SMCP reports loss on pandemic effect, but has the cash to see it through

By Sandra Halliday - September 4, 2020

SMCP’s first-half results on Friday showed just how big a hit it took as the pandemic raged globally causing fashion to be the furthest thing from most consumers’ minds.

The company may have made a profit (albeit a smaller one) on an EBITDA basis, but it plunged to a net loss as sales plummeted.

The company’s sales were down 31% at €372.8 million, or 33.5% on an organic basis (which is currency-neutral and excludes the acquisition of De Fursac).
On the plus side, Mainland China sales continued to gradually improve throughout Q2 at the Maje and Sandro owner, returning to sales growth in June. And the “solid execution” of its Covid-19 action plan helped to mitigate the impact of the crisis with the firm making more than €60 million worth of cost savings. And the firm has plenty of cash available to fund its operations with €219 million in the bank at the end of June.

But that good news couldn’t disguise the weak figures. Adjusted EBITDA in the first six months of the year fell to €55.1 million from €141 million a year earlier, while adjusted EBIT dropped to a loss of €29.7 million from a profit of €66.5 million at this time in 2019. The net loss was €88.5 million after a profit of €17.2 million 12 months ago. That figure included an impairment of €42.6 million on its Other Brands’ goodwill (that’s Claudie Pierlot and De Fursac), due to the impact of the pandemic on these.

The company didn’t break out the performance of its four brands separately, however, nor did it give a regional breakdown or any clue of how Q3 trading is going.

CEO Daniel Lalonde said the results were strongly impacted by the pandemic but the group is “well equipped to face this challenging period as its fundamentals remain solid: we benefit from a geographically well-balanced portfolio of international brands, a strong position in e-commerce and an agile organisation”.

And he added that the firm will continue with its Covid-19 action plan in H2, while also working on its key priorities to “enhance brands’ desirability, create one unified channel between e-commerce and physical stores to build a seamless and innovative experience for customers, and accelerate sustainable fashion”.

So what actually happened in the first half? Lockdown measures in most countries (particularly in Asia in Q1 and Europe/North America in Q2, plus a halt in tourism flows across regions) hit it hard. Yet it said that “while traffic in stores remained weak, the group recorded solid conversion rates”. That’s something many other companies have reported as those consumers who did make the effort to shop seemed more determined to buy. And it was helped by a 15% rise in e-commerce sales.

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