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FINANCIAL SERVICES

Trade tensions deal a blow to luxury stocks

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Prada's stock was impacted by President Trump's trade talks. Image credit: Prada

By SARAH JONES

Luxury stocks took a hit in June with uncertainty surrounding looming trade wars between the United States and other nations creating a cloudy outlook for global business.

The Savigny Luxury Index, which tracks the stock prices of 19 publicly traded luxury companies, fell 4 percent this past month. Impending tariff hikes on luxury goods have the potential to impact a number of luxury sectors, making producing and selling goods more expensive (see story).

Savigny Partners was reached for comment.

Tense times

The G7 Summit is traditionally a time for leaders of nations to come together and discuss mutually beneficial agreements, but this year's event went in a considerably different direction.

The tense summit, held from June 8 to 9, was made difficult by fiery words from President Donald Trump harshly criticizing allied leaders and tensions over proposed tariffs. As President Trump increasingly introduces heavy tariffs on imported goods from ally countries, the effect of his highly protectionist trade policy is beginning to have an impact on luxury (see story).

One of the companies that was particularly hit by President Trump's trade disputes with Asia and Europe was Prada. The Italian company, which is listed on the Hong Kong stock exchange, saw its share price decrease 12 percent in June.

Meanwhile, in the last month, a number of luxury brands have made revelations about their financial positions and goals.

Chanel released details about its revenues for the first time in its 108-year history. The couture house looked to sway any speculation of a takeover by showing that is revenues were almost $10 billion last year, putting it among leading conglomerate-owned luxury brands such as Louis Vuitton and Gucci (see story).

Chanel's Haute Couture show. Image credit: Chanel

Meanwhile, Gucci disclosed that it aims to become a $12 billion brand in an unspecified timeframe (see story). According to Savigny Partners' analysis, Gucci's ambitions underwhelmed investors, as the brand's parent company Kering and a number of other luxury stocks saw their share prices fall the following day.

Amid political instability, some family-owned brands appeared to hint at succession plans with appointments.

Lorenzo Bertelli, the eldest son of Prada's co-CEOs Patrizio Bertelli and Miuccia Prada, has joined the group, sparking speculation that he may take over one day.

Similarly, conglomerate Moët Hennessy Louis Vuitton looked to strengthen its communications by putting one of the group's heirs in charge. Antoine Arnault, already chairman of Loro Piana and CEO of Berluti, is adding to his oversight as he heads the company's communications and image (see story).

Savigny points out that while its index is composed of public companies, these firms are mostly family owned.

Missoni recently sold a minority share in its company. Image credit: Missoni

In response to an increasingly competitive and expensive luxury business, a number of independent luxury houses have sought outside capital through acquisitions or investments.

In June, Italian lifestyle label Missoni became the latest independent family-owned house to sell a stake in its brand, following in the footsteps of others including Versace (see story).

Splitting up

Along with a number of M&A deals in June, the month saw a number of conglomerate-brand breakups.

Luxury group Kering is making arrangements with Christopher Kane for the designer to take full control of his eponymous brand.

On June 21, the conglomerate announced that discussions were underway with Mr. Kane, as the parties looked to settle on conditions for transitioning the label out of the group through a sale of Kering's stake. This move from Mr. Kane came shortly after Stella McCartney began the process of transitioning out of Kering, and aims to be a similarly collaborative split (see story).

Conglomerate Moët Hennessy Louis Vuitton similarly sold its minority stake in sustainable fashion label Edun back to founders Bono and Ali Hewson.

The New York-based brand is ceasing operations in the United States and has already closed its one direct-operated store. LVMH, which owned a 49 percent stake in Edun, is divesting its shares in the company as the brand transitions (see story).

Both Edun and Christopher Kane were smaller houses in LVMH's and Kering's portfolios. Savigny notes that Kering appears more focused on its larger assets, questioning what is in store for some of its other smaller brands.