BUSINESS

YNAP Revenues Hit $2B

● The online retailer registered an acceleration in the last quarter of the year.

BY LUISA ZARGANI

MILAN – Growth across the board in all its business channels helped the Yoox Net-a-porter Group SpA close 2016 with 12.4 percent growth in sales – and surpass the $2 billion mark.

In the 12 months ended Dec. 31, the online retailer saw revenues climb to 1.87 billion euros, or $2.05 billion. On an organic basis, sales were up 17.7 percent.

The group reported an acceleration in the last quarter, which registered an 11.4 percent uptick in sales to 538 million euros, or $592 million.

An upbeat Federico Marchetti, YNAP's chief executive officer, expressed satisfaction during a conference call with analysts on Tuesday about the results obtained in the first year as a single company after the merger, during a "major integration" and despite "exogenous actions."

He said he had "even greater confidence on our long-term strategy" and that he was "happy and excited" about the brand additions last year, which included labels ranging from Prada and Valentino to IWC Schaffhausen and Moncler. He also said the Kering joint venture performed "very, very well, one of the best in the monobrand business."

"The rapid execution of our group's combined ecosystem is laying the foundations for a leading, solid, long-term business," Marchetti said. Mobile now accounts for almost half of the group's sales "as the result of constant innovation and unparalleled new content and design," he pointed out.

Marchetti revealed that the company has tapped Matt Woolsey and Deborah Lee as, respectively, managing director of Net-a-porter and chief people officer. Asked to comment about the exit last month of Sarah Rutson, vice president of global buying at Net-a-porter.com, chief financial and corporate officer Enrico Cavatorta said her departure had "nothing to do with the integration," and that, under "a new leadership, it is normal, it's a natural change, and it did not catch us by surprise." He explained he "did not expect any impact" and emphasized the group's relationship with the brands.

Marchetti and Cavatorta said the outlook for 2017 was in line with the strategy presented in London in July for the next five years, with net organic revenue growth between 17 percent and 20 percent and a "slight increase" in earnings before interest, taxes, depreciation and amortization margin. "The years 2016 and 2017 were investment years and we will start to see the full effects from 2018 onward," Cavatorta said.

In the year, the multibrand in-season business line, which includes Net-a-porter and Mr Porter, grew 8.4 percent to 968.6 million euros, or $1.06 billion, including Thecorner and Shoescribe, which were discontinued on Aug. 31 and which accounted for 1.1 percent of the total in 2016. The channel accounted for 51.8 percent of total sales.

The multibrand off-season business line, which includes Yoox and The Outnet, saw sales climb 16.8 percent to 696.8 million euros, or $766.5 million, representing 37.2 percent of total sales.

Yoox added Burberry Children and, over the last quarter of the year, a shop-in-shop for Polo Ralph Lauren, as well as Disney's first online fashion store for designer collaborations. The Outnet added Tom Ford, Fendi and Etro and expanded its private label offering with the introduction of Iris & Ink first footwear collection.

The online flagship stores division in the fourth quarter was up 27.4 percent to 74.3 million euros, or $81.7 million, and in the year, it gained 17.1 percent to 205.3 million euros, or $225.8 million.

In general, Cavatorta said the second half of the year grew more than the first half. He pointed to "severe headwinds" in currencies and a slowdown in Italy due to uncertainties associated with a political referendum and an advertising campaign that "was not as effective as expected."

The U.K. ended the fourth quarter up 16.6 percent at constant exchange rates and down 1.7 percent at current exchange rate, penalized by the depreciation of the euro, to 78.2 million euros or $86 million, and accelerating on the first nine months of the year driven by strong growth in spending among the higher-value customer base. In the year, the region showed a 15.3 percent increase at constant exchange rates and a 2.3 percent gain at current rate.

"We returned to pre-Brexit levels," Marchetti pointed out. Cavatorta added that "a full recovery" in September was a "good surprise. None of us would have bet on this in July."

Sales in the year in North America, the group's main market, climbed 14.1 percent to 573.9 million euros or $631.3 million. "The U.S. recovered in 10 days after the [presidential] elections," Marchetti said.

Italy posted fourth-quarter gains of 4.5 percent to 37.4 million euros, or $41.1 million, reflecting a tough comparison base (up 23.1 percent in the same period in 2015) and softer demand, likely attributable to political uncertainty. In 2016, revenues climbed 12.5 percent to 124.8 million euros, or $137.3 million. Italy showed signs of recovery in January, Cavatorta said.

Europe, excluding Italy and the U.K., was lifted by a strong growth in Russia, but reflected continued softer performance in France and Germany. For the year, sales rose 11.1 percent to 488.1 million euros, or $537 million.


Federico Marchetti

Revenues in Asia-Pacific rose 24.8 percent to 302.3 million euros, or $332.5 million, mainly driven by China, Hong Kong and Japan. China was defined as "one of the best performing" areas, Cavatorta said.

Sales in the Rest of the World area increased 6 percent in the year to 111.7 million euros, or $122.8 million, driven by business in the Middle East. As reported, in November, the group set up a joint venture with Alabbar' Symphony to further develop the area.

Asked by one analyst about competition with the likes of Farfetch, Silvia Scagnelli, corporate development and investor relations director, said: "We believe our business model is best suited for luxury, supply driven and where relations are key, with super demanding customers." She spoke of building a "long-term business model based on values" shared with brands, citing the agreement with Armani first signed in 2000 and just renewed for another 10 years, for example. "[Brands] need to feel at ease, control every aspect, there are no third parties capabilities and 99 percent of orders are delivered on time. We speak the same language."

Marchetti emphasized his "utmost respect" in approaching designer brands, highlighted the "merger of the century in luxury online" and concluded: "Everybody else has a long way to go."

Full financial results will be released on March 1.