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BUSINESS

Weak Asia-Pacific, Wholesale Channel Hurt Ferragamo Sales

● Standing by creative director Maximilian Davis' aesthetic for the brand, CEO Marco Gobbetti said "it takes time to grow and resonate with a wider public."

BY **LUISA ZARGANI**

MILAN – Decreasing consumer confidence in Asia-Pacific and a negative trend in the wholesale channel impacted the Salvatore Ferragamo Group's revenues in the third quarter, denting the overall performance in the first nine months of 2024.

Revenues in the third quarter decreased 9.6 percent to 221 million euros, compared with the same period last year. In the nine months ended Sept. 30, sales fell 11.9 percent to 744 million euros, compared with the same period in 2023.

"The results of the third quarter have been impacted by the challenging macroeconomic and consumer environment and we expect this trend to continue in the last part of the year," said Marco Gobbetti, chief executive officer and general manager, signaling that the Asia-Pacific region was "the main phenomenon impacting our sales performance. The secondary channel has also been affected by low traffic, which also continues to impact the wholesale environment."

In the nine months, sales in the direct-to-consumer channel decreased 7.9 percent to 552.2 million euros.

There are a total of 369 stores globally, compared with 377 at the end of September last year. New stores have opened in Tokyo, Beijing, Seoul and Suzhou.

Sales in the wholesale channel tumbled 21 percent to 171.6 million euros, reflecting weaker than expected demand in the third quarter, especially in the U.S. market, Gobbetti said.

During a call with analysts on Tuesday at the end of trading in Milan, the executive said he expected the wholesale channel to "somewhat settle" in the fourth quarter but that it would be "still slightly negative. The U.S. hopefully will have bottomed out. Travel retail suffered significantly." He did not express optimism about this channel for the last quarter of the year.

Gobbetti said he was not planning "a significant store rationalization" although he did not exclude "a few changes."

By category, sales of footwear were down 11.3 percent to 336.1 million euros, and leather goods showed a 10 percent decrease to 293.1 million euros. Apparel fell 20.5 percent to 42.9 million euros.

Starting from Gobbetti's comments on the positive reaction to the collections designed by creative director Maximilian Davis, one analyst highlighted a disconnect and asked why this was not seen in the numbers and the reasons for a poor performance in the direct-to-consumer channel. The executive responded by saying that he was pleased with the new aesthetic Davis had injected into the brand and the products but said that "it takes time to grow and resonate with a wider public, [the improvement] can't [come] overnight." The collections, he continued, are "classic and quite refined and not loud, and we want to achieve a build-up on an elevated customer base."

In the nine months, sales in the Europe, Middle East and Africa region fell 11.5 percent to 184.5 million euros, impacted by a 28 percent decrease at wholesale, while the DTC channel was up 4.5 percent at constant exchange rates.

Sales in North America were down 6.1 percent to 207.7 million euros and revenues in Central and South America dropped 7.3 percent to 54.5 million euros.

Sales in Asia-Pacific slumped 18.1 percent to 216.1 million euros.

Revenues in Japan were up 3.9 percent at constant exchange rates but were down 5.4 percent at current exchange rates to 60.9 million euros.

Gobbetti said the Chinese cluster was overall negative and purchases abroad were below pre-COVID-19 levels and shifted to Japan. Spending from Americans accelerated in the latter part of the nine months.

"The current context adds pressure on our top line and profitability, therefore delaying the timing of the delivery of our financial objectives. We pursue our work on the enrichment of the offer, together with marketing and retail actions to maximize the potential of the brand, through increasing engagement of new audiences with key products, and continuing the distinctive narrative and

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elevated in-store and online experience, while maintaining a strong operational discipline," Gobbetti said.

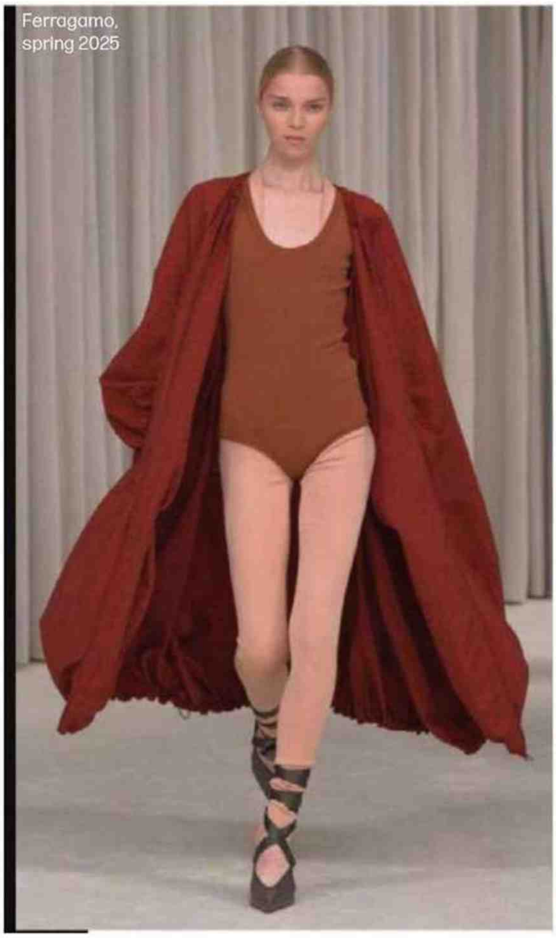
"These efforts have yielded encouraging results in the quarter through our primary sales in Europe, Japan and Latin America, in all major product categories of our renewed continuative offer, in particular handbags and ladies' shoes, led by new icons."

Considering the persisting uncertainties over demand by luxury consumers, Gobbetti said he expected the operating result for the full year will be at the lowest end of analysts' current estimates, standing at around 30 million euros.

"We don't expect the operating profit trend to change significantly in the fourth quarter," Gobbetti said.

He said that in terms of performance, "the worst month was July, August was better and September in- between," and that he still expected a slightly negative top line in the fourth quarter.

Capital expenditure in 2024 is forecast to total 75 million euros.



Ferragamo, spring 2025

Inside Ferragamo's refurbished store in Milan's Via Montenapoleone.

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Backstage at Ferragamo spring 2025.