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APPAREL AND ACCESSORIES

A challenging road awaits China's Lanvin Group on other side of IPO

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Lanvin Group is taking another step toward a public listing, which could make it the first global luxury fashion group based in China. Image credit Lanvin

By Julienna Law

Lanvin Group is gearing up for its next phase of global expansion: a New York Stock Exchange listing.

On Dec. 9, the Fosun International-owned company is set to vote on a deal to merge with a special purpose acquisition company (SPAC) set up by Primavera Capital, which, if approved by shareholders, could pave the way for the group that owns luxury fashion labels Lanvin, Wolford, Sergio Rossi, Caruso and St. John Knits to go public by end of year.

Since the deal was first proposed in March, Lanvin Group has adjusted its pre-money equity valuation from $1.25 billion to $1 billion to take into account fluctuations in the currency and the stock market environment, as well as the performance of currently listed luxury companies.

"Our outlook for the business remains unchanged and we believe the adjusted valuation establishes a highly compelling entry point for investors as we continue to capture untapped growth opportunities across the world," stated CEO Joann Cheng.

The Jing Take: The move follows a strong rebound from the Shanghai-based group, previously known as Fosun Fashion Group.

In the first half of 2022, revenue grew 73 percent year-on-year to $202 million (1.4 billion RMB), representing one of the highest growth rates in the global luxury industry, according to the firm.

The strong performance was driven by Europe and North America, the home markets of its five portfolio brands.

Meanwhile, sales in China managed to grow 32 percent year-over-year despite lockdowns positive growth, though sluggish when compared to the 194 percent surge from the rest of Asia.

Even with these results, overseas expansion is not without its challenges.

For one, Lanvin Group continues to report losses and expects to achieve profitability by 2024. It does not help that its parent company has its own financial issues, using debt to fuel its initial growth.

According to Bloomberg, Fosun International plans to sell as much as $11 billion of non-core assets in the next 12 months to shore up its balance sheet.

Lanvin Group touts that it has unparalleled access to China, where there is major opportunity for growth as the penetration rate is low. The mainland counts for just 10 percent of the group's sales, whereas it makes up roughly 35 percent of Gucci's.

Plus, the company has the backing of strategic investors such as Japanese trading conglomerate Itochu Corporation, luxury footwear manufacturer Stella International, luxury shopping mall operator K11 and, more recently, South Korea-based Meritz Securities Co. Ltd., pooling their financial resources and broader market expertise.

But whether this will be enough to overcome its lack of fashion experience Fosun International deals with pharmaceuticals, real estate and tourism and revive its heritage brands remains to be seen.

Even if Lanvin Group successfully lists and becomes the first international luxury fashion group based in China, it will have plenty of mileage to cover before it can compete with the likes of LVMH and Kering on the global stage.

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