RETAIL

Kering sees Q1 revenue drop 15.4pc to $3.48B, ecommerce up 21.1pc

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Kering brand Bottega Veneta's back, with a 2.2 percent growth in 2019. Image credit: Bottega Veneta: Photo credit: Tyrone Lebon

By LUXURY DAILY NEWS SERVICE

In a quarter heavily weighed down by the COVID-19 global lockdowns, luxury conglomerate Kering posted revenue of $3.48 billion, down 15.4 percent as reported and a 16.4 percent drop on a comparable basis.

The first quarter started strong in January, with sales in Asia Pacific taking a hit over COVID-19 measures such as store closures. March saw a sharply deteriorating situation with gradual shutdown of stores in Europe and the United States, followed by the halt in tourism and the partial closure of Kering's production and logistics facilities toward the end of the quarter.

"The COVID-19 pandemic took a heavy toll on our operations in the first quarter," said Franois-Henri Pinault, Kering chairman/CEO, in the earnings statement. "We took immediate action to ensure the safety and well-being of all the Kering people around the world, and of our customers.

"We also lent our support to the communities in which we are present, helping meet the extraordinary needs generated by this public health crisis, notably among healthcare workers and hospitals," he said.

"I would also like to address my warmest thanks to all our employees for the unwavering commitment they have shown in this unprecedented context.

"After a very promising start to the year for all our houses, the rapid spread of COVID-19 affected our performance in our main markets. We are working hard on ensuring the continuity and readiness of all our businesses.

"Adapting our cost base and preserving our cash position are top priorities, implemented at all levels of the group.

"Our solid financial structure and our agility serve us well in this difficult period.

"My confidence in Kering's future lies in the strength and values of our houses, which will all emerge from this period of uncertainty at the top of their game, as well as in our ability to blend long-term vision with near-term imperatives."

The Kering percentage drop are in line with its bigger French rival's first-quarter numbers reported April 16.

French luxury conglomerate LVMH Mot Hennessy Louis Vuitton, slammed by COVID-19 lockdowns in its key markets worldwide, saw first-quarter revenue drop 15 percent to $11.5 billion compared to the year-ago period, or a 17 percent fall on an organic basis.

The Paris-based owner of Louis Vuitton, Christian Dior and Bulgari did not disclose profit or loss numbers. But the declines in revenue were across all sectors that LVMH operates in, including wines and spirits, fashion and leather goods, perfumes and cosmetics, watches and jewelry, and selective retailing (see story).

KERING

Revenue (in € millions)	Q1 2020	Q1 2019	Reported change	Comparable change[1]
Total Houses	3,065.7	3,648.1	-16.0%	-16.9%
Gucci	1,804.1	2,325.6	-22.4%	-23.2%
Yves Saint Laurent	434.6	497.5	-12.6%	-13.8%
Bottega Veneta	273.7	248.1	+10.3%	+8.5%
Other Houses	553.3	576.9	-4.1%	-5.4%
Corporate and other	137.5	137.2	+0.2%	-1.3%
KERING	3,203.2	3,785.3	-15.4%	-16.4%

(1) On a comparable Group structure and exchange rate basis.

Kering posted first-quarter 2020 revenue of $3.48 billion, down 15.4 percent as reported and a 16.4 percent drop on a comparable basis. Source: Kering

Sales contained
Revenue from the directly operated stores of the Kering brands retreated 19.5 percent on a comparable basis, and was particularly affected by the significant slowdown in Asia Pacific, followed by Europe later in the quarter, the company said.

During March, Kering began to see encouraging signs in mainland China with the reopening of most of its stores.

Most encouragingly, Kering saw a sharp 21.1 percent rise in ecommerce for all its brands in the quarter.

Comparable sales generated through the wholesale network were down 6.8 percent.

Revenue from the Kering luxury brands amounted to $3.33 billion, down 16 percent as reported and 16.9 percent on a comparable basis.

Per Kering:

Gucci: Deep COVID-19 impact despite excellent trends early in the quarter
Gucci posted revenue of $1.96 billion in the first quarter of 2020, down 22.4 percent as reported and 23.2 percent on a comparable basis.

Sales from directly operated stores fell 23.8 percent against an extremely high first-quarter 2019 comparison basis.

Gucci had an excellent start to the year, with double-digit growth in North America in the first two months of the year and another sparkling performance in Western Europe.

However, activity levels were hit hard from February onwards due to the house's strong positions in Asia-Pacific and among Chinese tourists worldwide.

Trends in mainland China are gradually improving since stores began reopening in early March.

Wholesale was down 20 percent, held back in particular by the closure of the group's central logistics hub in late March and an increasingly selective distribution.

Yves Saint Laurent's geographic footprint helps mitigate the market impact
Yves Saint Laurent reported revenue of $471.7 million in the first quarter of 2020, down 12.6 percent as reported and 13.8 percent on a comparable basis.

This relatively contained decrease can be attributed to the house's limited exposure to the Asian markets, as well as a good start to the quarter in Western Europe and North America.

Retail sales in the directly operated store network were down 17.6 percent on a comparable basis, while wholesale dropped 5.7 percent.

Bottega Veneta's reinvention drives sales growth

On the back of its successful creative renewal, Bottega Veneta posted a remarkable performance in the first three months of the year, with revenue up 10.3 percent as reported and 8.5 percent on a comparable basis, to $297 million.

Retail sales in directly operated stores remained broadly unchanged down 0.9 percent despite the exceptionally unfavorable market context.

The house's collections met with resounding success among local customers in North America (up 31.3 percent) and Western Europe (up 25.4 percent), but sales were down in Asia Pacific and Japan.

Wholesale was up a strong 55.1 percent, benefiting from a very high order book for spring-summer 2020 collections against favorable bases of comparison and despite reduced delivery capacity at the end of the period.

Other houses: resilient performance from couture and leather goods; significant impact of the public health crisis on watches and jewelry
First-quarter revenue from the other Kering houses totaled $600.6 million, down 4.1 percent as reported and 5.4 percent on a comparable basis.

Sales from the couture and leather goods division held up remarkably well.

Balenciaga and Alexander McQueen recorded more favorable trends in their store networks in Western Europe and the United States, nearly offsetting the decline in Asia-Pacific and Japan. Their wholesale was up during the period.

The watches and jewelry Division has been hit hard by the crisis and revenue was down from last year's first quarter.

Corporate and other
First-quarter 2020 revenue for the "corporate and other" segment remained virtually stable at $149.3 million, including $141.2 million attributable to Kering Eyewear consolidated sales.

Meeting April 21, the Kering board of directors decided that the company annual meeting will be held June 16 behind closed doors for this time.

The board will ask shareholders to approve a dividend of 8 euros, or $8.67, per share, a 30 percent decrease from the initial proposal.

China is key
As part of the austerity measures, Mr. Pinault will reduce the fixed portion of his salary by 25 percent from April 1 to Dec. 31.

Mr. Pinault and Jean-Franois-Palus, Kering group managing director, have also decided to waive all of the variable portions of their annual remuneration for 2020 (see story).

The decisions were made in light of the COVID-19 coronavirus pandemic that has shaken the underpinnings of economies and devastated lives and livelihoods worldwide.

Along with China, where the virus originated, countries that were particularly hard hit were Italy, France, Spain, United Kingdom and the United States all key centers of luxury production and consumption.

Italy alone accounts for 40 percent of all luxury goods manufactured worldwide.

China last year accounted for 90 percent of the sales growth worldwide in luxury and almost one-fifth of total consumption.

New York in the U.S. also accounts for a third of all luxury spending worldwide across sectors.

Brands from luxury holding companies such as Kering and its bigger rival, Paris-based LVMH, have suffered heavily due to national lockdowns and the ban on movement of consumers and goods.

Both companies have contributed generously toward COVID-19 relief efforts.

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.