



THE FASHION INDUSTRY LEAVES THE PANDEMIC BEHIND, POSTING A STRONG RECOVERY IN 2021 GROWING FOCUS ON SUSTAINABILITY ISSUES

Following the major impact that Covid has had on the sector, the fashion industry multinationals have delivered results above pre-crisis levels

Chinese and US markets both report strong growth, EU close behind

Diversity: French and US groups have most women in leadership positions

Italian fashion industry giants: material growth but still not sufficient to return to pre-crisis levels

Milan, 23 February 2022

The **Mediobanca Research Area** has presented its new report on the **fashion industry**. The report illustrates the aggregate financial data for **70 fashion sector multinationals** and **134 large Italian fashion industry companies**. The survey also contains analysis of the most recent trends and future prospects for the sector at both global and national level. The full survey is available for download from www.areastudimediobanca.com

The world's leading fashion sector multinationals

The data for 9M 2021 show a 32% increase in turnover for the world's leading fashion industry players. The European market was the least impressive, recording an increase of 25%, impacted by the ongoing restrictions on tourism, whereas the Asian market soared, driven by China, with turnover up 38% (excluding Japan), as did the American market (up 37%, driven by the United States). **For FY 2021** the preliminary data are pointing to a sharp "V-shaped" recovery with growth in aggregate turnover of 28%, which will enable the fashion industry multinationals to post results 10% higher than their 2021 levels. Online sales continued to grow in 2021, having accelerated during the pandemic (up 60% in 2020), reporting an increase of 25%, and now accounting for more than one-quarter of total revenues (the share is generally higher for the US groups than for their European counterparts).

In 2020, the 70 leading fashion players worldwide (**companies with annual turnover of more than €1bn**) generated aggregate total sales of €379bn (13.8% down on 2019 but up 4.9% on 2016), 55% of which by the European groups and 34% by the North American companies. The 2020 reduction saw the fashion sector multinationals' revenues retreat to levels seen three years earlier in 2017. Of the top 30 European groups, **Italy, with its "big 7", is the most represented numerically**, but the top-ranking country by turnover is **France**, with 38% of the aggregate sales. First by turnover among the global giants is **LVMH** with €44.7bn, followed by **Nike** (€36.3bn), **Inditex** (€20.4bn), which controls Zara, German-based **Adidas** (€19.8bn), **H&M** of Sweden (€18.6bn), Japanese group **Fast Retailing** (€15.9bn), which owns the UNIQLO brand, and **EssilorLuxottica** (€14.4bn). First among the Italian groups was Prada (€2.4bn), at 38th in the overall rankings.

Profitability also contracted in 2020, with an aggregate Ebit margin of 9.7% (down from 13.3% in 2019), with Hermès once again in top place with an Ebit margin of 32.2%, ahead of LVMH-Fashion division (30.5%), Moncler (25.6%), and Kering (23.9%).

Large Italian fashion companies

Total sales by the large Italian companies (**those with turnover of above €100m**) should report growth of 22% in 2021, with the return to pre-crisis levels expected in 2022.

After years of extremely positive performances, the large Italian fashion companies in 2020 suffered a brusque slowdown due to the pandemic, posting **total sales of €49.8bn**, down 22.8% on 2019 and down 9.7% on 2016. The **percentage of Italian GDP accounted for by these**



companies was 0.9% (versus 1.0% in 2016). The best performers among the individual sectors were **clothing**, which accounts for 43.9% of the aggregate revenues, followed by **hides, leather and footwear** (27.1%). As for the sales trend in 2019-20, textiles recorded the largest reduction (down 34.6%), while jewellery recorded the smallest (down 19.8%). Profitability also suffered, with the aggregate Ebit margin declining to 1.8% (from 7.8% in 2019). Jewellery and textiles were the most profitable segments in 2020, posting Ebit margins of 6.9% and 3.2% respectively.

International groups continue to be a major presence **in the Italian fashion industry**: 59 of the 134 large Italian fashion sector company have non-Italian ownership, and control **38.5%** of the **aggregate turnover** (19.1% French, including Kering with 8.7% and LVMH with 6.4%). The impact of the pandemic was felt more keenly by the Italian-owned than the international companies: both in terms of the reduction in turnover (down 23.3% vs down 22.0%), and of the contraction in profitability (Ebit margin down 6.5 p.p. vs down 5.0 p.p.), despite the former remaining slightly more profitable (Ebit margin of 1.9% vs 1.7%).

The **international dimension** is one of the most representative characteristics of Italian fashion industry manufacturing companies: 66,6% of their overall turnover comes from outside Italy, with jewellery leading the way (75.7%), followed by clothing (69.9%) and textiles (68.3%).

Employment levels also declined in 2020, with around 15,400 fewer staff employed (down 5.5% on 2019, but up 6.0% on 2016), making for a total workforce of around 265,000 at year-end 2020.

More women in leadership in French and US companies

Analysis of gender diversity on the Boards of the 70 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 64.3%, but at management level this decreases to 43.0% and at Board level to 32.7%. The US groups are the ones with most women directors (37.9%), more so than the European groups (32.5%). The French players are comfortably above the European average in this area, with 41.7% of women on their Boards respectively, while for the Italian groups the figure remains at 27.5%. 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 2020 shows increasing attention being devoted to **ESG** (Environment, Social and Governance) issues, accelerated by the pandemic. The fashion industry multinationals are committed to delivering a more sustainable future and safeguarding the environment, stepping up their efforts from previous years. **Water consumption fell** (from 350 m³ of water consumed per €1m of revenues in 2019 to 304 in 2020), as did **CO² emissions** (from 1,528 tons of CO² per €1m of revenues in 2019 to 1,512 in 2020), and **waste produce** (from 3.0 tons per €1m of revenues in 2019 to 2019 to 2.7 in 2020), while use of **electricity generated from renewable sources increased** (from 49.9% in 2019 to 57.6% in 2020, having been 42.6% in 2018). On average the North American groups are more sustainable than the European ones: the European fashion multinationals outperform their North American counterparts in the use of renewable energy, with 67.5% of their requirements met from green sources, compared with 48.9% for the North Americans.

With reference to the **supply chain**, the sustainability reporting shows that 61% of the suppliers of the world's largest fashion players are located in Asia, 28% in Europe, and 8% in North America, with highs of over 90% in Asia for fast fashion, 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.



Upcoming appointments: to coincide with Micam (the international footwear salon promoted by Assocalzaturifici, to be held between 13 and 15 March 2022), the Mediobanca Research Area will publish a new report on the Italian and global footwear sector, including a contribution from Confindustria Moda.