



UNPRECEDENTED FASHION INDUSTRY SLOWDOWN IN 2020 INCREASING FOCUS ON ENVIRONMENTAL ISSUES

Annual Fashion Talk now in its third year: Covid-19 impacting strongly on the sector, with rebound in 4Q 2020

European market struggling, Asian market resilient, digital sales accelerating

Diversity: more women in leadership positions at the French groups

For the Italian Fashion System, return to pre-crisis levels expected in 2023

Milan, 17 February 2021

In conjunction with the **Annual Fashion Talk** (now in its third year), the **Mediobanca Research Area** has presented its new report on the **fashion system**. The report illustrates and interprets the aggregated financial data for 80 fashion sector multinationals and the **177 largest Italian fashion companies**. The survey also contains analysis of the most recent trends and future prospects for the sector at both national and global level. The full survey is available for download from the Research Area's new website at www.areastudimediobanca.it.

The world's leading fashion sector multinationals, pre- and post-Covid

The data for 9M 2020 show turnover for the world's leading fashion industry giants shrinking by more than five times the contraction recorded by large industry. The European market suffered the most, with sales down by 23.7%, having been strongly impacted by tourist flows coming to a halt. The contraction reported by the Asian market was less drastic, with total sales down 10.1% (excluding Japan). In all geographies, online sales reported double-digit growth (on average up 60%). The crisis most affected the European fashion multinationals, with total sales down 22.9%, and the Ebit margin declining by 10.9 p.p., compared with the US multinationals (sales down 19.7%, Ebit margin down 7.3 p.p.). There were, however, positive signs in 4Q 2020, with the preliminary data suggesting that turnover is likely to bounce back by 17%, albeit at different speeds in the different geographies and depending on the different specializations.

In 2019, the 80 leading fashion players worldwide (companies with turnover of over €1bn) generated aggregate total sales of €471bn (up 26.5% on 2015, and up 4.9% on 2018), 56% of which by the European groups and 34% by the North Americans. Of the 38 European groups, **Italy** with its "big 10" is the most represented numerically, but the top-ranking country by turnover is **France**, with a share of 36% of the aggregate sales.

First by turnover among the global giants is **LVMH** with €53.7bn. A long way behind LVMH come **Nike** (€33.3bn), **Inditex** (€28.3bn), which owns Zara, German-based **Adidas** (€23.6bn), **H&M** of Sweden (€22.3bn), Japanese group **Fast Retailing** (€18.8bn) which owns the UNIQLO brand, and **EssilorLuxottica** (€17.4bn). First among the Italian groups was Prada (€3.2bn), 34th in the overall rankings.

Impact of Covid-19 on the Italian fashion sector and analysis pre-Covid

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For the Italian fashion sector (companies with turnover of above €100m), the contraction in total sales for 2020 should be around 23%. Looking to the future, meanwhile, the recovery should start in 2021, with pre-crisis levels expected to be reached in 2023.

In 2019, the Italian fashion sector reported **total sales** of **€71.1bn** (up 20.8% on 2015), with an **annual average growth rate in the 2015-19 period of 4.8%**. The **percentage of national GDP accounted for by the fashion industry also grew**, to 1.2% (vs 1.0% in 2015). Of the individual segments, **clothing** stands out in particular, accounting for 42.9% of the aggregate revenues, followed by **leatherwear** (26.1%). In terms of the **annual average growth rate of sales by segment in the 2015-19 period, jewellery impressed**, with an average growth rate of 10.3%, followed by the **hides, leather and footwear segments** (up 7.8%).

International groups continue to be a major presence **in the Italian fashion industry**: 71 of the 177 companies have non-Italian ownership, and control **37.2%** of the **aggregate turnover** (17.3% French, including Kering with 7.3% and LVMH with 6.5%).

The **international dimension** is one of the most representative characteristics of Italian fashion industry manufacturing companies: 66.5% of their overall turnover comes from outside Italy, with the textiles industry leading the way in this area, with 72.8% of its revenues exports.

Employment levels were up too, with 43,700 new staff members (up 16.9% on 2015), making for a total workforce of 303,000 at end-2019, with impressive performances in jewellery especially (up 45.0% on 2015) and the hides, leather and footwear segments in particular (up 28.7%).

The **listed companies with majority shares owned by families** delivered the best performance by Ebit margin (12.9%), and were also the most geared towards exports (80.4%).

More women in leadership positions in French and US companies

Analysis of gender diversity on the Boards of the 80 global fashion multinationals show that **women tend to feature less as levels of responsibility increase**: the share of women out of the total workforce is on average 65.9%, but at Board level this decreases to 29.3%. The US groups are the ones with most women directors (34.1%), ahead of the European companies (27.9%). The French and UK players are comfortably above the European average in this area, with 43.1% and 36.9% of women on their Boards respectively, while for the Italian groups the figure is just 21.3%. Overall Japanese women are the least represented in their companies, with only one in ten Japanese directors women.

Environmental sustainability: the fashion industry's commitment to green issues

Analysis of the global fashion multinationals' sustainability reporting for 2019 demonstrates the companies' commitment to delivering a more sustainable future by focusing increasing attention on environmental protection issues. **Water consumption fell** (by 3.4%), as did **CO² emissions** (by 5.1%), and **waste products** (by 3.1%), while use of **electricity generated from renewable sources** increased from 42.6% in 2018 to 49.9% in 2019. On average the US groups were more sustainable than the European ones: indeed, the European fashion multinationals were better placed than their US counterparts in only one of the relevant indicators, namely use of renewable energy: 59% of their energy requirements are met from green sources, as compared with 38% for the US counterparties.



Analysis of the sustainability reporting also shows that 63% of the world's leading fashion players are located in Asia, 28% in Europe, and 5% in North America, rising to over 90% in Asia for the fast fashion segment and for sports clothing and footwear. There is also at least one clear indicator of the undisputed excellence of the Italian fashion industry system: more than one-quarter of the European groups' suppliers are based in Italy, rising to over 80% for the high end of the market.