

Desigual growth spurt has halted in 2015

Bright and distinctive Spanish fashion house Desigual, saw some of its colour fade in 2015 as annual revenue fell by -3.1% to €933.2m/\$1,046m bringing to an end years of extremely strong growth that took the company from €8m in 2002 to €963.5m in 2014.



The contraction has been blamed on deceleration in its core historical markets of France and Spain, which, in 2013, still had a share of 42% of revenue. The decline was also affected by a reduced rate of stores openings.

As a result of the sales slowdown and also higher owned-store costs, Ebitda fell by -24% year-on-year to €199.6m in 2015.

Desigual remains Europe-centric with just 10% of revenue coming from countries outside the continent. However it was in these non-European markets where there were some positive results – and expansion is likely to be directed here in the coming years. Duty free and travel retail is one channel that has also helped expose the brand to new territories.

Desigual's largest segment of women's clothing was down by -5.9% in 2015, with accessories growing by +3.1%, and kids showed a solid performance (up +11.8%).

BUSINESS REVIEW & KICK-START

After 2014's slowdown in growth to +16% [from a peak of +89% in 2008], Desigual has spent time reviewing its business and defining an action plan to prepare a new growth phase. It is moving to a **more consumer-centric organisation** and has hired two senior executives to drive the process alongside Thomas Meyer, Founder, Chairman and current CEO.



Key looks from the Autumn/Winter 2016/17 collection.

The benefits of this new strategy, from a product perspective, will be visible from the 2017 Spring/Summer collection.

STORE RATIONALISATION

In the meantime, Desigual has started a rationalisation of its store network which resulted in the closure of 27 stores in 2015 and openings limited to 48 stores, excluding the transformation of seven franchises into company owned stores.

This plan is being intensified in 2016 as part of a wider programme – involving distribution networks, product categories and geographical locations – in order to improve the group's profitability in the medium term.

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