Gucci sales fall in Q4, but Bottega Veneta, Saint Laurent are on a roll

By Sandra Halliday - 17 February 2021

Sales at Kering's leading brand, Gucci, suffered a bigger-than-expected drop in Q4 as Covid continued to dent luxury shopping and crimp tourist spending in particular.
But the brand is far from being on the ropes and the group also saw encouraging performances from other key labels such as Saint Laurent and Bottega Veneta, the latter concluding a very impressive year overall.

As a group, revenue was €4 billion in the so-called golden quarter from October up to December. That was a drop of 8.2%, or 5% comparable. Sales had been expected to edge up 1% so the performance was clearly a disappointment.

What exactly happened at Gucci? Well, its sales fell more than those at the company as a whole and that was bad news given how big a chunk of total Kering sales it accounts for. The brand’s Q4 revenues dropped 10.3%, much worse than the 4% than analysts had expected. Yet the company doesn't seem worried and talked of growth initiatives for its 100th anniversary this year.

Chairman and CEO François-Henri Pinault, stayed upbeat overall. Talking of Kering's year as a whole, he said: “In a year of disruption, Kering demonstrated remarkable resilience and agility. We achieved a solid top-line recovery in the second half, we protected our margins while continuing to invest in our Houses and growth platforms, our cash flow generation remained elevated, and we further strengthened the group’s financial structure. More than ever, I am convinced that our strategy and business model are perfectly in sync with the current and future trends of the luxury universe. We are emerging from the crisis stronger and better positioned to leverage the rebound.”

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For the year, consolidated revenue was €13.1 billion, down 17.5% on a reported basis and 16.4% comparable. Sales generated by the retail network fell 15.9% on a comparable basis, but a sharp rebound in the second half was led by North America and Asia-Pacific. Wholesale was down 17.4%, but online soared 67.5%. It meant online sales accounted for 13% of total sales generated by the retail network.

Kering said it saw “resilient profitability”, with recurring operating income down 34.4% at €3.135 billion, yielding a solid recurring operating margin of 23.9%. Recurring net income fell nearly 39% to €1.97 billion.

Gucci’s comparable revenue fell 21.5% for the year to €7.44 billion while Saint Laurent was down 13.8% at €1.74 billion, Bottega Veneta managed to rise 4.8% to €1.21 billion and the 'other' houses dropped 14.6% to €2.28 billion.

There was clearly some good news in all of that, especially the online sales and the Bottega Veneta revenue rise. But there was more good news that offers hope for the future when digging a little deeper too.

For instance, for the year as a whole, Gucci enjoyed a resilient year in Mainland China and the brand’s online sales rose 70%. Its recurring operating margin was also "extremely resilient" at 35.1% for the year and 38.6% for H2.

Saint Laurent’s revenue fell too in the year, as we’ve seen, but it rose 0.5% on a comparable basis in Q4, “with favourable sales momentum” in Asia-Pacific, North America and Japan.

And the company said Bottega Veneta had a “remarkable year”. Its revenue rose despite a mixed first half, but comparable sales rose a powerful 18% in H2 as Asia-Pacific and online outperformed. And in Q4, revenue rose 15.7%, despite tough comparisons with a year ago.

Elsewhere, the company said Balenciaga and Alexander Mcqueen delivered “highly satisfactory performances” with year-on-year revenue growth. But the ‘other’ division was dragged down by the luxury jewellery brands struggling in Western Europe, even though Asia growth was strong. The ‘other’ unit as a whole rose 1.7% on a comparable basis in Q4 though.