

## Why Kering Picked a Fashion Outsider to Be Its Next CEO

The Gucci and Saint Laurent owner is splitting its chairman and CEO roles, bringing in Luca de Meo, a turnaround expert who has revived multiple automotive brands, to support the Pinault family.

By Robert Williams



**Luca de Meo** will join Kering as its first external chief executive, the French luxury group confirmed Monday following news reports over the weekend that the Italian executive was set to leave carmaker Renault to lead the Gucci and Saint Laurent owner.

Kering, which is controlled by France's Pinault family, will split the CEO and chairman roles going forward, with 63 year-old leader **François-Henri Pinault** remaining in place as chairman. **Francesca Bellettini** and Jean-Marc Duplaix will stay in their roles as deputy CEOs.

De Meo's appointment — effective September 15 — comes as Kering finds itself in increasingly dire straits. Sinking sales at flagship brand Gucci have yet to touch bottom, **falling a further 25 percent** at the start of the year on top of six consecutive quarters of decline. Saint Laurent and Kering's Other Houses division comprising Balenciaga and McQueen have also seen sales slip amid a wider downturn in luxury demand.

Kering's shares on the Paris bourse have fallen 75 percent from their 2021 peak, making it harder to renegotiate the company's hefty debt of over €10.5 billion.

"The group's performance in the last two has not lived up to our expectations or the image potential of our brands, but this should not overshadow two decades of outstanding results," Pinault said in an after-market call Monday.

"I'm absolutely convinced that now is the right time to carry out this change ... In addition to the cyclical challenges in luxury, we're facing structural changes that require a new vision, new perspectives and ways of looking at things," he added.

### Who is Luca de Meo?

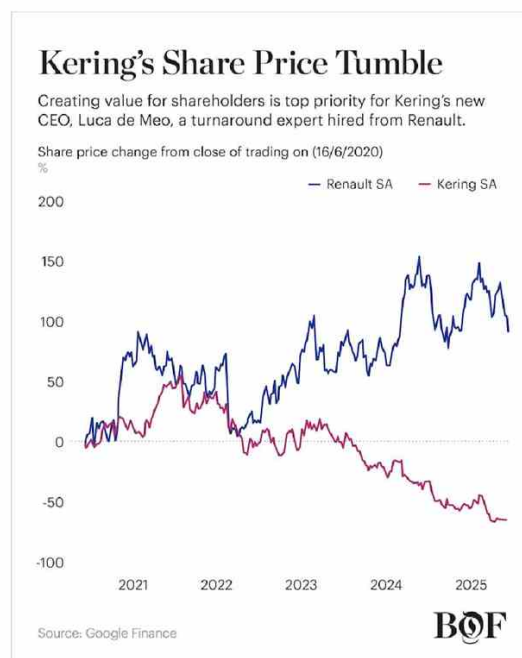
De Meo, 58, has a track record of tackling complex, painful turnarounds using a mix of bold decision-making, charismatic leadership, operational acumen and marketing savvy. While a fashion outsider, he





is one of the most prominent executives in the French and Italian business communities (He also speaks English, German and Spanish).

He joined Renault at the height of the Coronavirus pandemic, in the wake of both the dramatic ouster of longtime leader Carlos Ghosn and a failed merger with Fiat-Chrysler. At the time, the company was bleeding, with €8 billion (\$9.25 billion) in annual losses. Within 18 months, the carmaker had returned to growth and profitability.



De Meo is credited with having streamlined Renault's product offer — eliminating several popular but waning sedans and “breaks” in favour of crossovers and SUVs. He also manoeuvred the brand upmarket, targeting “the upper end of mainstream,” renegotiated Renault's partnership with Nissan and pushed through massive job cuts.

He also merged Renault's racing operation with niche property Alpine, leveraging an F1 team to relaunch the high-end brand to build awareness for its new range of electric sports cars.

Previously, De Meo helped to boost Fiat's international appeal — positioning the brand as a destination for aspirational, yet accessible cars — and boosted the bottom line of Spanish carmaker SEAT through the introduction of Cupra, a premium sub-brand known for its technologically-advanced crossovers.

De Meo has “demonstrated a passion for managing and revitalising brands drawing on their heritage and iconic models,” Pinault said. “He brings a global perspective on markets and on growth. He's also known for uniting teams around him and around shared values and mission.”

Kering has “wonderful experts internally for fashion. What matters now is vision, leadership and performance,” said Anne Raphaël, managing partner at French executive search consultancy Boyden. De Meo is “not just a tremendous leader, but also a marketing guy who's been reinventing and relaunching brands for years,” she added.

While De Meo is the first automotive executive to take over a fashion group, there is precedent for leaders from other consumer industries like hospitality and mass market beauty stepping in to help ease luxury leaders' succession woes. Prada's recent outperformance — including a spectacular





turnaround at sister brand Miu Miu — has been catalysed by the arrival of group chief executive Andrea Guerra, the former CEO of food retailer Eataly and sunglass giant Luxottica. Chanel's global CEO is Leena Nair, a human resources and organisational development specialist hired from Unilever. Louis Vuitton CEO Pietro Beccari and Ralph Lauren CEO Patrice Louvet also got their starts in consumer goods.

## The Kering Challenge

Kering is facing pressure to make drastic changes as sales and profitability tumbled since late 2023.

Engineering a turnaround will depend first and foremost on Gucci, which still accounts for half of group sales and two-thirds of operating profit.

In 2023 and 2024, waning excitement for Alessandro Michele's maximalist, nostalgic take on Gucci prompted the group to look for a new designer and CEO. Since then, building momentum for a more understated brand vision has proved an uphill battle.

In a slowing luxury market, the group also chose to tap behind-the-scenes figures who were still untested in top roles: Sabato De Sarno, previously design director at Valentino, was a first-time creative director, while neither interim CEO Jean-François Palus (Kering's longtime managing director) nor his successor Stefano Cantino, a veteran communications and strategy executive from Louis Vuitton and Prada, had ever been CEO of a brand before.

Cantino remains in place, with former Balenciaga designer Demna set to officially join Gucci as artistic director this summer.

Kering's troubles go beyond Gucci: Saint Laurent, long the group's most consistent success story, has also reported declining sales in recent quarters, albeit less drastically than Gucci's. Bottega Veneta, a rare bright spot for the group with sales up 6 percent last year, now has to navigate a designer transition after creative chief Mathieu Blazy left for Chanel.

The group has piled on debt in recent years — paying \$3.8 billion for perfume brand Creed as well as snapping up prime real estate in New York, Paris and Milan. It's also on the hook to finance the remaining two-thirds of its acquisition of Valentino from Mayhoola, an investment vehicle backed by the Qatari sovereign wealth fund.

Holding company Artemis has even more debt including from the takeover of talent agency CAA and obligations linked to its previous ownership of Puma. Renegotiating these debts could prove tricky if prime asset Kering's shares and earnings outlook remain depressed.

The clock is ticking for Kering to relaunch its portfolio including some of fashion's most recognisable and well-loved brands while it still has some cash to invest in a turnaround. Free cash flow declined by 30 percent to €1.4 billion last year. The group hopes to raise €2 billion by selling stakes in its real estate.

## Market Reaction

The choice to bring in an outside leader is likely to make waves within Kering, where designers and CEOs have been hand-selected by Pinault and Francesca Bellettini, deputy co-CEO for brand development since 2023. (Bellettini was previously seen as a front-runner to succeed Pinault leading the group).

Investors and creditors, however, have been increasingly eager for a shakeup in Kering's senior ranks. Markets welcomed the fresh blood with shares rising 5 percent Monday morning after the news leaked over the weekend.







De Meo's "track record in turning around a French corporate will be particularly helpful at Kering... which has struggled to stabilise the business in recent years," RBC Capital Markets analyst Piral Dadhanian wrote in a note to clients. "We assume Mr. De Meo will act as a spearhead for the business, and as an outsider be more willing to make tougher decisions, and to add depth to the leadership team of deputy CEOs (Jean-Marc Duplaix and Francesca Bellettini) and CFO (Armelle Poulou), all of which are internal appointees," he said.

However, "execution of luxury brand turnarounds has become more complex, lengthy, costly and far less public-market-friendly in the past few years, reflecting consumer preference for top brands rather than those in transition," Citi analyst Thomas Chauvet said. "There is still a considerable amount of work ahead at Gucci and Saint Laurent to rejuvenate both brands and generate a steady stream of revenue and cash flow for the group."

Pinault was keen to emphasize that De Meo's arrival would not delay or reset action plans put in place prior to his arrival — notably efforts to lower debt levels by refinancing real estate assets, or the aesthetic relaunch of Gucci, which designer Demna is set to reveal later this year. "We won't slow down the action plans that have been defined for 2025," Pinault said.

Beyond that, Kering offered few clues as to what De Meo's vision for relaunching the group would entail. Pinault suggested the Italian executive would have a wide berth for defining and executing a new vision.

"Luca will have full liberty to take the decisions that he wants," Pinault said. "I will remain fully involved in the strategic orientation of the group as chairman, but I won't step in and short-circuit the new CEO regarding his prerogatives, priorities or key appointments of the group."

