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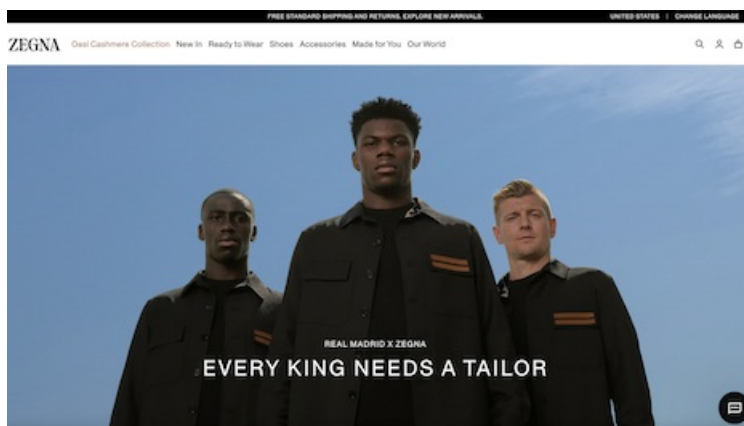
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COUTURE, FASHION AND LEATHER GOODS

Zegna shows 20.8pc upsurge in Q3 sales to \$457M

October 24, 2023



Zegna is the official travelwear partner of the Real Madrid soccer (football) team. Image credit: Zegna

By STAFF REPORTS

Ermenegildo Zegna Group has posted a 20.8 percent year-over-year increase in its third-quarter 2023 revenue, with an organic growth rate of 11.3 percent.

Revenue for the third quarter was \$457 million, or 431 million. Turnover for the first nine months of this year reached \$1.4 billion, or 1.33 billion, up 22.9 percent year-over-year, with an organic growth rate of 19.2 percent.

"I am particularly pleased that we are performing well across a diverse set of regions, as the balance of our geographic mix provides resilience in a highly dynamic environment," said Ermenegildo "Gildo" Zegna, chairman/CEO of Zegna Group, in a statement from Milan.

"I am confident that the continued progress of the Zegna rebranding, including the full implementation of the One Brand strategy in China, the expansion opportunities for Thom Browne, and the integration and evolution of Tom Ford Fashion all provide valuable tailwinds despite the current global operating environment," he said.

The Zegna results came on the same as French luxury brand Hermès' Q3 sales update. Hermès third-quarter revenue rose 16pc to 3.37B with sustained growth in Asia and Americas ([see article](#)).

Below is the full statement from [Zegna](#) on the company's third-quarter 2023 financials:

- Revenues (unaudited) for the third quarter of 2023 reach 431 million, up 20.8% year-over-year and with an organic² growth rate of 11.3%.
- Revenues for the first nine months of 2023 reach 1.33 billion, up 22.9% year-over-year and with an organic growth rate of 19.2%.
- Group is taking over retail distribution of the ZEGNA brand in South Korea as of early 2024.
- Third quarter revenues support the Group's FY 2023 and mid-term outlook.

Ermenegildo Zegna N.V. (NYSE:ZGN) ("Zegna Group," the "Group," "Zegna," or the "Company"), owner of the ZEGNA and Thom Browne brands and exclusive licensee for the TOM FORD fashion business, today announced unaudited revenues of 431 million for the third quarter of 2023. Revenues were up 20.8% year-over-year and up 25.0% year-over-year on a constant currency³ basis, with an organic growth rate of 11.3%. For the first nine months of the year, unaudited revenues came in at 1,334 million, up 22.9% year-over-year and up 24.8% year-over-year on a constant currency basis, with an organic growth rate of 19.2%. Revenues for the first nine months of 2023 reflect the consolidation of Tom Ford International LLC as of April 29, 2023, as well as the consolidation of Pelletteria Tizeta S.r.l., which was previously accounted for using the equity method, as of the same date.

Ermenegildo "Gildo" Zegna, chairman/CEO of the Zegna Group, said: "Our results this quarter continue to showcase the broad-based strength of our three brands and the successful execution of our strategy. I am particularly pleased that we are performing well across a diverse set of regions, as the balance of our geographic mix provides resilience in a highly dynamic environment.

"I am confident that the continued progress of the ZEGNA rebranding, including the full implementation of the One Brand strategy in China, the expansion opportunities for Thom Browne, and the integration and evolution of TOM FORD FASHION all provide valuable tailwinds despite the current global operating environment.

"The Group's leadership team is looking forward to our second Capital Markets Day this December at the New York Stock Exchange, where we will be presenting our updated financial goals, including those for the TOM FORD fashion business."

Recent Highlights

- ZEGNA to Directly Operate Business in South Korea. On October 23, 2023, ZEGNA executed an agreement with its South Korean franchise partner through which the Group will purchase the entity operating the ZEGNA business in the country. Pursuant to this, ZEGNA will directly operate its South Korean business starting in the first quarter of 2024. This includes converting the 15 ZEGNA stores in the region to direct-to-consumer points of sale. ZEGNA has been present in South Korea since 1997 and this step is consistent with the brand's strategy of continuing to increase control over the business.
- Thom Browne celebrates 20th Anniversary. As Thom Browne celebrates its 20th anniversary, the brand has launched a monograph celebrating the legacy of the house and the man behind it. Earlier this month, the Victoria & Albert Museum celebrated the iconic designer in a special conversation with fashion writer and author Charlie Porter. After London, the 20th anniversary monogram celebrations have continued with dedicated events in Tokyo (including at the Aoyama flagship store), Seoul (at Leeum Museum and at 10 Corso Como), and Shanghai. The brand is also marking the anniversary with a number of activities at its boutiques worldwide.
- TOM FORD FASHION Updates. On September 21, 2023, Peter Hawking debuted his very first collection as Creative Director of Tom Ford. The show, which was part of the Spring / Summer 2024 Milan Fashion Week, was very well-received by the media, critics and the trade, heralding a new chapter in fashion for the iconic brand under the stewardship of the Group.

Review of Revenues for the Third Quarter 2023 and the Nine Months ended September 30, 2023

In the third quarter of 2023, Zegna Group generated revenues of 431 million, an increase of 20.8% year-over-year. On a constant currency basis, revenues grew by 25.0% compared to the same period in the prior year, with an organic growth rate of 11.3%. Growth was led primarily by the strength of Zegna-branded products, especially in the direct-to-consumer ("DTC") channel.

Revenues by Segment

Zegna Segment: For the third quarter of 2023, revenues for the Zegna segment amounted to 298 million, growing 3.0% year-over-year and 6.0% year-over-year on a constant currency basis, with an organic growth rate of 12.7% for the quarter. This brought revenues for the first nine months of the year to 950 million, up 12.7% year-over-year and up 14.1% year-over-year on a constant currency basis, with an organic growth rate of 20.1% for the first nine months of the year. The performance of the Zegna segment reflects the strength of the Zegna branded product line, especially in the DTC channel, which more than offset the impact of the end of the distribution licensing agreement for Tom Ford International on the Third-Party brands product line⁴.

Thom Browne Segment: For the third quarter of 2023, revenues for the Thom Browne segment amounted to 74 million, growing by 6.3% year-over-year and 13.1% year-over-year on a constant currency basis, with an organic growth rate of 8.5% for the quarter. This brought revenues for the first nine months of the year to 282 million, up 10.4% year-over-year and up 13.3% year-over-year on a constant currency basis, with an organic growth rate of 15.7% for the first nine months of the year. The organic growth rate for Thom Browne excludes the effect of the acquisition of the retail business in South Korea, which resulted in the conversion of the South Korean business from wholesale to DTC.

Tom Ford Fashion Segment: Since April 29, 2023, which marked the beginning of the consolidation of Tom Ford International LLC into the Group's financial statements, Tom Ford Fashion is represented as a new operating and reporting segment of the Group. The Tom Ford Fashion segment includes all activities related to TOM FORD FASHION, from collection creation and development to merchandising, through to production, as well as retail and wholesale distribution. From April 29, 2023, to September 30, 2023, the segment reported revenues of 139 million. In the third quarter of 2023, revenues totaled 75 million.

Revenues by Product Line

Zegna-Branded Products: Revenues for Zegna-branded products were 242 million for the third quarter, up 8.0% year-over-year, with constant currency and organic growth both at 12.2%. This brought revenues for Zegna-branded products during the first nine months of 2023 to 784 million, up 20.6% year-over-year, and with constant currency and organic growth both at 22.9%. The growth was driven by strong double-digit revenue performance in luxury leisurewear and in the Made-to-Measure business, while the shoes category continued to strongly outperform.

Thom Browne: Revenues for Thom Browne were 73 million for the third quarter, growing by 5.8% year-over-year and 12.6% year-over-year on a constant currency basis, with an organic growth rate of 8.0% for the quarter. This brought revenues for the first nine months of the year to 280 million, up 10.1% year-over-year and up 13.1% year-over-year on a constant currency basis, with an organic growth rate of 15.5% for the first nine months of the year. Revenues for womenswear continued to outperform at Thom Browne and represented close to 30% of total revenues for the quarter.

Textile: Textile revenues were 35 million during the third quarter of 2023, up 17.2% year-over-year and up 15.7% on a constant currency basis, with an organic growth rate of 16.1% for the quarter. This brought textile revenues to 109 million for the first nine months of the year, up 9.4% year-over-year and up 8.4% year-over-year on a constant currency basis, with an organic growth of 8.6% for the first nine months of the year.

Third-Party Brands: The revenues for the Third-Party Brands product line in the third quarter of the year were 5 million, down 86.0% year-over-year and down 85.9% year-over-year on a constant currency basis, impacted by the end of the distribution licensing agreement for Tom Ford International, with an organic growth rate of -14.3%. For the first nine months of the year, revenues for the Third-Party Brands product line were 20 million, down 74.9% year-over-year and down 75.2% year-over-year on a constant currency basis, with a -8.1% organic growth rate.

Revenues by Channel

DTC revenues reached 282 million in the third quarter of 2023, up 29.9% year-over-year and up 37.7% year-over-year on a constant currency basis, with an organic growth rate of 12.9% for the quarter. For the first nine months of the year DTC revenues reached 865 million, up 34.2% year-over-year and up 38.4% year-over-year on a constant currency basis, with an organic growth rate of 24.6%. DTC revenues represented 64.8% of Group revenues in the first nine months of 2023, up from 59.4% in the same period last year.

Of the 282 million DTC revenues in the third quarter, 195 million came from Zegna-branded products, where DTC revenues were up 8.3% year-over-year and up 14.0% year-over-year on a constant currency basis, and on an organic growth basis, driven by a continued improvement in store productivity. Thom Browne DTC revenues came in at 43 million, up 18.6% year-over-year and up 32.1% year-over-year on a constant currency basis, with an organic growth rate of 7.7% for the quarter, reflecting the shift of the South Korean business from wholesale to DTC. TOM FORD FASHION contributed 43 million in the third quarter.

Meanwhile, wholesale revenues reached 148 million in the third quarter of 2023, up 6.6% year-over-year and up 6.1% year-over-year on a constant currency basis, with an organic growth rate of 8.1% for the quarter. For the first nine months of the year wholesale revenues reached 466 million, up 6.4% year-over-year and up 5.7% year-over-

year on a constant currency basis, with an organic growth rate of 9.9%. Wholesale revenues represented 34.9% of Group revenues in the first nine months of 2023, down from 40.3% in the same period of last year.

Of the 148 million wholesale revenues in the third quarter, 47 million came from Zegna-branded products, up 6.7% year-over-year and up 5.0% year-over-year on a constant currency and organic growth basis. Thom Browne wholesale revenues reflected the conversion of the South Korean points of sales from wholesale to DTC and amounted to 30 million, down 8.6% year-over-year and down 7.8% year-over-year on a constant currency basis, but with an organic growth rate of 8.3% for the quarter. The balance of wholesale revenues came from TOM FORD FASHION (32 million) and from the Third Party Brands and Textile segments (40 million, down 36% year-over-year and down 36.3% in constant currency, and with organic growth of 11.5%).

Revenues by Geography

During the third quarter of 2023, the Group saw double-digit organic growth across a number of key regions, including EMEA and North America, led by revenues from the U.S.

Revenues in the EMEA region reached 152 million in the third quarter of 2023, up 27.7% year-over-year and up 29.4% year-over-year on a constant currency basis, with an organic growth rate of 18.5% for the quarter. The double-digit growth in the region, which was seen across Europe and the Middle East for both ZEGNA and Thom Browne, was driven by DTC demand. For the first nine months of 2023, the EMEA region reached 475 million in revenues, up 25.0% year-over-year and up 25.8% year-over-year on a constant currency basis, and with an organic growth rate of 20.5%.

North America revenues reached 111 million for the quarter, up 44.2% year-over-year and up 45.0% year-over-year on a constant currency basis, with an organic growth rate of 12.3%. The U.S. saw revenues at 102 million for the quarter, up 47.8% year-over-year and up 48.4% year-over-year on a constant currency basis, with an organic growth rate of 13.7%. The growth in U.S. revenues came on the back of contributions from the newly-included Tom Ford Fashion segment as well as outstanding DTC performance for both ZEGNA and Thom Browne, both of which recorded an outstanding high double-digit revenue growth. For the first nine months of 2023, revenues in North America reached 285 million, up 34.4% year-over-year and up 32.6% year-over-year on a constant currency basis, with an organic growth rate of 14.9%.

In the third quarter of 2023, revenues in APAC reached 158 million for the quarter, up 3.5% year-over-year and up 11.7% year-over-year on a constant currency basis, with an organic growth rate of 5.4%. Revenues for the first nine months of 2023 in APAC were 547 million, up 16.0% year-over-year and up 20.9% year-over-year on a constant currency basis, with an organic growth rate of 20.4%.

In the APAC region, growth was remarkable in Japan, where Group revenues reached 19 million, up 31.8% year-over-year and up 44.8% year-over-year on a constant currency basis, with an organic growth rate of 30.9% for the quarter. The region also benefited from the conversion of 17 stores in South Korea after the acquisition of the Thom Browne business there. In the third quarter of 2023, the Greater China Region saw revenues to 112 million, a 3.4% decrease year-over-year and up 5.2% year-over-year on a constant currency basis, with an organic growth rate of 3.5%. Revenues for the first nine months of 2023 in the Greater China Region were 419 million, up 15.3% year-over-year and up 20.6% year-over-year on a constant currency basis, with an organic growth rate of 19.8%.

In Latin America, revenues in the third quarter of 2023 reached 8.4 million, up 19.6% year-over-year and up 9.0% year-over-year on a constant currency and on an organic growth basis. This brought revenues in Latin America for the first nine months of 2023 to 24 million, up 23.5% year-over-year and up 13.9% year-over-year on a constant currency and on an organic growth basis.

Outlook

On May 17, 2022, at its first Capital Markets Day, the Group announced its financial goals for the medium term, which management defines as the end of fiscal year 2025. Within this time frame, the Group is aiming for annual revenues to exceed 2 billion and for Adjusted EBIT Margin to reach at least 15%, excluding the Tom Ford Fashion segment. The Group's Q3 2023 revenues confirm that the Group remains on this trajectory. The Group's medium-term targets assume no major future worsening of the global geopolitical, health, macroeconomic and financial markets situation, and no other unforeseen events.

Capital Markets Day

The Group will host a Capital Markets Day on December 5, 2023, at the New York Stock Exchange (NYSE) in New York, where it expects to announce updated medium- to long-term financial goals, including for the Tom Ford Fashion segment.

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