

# Financial and operating highlights

## Group sales (€m)

2020	14 238
2019	13 989

## Operating profit (€m)

2020	1 518
2019	1 943

## Earnings per share, diluted basis (€)

2020	1.646
2019	4.927

## Dividend per share

2020	CHF 1.00
2019	CHF 2.00

## Sales by business area (% of Group)

2020	Jewellery Maisons 51%	Specialist Watchmakers 21%	Online Distributors 15%	Other 13%
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## Jewellery Maisons (€m)

2020	7 217
2019	7 083

## Specialist Watchmakers (€m)

2020	2 859
2019	2 980

## Online Distributors (€m)

2020	2 427
2019	2 105

## Other Businesses (€m)

2020	1 788
2019	1 881

- Trading and operations were strongly affected by Covid-19 in the fourth quarter
  - First priority continues to be protecting the health and well-being of our teams, clients, partners and communities
  - Fourth quarter sales declined by 18% at actual exchange rates, with sales in Asia Pacific down by 36%, including Hong Kong SAR, China, down by 67%; sales in Europe decreased by 9% while they rose by 9% in the Americas
- Group sales for the year increased by 2% at actual exchange rates to € 14 238 million and were stable at constant exchange rates
  - Growth was driven by Online Distributors and Jewellery Maisons
  - Good performances in the Americas, Europe and Japan more than offset a decline in Asia Pacific
- Operating profit for the year decreased by 22% to € 1 518 million and operating margin to 10.7%
- Profit for the year decreased to € 931 million, reflecting the non-recurrence of a post-tax non-cash gain of € 1 378 million on the revaluation of YNAP shares held prior to acquisition and net foreign exchange losses on monetary items
- Net cash position remained strong at € 2 395 million
- Proposed dividend of CHF 1.00 per 1 'A' share / 10 'B' shares; potential shareholder equity-based loyalty scheme being considered and to be announced in due course



## Chairman's review

Johann Rupert, Chairman

### The impact of Covid-19

The unprecedented effects of the Covid-19 pandemic in recent months has had a profound impact on the lives of millions around the globe. We must hope that it is a once in a lifetime event. Millions have lost their jobs or been put on government-supported schemes. Companies are facing unprecedented declines in their sales and some industries, such as airlines, will have to fundamentally restructure their business in the face of changes in demand; others will not be able to survive.

The luxury goods industry is in a privileged position. 'Hard luxury' products are not transient but rather embody centuries of heritage and craft skills. Cartier was established in 1847 and has survived two world wars; Vacheron Constantin began manufacturing watches in its current premises in Geneva in 1755. Our Maisons™ will survive these difficult times, supported by the strength of Richemont's balance sheet.

Writing today, there is very limited visibility as to what the year ahead holds. Countries are at different stages of the Covid-19 cycle. China was the first to succumb but has apparently returned to 'business as usual' remarkably quickly. Whilst Asia seems to be past the worst of the virus and Europe is showing some signs of recovery, the United States and many other countries are still suffering badly. Although there is good news of improved antibody testing, it seems that a vaccine against the virus itself may still be a long way off. Only once an effective vaccine is available to everyone – perhaps only next year at best – will we be able to say that the virus is beaten. The luxury industry is dependent on customers' willingness to spend – the so-called 'feel good factor' – and has benefited from increased international travel in recent years. There will be headwinds in the months ahead.

However, there are signs of improvement in terms of our business. Since our 462 boutiques in China have re-opened after the virus, we have seen strong demand. Equally, the steps we have taken in recent years to change the way we operate see the Maisons well positioned. Our approach has been to shift from a fixed cost basis of operating to a more flexible model. We see online marketing as a key element of that. Our joint venture with Alibaba in China and our initial online 'Pavilions' are introducing Cartier and the other Maisons to a new generation of shoppers. Having started to shop online, these internet shoppers also tend to become good customers

in our boutiques. In times when tourist traffic is impacted by concerns over the virus, internet shopping has proven to be a key avenue and will remain key to the growth of our business. These retail developments are complemented by much more efficient procurement and more flexible product development and manufacturing capacity in the Maisons. Our teams should be complimented for their achievements in these areas.

No-one can say when we will see economic activity normalise. Other economies will probably find it difficult to emulate China. We may be looking at 12, 24 or 36 months of grave economic consequences. Perhaps that is too pessimistic but who knows?

### Overview of results

Until the outbreak of Covid-19 in January, the Group recorded a good sales performance, bearing in mind protests in Hong Kong and France. In the fourth quarter of the financial year, however, almost all regions were impacted by the pandemic, with sales down by 18% at actual exchange rates, including a 67% sales decline in Hong Kong. For the year as a whole, good performances in the Americas, Europe and Japan more than offset a decline in Asia Pacific. The Jewellery Maisons and Online Distributors showed resilience. A notable acceleration of online sales partially mitigated a halt in tourism and store closures, all of which affected our retail and wholesale sales. Online sales reached 19% of Group sales at year end, compared to 16% a year ago, reflecting our continued focus on expanding our capabilities in an increasingly digital world.

Despite the challenging fourth quarter sales, the Jewellery Maisons grew modestly driven by positive retail sales and strong online sales. Iconic jewellery collections, particularly Juste un Clou de Cartier and Perlée at Van Cleef & Arpels, and the new Clash de Cartier collection drove increased jewellery sales. Performance was varied among the Specialist Watchmakers, with overall sales contracting by 4%, largely due to the impact of Covid-19 and the protests previously mentioned. However, Panerai with its new Submersible Carbotech and A. Lange & Söhne with the Lange 1 anniversary editions generated good growth. Online Distributors recorded double-digit sales progression despite temporary closures of distribution centres prompted by the Covid-19 outbreak. Our Maisons™ grouped under 'Other' posted lower sales notwithstanding good momentum at Peter Millar. Online sales grew strongly driven by Montblanc and Peter Millar.

Operating profit decreased by 22%, mainly due to the Covid-19 pandemic. Profit for the year declined by 67% to € 931 million, also reflecting the impact of the non-recurrence of a post-tax non-cash accounting gain of € 1 378 million on the revaluation of the YNAP shares held before the tender offer and net foreign exchange losses on monetary items. Due to our constant safeguarding of liquidity, our balance sheet remains healthy. At 31 March 2020, our gross cash position amounted to € 6 347 million and our net cash position was € 2 395 million.

We were delighted to welcome Buccellati and Alber Elbaz's AZfashion venture to the Richemont family. Buccellati's strong craftsmanship and distinctive design make it highly complementary to our existing jewellery Maisons and well-placed to benefit from the long-term potential of the branded jewellery market. Alber Elbaz's vision and talent will be of great value to our Group, and we are looking forward to this new partnership.

Richemont has always been committed to ethical and sustainable business practices. The year saw the launch of a new Group-wide strategy reflecting Richemont's continuing ambition to craft an ethical, inclusive, sustainable and profitable future. The strategy encompasses short, medium and long-term targets and embodies Richemont's 'Movement for Better Luxury'.

### **Dividend**

The Board has debated at length what Richemont's policy should be in respect of this year's dividend. Whilst the Group has a strong balance sheet and more than adequate cash resources, we feel it appropriate to be prudent and retain as much flexibility as possible at this time of limited visibility as to the prevailing economic situation. Equally, we must acknowledge the contribution of the Swiss authorities in supporting our colleagues during these difficult times when they have been temporarily laid off or put on to short-time working.

We propose therefore to pay a lower cash dividend of CHF 1.00 per 'A' share (and CHF 0.10 per 'B' share), subject to the approval of shareholders at the annual general meeting.

However, recognising the difficulty in predicting the likely scope for the recovery in demand and the timing of that recovery, we are looking at the potential to provide shareholders with some additional form of reward to compensate in part for the reduction in the cash dividend per share. Such a 'loyalty bonus' could potentially take the form of the distribution to shareholders of an instrument entitling them to acquire further shares on advantageous terms. Further work needs to be done in terms of the practical, legal and fiscal aspects of any such scheme; we would hope to make a further announcement in this respect in good time ahead of the annual general meeting.

### **Outlook**

We are experiencing unprecedented times with severe disruptions across the world simultaneously. The closures of our internal and external points of sales, changing attitudes towards consumption and subdued consumer sentiment will weigh on this year's results, even if, at the time of writing, we are gradually resuming operations as parts of the world emerge from lockdown. It is impossible to make meaningful predictions at this time.

We are more than ever committed to safeguarding our people, brand equity, assets and partners. Richemont is supported by professional, courageous teams and a strong balance sheet that will see us through these trying times. I would like to thank all of our colleagues for the fortitude, agility, creativity and resilience that they continue to demonstrate in the face of unparalleled uncertainty. Their dedication to crafting the future gives me confidence that we will withstand this crisis and emerge stronger.

The pandemic has meant that many of us have lost loved ones and millions have suffered the consequences of the virus and its related lockdown measures. It has been a global catastrophe beyond our imagination. In these difficult times, I send my best wishes to each of our colleagues, our clients, our business partners and our shareholders. Take care and stay well.

**Johann Rupert**  
**Chairman**

Compagnie Financière Richemont SA  
Geneva, 15 May 2020