



## MICHAEL KORS (KORS) 4Q16 RESULTS: DESPITE POSITIVE QUARTER, FLAT 2017 OUTLOOK

	4Q16	4Q15	YoY Change
Revenues (USD Bil.)	\$1.20	\$1.08	10.9%
Product Gross Margin	59.9%	60.6%	(73) bps
Operating Expenses/Sales	37.8%	34.7%	314 bps
Operating Margin	20.4%	23.7%	(334) bps
EPS	\$0.98	\$0.90	9.2%

Source: Company reports

- Michael Kors reported fiscal 4Q16 revenues of \$1.20 billion, beating the consensus estimate of \$1.15 billion and representing a 10.9% increase year over year. EPS was \$0.98, beating the consensus estimate by a penny and representing an increase of 8.8% from EPS of \$0.90 in the year-ago quarter.
- Retail net sales increased by 22.0% in the quarter, driven primarily by e-commerce sales from the company's digital flagships. Same-store sales grew by 0.3% in the quarter.
- The company guided for flat revenues for FY17 and for EPS of \$4.56–\$4.64 for the fiscal year. The company announced that it had completed the acquisition of its Greater China licensee for \$500 million in cash.

### 4Q16 RESULTS

Michael Kors reported fiscal 4Q16 revenues of \$1.20 billion, up 10.9% year over year. On a constant-currency basis, revenue increased by 11.7%.

Retail net sales increased by 22.0% in the quarter, driven primarily by e-commerce sales from the company's digital flagships. Same-store sales grew by 0.3% in the quarter.

On a constant-currency basis, total revenue in the Americas increased by 5.1% and European revenues increased by 18.1%. The strongest growth came from Asia, where revenue grew by 212.1% on a constant-currency basis.

Reported EPS was \$0.98 for the quarter, up eight cents from the year-ago quarter, and beating the consensus of \$0.97.

The company attributed its success in the quarter to refreshed marketing campaigns and diversified product offerings, as well as to strong performance from its digital e-commerce flagships.

### FY16 RESULTS

For FY16, the company reported revenues of \$4.7 billion, up 7.8% from FY15. Same-store sales decreased by 4.2%; on a constant-currency basis, though, they decreased by only 0.9%. FY16 EPS was \$4.43, above the consensus of \$4.41.

The company announced that it had purchased Michael Kors (HK) Limited, the exclusive licensee of the company in China and other parts of Asia, for \$500 million in cash. The licensee generated total revenues of \$197 million for FY16.

**2017 OUTLOOK**

Michael Kors forecasted revenues of \$940–\$950 million for fiscal 1Q17, below expectations of \$1.03 billion, citing a planned reduction in wholesale shipments, decreased same-store sales (expected to be up in the mid-single-digit range), and an increase in operating expenses associated with continued global investments.

The company guided for flat revenues for FY17, despite an expected \$200 million in revenue from the acquisition of the China licensee. EPS is expected to be \$0.70–\$0.74 for 1Q17, and \$4.56–\$4.64 for the fiscal year.

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