

Looking Back: Richemont

Few companies have transformed themselves as successfully as Richemont. From its South African roots to becoming one of the world's leading hard-luxury groups, the Group has built a portfolio of some of the world's most recognised luxury brands, including Cartier, Van Cleef & Arpels and Jaeger-LeCoultre. Today, Richemont stands as one of the world's largest luxury groups, built on a foundation of craftsmanship, heritage and long-term thinking.

This article examines the strategic decisions that shaped Richemont's evolution, from disciplined acquisitions and long-term brand stewardship to the lessons learnt from expanding into online luxury retail. It also explores how the Group's increasingly jewellery-led business model has driven profitability, value creation and shareholder returns.



would later become Remgro, while grouping the international assets into a new company. Compagnie Financière Richemont SA was established in 1988 and listed on both the Swiss and Johannesburg stock exchanges under the leadership of Johann Rupert. Richemont was formed by combining its tobacco business with a growing portfolio of luxury assets, including Cartier and Alfred Dunhill.

Assembling a portfolio of iconic maisons

During the 1990s, the Group expanded its position in jewellery and watchmaking businesses through a series of acquisitions, adding brands such as Vacheron Constantin and Van Cleef & Arpels to its portfolio. Rather than integrating acquired businesses, Richemont allowed each maison to preserve its identity while benefiting from the Group's financial resources and global distribution network. A significant step in this transformation came in 1999, when Rothmans International merged with British American Tobacco.

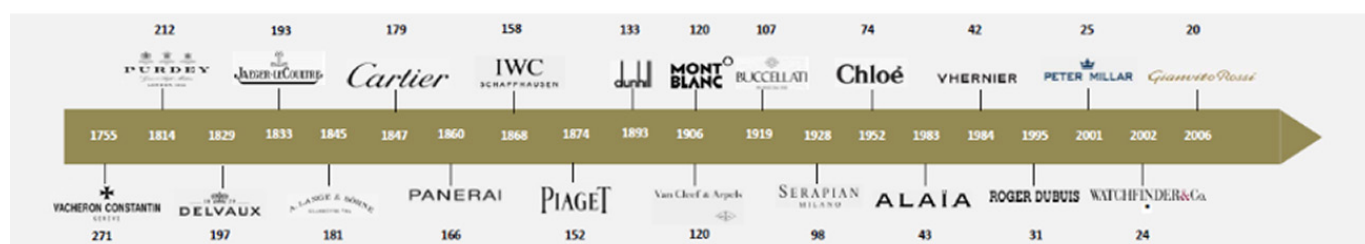
From tobacco roots to luxury ambition

Richemont's story began far from the world of luxury. In 1941, Johan Rupert's father, Anton Rupert, founded a small tobacco business in South Africa with a humble £10 investment and the support of two business partners. The company later grew into one of the world's largest tobacco businesses, expanding internationally through its relationship with Rothmans, a British cigarette manufacturer. The investment that would ultimately reshape the Group's future came in 1972,

when Anton Rupert joined a consortium that acquired Cartier Paris. After the consortium leader, Robert Hocq, died in 1979, Rupert increased his ownership and gained control of Cartier Monde, laying the foundation for Richemont's luxury empire.

By the mid-1980s, growing international sanctions against South Africa created uncertainty for businesses with global operations. The Rupert family then reorganised the business, separating the Group's international interests from its South African assets, which remained within what

FIGURE 1: HERITAGE OF RICHEMONT'S MAISONS



Source: Morgan Stanley Research

Richemont received a stake in the combined entity and operationally exited the tobacco industry. The shift toward luxury accelerated in 2000 with the acquisition of LMH, which brought prestigious watchmakers including Jaeger-LeCoultre, IWC Schaffhausen, and A. Lange & Söhne into the portfolio. By the early 2000s, Richemont had transitioned into a luxury Group built around maisons with exceptional heritage, craftsmanship and pricing power, laying the foundation for decades of growth.

Timeless craftsmanship and customer loyalty, a competitive advantage

As illustrated in Figure 1, core brands have histories stretching back more than a century, giving them established reputations for craftsmanship, exclusivity, and customer loyalty. These attributes remain an important competitive advantage and contribute significantly to the desirability and pricing power of the Group's brands. The Group's segments include jewellery maisons, specialist watchmakers and other businesses.

Over the past two decades, Richemont has become increasingly dominated by its Jewellery Maisons division, as shown in Figure 2A. Brands such as Cartier and Van Cleef & Arpels have become the Group's primary drivers of growth, profitability and value creation. The Jewellery Maisons' contribution increased from about half of Group sales in FY2007 to 74% in FY2026, highlighting jewellery's growing importance within the Group. Specialist Watchmakers, however, faced a more challenging operating environment as the global watch market slowed and demand in China weakened.

Richemont's evolution has been driven not only by changes in its product mix, but also by a significant shift in geographic exposure. As illustrated in Figure 2B, Asia-Pacific accounted for approximately

FIGURE 2A: EVOLUTION OF RICHEMONT'S REVENUE MIX (FY2007-FY2026)

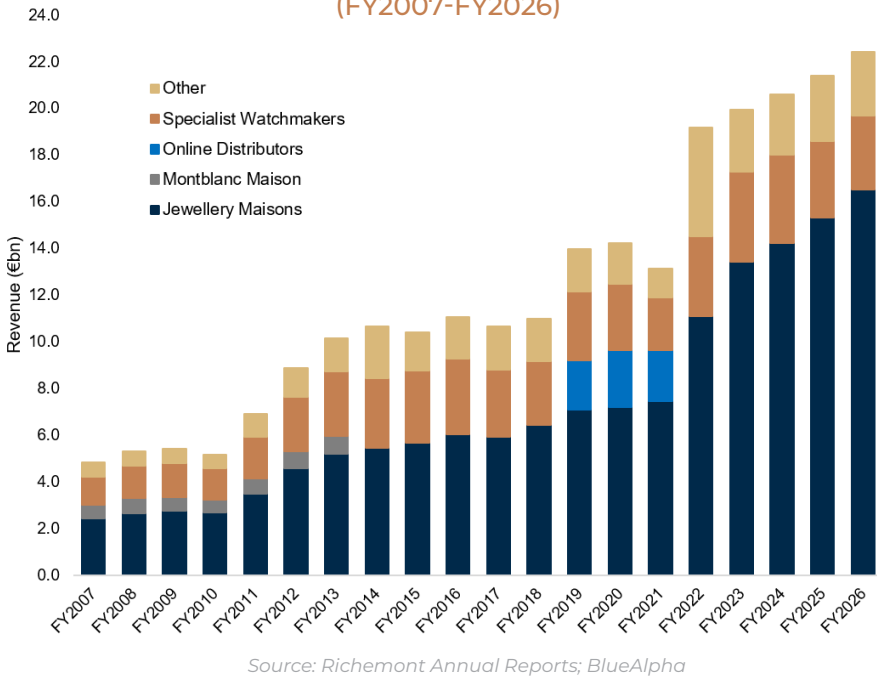
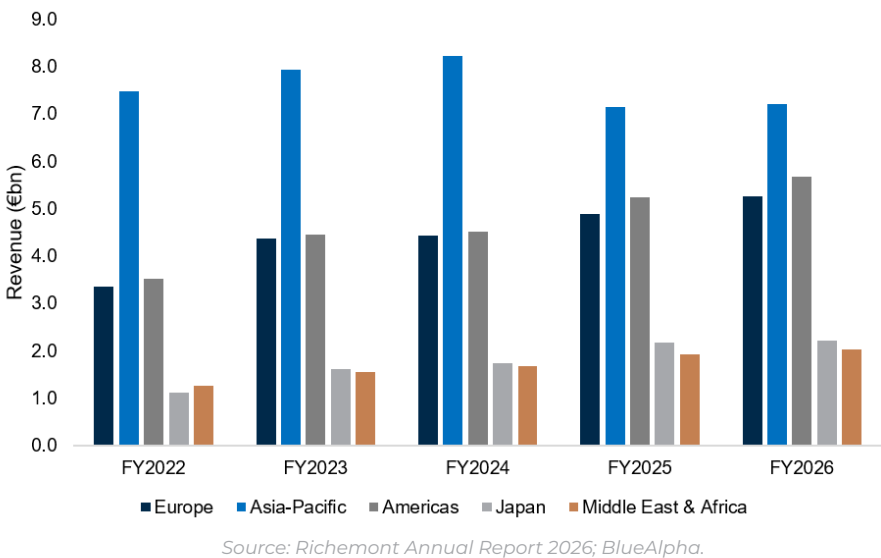


FIGURE 2B: REVENUE BY GEOGRAPHIC REGION



45% of Group sales in FY2022 but declined to around 32% by FY2026 as demand in China moderated. Meanwhile, the Americas rose from about 21% to 25% of sales, while revenue from Japan nearly doubled over the period.

From e-commerce ambition to strategic reset

Richemont's expansion into online luxury retail began with an invest-

ment in Net-a-Porter in 2002, and it later merged it with YOOX in 2015 to create YOOX Net-a-Porter (YNAP). The strategy aimed to position Richemont at the forefront of luxury e-commerce as more consumers shifted to online shopping. After the Group increased its ownership to more than 95% in 2018, Richemont soon learnt that luxury brands prioritised their own boutiques and online platforms to retain control

over pricing and customer relationships. Technology and logistics costs weighed on profitability, and YNAP struggled.

Richemont eventually completed the disposal of YNAP to MyTheresa in April 2025, following cumulative write-downs estimated at approximately €5 billion. Richemont subsequently received shares in the company, which was renamed Lux-Experience following the acquisition. The disposal of YNAP marked an important strategic reset by removing a lower-margin and structurally challenged online distribution business. As at FY2026, sales through directly operated boutiques represented approximately 71% of Group sales, while directly operated online retail contributed 6%. Wholesale and royalty income accounted for the remaining 23%.

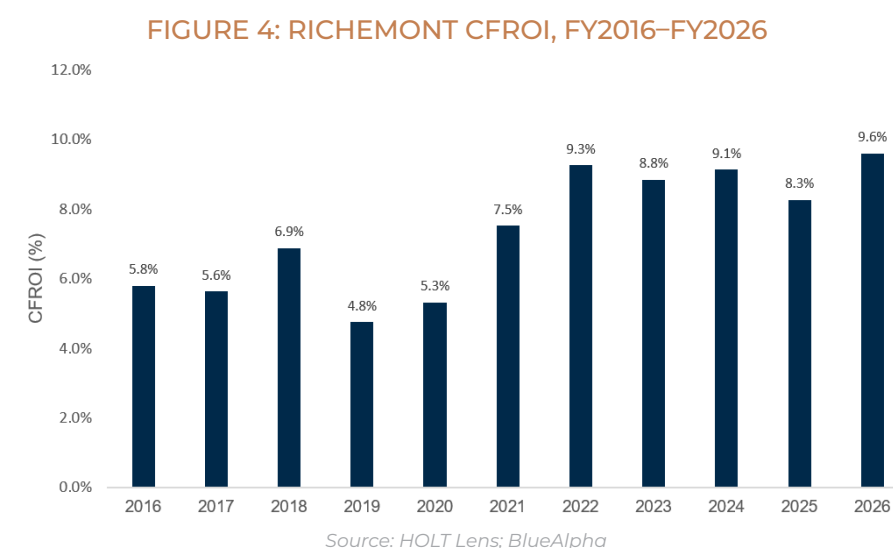
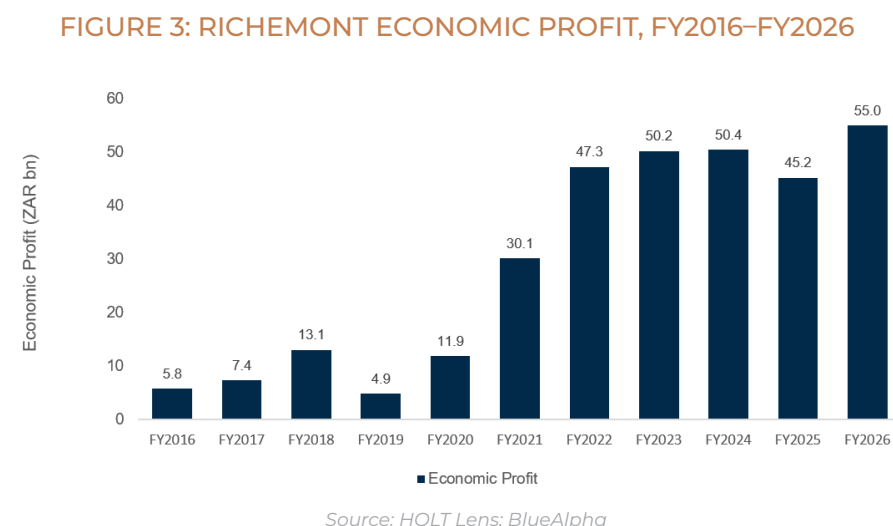
Strategic transformation to improving returns

Richemont's transformation into a jewellery-led luxury group has driven revenue growth and translated into substantial value creation, as shown by economic profit growth in Figure 3 below. The Group's ability to generate attractive cash returns has improved considerably over the past 5 years.

The improvement in CFROI (cash flow return on investment) reinforces the trend in economic profit. Richemont's CFROI increased from 5.8% in FY2016 to 9.6% in FY2026. The Group has generated improving cash returns on invested capital across its portfolio of maisons, demonstrating value created through disciplined acquisitions, brand development, and long-term stewardship.

Balance sheet strength to support long-term growth

Richemont's strong balance sheet provides the Group with significant financial flexibility. As at FY2026, net cash was €8.5 billion. This strong liquidity position gives management



the flexibility to continue investing in its maisons, manufacturing capacity and boutique network while navigating periods of weaker luxury demand. During FY2026, Richemont also repaid a €1.5 billion corporate bond. The repayment reduced cash and borrowings by equal amounts, so it had no impact on the Group's net cash position. Richemont's financial strength supports management's long-term approach to capital allocation. It allows the Group to continue investing in brand development, customer experience and directly operated distribution while retaining the ability to return capital to shareholders.

Richemont's journey illustrates how patient ownership, disciplined capital allocation and sustained investment in brand equity can create enduring shareholder value. While the YNAP experience highlighted the risks of moving beyond the Group's core capabilities, its subsequent strategic reset has sharpened the focus on jewellery, directly operated distribution and customer relationships. Supported by the pricing power of its leading maisons and a strong net cash position, Richemont has improved both economic profit and CFROI through the luxury cycle and compounded attractive cash returns over time.