Luxottica Reports Q1 Sales Impacted by Currency Factors and Harsh Winter Weather

Luxottica Group (NYSE: LUX) reported that the strength of the Euro impacted its results, with sales for the first quarter ended March 31, 2014. The first quarter was affected by the high volatility of certain exchange rates against the Euro which negatively affected net sales by more than 5 percent. In particular, the Group’s net sales were €8 billion, up by 4.2 percent at constant exchange rates (a decline of 1.2 percent at current exchange rates).

The Group closed the first quarter of 2014 with net income of €157 million compared to €159 million in the first quarter of 2013.

In the first quarter of 2014, the wholesale division’s net sales were €805 million, up 3.0 percent at current exchange rates and 7.9 percent at constant exchange rates compared to the first quarter of 2013. Europe continued its growth trend up 7.3 percent at constant exchange rates, with double digit growth rates in the U.K., Germany and the Nordic countries. Emerging markets were up 6.8 percent at constant exchange rates, with excellent performance in India and Brazil. In North America, net sales increased by 7.0 percent in U.S. dollars for the period.

Luxottica said its retail division was adversely affected by “persistently volatile exchange rates together with harsh weather in North America.” In the first quarter of 2014, net sales amounted to €1,038 million, a decline of 4.2 percent at current exchange rates and an increase of 1.6 percent at constant exchange rates. Comparable store sales were up 1.9 percent for the retail division. The company noted that LensCrafters recorded a 1.8 percent decrease in comp store sales in North America, with a more marked slowdown in February, mostly attributable to bad weather conditions. However, the company said it noted “a trend reversal started in April when comparable store sales turned positive, increasing by approximately 2 percent.”

Sunglass Hut’s “excellent business model” delivered net sales rising 11.1 percent at constant exchange rates and a strong comp sales performance. In emerging markets, GMO, LensCrafters and Sunglass Hut contributed to the accelerating growth trend. In particular, LensCrafters comparable store sales grew for the third consecutive year double-digits in China and Hong Kong, and Sunglass Hut’s comparable store sales growth increased by double-digits in Brazil, Mexico and South Africa.

“We started the year with great momentum, inaugurating a new chapter in the history of Luxottica focused on technological and digital innovation. The acquisition of glasses.com and the strategic partnership with Google mark a new milestone in our history of more than 50 years of excellence,” stated Andrea Guerra, CEO.

He added, “In the first quarter of the year we performed overall better than the figures say. The wholesale division continued its robust growth trend supported by
all our main brands, first and foremost Ray-Ban and Oakley. The retail division performed well despite a winter season in North America affected by heavy snow and ice storms. Sunglass Hut started the year with an excellent 11.1 percent increase in net sales globally. LensCrafters in North America continues to improve, with accelerating sales growth since March. The performance of the retail division in the emerging markets was excellent."

Guerra said, “Looking forward, we are approaching the crucial sun season with confidence and optimism. The portfolio of orders is healthy and growing at a double-digit rate compared to last year.”

Following the resignation of one of Luxottica’s directors on March 13, 2014, the Board of Directors adopted a resolution stating that it would decline, at the present time, to co-opt one of its members or convene an ad hoc meeting to resolve the issue, and agreed to explore this matter in the future. The Board of Directors reached this conclusion considering both the share ownership and the governance structure of the company, which are not affected by the departure of the (non-executive and non-independent) Board member.