disappointed with our North American and European comparable store sales performance during the quarter," Mr. Idol said. "We believe that headwinds in these markets will continue throughout the spring season as we face reduced traffic trends in shopping malls, currency fluctuation, uncertainty surrounding certain political changes in European countries and the implementation of our reduced promotional cadence in North America.

"While we face certain challenges in the short term, we continue to believe that there is meaningful long-term growth ahead for the company as we focus on maintaining our luxury leadership position while expanding the Michael Kors brand internationally."

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