Luxottica Envisions a Bright Future

Eyewear maker, owner of Ray-Ban and Oakley, projects room to grow in tech, sports, luxury

BY MARIELLA MISCIO

MILAN—Italian eyewear company Luxottica said Monday its future growth will be fueled by a stronger retail network and by increasing sales of luxury goods in Asia and North America.

The company, which also reported an 18% increase in profit for 2014 to €642 million (€710 million), has just emerged from a managerial shake-up after longtime Chief Executive Andrea Guerra quit last year. He was replaced by co-CEOs Massimo Vian, a Luxottica veteran, and Adil Mehboob-Khan, who spent more than two decades at Procter & Gamble Co. They will report to the company’s founder and president, Leonardo Del Vecchio, who oversees the business and gives overall guidance.

“We’re looking at potential white spaces,” said Mr. Mehboob-Khan, who says he has already identified areas of Luxottica’s business that aren’t fully exploited. For instance, he said, he sees room for growth at sports eyewear brand Oakley and retail chain Sunglass Hut as well as in the U.S. and Asian luxury-goods markets and e-commerce.

Oakley is much better known in the U.S. than in Europe so Luxottica plans to use its awareness outside North America, Mr. Mehboob-Khan said. The sports brand already got a visibility boost through its partnership with Intel Corp. to experiment with electronics and wearable technologies to improve athletes’ performances, such as giving real-time information on running speed or other performance indicators.

The first product from multiyear Luxottica-Intel research-and-development collaboration is expected to be launched in 2015, the companies have said.

As for Sunglass Hut, Luxottica plans to expand its retail network by adding about 1,000 stores in the next few years to its existing 3,000 in order to tap into the rising number of potential sunglasses customers, Brazil, India and Southeast Asia are some of the areas where stores will be opened, the CEOs said.

Luxottica, which also owns Ray-Ban, previously said that it plans to double the entire company’s sales to €7.7 billion over the next 10 years.

The company, which is set to hold an investor day in Milan on Tuesday, said that it plans to use all its 2014 net profit to pay a dividend of €4.44 per share to its shareholders, while it has already cut its net debt and has brought free cash flow to a record €1.002 billion.

The company’s American depositary receipts jumped 4.4% in Monday trading on the New York Stock Exchange.

Luxottica has just started selling in Malaysia through its wholesale channel, has opened a subsidiary in Thailand and is about to see Brazil become its second-largest wholesale market. But Luxottica’s main business remains in North America, which accounts for more than half of overall sales. “It’s our core market,” said Mr. Vian.

Sales in the U.S. grew more than 5% in 2014 and 12% in the last quarter compared with a year earlier, boosted by favorable currency effects.

But there is still a high potential because “Americans’ inclination to buy luxury-goods items is increasing significantly,” Mr. Vian said.

Luxottica makes eyewear for designer labels including Chanel, Prada and Giorgio Armani, and it estimates that the U.S. eyewear market will be valued at $47 billion in 2020, compared with $35 billion in 2013. Right now, the vast majority of Americans buy eyewear that costs less than $50, Luxottica estimates, while the Italian firm’s luxury licensed brands mainly sell sunglasses costing more than $200. The starting price for Ray-Ban glasses, Luxottica’s main brand in all markets, is around $300.

“For the time being we’re cashing in” on the boost given by the stronger dollar, Mr. Vian said. “If it continues this way, we’ll consider whether to lower prices or increase the number of store openings or even increase investments.”