



## (EPA: KER) FY15 RESULTS: REVENUES BOOSTED BY GUCCI'S NEW CREATIVE DIRECTION

- Kering reported that FY15 revenue increased by 15.4%, to €11.6 billion, beating the consensus estimate.
- EBIT decreased by 1.0%, to €1.6 billion, which was slightly below consensus. EPS increased by 31.4%, to €5.52, which was also below the consensus estimate.
- Revenue growth was driven by the strong performance of the company's luxury division in mature markets and by the Gucci brand in particular.

Figure 1. Kering Key Metrics

	FY15	FY14	YoY Change
Sales (€ Bil.)	11.6	10.0	15.4%
Gross Margin	61.0%	62.7%	(170) b.p.
SG&A Margin	46.8%	46.1%	70 b.p.
EPS (€)	5.52	4.20	31.4%

Source: Company reports

Kering, the France-based company that specializes in retail and luxury good distribution, reported a FY15 revenue increase of 15.4%, to €11.6 billion, beating the consensus estimate of €11.4 billion. Comps were also up, rising 4.6% versus FY14.

Revenue growth was driven by strong performance in the luxury segment in mature markets—Western Europe and Japan—where comps increased by 7.3%. Directly operated stores and the online channel performed particularly well, with comps up 7.2%.

Management commented that the revenue growth reflects “improved operating performances” as part of a strategy implemented by the luxury division to more effectively control distribution and reinforce exclusivity.

The company reported a decline of 1.0% in EBIT, to €1,647 million, which was below the consensus estimate of €1,651 million.

Year over year, net income was up 31.6%, to €696 million, and reported EPS was up 31.4%, to €5.52. However, the results were below analysts' expectations of net income of €1,060 million and EPS of €8.48 for the reporting period.

### By Division

The luxury division was Kering's star performer in FY15. Reported revenues from luxury activities grew by 16.4%, to €7.9 billion, and comps increased by 4.1%. The best-performing luxury brand was Yves Saint Laurent, which saw a sales increase of 37.7%, to €973.6 million. Sales at Gucci, which accounts for 50% of the group's total luxury sales, increased by 11.5%, to €3.9 billion. Gucci returned to growth after Alessandro Michele was appointed Creative Director at the beginning of 2015. Michele was given total creative responsibility for all of Gucci's collections and its brand image. As a result of his new creative vision, Gucci delivered strong comps of 5% in the fourth quarter of the fiscal year.



# FLASH REPORT

The sport and lifestyle division reported that sales increased by 13.5%, to €3.7 billion. Puma, which accounts for more than 90% of the division's sales, saw a revenue increase of 13.8% in reported figures and 6.8% in comps. During the fiscal year, Puma increased its market share among major distributors by pursuing a strategy aimed at streamlining the brand and making it more innovative.

## Outlook

In FY16, Kering will continue to focus on enhancing its operating performance through a targeted and selective expansion of its store network in order to achieve same-store revenue growth. The new creative direction at Gucci and the repositioning of the Puma brand should continue to sustain revenue growth in FY16.

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