



## Kering (ENXTPA: KER) FY16 Results: Strongest Revenue Increase in Last Five Years

**Figure 1. Kering FY16 Key Metrics**

	FY16	FY15	YoY Change
Revenues (EUR Bil.)	€12.4	€11.6	6.9%
Gross Margin	62.9%	61.1%	180 bps
SG&A/Sales	47.7%	46.9%	80 bps
Operating Margin	15.2%	14.2%	100 bps
Adjusted EPS (EUR)	€10.17	€8.07	26.0%

Source: Company reports/Fung Global Retail & Technology

- **French luxury group Kering reported FY16 revenue of €12.4 billion, up 6.9% year over year and above the analyst consensus estimate of €12.3 billion. At constant currency, revenues increased 8.1% year over year.**
- **FY16 gross margin expanded by 180bps year over year and operating margin expanded by 100bps to 15.2%. FY16 EPS of €10.17 increased 26% year over year and beat the analyst consensus estimate of €9.93.**
- **The impressive FY16 revenue results reflect a sharp acceleration in performance in 2H16. Both the luxury and sport & lifestyle divisions showed strong sales momentum, propelled by remarkable revenue gains at Gucci, Yves Saint Laurent and Puma.**

### FY16 Results

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### Sales Breakdown by Segment and Brand

- **Luxury Activities:** This segment's revenue jumped by 7.8% on a constant currency basis to €8.5 billion in FY16. Revenue growth in directly operated stores increased 10.3% year over year, with Asia-Pacific and Western Europe reporting the strongest sales of 13.6% and 13.0%, respectively. Online sales increased over 20% year over year.
- **Gucci:** Sales climbed by a robust 12.7% year over year at constant currency, driven by sales in directly operated stores, which grew by 14.8%, and Gucci e-commerce sales, which increased by 19% in FY16.
- **Bottega Veneta:** Brand sales declined by 9.4% on a constant currency basis, impacted by slower tourism in Western Europe and Japan.
- **Yves Saint Laurent:** Sales rocketed by 25.5% year over at constant currency, driven by strong growth across all regions and all product categories.

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- **Other Luxury Brands:** The other brands slightly increased overall sales growth by 0.3% at constant currency. The Balenciaga, Stella McCartney and Alexander McQueen brands reported positive sales momentum. Watches continued to be weighed down by a difficult market for timepieces.
- **Sports and Lifestyle Activities:** The Sports and Lifestyle Activities segment's revenue jumped by 9.0% on a constant currency basis to €3.9 billion in FY16. Sales of Puma grew by 10.4% on a constant currency basis. The brand achieved good sales growth across all geographic regions. Puma footwear sales increased 12.7% year over year and apparel sales also climbed 9.6%. Volcom's sales increased in directly operated stores in FY16, but revenues were held back by a challenging operating environment for US wholesalers.

**4Q16 Results**

Kering reported 4Q16 revenue of €3.5 billion, up 10.4% on a reported and constant currency basis. Gucci brand sales in 4Q16 jumped by 21.4% and Yves Saint Laurent 4Q16 constant currency sales increased 20.5% year over year. Puma brand footwear sales jumped 17.7% year over year in 4Q16.

**Outlook**

FY17 revenue consensus estimates stand at €13.2 billion, implying annual year-over-year growth of 6.8%. Consensus expects operating profit of €2.1 billion, implying year over year growth of 10.6%. Consensus expects FY17 EPS at €11.52, implying growth of 13.3% year over year.



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