WWD

BUSINESS

Moncler Goes Beyond Expectations

- The group recorded a 47 percent increase in profits on the back of growing sales.

BY LUISA ZARGANI

MILAN – "Go beyond" is a mantra for Moncler chairman and chief executive officer Remo Ruffini, one that has inspired the group's latest communication campaign, and in releasing first-half results on Wednesday, the performance went beyond even management expectations. "I'm convinced that our capacity to go beyond – to explore new frontiers and break new ground – is what steers and guides Moncler, quarter after quarter, toward new heights that I, for one, find exceptional," Ruffini said. "The results we are releasing today once again, not only beat market expectations, but even our own estimates."

All channels and markets helped boost the strong performance of Moncler in the first half of the year. In the first six months ended June 30, net profit climbed 47 percent to 61.6 million euros, compared with 41.8 million euros in the same period last year.

Sales rose 21 percent to 493.5 million euros, compared with 407.6 million euros in the first half of 2017. At constant exchange rates, they grew 27 percent.

According to the Thomson Reuters consensus, analysts expected sales of 483 million euros and profits of 57 million euros.

Ruffini said "numbers always need to be read in context, looking past the mere digits. And that's what makes me even more confident today about our future. The launch of the first Moncler Genius collection has been acclaimed a success in all markets and in all channels we operate in, and the company managed to meet all the given deadlines. We're working to strengthen the brand and our entire value chain further, and we are pushing ahead with major projects, which I trust will enable us to live up to the motto of our campaign – beyond limits, expectations and generations."

Backstage at Moncler Genius collection's fall show.

During a conference call with analysts after trading hours in Milan, where the company is publicly listed, Ruffini said he was "very proud of the energy generated inside and outside" the company and "these exceptional results," praising his team for the successful launch of the 7 Moncler Fragment Hiroshi Fujiwara, the first drop of the Moncler Genius project, which registered strong results across all distribution channels. In the second quarter, revenues rose by 26 percent at constant exchange rates, benefiting also from this launch.

Ruffini said all markets, including Italy, showed a performance "above expectations" and that he was impressed by China and Japan's double-digit growth.

He struck a cautious note regarding the second half of the year, as he said "we are all aware of how challenging the base of comparison is, but we must remain confident." This confidence is also boosted by the "many important projects" ahead, including the drop of the second Genius project, Noir by Kei Ninomiya, rolled out on July 24 at Ginza's Dover Street Market.

Moncler set the brand's refresh button during Milan Fashion Week in February with a major installation at Palazzo delle Scintille, introducing its "Genius" series of collaborations with a slew of different designers – with pieces trickling out each month. This followed the end of Moncler's seasonal partnerships with Thom Browne and Giambattista Valli on its Gamme Bleu and Gamme Rouge runway lines.

Ruffini also emphasized Moncler's retail projects. During the call, Roberto Eggs, chief marketing and operating officer, said more than 15 directly operated stores are expected to open in the full year, and some 15 expansions and relocations planned, including important projects like units in New York in SoHo and in London on Sloane Street.

Of current trading in general, Eggs said the first two weeks in July were in the line with the second quarter, although there has been "a slight slowdown of tourists in Europe but a slight increase of Chinese in nearby Singapore, Hong Kong and Japan."

The wholesale channel was up 8 percent to 116.7 million euros driven by good results, in particular, in North America and Asia-Pacific.

As of June 30, Moncler counted 209 directly operated stores, an increase of eight units compared to the end of December 2017, and 65 wholesale shops-in-shop, an increase of six units compared to the end of last year.

Adjusted earnings before interest, taxes, depreciation and amortization rose to 123.9 million euros, compared to 97 million euros in the first six months of 2017, resulting in an EBITDA margin of 25.1 percent compared to 23.8 percent in the first half of 2017. The increase is mainly linked to the improvement of the gross margin and the good control on retail selling costs.

Operating profit increased 35 percent to 85.7 million euros.

As of June 30, the net financial position was positive and equal to 243.9 million euros compared to 130.2 million euros at the end of June last year.

In the first half of 2018, Moncler distributed 70.5 million euros of dividends compared to 45.5 million euros in the same period of 2017. In the same period, the group completed a share buy-back program for 73.4 million euros. As a consequence, net cash flow in the first half of 2018 was negative and equal to 61 million euros, compared to a positive cash flow in the same period last year of 24.4 million euros.

Moncler is forecasting a scenario of further growth in 2018, based on strengthening the brand, focusing on customers, globally developing and consolidating key markets, selectively expanding product categories and through sustainable business development. Asked to elaborate, Eggs said Moncler benefited from "a year of exceptional weather that started early in September and ran until the end of March."

BEAUTY

Sephora CEO Hunt Highlights Beauty's Radical Evolution

- There's more competition in the U.S. beauty landscape than ever before.

BY ALLISON COLLINS

The departure of former president and chief executive officer of Sephora North America Calvin McDonald leaves Sephora with a big hole to fill.

McDonald, who has led Sephora through beauty's digital revolution, is leaving the business after five years to take the ceo role at Lululemon. McDonald led the charge on big Sephora initiatives like the Sephora Innovation Lab, which helps the business test digital experiences on the web, and Sephora Studios, a small-format, brick-and-mortar, service-heavy concept.

His successor needs to be ready to lead Sephora Americas through the rapidly shifting beauty world, experts agree. That means Sephora should lean toward a candidate who is well-versed in the digital landscape, industry insiders said.

"[Sephora] needs somebody who is a visionary in terms of what really will come next in beauty," said Wendy Liebman, ceo of WSL Strategic Retail. "They are moving into a whole different space of competition that they've never had before."

That competition is coming from multiple angles. Sephora has long dominated the U.S. specialty retail game, but in recent years, Ulta Beauty, which has different real estate and merchandising strategies, has grown significantly. The retailer plans to open 100 new locations per year and has a skyrocketing e-commerce business. Different from Sephora, which has high exposure to U.S. malls through its J.C. Penney locations, Ulta Beauty mainly opens stores in strip centers.

At the same time, a significant portion of beauty sales are migrating in new directions, toward smaller direct-to-consumer players, like Kylie Cosmetics and Glossier, as well as online, to Amazon and other sellers, Liebman noted. Sephora is just one player in a growing beauty market. Euromonitor has estimated U.S. beauty sales will reach $90 billion by 2020, and Launchmetrics estimated the global industry does about $445 billion in annual sales.

"All of these smaller retail propositions nibble away one beauty shopper at a time," Liebman said. "This whole world [Sephora has] owned of innovative, omnichannel beauty retail is now being assailed on all sides. They need somebody in that spot who can envision what the model will look like over the next two to three years."

On Tuesday, Sephora owner Möet Hennessy Louis Vuitton reported strong financial results and said Sephora posted "sustained growth across all areas of operation" and that online sales "advanced rapidly."

While digital should be number one on the checklist, retail experience is also considered critical to the role. Beauty experience would be a plus, experts said, but not necessary – McDonald joined Sephora from Sears Canada.

The new Sephora Universal City Walk store on April 19 in Universal City, Calif.

"The thing about beauty is it's such a democratic industry," said Lindsay Stevens, vice president at Kirk Palmer Associates. "It has such a broad swath of consumers, both mind-set, income, demographics – all those things – but in order to be successful [leading] a company like Sephora, you have to appreciate that and know how to leverage it."

Speculation about who may take on the role on Wednesday ran the full spectrum – from promotion from within the company to the idea of making a "disruptive" hire from the tech industry. Sources suggested hiring from players like Jet, Apple, Farfetch or Matchesfashion could make sense.

Sephora and LVMH have a history of hiring from a variety of backgrounds. Global Sephora ceo Chris de Lapuente, for example, once led the Procter & Gamble hair business, while David Suliteanu, now ceo of Kendo, joined Sephora from Home Depot.

"They've got some real talent in the company, but the opportunity for them is to disrupt themselves for the future," Liebman said.

"The real future ceo leaders are those who have not only grown up in the digital world, but have grown up in the digital world in an omnichannel context," Stevens said. "You have to really understand how to pull all those pieces together in order to lead a company in this future retail landscape."

As the hunt for a replacement continues, McDonald's role is being filled by a six-member operating committee headed by Satish Malhotra, Sephora's chief operating officer.

Moncler photograph by Kuba Dabrowski