

APPAREL AND ACCESSORIES

Herms 2019 revenue up 15.4pc to \$7.47B, net profit at \$1.66B

February 26, 2020

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Herms this week opened its new store in Kuwait at The Avenues, the second-largest shopping center in the Middle East. Image credit: Herms

By LUXURY DAILY NEWS SERVICE

French fashion and leather goods giant Herms posted 6.88 billion (\$7.47 billion) in revenue for 2019, up 15 percent at current exchange rates and a 12 percent increase at constant exchange rates.

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Recurring operating income jumped 13 percent to 2.3 billion (\$2.54 billion) at 34 percent of total sales, and net profit was 1.53 billion (\$1.66 billion), or 22 percent of sales. Revenue from stores was sustained and growth posted in all global markets where Herms has a presence.

"Herms achieved outstanding performances this year, based on a balanced growth in all the business lines and in all the geographical areas," said Axel Dumas, executive chairman of Paris-based Herms, in a statement.

"This sound momentum is supported by our craftsmanship model, the integration of the distribution network and ample creativity, thanks to the talent and incredible commitment displayed by all the women and men of Herms," he said.

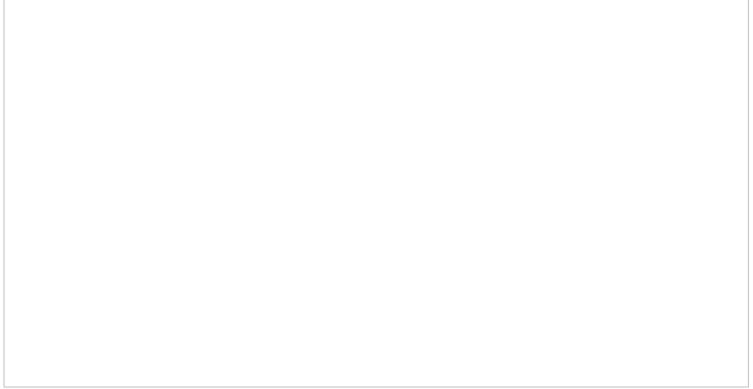
Herms is known for its silk scarves, ties and Birkin bags, and also owns British footwear maker Johh Lobb.

Group revenue last year from stores worldwide was up 13 percent, at constant exchange rates.

Herms boosted its distribution network with store openings, renovation and extensions completed on almost 20 stores.

Here is what Herms said regarding its growth by market:

- Asia excluding Japan (+18 percent) pursued its strong growth in Greater China, despite the impact of events in Hong Kong in the last quarter, and in South Asian countries. The stores in Qingdao in China and Hyundai in Korea were extended and reopened in December, after the Xiamen store in China and Phuket Floresta store in Thailand openings earlier in the year. Herms continues to successfully develop its digital platform, rolled out in Singapore and Malaysia in October.
- Japan (+8 percent) increased, with the year-end impacted by anticipated purchases due to the VAT increase in October. The new platform *hermes.jp* was launched in June.
- America (+12 percent) confirmed its momentum throughout the area. After the recent store openings in New York's Meatpacking district and in Waikiki in Honolulu, the San Francisco store was extended and reopened in November, confirming dynamic growth both in the United States and in the other countries in the area.
- Europe excluding France (+8 percent) achieved a sound performance, driven in particular by the United Kingdom and Italy. In November, Herms opened its first store in Warsaw, Poland, a new country for the Group. France (+8 percent) posted growth, despite the negative impact of the events at the end of the year.



Herms earlier this month formally launched beauty division, with its first collection, Rouge Herms lipsticks, going on sale March 4 in select Herms stores and retail outlets in 35 countries. Image credit: Herms

In Herms' words, sales by business line through December:

All the business lines recorded growth, with outstanding performance of the ready-to-wear & accessories and jewelry divisions.

Leather goods and saddlery (+11 percent) benefited from sustained demand, both for the re-invented classics and other models such as the *Mosaque*, *24/24* or *Twins* bags.

The increase in production capacities continued, with the ramp-up of the Manufacture de l'Allan workshop, and the launch of the work on the Guyenne and Montereau workshops, due for completion in 2020.

A new workshop will be built in Louviers by 2021. A new site in Ardennes, announced for 2022, will become the group's 21st leather workshop, reinforcing the company's local integration in France and the creation of social value.

The ready-to-wear and accessories division (+17 percent) confirmed its strong momentum, thanks to the success of the men's and women's ready-to-wear collections, and fashion accessories, particularly shoes.

The silk and textiles business line (+7.5 percent) posted an increase, with collections that combine diversity of materials with strong creativity, both by their design, their new formats, the fabrics and methods used. The 2019 spring-summer and autumn-winter collections received a very warm welcome.

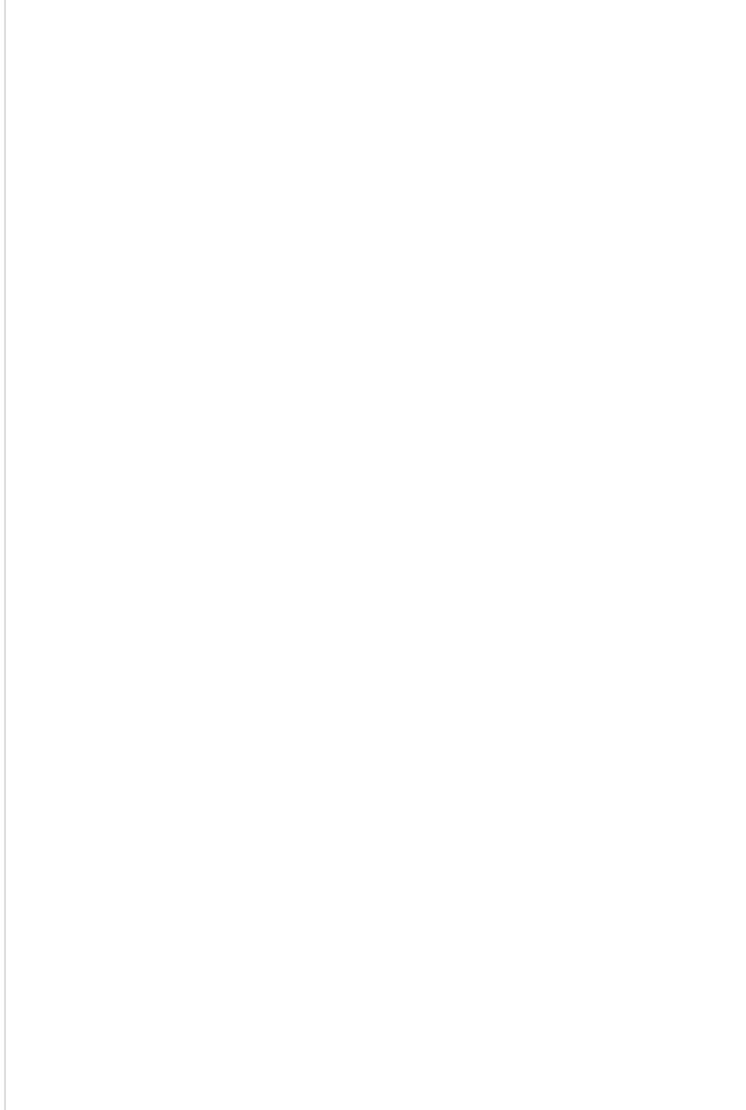
Perfumes (+4 percent) improved, driven particularly by the success of *Terre d'Herms* and *Twilly d'Herms* and by the new variations *Un Jardin sur la Lagune* and *Twilly d'Herms Eau poivre*.

The *maison* will continue to demonstrate entrepreneurial spirit in 2020 with the launch of a new Herms Beauty business line.

The watches business line (+12 percent) recorded a solid sales performance reflecting the creativity of the collections and the network's selectivity.

The new women's watch *Galop d'Herms* was well received, and Herms Watches were rewarded for the fourth time in November at the *Grand Prix de l'Horlogerie de Genve* for the *Arceau L'heure de la lune* model.

Other Herms business lines (+20 percent), which encompass jewelry, Art of Living and Herms Table Arts, were up sharply, with a good increase in jewelry, particularly thanks to high-end collection, illustrated by the *Black to Light* collection.



Herms in October announced the creation of 250 jobs with the construction of a new leather goods workshop in Ardennes, France. Image credit: Hermès

Herms continued hiring, as it pointed out:

The Herms Group continued hiring people and increased its workforce by around 1,100 people. At the end of 2019, the group employed 15,417 people, including 9,522 in France.

Herms will pay a 1,500 bonus to all employees in 2020 following the good 2019 results. This measure confirms the willingness and commitment to share the fruits of growth with all those who contribute to it on a daily basis, after the announcement of a new free share plan to all employees in July 2019.

And the outlook for the year ahead:

In the medium term, despite economic, geopolitical and monetary uncertainties around the world, the group confirms an ambitious goal for revenue growth at constant exchange rates.

With pride in its artisanal model, in 2020 Herms pays tribute to the extraordinary tool that is the human hand, as well as to the ingenuity that drives every one of the house's craftsmen and women. For it is this combination that characterizes the innovative spirit of Herms, its commitment to *Innovation in the making*.

Thanks to its unique business model, Herms is pursuing its long-term development strategy based on creativity, maintaining control over know-how and singular communication.

Here is what Herms proposed for the dividend based on the numbers:

Operating investments amounted to 478 million (\$519.4 million) and adjusted free cash flow reached 1.41 billion (\$1.53 billion).

After payment of the ordinary dividend (474 million, or \$515.1 million)), the net cash position increased by 946 million (\$1.03 billion) to 4.56 billion (\$4.96 billion) compared to 3.62 billion (\$3.93 billion) as at Dec. 31, 2018.

In 2019, Herms International redeemed 84,757 shares for 52.4 million (\$56.96 million), excluding transactions completed within the framework of the liquidity contract.

A dividend proposal of 5 (\$5.43) per share will be made at the April 24 annual general meeting. The 1.50 (\$1.63) interim dividend to be paid on March 5 will be deducted from the dividend approved at the general meeting.

Generous proportions, warm, sensual fabrics and ample silhouettes... The #HermesHomme collection goes with radical nuances and shapes the sensual topography of the season.

<https://t.co/MjWfVjlihG> pic.twitter.com/1PfkdK5E9F

Herms (@Hermes_Paris) January 20, 2020

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