

RETAIL

## Could Capri Holdings lose \$100M over the coronavirus?

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*Michael Kors reported a decrease in sales for Q3, lagging behind Jimmy Choo and Versace, the new additions to the group. Photo courtesy of Michael Kors*

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**Capri Holdings Limited**, the global fashion luxury group, said there might be a loss of \$100 million in future revenue due to the ongoing coronavirus crisis, after announcing growth in both revenue and profit for the company's third quarter Feb. 5.

The company's **Q3 FY2020** revenue of \$1.571 billion, ending on Dec. 28, climbed 9.2 percent from the same period last year. Adjusted net income was \$253 million, compared to \$265 million in the prior year, according to its earnings release.

John Idol, Capri chairman/CEO, opened the earnings call by addressing the impact of the **coronavirus** crisis, which has now become a global health emergency.

Around 150 of Capri Holdings' 225 the stores in mainland China are closed, he said, adding that of the stores that remain open, both foot traffic and sales have been severely reduced.

**Jimmy Choo** and Versace, the new additions to the group in recent years, both reported single-digit increases in sales. But, collectively, they only account for less than one fourth of their total revenue.

Meanwhile, big brother **Michael Kors** reported a 5.1 percent decrease in revenue of \$1.211 billion, compared to the prior year.

As for the future outlook for the group, the possible loss in revenue due to the continuing crisis will be costly, but it could be worse.

"We are reducing revenue by approximately \$100 million and earnings per share by 40 to 45 cents for the fourth quarter and full year," Mr. Idol said on the call.

"If the situation further impacts outbound and tourist traffic, this estimate could change," he said.

The Jing Take

How much is a \$100 million loss for Capri Holdings worth? On paper, it is not even 1 percent of its reported quarterly revenue of \$1.571 billion.

*Jing Daily*

's analysis shows that Asia's revenue for the three brands rounds up at \$240 million, which made up about 15 percent of Capri's total revenue last quarter.

According to Tom Edwards, Capri Holdings' chief financial and operating officer, China makes up more than half of its business in Asia, which means China's revenue is north of \$120 million. So, \$100 million versus \$120 million, no matter how you count it, it is a lot of money.

The company, however, was expecting growth before the crisis.

"Asia would have represented approximately 25 percent of total Capri revenue in our fourth quarter," Mr. Edwards said on the earnings call.

THE IMPACT of the coronavirus on Capri Holdings' production and inventory seems capped.

According to its [FY2019 annual report](#), most of [Jimmy Choo](#)'s products are produced in Italy, with a small portion produced in [Spain](#) and China.

Michael Kors only sources less than 10 percent in China.

Given this, Capri Holdings is rather fortunate, though it remains to be seen if its projected \$100 million loss due to the coronavirus crisis is more of a hope than a reality.

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