



Short sellers' bets pile pressure on Kering's incoming CEO

Short sellers have made their biggest bets in more than a decade against Kering , data reviewed by Reuters shows, adding to the pressure on incoming CEO Luca de Meo to restore confidence in the French luxury group's finances. Summary

Companies

Short sellers' bets against Kering shares have peaked

New CEO de Meo formally takes office on Tuesday

Kering has been hit by sales declines, rising debt

PARIS, Sept 9 (Reuters) - Short sellers have made their biggest bets in more than a decade against Kering (PRT.PA) , opens new tab , data reviewed by Reuters shows, adding to the pressure on incoming CEO Luca de Meo to restore confidence in the French luxury group's finances

Francois-Henri Pinault's decision in June to step aside so the company could bring in former Renault chief executive de Meo has helped lift Kering's shares by 33%.

De Meo formally takes charge on Tuesday, when he is expected to make his first comments on his vision for Kering, which has been hit by double-digit sales declines at Gucci, its biggest label, and Saint Laurent, its second-largest. The company also stands out in the cash-heavy luxury sector for its high levels of debt.

Kering's relative share price gains when compared to European luxury index since June 15.

Investors appreciate de Meo's reputation for restructuring, and the share price rallied immediately after his appointment on June 16. But betting activity against the company's shares and debt reached new highs in the days after and although it has since eased, it has not gone away.

Total short positions - the main technique for betting against a company's value - rose to 10.7% of Kering's equity available for trade on the stock market the day after de Meo was announced as CEO, according to estimates from data analytics firm ORTEX, shared with Reuters. That was their highest level since at least 2014.

Estimated Short positions in Kering, LVMH, Moncler, Hermès and L'Oréal as % of free float, showing markets are betting harder against Kering than against any of its peers.

The short positions have since eased, to around 8% of free float in early September, but remain higher than for Kering's main rivals LVMH (LVMH.PA) , opens new tab and Hermes (HRMS.PA) , opens new tab , each at less than 1%, and 1.34% on average for Eurostoxx 600 firms, London-based ORTEX said.

Kering's five-year credit default swaps, financial derivatives used to insure against the risk of a debt default, spiked to over 120 basis points in June, the highest since 2013 and compared with an average 38 basis points over the past five years.

As of September 5, Kering's CDS were still trading at around 90 basis points, three times the level of similar instruments for rival LVMH, LSEG data showed.

Three short-sellers betting against Kering said credit concerns are mainly linked to the company's balance sheet, which reflected 10.5 billion euros (\$12.29 billion) in net debt, excluding leases, at the end of 2024.



Artemis, the holding company of the Pinault family that controls Kering, has even more debt.

The short-sellers, who declined to be named, said the CDS levels were largely driven by hedge fund speculation rather than genuine fears the group might default.

Kering declined to comment.

Charts showing Kering's 5-year Credit Default Swap euro prices range the highest when compared with European peers LVMH, Pernod Ricard,, Tesco, Next, Adidas and Carrefour.

Artemis told Reuters in July that it did not face any liquidity problems due to a drop in dividends from Kering and other assets.

Kering said in July it had cut its net debt by around 1 billion euros this year. It expects to cut about 80 stores by end-2025 and plans to sell more of its real estate holdings in Paris, Milan and New York.

One of the short-sellers said this should alleviate concerns, along with efforts to turn around the Gucci brand, Kering's cash-cow, which are expected to take up to 18 months.

De Meo's transformation of Renault was known as "Renaulution". In a possible foretaste of what he plans for Kering, the group on July 29 submitted the trademarks "Conkering" and "Reconkering" with French regulators, filings show.

A Kering spokesperson said the filings were made "as part of our normal activities" when asked if they were linked to de Meo's arrival, declining further comment.

(\$1 = 0.8542 euros)

