



THE LEADING FASHION INDUSTRY COMPANIES IN ITALY: FOLLOWING TWO YEARS OF DOUBLE-DIGIT INCREASES, REVENUE GROWTH IN TOTAL SALES SET TO SLOW IN 2023

Turnover posted by the largest Italian fashion industry companies rose by 20% in 2022, and is expected to grow by 8% in 2023

Strong international dimension: manufacturers export 73.7% of their products

Non-Italian ownership concentrated in the luxury sector

"Made in Italy" production base: 68%, rising to 83% for top-end segment

Italian supply chain: 56%, rising to 80% for top-end segment

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The **Mediobanca Research Area** has today presented its new report on the **leading Italian Fashion Industry companies**, which analyses the financial data of the **152 fashion operators based in Italy** with individual turnover of over €100m. The report also includes a focus on the most recent and future sector trends, the production map and sustainability data, and a section on the industry's prospects based on the picture to emerge from engagement with seven CEOs.

The full survey is available for download from www.areastudimediobanca.com.

Preclosing data for 2022 and estimates for 2023

Despite the uncertain macroeconomic scenario and the re-emergence of Covid-19 in China during 4Q, the fashion industry figures for FY 2022 are extremely positive: the preclosing data point to **aggregate growth in nominal turnover of 20%** (to €82bn, up 21% on 2019). Total sales have been driven by **exports**, up 24% on 2021. Growth has also been posted in terms of **investments**, estimated at around 35%.

Sales are estimated to grow again by 8% in 2023, which should take the aggregate turnover posted by the largest Italian fashion industry operators to almost €90bn, against a backdrop of slowing macroeconomic growth, interest rates normalizing at higher levels, and inflationary pressure starting to cool. In terms of sales, there have been signs of a recovery of consumption levels, and China opening up again after the pandemic could be a major opportunity and driver of growth.

An overview of the leading Italian fashion industry companies

The value added by the 152 leading fashion companies based in Italy represented 1.3% of the country's GDP in 2021. The companies are spread throughout the Italian peninsula, with the highest concentration in northern Italy (111 companies), followed by the central regions (32). Of the various manufacturing segments, **clothing** accounts for 28.6% of the aggregate 2021 revenues, followed by **leather, hides and footwear** (23.1%). **Top-end products** account for 73.2% of the total sales in the clothing, leatherwear and textile segments. **Non-Italian groups retain an important footprint in Italy**: 58 of the 152 companies have non-Italian ownership, which controls **43.6% of the aggregate turnover (24.2% of which French)**, confirming the popularity of "Made in Italy" products beyond the nation's own borders. **Non-Italian investors evidently prefer the top end of the range**: 87.4% of the aggregate sales by the non-Italian-owned companies are generated by the luxury bracket (58.8% of which French).

One of the most representative features of the fashion industry manufacturing companies is their **international dimension**: 73.7% of the total revenues are generated from exports, with jewellery leading the way (80.3%), followed by eyewear (78.0%), and leather, hides and footwear (76.9%). The top-end producers (in the clothing, leatherwear and textiles segments)

post higher export levels than those positioned in the cheaper bracket (73.2%, vs 58.2%), reflecting their enhanced resilience in terms of international markets coverage.

The companies included in the survey have a **production base** that is predominantly Italian: 68% of the manufacturing facilities are located in Italy, and the other 32% elsewhere: 17% in Europe, 8% Asia, 5% Africa, and 2% the Americas. The top-end companies again show a higher concentration of production in Italy: 83% of their production base is within national confines, with just 17% elsewhere (two-thirds of which in Europe). The fashion industry value chain also is also strongly **district-based**, with the industrial districts accounting for 60% of total sales from manufacturing activities.

Strong recovery in 2021: revenues and investments back above pre-Covid levels, high quality continues to be profitable

In **2021** the **152 leading Italian fashion industry companies' total revenues** reflect a V-shaped recovery compared to 2020, up **32.7%** to €68.6bn, i.e. 0.9% higher than their pre-pandemic levels, employing a headcount of almost 260,000 employees (1.3% higher than in 2020, but 4.4% lower than in 2019). **International sales** bounced back (up 35.7%) even more strongly than domestic sales (up 28.7%). **The top-end producers** reacted better than the mass market operators, posting sales of 1.1% above 2019 levels, while for the latter turnover was still 3.6% below pre-crisis levels. Italian-owned **medium-sized enterprises** posted a stronger recovery (up 6.6% vs 2019) than the large companies (down 1.7%) and the non-Italian-owned companies (up 3.3%), confirming that this size category is more dynamic and flexible, and that MSEs are the pride and joy of the Italian industrial system.

The top twenty firms alone account for over half the aggregate turnover. The top-ranking company by revenues is again **Prada** (€3.4bn), ahead of **Luxottica Group** (€3.2bn), consolidated by the multinational EssilorLuxottica, and of **Calzedonia Holding** (€2.5bn). The top three are followed by **Moncler** and **Giorgio Armani**, both of which posted turnover of €2bn.

Profitability reflected a **downward trend**: the Ebit margin decreased from 12.1% in 2019 to 10.6% in 2021, coming on the back of the pandemic-related crisis, when profitability got no higher than 4.5%. The leather, hides and footwear segment posted the best results in terms of margin, with 15.7% in 2021, followed by eyewear (12.3%). Clothing and jewellery were the only two production sectors to see margins improve in the three-year period covered by the survey, exceeding their pre-crisis levels. **High-quality products continue to be profitable**, posting an Ebit margin of 10.8% for FY 2021, some 46% higher than the margin posted by the mass market producers (7.4%). **Fendi** was the top-ranking firm by profitability, with an Ebit margin of 32.8%, followed by **Renato Corti** (29.5%) and **Gingi** (29.2%, whose main brand is Elisabetta Franchi).

Investments also recovered strongly, up 46.4% vs 2020, and **8.9% above pre-crisis levels** (€330m higher than in 2019). Of the manufacturing companies, the jewellery segment posted the highest increase in investments (up 189.1%).

On the balance-sheet side, the fashion industry companies have bolstered their **financial structure**, with borrowings representing 40.8% of their net equity in 2021 (versus 56.8% in 2019), with the eyewear, clothing and textiles manufacturers the most capitalized. **Cash and liquid assets** at the aggregate level represented 38.6% of borrowings in 2019 and 55.3% in 2021.

For the fashion industry manufacturers, there was an increase in the number of companies in the **investment grade** bracket, which in relative terms rose from 79.9% in 2019 to 87.2% in 2021.

The fashion industry and the stock market

Much of the Italian fashion industry seems to eschew the stock market: only 17.5% of the aggregate turnover (€12.0bn) is produced by the **eleven listed companies of which the panel is comprised**,¹ while the other 82.5% (€56.6bn) is generated by the 141 unlisted companies. After the recovery reported at year-end 2021 (up 29.4% on 2020), the aggregate market

¹ The eleven listed companies included in the panel are: Aeffe, Basicnet, Brunello Cucinelli, Lir-Geox, Moncler, OVS, Piquadro, Prada (listed in Hong Kong), Safilo Group, Salvatore Ferragamo, and Tod's. Netherlands-based Ermenegildo Zegna is not included.

capitalization at year-end 2022 posted a reduction (down 14.4% on 2021), totalling €37.6bn, equal to **5.3% of the Italian stock market's industrial value**, excluding Prada. The first weeks of 2023 reflect a recovery (with the aggregate market capitalization up 15.8% as at mid-February 2023). On 15 February 2023 the top-three ranking companies by market cap were **Prada** (€15.9bn), **Moncler** (€15.7bn) and **Brunello Cucinelli** (€5.5bn), with **Salvatore Ferragamo** (€3.0bn) and by **Tod's** (€1.2bn) bringing up the rear. All the other companies included in the panel had market capitalizations of less than €1bn.

Diversity: more women in the workplace in the unlisted companies, more women on the Board of the listed companies

For the leading fashion industry companies, **26.5%** of their workforce is on average **under 30 years of age**; the highest concentration of young people in the workforce is in the unlisted companies (40.1%) and the large companies (31.9%). The majority of staff are employed on permanent contracts (84.6%), while 13.4% make provision for part-time arrangements.

Analysis of gender diversity shows that the **number of women employed decreases as the level of responsibility increases**: women account on average for 69.5% of the workforce, a figure which decreases to 35.7% for management roles and to 22.6% for Board positions. The listed companies have the highest female Board representation levels (41.9%), followed by the medium-sized enterprises (33.0%). The average of the Board members is 57 (55 for the women, 58 for the men); this rises for the positions of Sole Director (65), Chairperson (63) and Deputy Chairman (62), while the average age is lower for CEOs (56) and ordinary Directors (55). Generation X is the best-represented bracket (48%), followed by the Baby Boomers (38%).

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

Analysis of the companies' sustainability reporting for 2021 shows the increasing attention being paid by the fashion industry to **ESG** (Environment, Social and Governance) issues, a trend which has been accelerated by the pandemic. The figures prove that the Italian fashion industry companies are increasingly committed to building a more sustainable future and to safeguarding the environment: on average reductions have been posted in terms of both **CO₂ emissions** (from 1,766 tons of CO₂ per €1m sales in 2020, to 1,462 tons in 2021, a decrease of 0.8%) and in **waste produce** (from 2.9 tons per €1m sales in 2020, to 2.4 tons in 2021, a decrease of 17.2%), while the use of **renewable energy sources increased** (from 38.4% in 2020 to 43.4% in 2021), as did the share of **recycled waste** (from 65.5% in 2020 to 73.5% in 2021).

As for the **supply chain**, analysis of the companies' sustainability reporting reveals that on average **56% of the largest fashion industry companies' suppliers are located in Italy**, 30% in Asia, 11% in the rest of Europe, 2% in Africa, and the other 1% in the Americas. **Outsourcing to Italian suppliers is at its highest among the top-end companies (80%)**, which adopt a higher quality and proximity strategy, whereas the cheaper product manufacturers tend to use Asian suppliers (58%). Compared to 2018, the supply chain map currently looks to have shifted in favour of Italian suppliers, which have increased their weighting by two percentage points (from 54% to 56%) in the 2018-2021 period, at the expense primarily of Eastern European and Asian suppliers. Working with outsourcers therefore currently seems to favour Italian operators, in accordance with the trend to bring back productions previously outsourced to other countries to Italy. Two main strategies are currently visible: on the one hand, the drive towards building new production facilities in Italy, or to expanding existing ones, and on the other, a change in the allocation between different suppliers, with the arrangements with key suppliers located closest in geographical terms being strengthened, including through joint ventures or acquisitions.