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RETAIL

Richemont sales up 6pc in 2016 despite "volatile" market

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Cartier's Drive de Cartier timepiece

By STAFF REPORTS

Favorable exchange rates helped conglomerate Richemont's sales grow 6 percent in fiscal year 2016, ended March 31.

If kept at constant exchange rates, Richemont's 11.076 billion in sales, or around $12.42 billion, actually represents a decline of 1 percent. While the group saw strong results in Europe, the Middle East, the Americas and Japan, the rest of the Asia Pacific region showed weaker performance, with sales down 4 percent.

Challenging times

Richemont saw double digit growth in the first half of 2016, with declining results as the year went on, driven by geopolitical issues and slowed tourism in Europe. Macau and Hong Kong proved difficult markets, offset by Mainland China's strength.

The group's net profit for the year was up 67 percent, largely due to the 639 million it gained in the merger between Yoox and Net-A-Porter.

Richemont has a 49 percent stake in Yoox Net-A-Porter Group

Richemont's watchmakers, including Cartier, struggled to obtain growth margins following the stronger Swiss franc, which raised manufacturing costs.

In general, Richemont's fashion brands had a tough trading year, but Chlo, Montblanc and Peter Millar managed to have strong sales growth.

Richemont does not predict a turnaround any time soon for the challenging market for luxury, in which all regions showed declining sales in April.

Until the market improves, the group is carefully allocating its funds while investing in its brands. The group also has plans to streamline its retail presence, particularly in China.

In a brand statement, Johann Rupert, chairman of Richemont, said, "We are confident in the long-term demand for high quality products.

"The Group remains committed to supporting its maisons to conceive, develop, manufacture and market products of beauty, individuality and the highest quality," he said. "These values are enduring and will see Richemont well positioned to benefit from an improved market in the years to come."

Richemont is not the only company to reveal strategic plans in the face of a challenging market.

British fashion label Burberry's revenues dipped 1 percent for the 2016 fiscal year, leading the public company to unveil a three-year plan aimed at improving profitability.

The brand's 2.5 billion pounds, or $3.655 billion, in revenue for the year was slightly behind 2015's figures, but the brand remains optimistic about the future. The label is establishing a three-year strategy that will cut costs by 100 million pounds, or about $146 million per year by 2019, enhance productivity and spur revenue growth (see story).