Luxury Daily®

The News and Intelligence You Need on Luxury

COMMERCE

Richemont H1 profits down 23pc

November 7, 2014

Watch by Richemont's Cartier

By STAFF REPORTS

Despite a sales growth of 2 percent in the six month period ending Sept. 30, Swiss luxury conglomerate Richemont's profits dropped 23 percent to around $1.126 billion.

Richemont attributed its decline in profit to "volatility" that affected both its clients and its retail partners around the world, including unfavorable trading conditions and currency movement. Excluded from this turmoil were the Americas and the Middle East, which both had double digit growth in sales.

Rough climate

Richemont's operating profit decreased by 4 percent to approximately $1.6 billion at the current exchange rate. The group's selling costs increased by 4 percent due to the expenditures for opening new boutiques and the rise in fixed rent prices.

Policies put in place hindered sales for the six month period in some regions. For instance, in Japan, consumers purchased most of their luxury items in March, and scaled back their spending from April through September due to a sales tax rise.

Van Cleef & Arpels boutique at Harrods

Jewelry performed particularly well, seeing a sales increase of 10 percent at current exchange rates. However, while overall interest was strong, the demand for Cartier's watches was low.

In a statement provided within the financial report, Richemont chairman Johann Rupert said, "The external environment remains difficult ahead of the holiday trading period. Taking a longer-term view, the strength of the Maisons, the quality of our products, the skills of our artisans and the financial strength of Richemont means we can look forward positively. We remain confident that demand for high quality products will continue to grow in the global market."