Luxottica Group Q2 2014 Results Show Continuing Growth in North America, Emerging Markets and Europe

MILAN—25.07.2014 - Luxottica Group reported accelerated net sales growth in the second quarter ending June 30, 2014 to €2,060 million, up 7 percent at constant exchange rates when compared to the €2,018 million generated during the same period of 2013, according to the company’s financial results released yesterday. Net income for the second quarter, was €236.9 million, up 11.5 percent from the same period in 2013.

Net sales for the first half of 2014 were €3,902 million, up 5.6 percent at constant exchange rates when compared with net sales of €3,882 million during the first half of 2013. Net income for the first half of 2014 was €395.9 million, up 10.2 percent from the same period in 2013.

Growth in the company’s wholesale division was fueled by accelerating performance in North America (up 9.9 percent in U.S. dollars when compared to the first quarter), a strong increase in sales in emerging markets (up 20.8 percent at constant exchange rates) and solid growth in Europe (up 6.9 percent at constant exchange rates). Emerging markets (China, Brazil, India, and Turkey), North America and Continental Europe (Germany, France, the U.K. and the Nordic countries) were the geographic areas that delivered the strongest performance for the wholesale division.

Ray-Ban and Oakley continue to be major drivers in the wholesale division, while the premium and luxury segment exhibit a structural growth trend. Overall net sales for the wholesale division were €935 million for the second quarter of 2014, up 10.3 percent at constant exchange rates when compared to the same period in 2013.

For the retail division, net sales for the second quarter were €1,125 million, up 4.3 percent at constant exchange rates when compared with the second quarter in 2013. The company attributed this to faster comparable store sales growth in the second quarter, up 3.8 percent in North America and exhibiting double digit growth in emerging markets. LensCrafters in North America delivered an increase in comparable store sales of 0.9 percent, while licensed brands’ comparable store sales were up 3.8 percent.

Sunglass Hut significantly contributed to the retail division’s results due to the successful execution of initiatives launched during the quarter, continued global expansion and the ability to consistently attract new consumers and engage them in the brand experience. As a result of this success, Sunglass Hut globally increased comparable store sales by 9.9 percent, driven by excellent results in Iberia, South Africa and Latin America and robust growth in North America, where comparable store sales were up 8.5 percent.

In a conference call with investors yesterday, Luxottica CEO Andrea Guerra called attention to the “great performance of the online/in-store experience at Sunglass Hut in North America in the past 15 to 16 months,” which he said were plus 10 percent like for like in the second quarter.

Other highlights related to the retail division in North America that Guerra pointed out during the conference call were the closing of “30 something stores in Sears, a particularly strong closing of stores this quarter” and “continuing our conversion of Pearle from corporate to franchise. Another 41 stores moved to franchising,” Guerra said about Pearle Vision.
In China, second quarter 2014 performance for the retail division was positive. “China is moving and moving fast,” Guerra said in the conference call. “China has finally discovered our industry. We have been working hard in China in the last six years, and now in the last six quarters China has been constantly increasing.” When asked which brands are selling in China, Guerra said, “Ray-Ban is the captain, but it’s well balanced between Vogue, Ray-Ban and Oakley and some of the luxury brands which are more popular today in China. Burberry, Prada, Tiffany and Dolce are strong leaders in our Chinese growth.”

Guerra compared the growth that is currently happening in China as a result of previous investment there with what he expects to happen in the future for online retailing. “Online numbers are small, a little like China some years ago, not visible among our big numbers,” he said, “but online will be a big part of our growth opportunities in 2015 and 2016.”

According to the results released yesterday, for the first half of 2014, the six months ending June 30, 2014, Luxottica’s overall net sales were €3,902 million, up 5.6 percent at constant exchange rates when compared with the €3,882 million generated during the same period of 2013.

The wholesale division’s net sales during the first half of 2014 were €1,739 million, up 9.2 percent at constant exchange rates when compared with the first half of 2013. Net sales for the retail division were €2,163 million for the first half of 2014, up 3.0 percent at constant exchange rates when compared to the first six months of 2013.

“We are particularly proud of the excellent results that we are achieving so far in 2014,” said Guerra. “We once again set record results for the second quarter thanks to well balanced and organic growth. The increase in profitability remains a priority for the group, as we continue to pursue sustained net sales growth and the expansion of our business into new channels and markets.

“Our free cash flow continues to improve, consolidating our ability to seize growth opportunities wherever they happen to be. The start to the third quarter confirms a solid and well balanced growth trend across all businesses and markets.

“Looking ahead, we are entering the second half of the year with confidence and optimism. We laid the groundwork for even more robust growth due to the huge commitment and outstanding work from the entire group since the start of the year,” Guerra said.