Richemont to 'ride through recession'

By Kgomotso Mathe

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The world's biggest jewellery manufacturer Financière Richemont on Friday, 13 November 2009, said it remained cautious about the sustainability of the improving economic outlook as last month's sales decreased 10% across all regions.

It said this during the release of the group's interim results to September where it reported a 60% decline in profit for the period from à860m to à344m.

Group sales decreased 15% to à2,4bn from à2,8bn.

Outgoing Richemont CEO Norbert Platt said that the company hoped business would be slightly better this month and next month.

Watchmaker Cartier, the group's biggest brand, had launched a less expensive product line in an effort to entice consumers to visit its stores.

“In the US, the traffic in the stores is tremendously down,” Platt said.

The global financial crisis has hit most luxury goods makers, but some are recovering faster than others. Over the past 12 months shares in Richemont's Swiss rival Swatch Group have grown 90%, outstripping Richemont's own 65% gain.

Sales in the jewellery maisons — or units — division declined 14%, specialist watchmakers decreased 17% and writing instrument maisons declined 16%.

“Although sales for the six months under review are significantly below the prior year, we have rigorously controlled expenditure and slowed the production in order to limit the decline in profitability,” Richemont chairman and incoming interim CEO Johann Rupert said.

“Over the period under review, the rate of decline in sales through both retail and wholesale channels has slowed,” he said.

But he said the retail sales had been less affected by the crisis than the wholesale business.

Retail sales decreased 7% to à1bn. Richemont said store openings in growing markets such as China were negated by the closure of boutiques in markets where demand was weaker.

Wholesale sales decreased 20% during the six months to à1,3bn from à1,7bn. For the current six-month period the group said the weakening of the dollar remained a concern and that the currency trends would have a negative effect.

“Although we will continue to plan for difficult market conditions, Richemont is well prepared to reap the benefits of improved economic circumstances in the years ahead,” Rupert said.

Operating profit decreased 39% to à390m and diluted earnings per share from continuing operations declined 35% to à0,623 per share.

Head of research at Imara SP Reid Stephen Meintjes said although the group's results were down it still remained in good shape as costs were under control and inventories reduced.

“It's a robust and resilient company,” he said.

Source: Business Day

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