Richemont posts lower earnings

Swiss based luxury goods group Richemont on Thursday, 14 May 2009, reported a 22% decline in diluted earnings per share from continuing operations of €1.337 for the year ended March 2009 from €1.710 a year ago

Sales increased by 2% to €5.418 billion. The group said good growth in the first six months was largely offset by lower sal in the second six months as a result of the worldwide economic slowdown.

Operating profit from the luxury goods businesses decreased by 12% to €982 million, whille net profit attributable to shareholders decreased by 31% to €1.075 billion.

The decrease in net profit reflects in part the restructuring effected during the year. Profit from continuing operations decreased by 23% to €751 million.

During the year, Richemont restructured its operations, effectively spinning out its non-luxury assets to a new investment vehicle, Reinet Investments.

The board has proposed an ordinary dividend for the year of CHF 0.30 per share. For a former Richemont unitholder who continued to hold the Richemont, BAT and Reinet shares after completion of the restructuring, this means a small increase dividend income over this very difficult year, it said.

The group said the overall 2% sales increase reflected 10% growth during the first six months of the year followed by a 5% sales decline during the second six months. The decline was primarily the result of the worldwide economic slowdown, with the United States in particular reporting very weak trading during the important pre-Christmas period.

"The first half of the year under review saw record results by our Maisons. Then came the banking sector problems last September. Since October the impact of this crisis has spread globally, with the United States, Europe and Japan particularly hard hit," said executive chairman Johann Rupert.

"Our businesses have suffered accordingly. Management prepared contingency plans for such an eventuality and we have been working to implement them for quite a while. The Group has thus managed to optimise free cash flow. This has been achieved through the strict control of operating costs and working capital together with focused cutbacks in capital spending," said Rupert.

"Our goal was to enter the foreseen economic downturn with a clean balance sheet and proper liquidity. We are pleased t report that this has largely been achieved," he said.

Rupert added that while the year has been marked by the restructuring project, Richemont has also invested in new businesses. It acquired the component manufacturing facilities of Geneva-based Roger Dubuis in 2007 and in August 200 bought 60% of its commercial and brand-related operations. He added that Richemont was also pleased to see the first fru of its joint venture collaboration with Polo Ralph Lauren at this year's Salon International de la Haute Horlogerie in January

The collection of luxury watches marks the first step in what will be a long-term business collaboration, leveraging both companies' strengths.

Rupert added that although the second half of the year was very challenging, it is worth noting that certain Maisons, includ Cartier, enjoyed a record year in terms of both sales and profits.

Looking ahead, Rupert said sales in the first month of the new financial year were 19% lower than April 2008. This significant reduction was not unexpected, given the very strong comparative figure and the state of the world economy tod compared to a year ago.

He added there are currently very few encouraging signs in the global economic picture. The US market is very weak and conditions in Japan have been poor for some time. Most European markets are unsettled and trading remains hesitant. Th Asia-Pacific region and the Middle East continue to report some positive sales trends.

"Given these conditions, we cannot predict when an overall improvement in trading will come about. Compared to the reco level of sales reported in the first six months of last year, trading conditions through to September 2009 will be very challenging indeed.

"Having prepared for the downturn, we now have the resources available to support our Maisons, our colleagues and our clients during the tough times ahead.

"We intend doing exactly that, and will emerge from these economic headwinds in a much stronger competitive position - however long it may take," he concluded.

Published courtesy of

I-Net Bridge