

## *Richemont: Luxury endures*

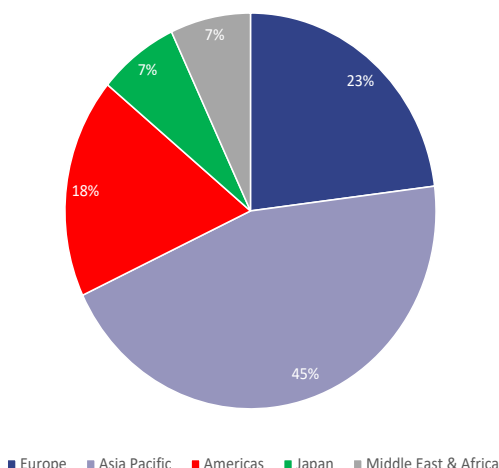
Having endured the past fifteen months of the global Covid-19 pandemic, one's gut reaction to the likes of luxury goods sales would probably have been one of pessimism and a sharp reduction in sales due to lockdowns of varying degrees, consumers inability to spend, and concerns over job/income security. We digest the full-year results for 2021 of global luxury goods company Richemont to see how they have managed during this period.



**Roy  
Lamb**

The company released results for the year ended March 2021 towards the end of May and all things considered for the environment that the company has been operating in over this time it is amazing how resilient the business has remained. There has been a slight shift in the mix of where the company has generated its sales and from the actual divisional split over the past twelve months but like its peer luxury goods companies Kering (includes brands such as Gucci, Saint Laurent, Bottega Veneta) and LVMH (brands include Dom Perignon, Moët & Chandon, Hennessy, Veuve Clicquot, Louis Vuitton, Christian Dior, Tiffany, Tag Heuer and Bulgari) the sector continues to impress.

### FY 2021 SALES BY REGION



*A very strong performance in mainland China contributed to 19% sales growth in Asia Pacific. This region grew sales by triple digits in the fourth quarter.*

### SPEED READ

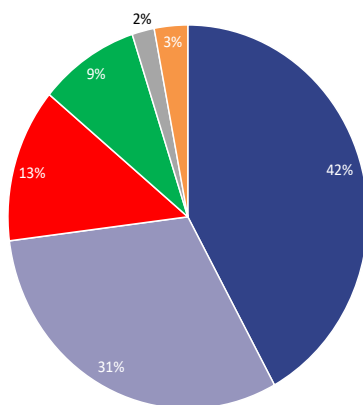
- The jewellery division was the standout - both for the full year (+10%) and the fourth quarter (+62%).
- The lack of global travel and especially from Asia to Europe saw a swing of fortunes for the respective regions - Asian sales grew by 22% whilst those in Europe fell by 30%.
- Richemont continues to demonstrate its foresight when deploying capital. They have restructured their watch division as well as further developing their online capabilities, both of which are having the desired effect

Unsurprisingly, the first half of its financial year was characterized by a sharp slowdown as the pandemic spread. However, as economies started to reopen, the rebound was just as aggressive with jewellery leading the charge from a divisional perspective and Asia from a geographic one. With Covid measures easing further in the second half of their financial year, the numbers improved considerably. Sales for the second six-month period grew by 12% with the final quarter of the year being the standout.

Actual fourth-quarter sales rose by 36% on a constant currency basis (when sales in other currencies are adjusted and converted back into Euros), which ultimately resulted in sales for the full year declining by a modest 5%. Bear in mind that sales for the first six months fell by 26%, thus a very impressive recovery.

The digital transformation of the company has been extraordinary - from a zero base not that long ago to one in which it has seen a triple-digit increase in the various divisions online retail sales in all their major markets. Overall online sales are now 21% of group sales. With

## FY 2021 SALES BY PRODUCT LINE



■ Jewellery ■ Watches ■ Clothing ■ Leather Goods ■ Writing Instruments ■ Other

*Double-digit growth for jewellery – their largest division - in Asia Pacific and Middle East & Africa resulted in an impressive improvement in the operating margin from 28% to 31%.*

brand names dating back to the year 1755 (that is not a typo, the brand is Vacheron Constantin) and a total of nine other brands formed in the 1800's (Purdey, Baume & Mercier, Jaeger LeCoultre, A.Lange & Sohne, Cartier, Panerai, IWC, Piaget and Dunhill), who says that old companies cannot adapt to changing times. If anything, it shows how resilient and timeless high-quality craftsmanship is, regardless of the platform through which the final product is sold. This growth in online adoption from customers helped to partially offset lower retail and wholesale sales. Japan and Europe saw their sales most affected by lack of travel and tourism, -30% and -21% respectively versus the prior year.

In terms of the outlook, the company highlights that volatility and low visibility are likely to prevail until some of the concerning Covid-19 developments in parts of the world subside. They also speak of continuing to transform the business of Richemont, with a focus on digital initiatives



*Richemont's Vacheron Constantin brand dates back to 1755 and has seen a world of change in its history.*

and building on strategic partnerships – of which they have proven to be masters over the past decades. Their most recent acquisition was Belgian leather goods manufacturer,

Delvaux. This is the oldest leather goods maker in the world with 50 stores globally, predominantly in Asia. Richemont will look to use its leverage from its online store presence and its distribution network to ramp up scale.

**“Their most recent acquisition was Belgian leather goods manufacturer, Delvaux”**

Today we should see the release of Richemont's Q1 2022 sales update which by all accounts will see a substantial increase from this time last year, potentially

showing growth of 100%. But it is all relative to that dire base from the 'unprecedented' quarter of 2021. Either way, demand for luxury does not look to be going away any time soon and the company continues looking for brands that will fit its growth and product mix. Being the only luxury goods counter available on the JSE, coupled with its solid rand hedge elements and management's good track record, we continue to hold and add to our portfolios when price opportunities arise.





Please note, due to the concerns over the 3rd wave of Covid, Harvard House has decided to cancel our Insight presentations until further notice.



[Harvard House is on Facebook](#)



[Harvard House is on YouTube](#)

**Topic:** n/a

### **Natal Midlands**

Date:	TBC
Venue:	Fernhill Hotel Midmar / Tweedie Road Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

### **Johannesburg**

Date:	TBC
Venue:	Rosebank Union Church, Cnr William Nichol and St Andrews Road, Hurlingham
Time:	7am for 7.30am

## **CONTACT DETAILS:**

For more information on the range of products and services offered by Harvard House Investment Management and its associated companies (including Harvard House, Chartered Accountants), or for any financial advice, please contact the Company at:

### **HARVARD HOUSE GROUP**



3 Harvard Street, Howick, 3290, South Africa



P.O. Box 235, Howick, 3290, South Africa



+27 (0) 33 330 2164



+27 (0) 33 330 2617



admin@hhgroup.co.za



www.hhgroup.co.za

The information contained in this newsletter comes from sources believed to be reliable, but Harvard House Investment Management (Pty) Ltd, Harvard House Financial Services Trust, Harvard House Insurance Brokers and Harvard House, Chartered Accountants (collectively known as the Harvard House Group), do not warrant its completeness or accuracy. Opinions, estimates and assumptions constitute our judgment as of the date hereof and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Any investor who wishes to invest with the Company should seek additional advice from an authorized representative of the firm. The Company accepts no liability whatsoever for any loss or damages whatsoever and howsoever incurred, or suffered, resulting, or arising, from the use of this newsletter. The contents of this newsletter does not constitute advice as contemplated in the Financial Advisory and Intermediary Services Act (FAIS) of 2002.

The Harvard House unit trusts are registered under the Boutique Collective Investments. Custodian: Standard Executors & Trustees: Tel (021) 007-1500. Collective Investments are generally medium to long term investments. The value of participating interests may go down as well as up and past performance is not necessarily a guide to the future. Collective Investments are traded at ruling prices and can engage in script lending. Forward pricing is used. Commission and incentives may be paid and if so, are included in the overall cost. This fund may be closed to new investors. Collective Investment prices are calculated on a Net Asset Value basis and auditor's fees, bank charges, trustee and RSC levies are levied against the portfolio. The portfolio manager may borrow up to 10% of portfolio NAV to bridge insufficient liquidity. Boutique Collective Investments (RF) Pty Ltd ("BCI") retains full legal responsibility for the third party named portfolio. Boutique Collective Investments is a member of ASISA and is an authorised Financial Services Provider. Should you have any further queries or complaints regarding the suite of units trusts offered by The Harvard House Group please contact: Boutique Collective Investments Call Centre, Tel: (021) 007-1500, Email: clientservices@bcis.co.za. For your information, the FAIS ombudsman provides an independent and objective advisory service. Should you not be satisfied with the outcome of a complaint handled by Boutique Collective Investments, please write to, The Ombudsman, PO Box 74571, Lynnwoodridge, 0040. Telephone (012) 470 9080/99. Fax (012) 348 3447. Email: info@faisombud.co.za

Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

Harvard House Investment Management (Pty) Ltd\*, Licence no: 675 Harvard House Insurance Brokers\*, License no. 44138

Harvard House Financial Services Trust\*, Licence no: 7758 \* Authorised financial service providers in terms of FAIS (2002)

Harvard House Investment Management (Pty) Ltd\*, Licence no: 675

Harvard House Financial Services Trust\*, Licence no: 7758

Harvard House Insurance Brokers\*, License no. 44138

\* Authorised financial service providers in terms of FAIS (2002)