

**YOOX
NET-A-PORTER
GROUP**
**(BIT: YNAP) FY16 Results: Solid Sales
and Operating Margin Improvement**
Figure 1. YOOX Net-a-Porter Group FY16 Key Metrics

	FY16	FY15	YoY Change
Revenues (€ Mil.)	€1,871	€1,665	12.4%
Gross Margin	39.2%	39.5%	(30) bps
SG&A/Sales	30.5%	31.2%	(70) bps
Operating Margin	5.2%	4.6%	80 bps

Source: Company reports/Fung Global Retail & Technology

- Italian online fashion retailer YOOX Net-a-Porter Group reported net revenues of **€1,871 million for FY16, up 12.4% year over year on a reported basis and up 17.7% at constant exchange rates. Revenues were slightly below the consensus estimate of €1,875 million.**
- **FY16 sales growth was driven by strong performance across all geographic regions, especially the Asia-Pacific region, where sales increased by 27.1% at constant exchange rates. UK sales increased by 15.3% year over year at constant exchange rates.**
- **YOOX Net-a-Porter provided FY17 revenue guidance of 17%–20% year-over-year growth. The company expects its EBITDA margin to improve slightly over FY16's 8.3%. The company is also targeting FY17 capital expenditures of €160–€170 million.**

FY16 Results

Italian online fashion retailer YOOX Net-a-Porter reported net revenue growth of 12.4% year over year on a reported basis and growth of 17.7% at constant exchange rates. Revenues of €1,871 million were slightly below the consensus estimate of €1,875 million.

The company's FY16 gross margin contracted by 30 basis points year over year, to 39.2%, and its SG&A margin contracted by 70 basis points. The FY16 operating margin expanded by 80 basis points, to 5.2%.

Net Revenues by Business Line

Multibrand in-season product sales climbed 16.0% year over year on an organic basis, while multibrand off-season sales jumped 19.5% and online flagship store sales increased by 23.7%. Some 51.8% of the company's revenue was derived from the multibrand in-season business. Including sales of TheCorner.com and ShoeScribe.com, which were discontinued at the end of August 2016, FY16 sales grew by 13.0% year over year at constant exchange rates.

FY16 sales growth was driven by strong performance across all geographic regions. Year over year at constant exchange rates, Asia-Pacific sales increased by 27.1%, while UK sales increased by 15.3%, Europe sales by 13.2%, North America sales by 14% and Rest of the World sales by 16.5%.

Some 37.2% of the company's revenues were derived from the multibrand off-season business, including sales from Yoox.com and TheOutnet.com.



FLASH REPORT

The online flagship stores' monobrand business accounted for 11.0% of the group's consolidated net sales. The division's strong sales performance was driven by a joint venture with Kering.

Key Performance Indicators

The average number of monthly unique visitors across the company's sites rose by 7.9% year over year in FY16, to 28.8 million, and orders increased by 18.3%, to 8.4 million.

The average order value excluding VAT was €334, down 5.1% from €352 in FY15, mainly reflecting unfavorable exchange rate movements. Active customers increased by 16% year over year, to 2.9 million at the end of FY16.

Outlook

YOOX Net-a-Porter provided FY17 revenue guidance of 17%–20% year-over-year growth. The company expects its EBITDA margin to improve slightly from FY16's 8.3%. The company is also targeting FY17 capital expenditures of €160–€170 million.

Analysts expect the company's FY17 revenues to be up 17.7% year over year, to €2,201.9 million. Consensus expects FY17 EBIT of €100.3 million, implying an EBIT margin of 4.6%, and FY17 normalized EPS of €0.56.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Eva K.

Senior Research Associate

Hong Kong:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com