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RETAIL

Kering issues bond for $1.3B to firm up finances as COVID-19 takes toll

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From the YSL archives: Model Kate Moss in Kering brand Saint Laurent. Image credits: Inez and Vinoodh for YSL/Saint Laurent

By LUXURY DAILY NEWS SERVICE

Gucci owner Kering has issued a dual-tranche bond for $1.3 billion to shore up its liquidity position as the French conglomerate's global operations face stalled operations bar ecommerce.

The Paris-based company's bond has a $650 million tranche with a three-year maturity and 0.25 percent coupon rate and another tranche of the same amount with an eight-year maturity and 0.75 percent coupon.

"This issue, in line with the group's active liquidity management, enables Kering to diversify its sources of financing and to enhance its funding flexibility through refinancing of existing debt and extension of their average maturity," Kering said in a statement.

"The great success of this issue with investors confirms the confidence of the market in the creditworthiness of the group."

Crdit Agricole CIB, HSBC, BNP Paribas, Natixis, Socit Gnrale, UniCredit and Mitsubishi UFG are managing the placement.

Standard & Poor's rates Kering's long-term debt as "A-" with a stable outlook.

In addition to Gucci, Kering owns brands such as Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin, Girard-Perregaux, as well as Kering Eyewear. Revenue last year came in at $17.2 billion.

Sales down

The borrowing comes off a rough first-quarter 2020 for Kering.

Heavily weighed down by the COVID-19 global lockdowns, 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 (see story).

"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 April 22. "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).