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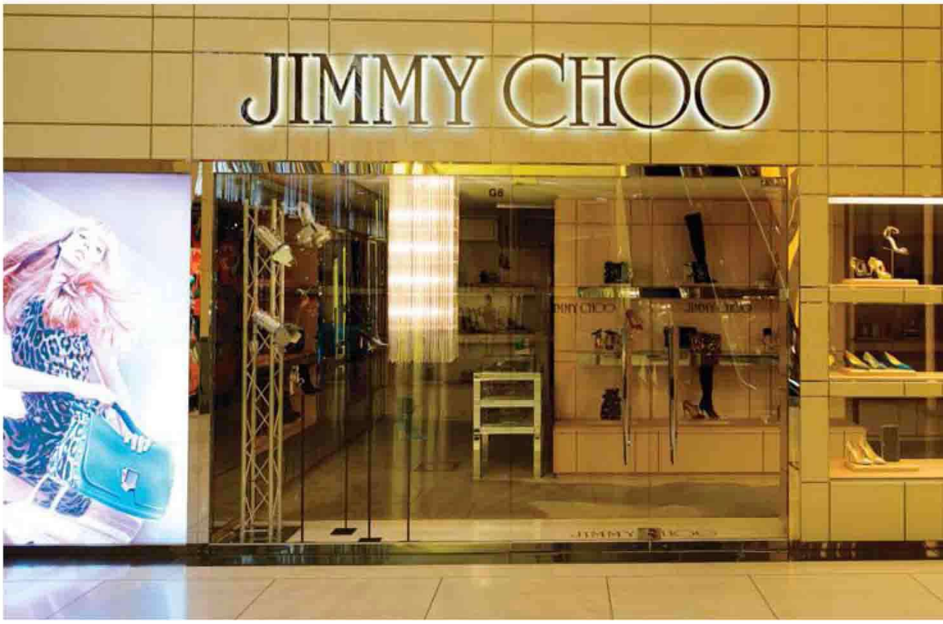

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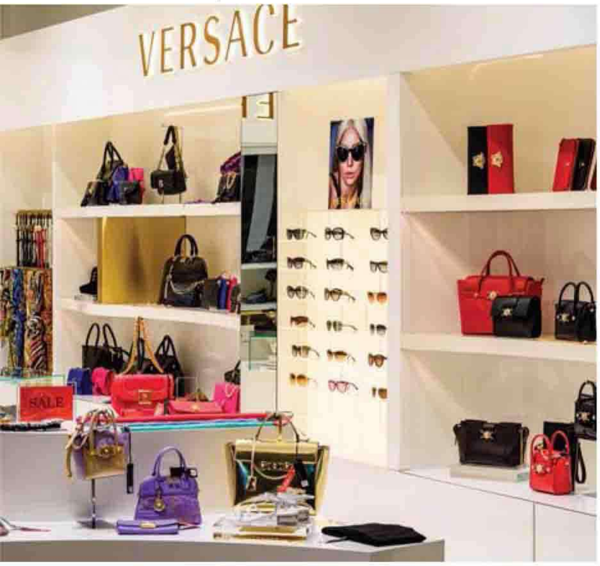

LUXURY BRANDS BULLISH ON ASIAN MARKETS

At a time when a sharp economic slowdown in China, recession in Russia amid plunging oil prices, and security threats hurting tourism, have all dampened the outlook for luxury brands, a strong demand in Asian markets are needed signs of revival.

By Priyanka Dasgupta

Strong Asian markets help to revive growth of luxury brands

Italian fashion house Versace, which aims to list on the stock market next year, said core profit rose 20 percent last year, helped by strong growth in online sales, a weak euro currency and solid demand for its high-end collection. Chief Executive Gian Giacomo Ferraris said in a statement that the group expected revenue growth in 2016 as well, despite "uncertain conditions in the first quarter of the year. Versace is expected to seek a stock market listing by mid-2017 after the Versace family sold a 20 percent stake to U.S. private equity group Blackstone. Group revenue jumped by 17.5 percent in 2015 to 645 million euros ($720 mln), helped by currency moves. At constant exchange rates revenue rose by 8.6 percent, with a 16 percent rise in China and a 30 percent increase in Europe. Sales of Versace's most exclusive line increased by over 23 percent last year by value while accessories, for both men and women, accounted for half of retails sales. Ferraris said that the brand, popular among celebrities worldwide, had proven resilient despite negative conditions in the international luxury goods market.

A sharp economic slowdown in China, recession in Russia amid plunging oil prices, and security threats hurting tourism have all dampened the outlook for luxury brands. Versace, which has been expanding its retail network after Blackstone's investment, said it would invest more than 50 million euros in new retail outlets, existing boutiques and further developing its online business where sales surged 31 percent in 2015. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 20 percent in 2015 to 81 million euros. British shoemaker Jimmy Choo said strong demand in Asia would help it grow faster than the overall luxury market this year, after it posted a 7.2 percent rise in underlying revenue in 2015.

"Jimmy Choo continues to outpace the sector despite the challenging competitive environment," said Chairman Peter Harf in a statement. "The company successfully reversed the first half decline in wholesale revenues and remains on track with growth forecasts in Asia and Japan where brand awareness continues to grow strongly." Jimmy Choo said Asian revenues, excluding Japan, grew by 20.1 percent at constant currencies last year, helped by new store openings in China and Hong Kong. Japanese revenues were up by 29 percent, driven by domestic demand as well as an influx of tourists from mainland China. Growth in the luxury goods market has slowed, particularly in the second half of 2015 after the attacks in Paris put tourists off travelling to Europe, where many luxury brands make a significant proportion of their sales.

LVMH Chief Executive Bernard Arnault said the total sales at fashion and cosmetics brand Christian Dior, the luxury group's parent company, could reach more than 5 billion Euros ($5.63 billion) this year. "The sales of Dior are starting to become quite significant, they could be more than 5 billion euros in 2016," Arnault told shareholders at LVMH's annual general meeting in Paris. Dior Couture, the fashion division of the brand, published a 1 percent drop in reported sales to 429 million euros in the three months to March 31, hit by a drop in tourist numbers in Paris and several major Asian markets. A year ago, Christian Dior Couture's sales growth during the period was above 20 percent in reported terms.

Rowe all set to revive M&S' apparel business

Steve Rowe, the new head of British retailer Marks & Spencer, conceded he had his work cut out to end five years of almost constant falls in clothing sales after the firm suffered another quarterly decline. Rowe, a company veteran of 26 years, succeeded Marc Bolland as M&S Chief Executive taking on arguably the most prestigious and high profile job in British retail. He moved up from the role he took only last July as head of the troubled Clothing and Home division.

While Dutchman Bolland oversaw an impressive performance from M&S's food business and rebuilt the group's logistics, they failed to deliver a rise in clothing sales to accompany the profit margin gains they did achieve. "Let me be really clear: This performance was not good enough," Rowe said of a 2.7 percent fall in clothing and home sales at stores open over a year in the 13 weeks to March 26, M&S's fiscal fourth quarter. "Our priority is fixing our clothing business," he told reporters. The fourth quarter outcome for clothing and home, which contributes about 60 percent of M&S's profit, was better than analysts' consensus forecast of a 3.4 percent decline and a third quarter drop of 5.8 percent. However, it meant the division has enjoyed just one quarter of like-for-like sales growth in 21 quarters. M&S will report results for 2015-16 on May 25 and Rowe plans to outline his strategy then, saying he was reviewing every aspect of the business.

Shares in M&S have fallen by a quarter over the last year and last month hit an 18-month low after Simon Wolfson, CEO of rival Next, warned this year could be the toughest since 2008.

However, they rose as much as to 3.4 percent recently and analysts were prepared to give Rowe time to make an impact. Some expect Rowe to lower short term profit expectations in May, with the promise of growth later. Others say he may streamline M&S's board structure to hasten decision making and reduce the firm's bloated estate of nearly 900 UK stores. Industry analysts feel that given Rowe's nature - dynamic, active and to the point, M&S will enter a period of further change.

Rowe indicated that making M&S more competitive was a likely focus, noting price cuts in the quarter represented the "start of a programme looking very carefully at the balance between pricing and our promotions." The price of ladies black "jeggings" was reduced from 19.50 pounds to 17.50 pounds and M&S sold over 30,000 units, a 230 percent jump year-on-year, while the price of a mens white T-shirt was cut from 7.50 pounds to 6 pounds. "We're doing this across the piece. I'm pleased with the result so far," he said in a media report, also pointing out the need for better availability, and improvements across range and design. Rowe's biggest challenge is arresting the decline in women's wear sales, which have struggled to compete with the fast fashion of Zara and Primark. Women's wear has been described by a former M&S executive as "the golden key to the golden door" because of the beneficial effects it has on other parts of the business. Progress at M&S' food business stalled in the quarter. Like-for-like sales were flat, ending a run of 25 straight quarters of growth. However, Rowe said the division still outperformed the wider food market by 3.5 percentage points, growing its market share to a record 4.3 percent. IR

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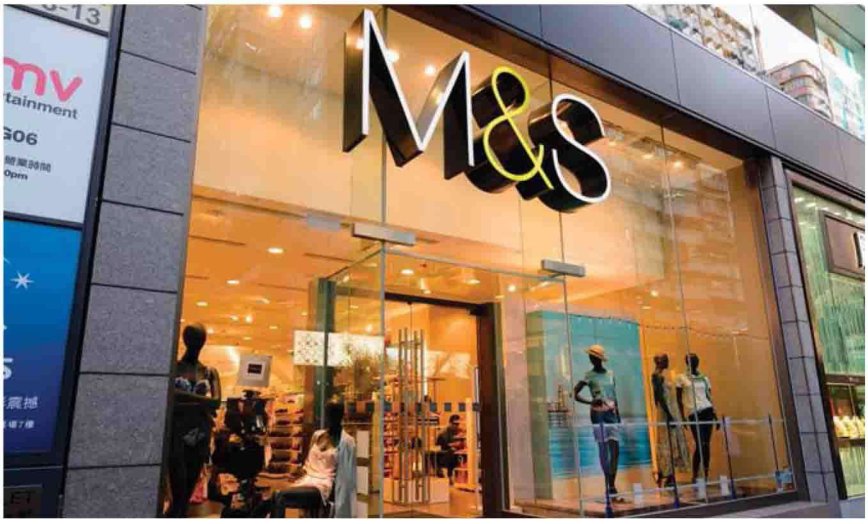

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