JEWELRY

Tiffany’s Q4 net earnings see drop from US tax cuts

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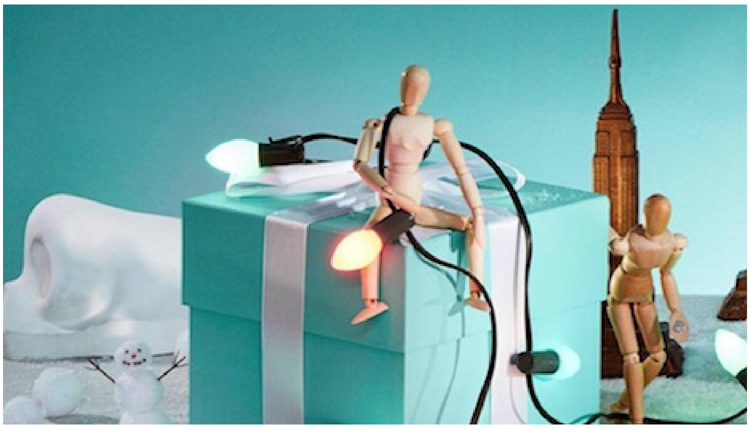

Tiffany & Co.'s holiday campaign for the 2017 season. Image credit: Tiffany

By STAFF REPORTS

While jeweler Tiffany & Co.'s global net sales grew 4 percent in the 2017 fiscal year, the company missed its expectations.

Tiffany's earnings show an impact from U.S. tax changes and past quarters' reduced sales for the 2017 fiscal year. Tiffany's store sales saw no change from the previous year, and its net earnings saw a 17 percent drop for the period ending Jan. 31.

Jewelry sales

Tiffany saw net earnings of $370 million, $2.96 per diluted share, a drop from last year's $446 million and $3.55 per diluted share.

In the fourth quarter, ended Jan. 31, Tiffany was affected by a charge in the U.S. Tax Cuts and Jobs Act, with a $146 million impact. Without these charges, Tiffany reports that its net earnings were $516 million, 10 percent higher than the last year.

In the Americas, including the U.S. and Canada, the company's annual net sales rose by 2 percent to $1.9 billion.

Sales in Japan fell by 1 percent to $596 million. But sales in the Asia-Pacific market saw a 10 percent jump to $1.1 billion for the entire year and 13 percent to $320 million in the fourth quarter.

Europe saw a full-year increase of 6 percent total net sales and 13 percent growth in the fourth quarter. Tiffany attributes the success in Europe to currency translation, new store openings and growth in ecommerce.

However, comparable store sales saw a drop of 2 percent in the full year and rose 1 percent in the fourth quarter.

Tiffany & Co.'s Believe in Love campaign. Image credit: Tiffany & Co.

The company also noted that it had closed seven Tiffany-operated stores worldwide.

Tiffany's engagement jewelry category saw significant sales declines, while its jewelry collections saw the most growth along with its designer category.

"We are pleased to be finishing the year with solid sales growth, both geographically and across product categories," said Alessandro Bogliolo, chief executive officer at Tiffany & Co., in a statement. "Most important, however, is to generate sustainable growth in sales, margins and earnings over the long-term.

"Confirming what we recently indicated, we believe that increasing investment now in certain areas, such as technology, marketing communications, visual merchandising, digital and store presentations, which we expect will hinder pre-tax earnings growth in the near-term, is needed to generate that lasting long-term growth," he said.

"We have assessed our business and are focused on the following six strategic priorities: amplifying an evolved brand message; renewing our product offerings and enhancing in-store presentation; delivering an exciting omnichannel customer experience; strengthening our competitive position and leading in key markets; cultivating a more efficient operating model; and inspiring an aligned and agile organization to win."

Tiffany & Co. previously reported an 8 percent increase in net sales during the 2017 holiday season, seeing positive performance across regions and product categories.

For the two-month holiday season ended Dec. 31, Tiffany's worldwide net sales grew to $1.05 billion, with comparable store sales rising 5 percent. Results during the holiday season led Tiffany's management to increase its net earnings guidance for the year ending Jan. 31, 2018 and also prompted the jeweler to introduce a preliminary earnings outlook for fiscal 2018 (see more).