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APPAREL AND ACCESSORIES

Kering's luxury activities up 27.5pc in 2017

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Kering has warned that geopolitical issues might mean tougher times ahead. Image credit: Gucci

By STAFF REPORTS

Luxury group Kering's house Gucci grew its revenues 41.9 percent in 2017, contributing to the conglomerate's record revenues and operating income for its luxury activities throughout the year.

For the first time, Gucci's revenue topped 6 billion euros, with total revenues of 6.2 billion euros, or about $7.7 billion at current exchange. Beyond Gucci, the luxury brands within Kering's umbrella, including Saint Laurent and Balenciaga, saw their combined revenues top 10 billion euros, or about $12 billion, for the first time.

"Kering delivered a phenomenal year in 2017," said Franois-Henri Pinault, chairman and CEO of Kering, in a statement. "We created over 3 billion euros in additional revenues in a single year, and generated more than a billion in additional EBIT.

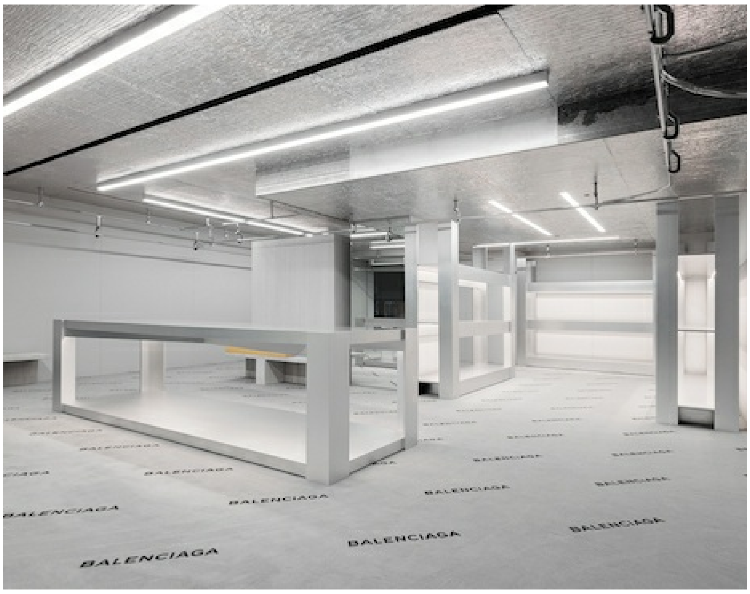
"Gucci, whose performance was nothing short of spectacular, is amplifying its desirability across all markets. Saint Laurent is on a rapid growth track, while Bottega Veneta pursues its redeployment," he said. "Balenciaga is charting an impressive development trajectory, and our other luxury brands are experiencing positive momentum."

Record year

Throughout 2017, Kering saw strong momentum in both emerging and established markets, with regions such as Western Europe, North America and Asia-Pacific all seeing growth of more than 20 percent.

Kering's luxury labels saw a 35.3 percent growth in comparable sales in their direct-operated stores, with emerging markets seeing even more rapid rises. Sales at brand-owned boutiques account for three-quarters of these brands' total revenues.

Going ahead, Kering plans to focus on growing its luxury brands' store sales, strategically expanding their direct-operated retail footprints.



Balenciaga store on New York's Madison Avenue. Image credit: Balenciaga

Ecommerce sales for Kering's luxury houses grew more than 70 percent year-over-year.

In the fourth quarter, revenues for Kering's luxury activities grew 24.6 percent.

The recurring operating income for the group's luxury division grew 50.4 percent in 2017, a record for the company.

Gucci outperformed the market and the averages within its own parent company, with its direct-operated store sales up 47 percent and its online sales surging 80 percent.

Interest from brand loyalists and tourists alike helped to boost Yves Saint Laurent's revenues 23 percent last year. The fourth quarter of 2017 marked the brand's 17th consecutive quarter of growth surpassing 20 percent.

Kering's watches and jewelry brands, which include Boucheron and Pomellato, grew their revenues 8.7 percent on a comparable basis.

Despite the strong year behind it, Kering is cautious about factors that could impact its results going forward, such as currency shifts and geopolitical issues.

"All of our houses enjoy huge growth potential, rooted in their skills at reinventing codes, enhancing desirability through bold creative visions and thereby creating value," Mr. Pinault said. "We unequivocally demonstrated the strength of our business model.

"In a global environment that remains uncertain, we will not relax our vigilance, but we are confident that the complementarity of our houses, our geographic footprint, the diversity of our customer base and the strengths of an integrated luxury group will enable us, this year again, to do much better than our markets."

Kering has proposed to distribute approximately 70 percent of its shares in athletic brand Puma to focus more heavily on luxury goods.

The group currently owns 86.3 percent of Puma shares, but is looking to offload the majority of its holdings to free up the group, allowing for more focus on its status as a leading pure player in luxury. Post transaction, Kering would retain about 16 percent of Puma shares (see story).

The distribution of shares will be presented as a resolution during a general assembly meeting on April 26 to get shareholders' approval.