Luxottica Profit Rises Despite Turmoil

BY MANUELA MESCO

Luxottica Group SpA said Wednesday its third-quarter net profit rose 10% to €162 million ($206 million) compared with the previous year, in the first set of numbers released after the recent managerial turmoil that shook up the world's largest eyewear maker.

The Italian firm, which makes eyewear for brands such as Chanel and Giorgio Armani, recently came under scrutiny after former Chief Executive Andrea Guerra quit over disagreements with founder and Chairman Leonardo Del Vecchio.

Investors' doubts over the stability of the company rose when former Chief Financial Officer Enrico Cavatorta also resigned, a month and a half into the job he inherited from Mr. Guerra.

Mr. Del Vecchio, 79 years old, took over all executive powers on an interim basis, which was seen by analysts as a risky move. Board member Roger Abramovitz resigned as he didn't agree with Mr. Del Vecchio's governance decisions.

As a result, the stock plunged 9% since early September.

Mr. Del Vecchio managed to put an end to the two months of turmoil by going back to a nonexecutive role earlier in October.

He appointed two chief executives who will share powers: Massimo Vian, longtime operations chief at Luxottica, and Procter & Gamble veteran Adil Mehboob-Khan, who is currently president of its Global Salon Professional business and is moving to the Italian company in January.

Speaking to analysts on Wednesday, Mr. Vian said the company named Stefano Grassi as chief financial officer.

However, questions of succession at the company remain unresolved due to Mr. Del Vecchio's age and complex family situation, with six children from three different relationships.

Luxottica's third-quarter earnings were unaffected by the management conflicts. Sales and operating profit rose because currency-exchange rates didn't take as much as a toll on results compared with previous quarters.

The company added that it expects to see a positive impact of exchange rates on its financials in the next quarter.

The company said its adjusted net profit was €173 million, which doesn't include the payment of nearly €11 million to Mr. Guerra, who resigned in September after 10 years with the company.

Sales were up 5.5% on the previous year at €1.9 billion.

The wholesale division posted the strongest rise with a 9.3% increase. The retail business was up 3.1%, as the impact of adverse currency-exchange rates that pressured sales in the first half of the year eased in the third quarter.

In the first nine months of the year, sales in the retail division were down 0.7% compared with the previous year.

Emerging markets largely contributed to the wholesale division increase, with nearly 30% growth compared with the previous year. Sales in Western Europe fell 3% compared with a 15% growth rate in the third quarter of 2013, because of unfavorable weather conditions that hit the sunglasses business.

The worst-performing division in the quarter was optical retail in Australia, which the company said is performing below full-year targets in terms of sales, because of more competition.

The firm said its third-quarter operating profit rose to €281 million, up 10% from the previous year. Luxottica's adjusted operating margin increased to 16.6% in the first nine months of 2014 from 15.9% in the same period last year.

Net debt as of Sept. 30 stood at €1.1 billion, down from €1.5 billion in December 2013.