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APPAREL AND ACCESSORIES

Kering posts strongest year-on-year revenue increases since 2012

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Gucci spring/summer 2017

By STAFF REPORTS

In 2016, French luxury conglomerate Kering Group saw excellent performance across its brand portfolio, led by exceptional growth by Gucci and Saint Laurent.

Kering recorded sharp acceleration in growth for the second half and posted record-high recurring operating incomes for 2016. By business category, Kering's luxury activities were up 7.7 percent while sports and lifestyle, such as athletic brand Puma, saw a 5.5 percent increase.

Exceptional

Kering wrapped 2016 with consolidated revenue of 12.3 billion, or $13.7 billion at current exchange rates. The group's revenues grew by 6.9 percent for the year, resulting in its strongest year-on-year revenue increase since 2012.

By brand, Kering saw significant market performance at Gucci and Yves Saint Laurent. The latter brand performed very well with a 25.5 percent comparable growth for the year and fourth quarter revenues rising by 11.3 percent.

Gucci continued its momentum with a 12.7 percent comparable growth in 2016. The Italian house led by creative director Alessandro Michele also had an excellent fourth quarter, with revenues growing by 21.4 percent.

Bottega Veneta's revenues declined by 8.7 percent due to low tourist numbers. Kering plans to "consolidate the brand's future development" by reenergizing Bottega Veneta in terms of visibility and consumer loyalty.

Kering's other luxury labels had stable performance, with revenue of 1.6 billion, or $1.7 billion at current exchange, down less than 1 percent compared to the prior year.

Balenciaga, Alexander McQueen and Stella McCartney, brands that make up Kering's couture and leather goods subcategory, saw satisfactory revenue growth of 4.2 percent.

Image courtesy of Stella McCartney

Jewelry "resisted well," but Kering's watch sales continued to be impacted by a slowing timepiece market.

"In a sector undergoing far-reaching transformations, our foresight and the quality of execution of our strategy enabled us to outperform our peers and deliver outstanding operating and financial performances," said Francois-Henri Pinault, chairman and CEO of Kering, in a statement.

"Rewarding our vision of luxury, grounded in powerful creative content and long-lasting stylistic codes, we continue to gain market share, as witnessed by the spectacular performances of Gucci and Yves Saint Laurent last year," he said. "In 2017, in an uncertain macroeconomic and geopolitical environment, we will keep concentrating on the organic growth of our houses and on value creation, so as to intensify our current momentum."

Recent positive financial results from the world's leading luxury houses has reinstated sector optimism for the first time in years, according to London's Savigny Partners.

In January, for the fourth consecutive month, Savigny Partner's Savigny Luxury Index (SLI) gained by nearly 4 percent, while the MSCI World Index (MSCI), a global equity benchmark, remained flat. After a challenging 2016, forecasts are being corrected thanks to a bounceback in China, President Trump's campaign promise of lower taxes for the wealthy and higher oil prices, among other factors (see story).

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