

Inside Kering's Changing of the Guard

A \$24 million welcome bonus was in focus as new CEO Luca de Meo took the reins from François-Henri Pinault. Improving performance will require tough choices to 'reduce our costs, reduce our debt, and where necessary, rationalise, reorganise, reposition some of our brands,' de Meo said.

By Robert Williams



PARIS — In the space of a week, Armani has died, Anna Wintour has named a head of editorial content at US *Vogue* and François-Henri Pinault — Kering's CEO since 2005 — has stepped aside, transitioning to a chairman role. Weeks ahead of a runway season stacked with historic designer debuts, fashion's "great reset" is already in full swing.

Luca de Meo, a star CEO from the automotive industry known for turning around Renault and Fiat, was confirmed by shareholders Tuesday as Kering's new chief executive. The vote was essentially a formality: De Meo is Pinault's choice, and Pinault's family investment vehicle Artemis holds over 50 percent of voting rights in the group.

Still the changes came to life at Kering's annual meeting in the renovated 17th century: A pack of reporters and investors circled the Italian executive, 58, seeking his views on the company's priorities, its push into beauty, its ambition to acquire Valentino.

Pinault, who had streamlined his family's holdings and more than quintupled Kering's profits before the business retreated sharply over the past two years, was left waiting on the sidelines, looking wistful but mostly relieved. As the billionaire scion of Kering, CAA, Christie's and more, he will still have plenty of occasions to take centre stage. This was a ritual he seemed ready to hand over.

Francesca Bellettini, Kering's deputy CEO for brand development (and previously Pinault's presumed heir-in-waiting) was nowhere to be seen. She was in Milan: where newly installed designer Demna is preparing to offer a first glimpse of his vision for Gucci, the group's biggest label, at a presentation Sept. 23.

The pressure is on for Kering to deliver a turnaround, as operating profit has tumbled over 50 percent in two years. During the same period its debt swelled to over €10 billion (\$11.7 billion).

Still, hitting the reset button on Kering's company narrative is already working wonders. Shares are up 24 percent since de Meo's nomination.

Its senior team have become used to facing exhaustive questioning (including occasional verbal lashings) from investors over the performance and leadership of flagship brand Gucci. This time, the





questions were sparse and mostly top-line. There was time for more than one shareholder to complain about not having access to the company's wi-fi. Another asked them to get a higher podium so they could better see — all far easier problems to solve than engineering a turnaround in an ultra-competitive luxury market that's struggling to reverse a downturn in consumer demand.

Driving the renewed optimism — or at the least willingness to give de Meo a bit of time — is the notion that a fresh perspective is needed to jumpstart value creation at the group. Investors want a directional business vision to accompany the group's recent designer reshuffle at Gucci, Balenciaga, McQueen and Valentino.

Pinault's choice to appoint de Meo "may come as a surprise, but I see it as an audacious, visionary bet that could broaden the scope of what's possible," the new CEO said in a brief inaugural address.

"Putting the group back at the level it deserves will require clear, strong choices. We must continue to reduce our debt, reduce our costs. And where necessary, rationalise, reorganise, reposition some of our brands," he continued. "It will require some tough decisions."

Pinault said he chose de Meo for his "energy, vision and determination."

"He's a strategist, a builder and a man who understands brands," Pinault said. (Using the word "person" rather than man might have softened the blow of passing over Bellettini.) "He's known for bringing teams together and driving deep transformations," Pinault added.

De Meo arrives with a strong mandate, as investors representing 99 percent of shares voted "yes" on his appointment. His compensation package inspired less unanimity: 10 percent of shares (over 20 percent of non-Artemis holdings) voted against the scheme, which includes a welcome bonus of €20 million set to be paid out over the next several years in addition to his fixed and variable pay. (Kering assured investors that they were not overpaying de Meo, and that he was mainly being compensated for long-term incentives he was losing by leaving Renault.)

Kering avoided making any further announcements: De Meo needed time to learn his way around the company, the group insisted, though he had already met key brand CEOs and designers over the summer.

Demna, too, will take time to present a fully realised vision for Gucci: His Milan debut will be "a presentation, with a film which shows a bit of how he sees and interprets Gucci," de Meo said.

Neither Pinault nor de Meo commented on whether Kering would forge ahead with its plan to buy the rest of Valentino after acquiring a 30 percent stake from Mayhoola in 2023. The group has an option to acquire the Roman brand by 2028.

Nor would de Meo confirm Kering's plan to bring the rest of its beauty licences in-house: The group acquired perfumery Creed in 2023 and launched the first in-house line of fragrances for Bottega Veneta earlier this year, in a push that was intended to prepare the group to eventually take back control of its Gucci beauty business operated by Coty.

A report in French daily *Le Figaro* suggested that under de Meo, the group could explore building closer ties with L'Oréal (which operates Yves Saint Laurent beauty under a very long-term agreement) instead of bringing Gucci Beauty in-house. "Beauty is a very interesting sector where we can build on what's been done, but we have to find the right way to build a real position in this market," he said.

