SMCP sees Q4 uptick, but UK is a tough market

By Sandra Halliday - 29 January 2020

French premium fashion group SMCP continues to outperform the market and on Wednesday, its Q4 and full-year sales figures showed just how strong it is, even though it has had to deal with some major headwinds. Its shares rose over 8% in early trading.

The company called its sales growth last year "robust" with an 8.7% increase at constant currency and on a comparable basis (CCS) and an 11.3% increase in total to €1.131bn. Despite a "sharp market deterioration in Hong Kong in Q4 and French social movements" in the year as a whole, that was a good result.

As mentioned, the company had to deal with some big issues and this took a toll on its like-for-like sales, which fell by a tiny 0.1% during the year, although all regions were positive in Q4, which is good news.

In fact, Q4 seems to have shown a definite upturn with double-digit sales growth in constant currencies and "solid resilience in France". Total sales in the latter period were up 14.8% (9.6% CCS) to €317m.

It's clear that the company partly managed to drive sales upwards by opening new space and it described last year as a "dynamic" one in terms of store expansion with a net 90 new directly-operated locations. But e-tail also helped...
as a “dynamic” one in terms of store expansion with a net 90 new directly operated locations. But e-tail also helped and online sales now represent 14.9% of its total revenue, up 20 bps against the prior year.

The company also confirmed its full-year 2019 guidance for an adjusted Ebitda margin of between 15.5% and 16%.

CEO Daniel Lalonde was cautiously upbeat, describing the market as tough and calling out the difficult market conditions in the Paris region and in Hong Kong, but also highlighting the strength of the company’s two star brands, Sandro and Male. They were compared to a weaker Claudie Pierlot, which is still “transitioning to become a global brand”.

He also highlighted that positive areas for the company were strengthening its growth platform in China, “further developing accessories, enriching the omnichannel customer experience, and building solid foundations on sustainability”. Accessories showed a strong sales increase of 18.4%, mainly driven by Maje and Claudie Pierlot.

And for the future he said that one of the key focuses will be to drive like-for-like sales growth through initiatives that the company will share in April.

THE DETAIL

So let's look at the performances of the brands last year and last quarter in more detail. Sandro’s Q4 sales rose 12.3% in total and 10.9% CCS to €155.8m. That helped full-year sales to rise 10.2% (8.7% CCS) to €551.6m, showing that Q4 marked a clear upturn. Sandro saw a strong sales performance in the US and an acceleration of Sandro men in Europe.

Maje rose 13.8% in Q4, and 12.5% CCS, to €117.6m. Again, Q4 was better than the year as a whole with a slightly smaller 12% full-year total sales rise (10.5% CCS) to €438.2m. Maje’s Q4 performance reflected strong results for its collection in Europe and APAC, as well as a successful gifting strategy for the end of the year.
The firm’s ‘other brands’, which means Claudie Pierlot and De Fursac, rose 28.2% on a reported basis in Q4 to €43.6m (skewed by the more recent acquisition of De Fursac) but fell 4.3% CCS. For the year, they rose 13.5% to €142.1m and rose 3% CCS. De Fursac made a +1.2% contribution to full-year sales, starting in September.

As mentioned, the company said Claudie Pierlot’s weakness compared to the two star brands was affected by its transition to become a global brand. But it “has launched a consumer study and is continuing to work on the gradual evolution of the brand’s marketing and products mix through further adjustments of its collection, store concept and marketing plan”.

REGIONAL STRENGTH AND WEAKNESS

Looking at the Q4 figures regionally, In France, sales were up just 0.5% CCS, although this clearly represented progress as they had fallen 0.7% for the full year. “Following a solid performance in October and November, December was impacted by the social movements that weighed on traffic in stores,” the company said. France remains the company’s biggest region with Q4 sales of €109.2m compared to €91.4m for EMEA, €45.7m for the Americas and €70.8m for APAC.

In EMEA, CCS sales grew 9.4%, driven by key countries such as Spain, Germany and Italy. But the UK was flat in “a tough and volatile market, impacted by Brexit-related uncertainties”.

In the Americas, the group saw a “good performance” of 6.2% sales growth CCS, considering the tough comparison (it was up 25.7% a year earlier). This was achieved through double-digit retail sales growth (representing 93% of its total business there) while partner sales fell due to the closure of nine concessions in Q3.

In APAC, the group recorded another “very strong” quarter with 29.1% CCS sales growth, despite the Hong Kong issues. This reflected an “outstanding performance in mainland China which has been amplified by some additional off-price operations, on past season inventories”. Excluding off-price sales, mainland China recorded 30% CCS sales growth.

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