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JEWELRY

Richemont sees sales growth from Mainland China

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Cartier's Tank turns 100 this year. Image credit: Cartier

By STAFF REPORTS

Luxury conglomerate Richemont has adopted an "uncompromising" strategy against the grey market for classic watch designs, but the group still saw a rise in sales for the last fiscal year.

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Richemont saw a jump of 3 percent in sales at actual rates and 8 percent in constant currency rates in the fourth quarter ended on March 31. Despite this growth, the company has spent 203 million euros, or $238 million at current exchange, on buying back classic watches to protect them from being sold at discount prices and damaging the brand.

"Our approach to the grey market remains uncompromising," said the company in a statement. "Over the period, we implemented further inventory buy-backs and strengthened the approach to managing sell-in versus sell-out at our multi-brand retail partners.

"Our maisons grouped under other' have focused on strengthening their leather and clothing offers, with first time collections launched under new creative directors at both Chlo and dunhill."

Growth from China

The company's sales growth was pushed by double-digit growth in Mainland China, Hong Kong, Korea and Macau.

Excluding the money spent on buy-backs, its sales grew by 7 percent at constant rate, with significant support from jewelry and watch sales.

Richemont saw a total of 11 billion euros, or $13 billion at current exchange, in sales, with gross profit of 7 billion euro, or $8 billion.

Richemont's new brand, Baume; Image credit: Baume.

"An improvement in gross profit and tight cost control led to a 5 percent increase in operating profit," the company said. "Excluding the one-time items in this year and the prior year, operating profit for the year would have increased by 10 percent.

"Profit for the year was broadly in line with prior year," it said. "Cash flow from operations improved to 2,723 million euros.

"Following the acquisition of investment properties and a stake in travel retail specialist Dufry, net cash totaled 5.3 billion euros at 31 March 2018."

These important factors come into play during a significant time for Richemont, as Yoox Net-A-Porter Group will no longer be its own publicly traded company as Richemont takes over the rest of its shares.

YNAP shareholders have approved Richemont's bid to buy out the rest of the company's stock. The luxury giant now controls 94.9 percent of YNAP's shares, fulfilling the threshold for its public tender (see more).

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