

APPAREL AND ACCESSORIES

## Kering's profitability reaches record high in 2018

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*Gucci's revenues topped 8 billion euros last year. Image credit: Gucci*

By STAFF REPORTS

French luxury group Kering's consolidated revenues were up 26.3 percent in 2018, as its key fashion houses saw double-digit increases.

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Kering's revenues for the year totaled 13.67 billion euros, or about \$15.46 billion at current exchange. Gucci's and Saint Laurent's growth was slightly down from 2017, but the brands still saw respective revenue increases of 33.4 percent and 16.1 percent.

### Growth and Gucci

Gucci's revenues for the year totaled 8.28 billion euros, or about \$9.37 billion. The brand's revenues were up by 2 billion euros, furthering its journey to become a \$12 billion label ([see story](#)).

While all regions saw growth, Gucci's increases were primarily driven by Asia-Pacific and North America.

The brand's online sales were up 70.1 percent year-over-year.

Bottega Veneta is currently undergoing a creative transition, and its revenues took a hit, decreasing 5.7 percent. Kering is confident about its near future, including creative director Daniel Lee's first fashion show during Milan Fashion Week this February.



*Bottega Veneta's spring/summer 2019 campaign. Image courtesy of Bottega Veneta*

Meanwhile, the company's other houses achieved a 29.8 percent increase. This was driven partly by Alexander McQueen and Balenciaga.

On a comparable basis, Kering's revenues grew 37.8 percent in North America, 33.8 percent in Asia-Pacific, 23.9 percent in Japan and 23.7 percent in Western Europe.

Kering's recurring operating income has doubled over the last two years, and was up 46.6 percent last year to 3.94 billion euros, or about \$4.47 billion.

The company's gross margin was also up 18.8 percent from 2017.

Kering is focused on growing revenue in its existing stores, with a selective store expansion.

"2018 was an excellent year for Kering and its houses," said Francois-Henri Pinault, chairman and CEO of Kering, in a statement. "Once again, we significantly outperformed our sector.

"In an environment that was generally favorable but grew increasingly complex, Kering generated 2.8 billion euros in incremental revenues and 1.3 billion euros in additional EBIT compared to 2017," he said. "Our healthy, balanced and profitable growth reflects skillful execution of our strategy, rigorous financial discipline, and a shared culture emphasizing responsibility and commitment.

"Having worked throughout the year to strengthen the group and its brands, we have the ambition and the means to sustain our profitable growth momentum."

Kering has joined an exclusive club of luxury houses such as Prada, Dolce & Gabbana, Giorgio Armani and Bulgari, all shaken down by Italy for alleged tax evasion.

The Italian Tax Authority has released an audit on the company in regards to 2017 tax payments in Milan related to Kering flagship brand Gucci. Even though Kering contests the results and may have to unleash damage-control measures, portfolio brands such as Balenciaga, Saint Laurent, Bottega Veneta, Alexander McQueen, Brioni, Pomellato, Ulysse Nardin and Boucheron are distinct enough in the public's eye that they will likely be shielded from the fallout ([see story](#)).