

RETAIL

Kering estimates Q1 revenue to drop 13-14pc over COVID-19 fallout

March 20, 2020

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Saint Laurent commiserating message over the COVID-19 coronavirus fallout. Image credit: Saint Laurent

By LUXURY DAILY NEWS SERVICE

French conglomerate Kering, hit by the coronavirus fallout, estimates that its first-quarter revenue ending March 31 will be down 13 percent to 14 percent in reported terms and around 15 percent compared to the year-ago period.

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The owner of fashion houses such as Gucci, Bottega Veneta and Saint Laurent said the second-quarter revenue will be sharply impacted by the effect of the COVID-19 coronavirus pandemic on local clients and tourist traffic.

"Currently, the group is observing encouraging signs in Mainland China, where the decline in store traffic, and hence in sales, is narrowing," Kering said in a statement.

"Conversely, the impact of the epidemic remains significant in other Asia-Pacific markets, and the situation has substantially deteriorated in recent weeks in Western Europe and, more recently, North America."

Paris-based **Kering** also expects a first-half year decline in recurring operating margin in decline, which it could not quantify due to the fluid situation of the global economy.

The company will release its first-quarter revenue April 21 after market close.

Crisis plan at work

Kering has brands in fashion, leather goods, jewelry and watches, including Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin and Girard-Perregaux, as well as Kering Eyewear. The company has 38,000 employees worldwide and posted 2019 revenue of \$16.9 billion.

"In this context, Kering has implemented an initial action plan aimed at adapting its cost base and containing its working capital requirement," the company said.

"The group is currently considering additional measures that can be activated to mitigate the dilution of its recurring operating margin throughout the year, while protecting its houses' market positions and preserving their growth potential and capacity to bounce back in the short and medium term.

"The epidemic does not call into question the structural drivers of the luxury industry.

"The strength of Kering's business model and organization, as well as its financial health and discipline, reinforce the group's confidence in its medium- and long-term growth prospects."

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