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# Richemont warns of slow China rebound

May 26, 2022

*Richemont's negative projection of the Chinese market dampened investor confidence, lowering its shares by 13 percent. Should luxury be concerned? Image credit: Cartier*

By Wenzhuo Wu



Shaky investor confidence in Richemont has resulted in a 13 percent slide in shares as of May 25.

The Swiss luxury conglomerate showed less optimism in its China rebound than other players in the sector despite the group's strong performance for the fiscal year 2021.

Earlier this month, the owner of Cartier and Piaget announced a significant 46 percent increase in sales and more than a doubling of operating profit.

However, Richemont chairman Johann Rupert pointed out that the current global environment is the most unsettled it has been for many years, and anticipated that Chinese demand will not bounce back as quickly as expected, even when the country comes out of isolation.

As such, this key market may well cloud Richemont's outlook for 2022.

**The Jing Take:** The group's concern over China's recovery does not come out of nowhere nor is it alone in this thinking.

Compared to the year before, Richemont recorded double-digit growth in China for the year ending March 2021.

Yet, as per the company's statement, the recent localized COVID-19 lockdowns led to temporary boutique closures in March, which negatively impacted an otherwise strong quarter. As of the earnings call, about 40 percent of Richemont's stores in the market are still closed.

Although Shanghai has announced that local shopping malls will reopen with controlled offline traffic on June 1, it is still uncertain how many shoppers will be physically allowed to exit the government-imposed lockdown and access retail stores.

Given this, the digital sector continues to hold much sway on the mainland.

To tap these ecommerce opportunities, Richemont set sail with Farfetch in November, via an enhanced partnership to turn Yoox Net-A-Porter into "a neutral platform with no controlling shareholder." Before that venture, Net-A-Porter fastened its ties with local ecommerce dominator Alibaba.

Now, does the group's conservative forecast for China signal a troublesome future for luxury in the coming months?

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