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Luxottica seals Brazil deal with an eye to Latin American production

LUXURY GOODS

By Giulia Segreti in Rome

Luxottica, the Italian eyewear maker, is set to acquire Grupo Tecnol, a Brazilian manufacturer and distributor, in a move that will allow the group to start production in Latin America.

The €110m (\$148m) acquisition is the company's fourth substantial deal in the region this year, after the purchases of the Multiópticas chain and two retailers in Mexico, and the opening of a Sunglass Hut shop in Rio de Janeiro.

"The market conditions will change once we become a domestic player. With local production we can also target the premium segment, with an average price of €100-€200 per frame," said **Andrea Guerra**, **Luxottica** group chief executive.

Luxottica until now has focused on the luxury segment, with prices well above €300.

The eyewear maker said it would be able to cut up to a third off shipping times for products, with production in the newly acquired Tecnol plant in Campinas, close to São Paulo. The group also aims to reinforce its prescription business.

"The Brazilian market is already extraordinarily important for us and we aim at making it one of the top five countries by turnover, along with the US, Italy, France and Australia," Mr Guerra told the Financial Times.

The acquisition is expected to almost double turnover in Brazil, which "will become the hub for the whole Latin American region", Mr Guerra said.

Luxottica already has a significant wholesale busi-

ness in Latin America, one of the world's largest markets for sunglasses, with double digit growth. The region accounts for 15 per cent - or €350m - of the overall revenues from the wholesale business in emerging markets. Brazil alone accounts for more than €100m.

"We welcome [the deal] as it confirms the group's commitment to expand in emerging markets," analysts at Mediobanca Securities said.

Under the deal, **Luxottica** will initially own 80 per cent of the shares of Tecnol - paid in cash - with the remaining 20 per cent, owned by founder Sergio Carnielli, being handed over in the next four years. Luca Lisandroni will become president of the combined operations.

"Given the size of **Luxottica**, the impact of the [acquisition] on its fundamentals is small," said Mediobanca

The rise of a large, fashion-oriented middle-class and a vibrant sunglass segment, makes Brazil a coveted region. **Luxottica** will obtain a portfolio of 15 house brands and licences, a research laboratory and a network of 90 eyewear shops.

Group sales reached a record €5.8bn in 2010. Consolidated net income for the year is expected to be in line with the group's forecasts, at more than €400m, up by approximately 35 per cent on last year.

