



WILLIAMS-SONOMA (WSM) 4Q15 RESULTS: SLIGHT EPS MISS, 2016 OUTLOOK BELOW CONSENSUS

- Williams-Sonoma reported 4Q15 revenues of \$1.6 billion, up 2.9% year over year but slightly below the consensus estimate. EPS was \$1.55, slightly below the consensus estimate of \$1.58 and down 1.2% year over year.
- Comps increased by 0.8% year over year, following an increase of 5.1% in the year-ago quarter, based on 12.8% growth at West Elm that was partially offset by a decline of 2.0% at Pottery Barn.
- For 2016, the company expects sales growth in the low-to-mid-single digits based on 3%–6% comp growth, or revenue of \$5.2–\$5.3 billion. The company expects 4%–8% EPS growth, which would result in EPS of \$3.50–\$3.65, below the consensus estimate of \$3.75.

Figure 1. Williams-Sonoma Key Metrics

	4Q15	4Q14	YoY Change
Net Sales (USD Bil.)	\$1.6	\$1.5	2.9%
Gross Margin	38.3%	40.1%	(181) b.p.
Adjusted SG&A/Sales	25.2%	24.7%	50 b.p.
Adjusted Operating Margin	14.9%	15.4%	(50) b.p.
EPS (USD)	\$1.55	\$1.57	(1.2)%

Source: Company reports

4Q15 RESULTS

Williams-Sonoma's 4Q15 net sales were \$1.6 billion, up 2.9% year over year but slightly below the consensus estimate. Retail sales grew by 2.9% year over year, to \$794 million, and e-commerce sales increased by 2.9% year over year, to \$792 million.

Retail comps increased by 0.8%, which was below the consensus of 3.6%. Growth was driven by a 12.8% increase at West Elm and a 0.9% increase at Williams-Sonoma. Comp gains were partially offset by a 2.0% decrease at Pottery Barn, which was below the consensus estimate of 2.4%. Pottery Barn Kids saw a 0.1% gain, which missed consensus of 3.1% growth.

The gross margin decreased by 181 basis points year over year, to 38.3%, owing to lower merchandise margins, shipping and fulfillment-related costs, and lower margins associated with higher franchise sales. Excluding onetime events, the adjusted SG&A-to-sales ratio increased by 50 basis points, to 25.2%.

EPS was \$1.55, compared to the consensus estimate of \$1.58.

During the fourth quarter, the company opened four stores and ended the quarter with 618 stores versus 601 at the end of the year-ago quarter.

2015 RESULTS

Net sales in 2015 increased by 5.9%, to \$5.0 billion. Retail sales grew by 5.4% year over year, to \$2.5 billion, and e-commerce sales grew by 6.4% year over year, to \$2.5 billion.



FLASH REPORT

Retail comps increased by 3.7% for the year, following an increase of 7.1% in 2014. The same-store sales increase was driven by West Elm comp growth of 14.8%. West Elm sales increased by 22.7% year over year, to \$821 million.

EPS was \$3.37 compared to \$3.24 in 2014.

GUIDANCE

For 2016, the company expects sales growth in the low-to-mid-single digits based on 3%–6% comp growth, or revenue of \$5.2–\$5.3 billion, slightly below the consensus estimate.

The company also expects 4%–8% EPS growth, which would result in EPS of \$3.50–\$3.65, below the consensus estimate of \$3.75.

For the first quarter, the company expects net sales of \$1.1 billion, slightly below the consensus estimate, based on a 3%–6% increase in comps.

First-quarter EPS is expected to be \$0.48–\$0.52, below the consensus estimate of \$0.55.

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