

Travel retail drives Salvatore Ferragamo, share price rises



Luxury goods house Salvatore Ferragamo has seen a strong lift in its share price following a good half-year sales performance - with duty free and travel retail cited as a major driving force.

The share price rose by +8.8% to €22.42 on Friday on the back of +8% sales growth (constant exchange rates) to €659m (\$846.6m) in the first half to June, led by DF&TR and wholesale at +12%. The shares had slipped back slightly in this morning's trading to €22.18.

The Italian company saw leathergoods and handbags - the core product group in travel retail - grow fastest at +15.5% to €234.6m, well ahead of the second fastest growth category of shoes (+5.7%). The two categories combined account for 78.4% of total revenue (see chart below and click to enlarge).

1H 2014 Revenue By Product

(Euro MM)	June YTD				Weight on Tot 2014	Weight on Tot 2013
	2014	2013	Δ %	Δ % Const FX		
Shoes	281,9	272,3	3,5%	5,7%	42,8%	43,6%
Leather goods & handbags	234,6	207,1	13,3%	15,5%	35,6%	33,2%
RTW	44,2	48,1	-8,1%	-5,9%	6,7%	7,7%
Silk & other access.	43,1	43,2	-0,2%	2,0%	6,5%	6,9%
Fragrances	45,6	43,5	4,8%	5,0%	6,9%	7,0%
Licences & Other Rev.	4,2	5,1	-17,7%	-17,7%	0,6%	0,8%
Rental income	5,5	5,3	3,4%	7,9%	0,8%	0,8%
Total	659,0	624,7	5,5%	7,6%	100,0%	100,0%

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Unusually, Europe was the strongest growth region for the Florence-based house. It grew by +8.7% and generated revenue of €181.7m.

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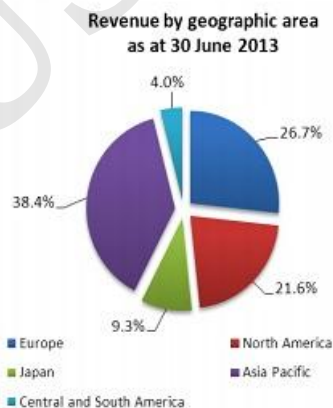
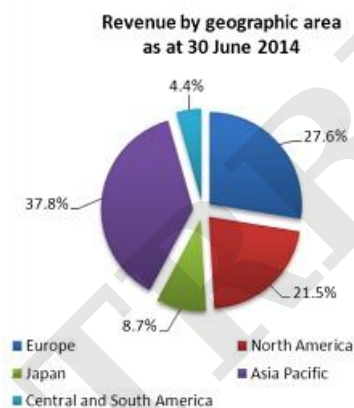
Asia Pacific, the biggest region for sales was the slowest grower at +5.6% to €248.9m (see chart below and click to enlarge).

On the strength of Europe, Ferragamo comments that this was “thanks to wholesale and travel retail”. Retail, the company says, was “penalised by geopolitical tension, tourist flows and negative perimeter”.

In general, the company comments: “Travel Retail is still the best opportunity for perimeter growth in all major business locations, particularly in Asia and the Middle East.”

Revenue by geographic area as of 30 June 2014

(In thousands of Euro)	Half-year period ended 30 June				at constant exchange rate	
	2014	% on Revenue	2013	% on Revenue	% Change	% Change
Europe	181,665	27.6%	166,716	26.7%	9.0%	8.7%
North America	141,657	21.5%	134,872	21.6%	5.0%	7.4%
Japan	57,760	8.7%	58,018	9.3%	(0.4%)	6.4%
Asia Pacific	248,928	37.8%	240,199	38.4%	3.6%	5.6%
Central and South America	29,009	4.4%	24,848	4.0%	16.7%	23.1%
Total	659,019	100.0%	624,653	100.0%	5.5%	7.6%



Despite the good sales growth, with Ebitda increasing by +8.8% to €143m, group net income declined by -3.5% to €78.1m, although this would be a +14% increase excluding the capital gain deriving from the disposal of its share of ZeFer [the 50/50 joint venture for development of the Ermenegildo Zegna brand in the footwear and leather sector created in 2002].

Ferragamo warns that in the H1 period major companies had reported weaker tourism spending in the second quarter and that “Chinese domestic consumption is still mixed (while) Hong Kong data is weakening with lower average spending from travellers”.

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[Pictured top is the Ferragamo store at Shenzhen Airport.]

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