

APPAREL AND ACCESSORIES

Hermes Q3 sales up 32.5pc to \$3.08B, with strong showing across lines

October 20, 2022



Hermès in October 2022 opened its new flagship store in Pangyo, South Korea, located in the Hyundai Department Store Pangyo. Image credit: Hermès

By LUXURY DAILY NEWS SERVICE

Hermès posted a 32.5 percent jump at current exchange rates and a 24 percent rise at constant exchange rates for the third-quarter 2022, showing the continued demand for the French maison's products globally.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Third-quarter sales reached \$3.08 billion (3.14 billion), with growth across all business lines. The Paris-based group's consolidated revenue amounted to \$8.46 billion (8.61 billion) at the end of September, up 30 percent at current exchange rates and 24 percent at constant exchange rates compared to the year-ago period.

"The strong performance in the third quarter reflects the desirability of our collections all around the world and the relevance of our values," said Axel Dumas, executive chairman of **Hermès**, in a statement.

"We move forward with confidence and caution while continuing to bolster our integrated model, rooted in France and committed to job creation," he said. "Our success lies in that of our teams, whom I would like to sincerely thank."

Per **Hermès**, here are the third-quarter sales by comparable exchange rates, unless otherwise indicated by geographical area at the end of September:

At the end of September, all the geographical areas posted very strong performances.

Sales in the group's stores (+23 percent) benefitted from the reinforcement of Hermès' distribution network and online sales. Wholesale activities growth (+26 percent) reflected the resumption of travel retail.

- Asia excluding Japan (+21 percent) continued its strong momentum, thanks to a good third quarter (+34 percent). Sales in Greater China picked up strongly, despite temporary closures due to sanitary measures mainly in Macau, Chengdu and Dalian in July and August. Sales were particularly sustained in Singapore, Australia, Thailand and South Korea. After the Pacific Place store in Hong Kong and One Central store in Macau at the beginning of the year, the Greenbelt Mall store in Manilla and Wuhan store in China reopened after renovation and extension in July.

- Japan (+21 percent) confirmed the regularity and solidity of its growth, thanks to the loyalty of local clients. In Ginza, the men's universe floor re-opened in September after renovation. In June, the *La Fabrique de la legerete* exhibition, featuring the theme of the year, was very well received in Tokyo.
- Americas (+28 percent) continued on an upward trend in the third In the United States, after the opening of a new store in Austin in April, a new maison was inaugurated at 706 Madison Avenue in New York at the end of September. This store offers a unique experience: the private salons recreate a sense of intimacy and exclusivity within a large welcoming space enhancing the collections. The house reiterated its commitment to objects' sustainability with a floor dedicated to repairs by Hermes artisans. The *HermesFit* event was held in Los Angeles in July, highlighting silk, shoes, small leather goods and fashion accessories collections.
- Europe excluding France (+25 percent) and France (+28 percent), supported by the loyalty of local customers, benefitted from the recovery in tourist flows, especially in France, United Kingdom and Italy. In July, the Faubourg Saint-Honore store in Paris presented the seventh jewelry collection, *Les jeux de l'ombre*, which was very well received.

Sales by business line at the end of September, again at comparable exchange rates, unless otherwise indicated:

At the end of September, all the business lines confirmed their high levels of sales, with ready-to-wear and accessories, watches and other Hermes business lines posting a remarkable increase in the third quarter, confirming Hermes' attractiveness.

The growth of the leather goods and saddlery division (+13 percent) benefitted from the strong rebound in Greater China in the third quarter and very sustained demand.

The increase in production capacities continues, with five leather workshops projects. The first stone of the site in the former *manufacture des Tabacs* of Riom (Puy-de-Dome) was laid in September. It is part of an industrial rehabilitation to reduce the project's carbon footprint and will constitute, with the Sayat leather goods workshop, the second site of the Auvergne regional hub. Hermes thus continues to strengthen its local presence in France and to create jobs.

The ready-to-wear and accessories division (+38 percent) pursued its strong momentum, thanks to the success of the ready-to-wear, fashion accessories and footwear collections.

The women's spring-summer 2023 fashion show presented in early October unveiled a collection inspired by a sporting spirit. It received a very warm welcome, like that of the men's collection in June. The fashion accessories have met with considerable success, around creations combining multiple know-how.

The silk and textiles business line (+27 percent) achieved a great performance, supported by new production capacities at the Pierre-Benite site in Lyon and collections deployed around a diversity of materials, formats and exceptional pieces.

Perfume and beauty (+18 percent) benefitted from the success of the latest launches such as the *eau de parfum H24*, with a new vegetal intensity. The beauty collection launched the new fall-winter 2022 limited editions with three lipsticks and two nail polishes in flamboyant colors.

The watches business line (+55 percent) confirmed its remarkable performance thanks to the development of pieces with exceptional know-how such as the *Arceau, Le temps voyageur* watch and the success of the new *H08* watch and its pillar lines such as *Cape Cod* and *Heure H*, around a watch collection where technique echoes aesthetics.

Other Hermes sectors (+31 percent) pursued their highly dynamic growth, both in homeware and jewelry, with creative and inventive collections.

Responsible, sustainable model

Hermes accelerated its recruitment in the second half of the year.

After the gross monthly increase of \$98.30 (100) in January in France to limit the effects of inflation, in addition to the annual increases, and the exceptional bonus of \$2,950 (3,000) paid to all group employees in February, the group again increased by 100 gross monthly all salaries in Europe from July.

The *Ecole Hermes des savoir-faire*, accredited by the French Education Ministry, has already trained more than 150 artisans since its foundation in June 2021 and continues to develop in all the regional leather goods workshops

across the country in Fitiellieu, in the Ardennes, and then soon in the Normandy, Southwest and Auvergne hubs.

Attached to its artisanal production model, Hermes continues to grow while controlling its energy footprint.

The industrial energy intensity of the house has halved in 10 years. In line with its commitment to a trajectory below 1.5 C, validated by the Science Based Target initiative (SBTi), the house has stepped up since 2020 its actions to fight against climate change, in particular through the exclusive supply of electricity green, produced on the national territory, of all the sites located in France.

Thanks to its *Fondation d'entreprise*, Hermes is expanding its sponsoring activities through artistic creation, education and transmission, solidarity and the preservation of biodiversity. As such, the five-year commitment for the fourth term will be formalized by the end of 2022.

Highlights

At the end of September 2022, currency fluctuations represented a positive impact of \$443 million (451 million) on revenue.

During the first nine months, Hermes International bought back 104,269 shares for \$114 million (116 million), excluding transactions completed within the framework of the liquidity contract.

Outlook

Hermes was optimistic about its outlook for the rest of the year even though health, economic and geopolitical factors could impact performance.

"For 2022, the impacts of the sanitary, economic and geopolitical context are still difficult to assess," the company said in a statement.

"Our highly integrated craftsmanship model and balanced distribution network, as well as the creativity of the collections and clients' loyalty allow us to look to the future with confidence.

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

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