Cost cuts, China and digital helped SMCP in 2020, but times were still tough

By Sandra Halliday - March 24, 2021

French premium fashion group SMCP did better than expected last year with the Sandro, Maje, Claudie Pierlot and De Fursac owner saying core annual profit beat expectations.

It was helped by cost-cutting measures that saved it more than €100 million, as well as by stronger digital sales sales, despite the devastating effects of lockdowns and the enforced store closures that came with them.

Its adjusted annual earnings before interest, taxes, depreciation, and amortisation (EBITDA) may have fallen by almost 40%, but it still managed to make a profit of €179 million on this basis. That was so much better than the less-than-€128 million that analysts had been predicting.

But despite the cost savings, the results were dented by a big drop in sales combined with a reduction of 3.8pts in the management gross margin (70.8%). This was due to increased promotional activity and off-price sales operations to reduce inventories.
Net income plunged to a loss of €102.2 million from a profit of €43.7 million a year earlier, but excluding certain one-offs, the net loss was a smaller €39.6 million.

Reported sales were down 22.9% to €873 million, including a currency impact of -0.4% and De Fursac’s contribution of +1.5%. Sales dropped 23.9% on an organic basis. But it saw a sharp recovery in mainland China from the second half, helping sales there rise 3.5% for the full year and 24.5% in H2 alone. As mentioned, digital was also strong globally and saw 27.6% sales growth.

Looking at the individual brands, Sandro made adjusted EBITDA of €91.8 million, down from €141 million a year ago. Maje made €75.2 million, down from €119.9 million. And the other brands made €12.6 million, down from €25.4 million.

The company didn’t share the usual details about individual performances for each of the labels, although that’s hardly surprising given that 2020 was a year in which it was hard to judge brands by normal metrics. But looking at the EBITDA figures, it’s clear that its two biggest brands, Sandro and Maje, continued to dominate its operations. The overall adjusted EBITDA margin was 20.6% but Sandro’s and Maje’s were 22.2% and 22.3% respectively. The other brands were a much lower 10.3%.

SMCP didn’t provide any guidance for the current year either, given the ongoing uncertainty and the new wave of coronavirus infections in Europe at present.

But CEO Daniel Lalonde did say: “As expected, our full-year results were strongly impacted by the pandemic. Nevertheless, the group demonstrated its reactivity by immediately implementing strong measures on costs and boosting e-commerce, which enabled us to limit the impact. We announced at the end of the year a new strategic plan that will shape our brands to the new world. SMCP is well-positioned to seize all markets’ growth opportunities and I am confident in our talented teams to pursue our journey towards making SMCP a global leader in the accessible luxury market.”

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