

Thrifty tourists, weaker China curb Tod's sales and forecasts

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Italian luxury goods group Tod's warned it would be challenging to meet expectations of a 4 percent revenue increase this year, as first quarter sales fell due to weaker demand in China and shrinking tourist spending.



Tod's

Tod's said revenue in the first three months of the year, usually weaker than the other quarters, fell by 3 percent at reported rates to 250 million euros (198 million pounds), below a Thomson Reuters SmartEstimate of 262 million euros.

Comparable store sales at Tod's, known for its signature Gommino loafers, declined by a worse-than-expected 12.4 percent. In March, it forecast a fall of slightly more than 6 percent.

"Reaching market consensus for revenues and EBITDA (core profits) in 2016 is a bit challenging but not impossible," Chief Financial Officer Emilio Macellari said in a call with analysts.

Two months ago, the group had said it was confident it would meet expectations for a 5 per cent rise in revenue this year and improve its core profit.

The drop in sales comes at a time when the luxury sector is grappling with weakening consumer spending in China, once a growth engine, falling oil prices and global security threats affecting tourist flows.

Tod's first-quarter sales fell by 10 percent in Greater China and by 4.7 percent in the Americas. They were up 0.6 percent in Europe, excluding Italy.

Tod's has struggled in recent years as it sought to broaden its range from shoes to handbags and clothes. Its shares have fallen by 28 percent since the start of the year, against a 15 percent decline for the whole sector.

The group last week announced that its creative director Alessandra Facchinetti would step down after three years.

Macellari said on Wednesday Tod's would now return to focus primarily on shoes, leather goods and accessories, which accounted for 93 percent of sales last year.

"We don't want to give up on apparel, but we want to avoid being too exposed to fashion. A focus on leather goods will lead to savings on costs in the medium and long term," he said.

Tod's opened four new shops in the first four months of the year and plans to open another 10, although it is currently considering closing "a small number" of stores, Macellari said.