As Capri Holdings booms, CEO hails Versace potential

By Sandra Halliday - February 3, 2022

Capri Holdings on Wednesday reported a 24% surge in sales for the holiday season quarter. And it expects more of the same with raised full-year guidance and above-estimates growth predictions for the next year, underlining the wider luxury sector recovery.

Total revenue rose to $1.61 billion in Q3, higher on both a one-year and two-year (pre-pandemic) basis. And even with higher shipping costs, improved full-price sales and price increases helped keep margins healthy. Gross profit was $1 billion and the gross margin was 65.1%, compared to $848 million and 65.1% in the prior year. Net income was $322 million, up from $179 million.

It expects FY22 revenue of $5.56 billion and FY23 revenue should be about $6.1 billion.
On a conference call, group CEO John Idol said the results were better than expected at all three brands and in all geographies. In previously challenged locations like EMEA, for instance, revenue rose 35% as domestic consumer demand proved “robust”.

In Asia, revenue increased 3%, reflecting improving trends in Japan, Korea and Southeast Asia. But in Mainland China, pandemic restrictions were an issue.

VERSACE GROWTH POTENTIAL

Idol talked a lot about Versace’s potential to be even bigger than it is and about how this must be managed to avoid any missteps.

“Versace belongs in the category of some of the most important luxury brands in the world. We need to manage this carefully, though. We don't want to have something that explodes and then comes back down. You have to invest, to pace it and let the consumer really desire it. And not try to push too hard.

“We are turning this not into just a luxury house driven by runway and ready-to-wear, but this is now a luxury leather goods house.

“We could grow revenues by four times in our stores and still not be at the productivity levels of some of our biggest competitors in the world. So we have lots of room to grow inside the footprint that we have”.

During the quarter, revenue soared 29% to $251 million. The Americas increased 56%, EMEA 30% and Asia 2%. There was strength across all product categories.

“Runway styles featured our new brand code, La Greca, which is off to a strong start,” Idol said. “Our signature code anchored itself as a new pillar and accounted for 17% of sales across all product categories”.

He said accessories performed very strongly and the firm is “making significant progress in our goal to expand accessories revenue to $1 billion over time”.

Footwear also performed well. Women’s sales at retail increased in strong double-digits, while men’s and women’s sneakers continued to perform.

It also saw strength in men’s and women’s ready-to-wear, with retail sales up in double-digits.

The company marketed the brand heavily and for holiday, in celebration of winter sports, it “showcased bold styles with glamorous gift ideas. The campaign featured key house pillars La Medusa, La Greca and Virtus. This was Versace's top-performing holiday campaign to date, generating tremendous engagement, new consumers and strong revenues”.

JIMMY CHOO STRENGTH

At Jimmy Choo, results were “significantly ahead of expectations”, with revenue increasing 47% to $178 million. Global sales in its retail channel increased 40%+. Revenue in the Americas increased 59%, in EMEA 73%, and in Asia 18%.
Accessories sales were driven by the continued focus on its three key hero handbag families: Varenne, Madeline and Bon Bon. Evening bags with jewelled accents and standout embellishment also did well.

Footwear increased in double-digits, “driven by a recovery in dress footwear styles as people engaged in social activities, enjoyed special occasions and celebrated the holidays”.

But casual styles were also popular, “from shearling slippers embellished with delicate pearls and crystals to combat boots with crystal embellishments. We continue to see growth in sneakers with positive consumer reaction to our new Memphis trainer”, Idol explained.

The brand offered plenty of newness and was marketed heavily with initiatives including collaborations with New York-based artist Eric Haze, curated by “Japanese fashion icon” Poggy. The collection “fused East with West and high fashion with street culture, offering a modern interpretation of glamour”.

The brand also launched into NFTS via a capsule that “melded physical products with virtual. The NFTs and collectibles sold out within one hour of launching online”, we’re told.

Other marketing events included store takeovers and pop-up shops in Asia. And for holiday, the campaign again featured Hailey Bieber. Idol said the “engaging marketing, combined with glamorous product helped contribute to a 23% year-over-year increase in Jimmy Choo’s global consumer database”.

The company remains convinced that Jimmy Choo can see revenue of “$1 billion over time”.

MICHAEL KORS POWERS ON

The giant Michael Kors brand also exceeded expectations, with revenues up 20% to $1.18 billion as it continued “to elevate our product and our brand”. The rise would have been greater if not for supply chain constraints.
Revenue in the Americas increased 21%, in EMEA 30%, but in Asia it fell 2% due to Covid issues in China.

During the quarter, global AURs (average selling prices) increased in the high teens versus the prior year.

Idol said that "signature remains a core growth strategy, and we continue to believe penetration will grow to approximately 50% of overall product assortments, which will drive higher AURs and margins".

This time, signature represented 41% of the assortment compared to 35% last year. In Accessories, signature penetration was even greater.

Aside from bags, the label also saw a strong performance in boots and booties, “featuring iconic branding elements and signature detail”. Fashion active also continued to perform well.

Similarly, in women’s ready-to-wear, Signature logo styles were among the top performers, while “men’s remains one of the strongest performing categories in retail, and we remain enthusiastic about our opportunity to expand [its] accessories collection”.

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