

# RICHMONT

## Q3-24 Trading Update

18 January 2024

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- Sophie Cagnard, Group Corporate Communications and Investor Relations Director

## Presentation

Sophie Cagnard: Good morning, good afternoon everyone. I am Sophie Cagnard, Director of Corporate Communications and Investor Relations, and with me are Burkhart Grund, Richemont Chief Finance Officer, and James Fraser, Investor Relations Executive. Thank you for joining Richemont's audio webcast to review our third quarter sales ended 31 December 2023. Burkhart will take you through a few slides on our third quarter sales, which can be downloaded from [richemont.com](https://richemont.com) together with the trading update. Thereafter, Burkhart and I will be happy to take your questions about our sales performance.

Before we begin, please take note of our disclaimer regarding forward-looking statements in our trading update and on slide 2 of our presentation. Burkhart, over to you.

Burkhart Grund: Thank you Sophie, and a warm welcome to all participants. Looking at the highlights slide for the period, our third quarter sales grew by 8% year on year at constant exchange rates. This is a faster rate of growth than in the second quarter, partly a matter of comparatives amid a continued uncertain macroeconomic and geopolitical environment. At actual rates, the rate of sales growth moderated to 4% given continued unfavourable foreign exchange movements, nonetheless of a lesser impact than during the first half of our financial year. Third quarter sales reached €5.6 billion, our highest quarterly sales ever.

At constant exchange rates, Richemont recorded growth in almost all regions, business areas and channels during the third quarter. Japan generated the sharpest regional growth rate, while Asia Pacific and the Americas contributed the most in value terms to the sales increase.

Retail and the Jewellery Maisons led their respective channel and business areas' performance, with double-digit increases.

Richemont's ESG roadmap continued to be actioned during the quarter with a number of deliverables achieved, which I will detail later.

And finally, last month, we announced the termination of the agreements between Richemont, Farfetch and Symphony Global. Again, more on that later.

Let me now briefly review the Group sales performance at constant exchange rates: first by region and clientele, then by distribution channel and finally by business area.

Sales grew in all regions except for Europe. In Asia Pacific, sales increased by 13%, partly benefitting from favourable comparatives. The strong 25% sales growth in 'Mainland China, Hong Kong and Macau' combined more than offset soft performance in several other Asian markets. Momentum accelerated sequentially in the Americas. There, the 8% sales increase was driven by strength at the Jewellery Maisons, up double-digit, and higher sales at our F&A Maisons. The US market benefitted from a higher share of domestic purchases and reduced spending overseas, notably in Europe.

As a result of lower tourist purchases from clients based in the US - as just mentioned - but also the Middle East, Europe registered a 3% decline in sales compared to the prior-year period, notwithstanding a modest increase in spending from the Chinese clientele and higher domestic sales. Sales were also partly impacted by the selective termination of a number of wholesale relationships.

The 18% sales increase in Japan was due to stronger tourist spending, mainly from Chinese clients, and some growth in local demand.

Middle East & Africa's robust 10% sales growth was supported by the marked performance of our Jewellery Maisons, reflecting a robust domestic and tourist demand in the UAE and Saudi Arabia.

Let us now turn to sales by clientele, which is based on the sales in the directly-operated stores of most of our Maisons. This will give you an indication of the magnitude of sales growth for the Group as a whole.

Starting with the Chinese clientele, sales for the quarter grew sharply, by around 42%, driven by increases locally and abroad. For the nine-month period, the one-year growth was around 47% over the prior-year period, and around 19% and 45% on a two- and four-year comparison basis. The four-year CAGR for the 9-month period was +10%, similar to the first half of this year.

Sales to the Northern American clientele accelerated from the first and second quarter – both at 3% – to +7% on the strength of local demand as spend abroad continued to decline, and a relatively easier comparative base. For the nine-month period, sales grew by around 5%. On a two-year and four-year stack, growth was significant at +29% and +132%. The four-year CAGR remained the strongest amongst all clienteles, at +23%.

Demand from the European clientele continued to show resilience, albeit sales growth eased to around +6% during the quarter under review, and with the overwhelming majority of spend remaining domestic. For the nine-month period, sales grew by around 8%, and by a strong 38% and 116% on a two- and four-year comparison basis. The four-year CAGR remained robust at +21%, almost the same level as for the American clientele.

Let us now turn to sales by distribution channel. Retail sales, up 11%, drove overall Group sales, sustained by growth in all business areas, including double-digit growth at both the Jewellery Maisons and the Specialist Watchmakers. Retail sales were particularly noteworthy in the US as well as in mainland China, Hong Kong and Macau combined. As a result of the retail channel's outperformance and the continued 'retailisation' of the Specialist Watchmakers, retail sales accounted for 71% of Group sales for the quarter, a 200 basis-point improvement over a year ago.

Online retail sales, comprising the Group's online sales directly generated by the Group's Maisons and Watchfinder, declined by 5%. The Jewellery and F&A Maisons showed relative resilience with notable growth at Buccellati, Alaïa, and Peter Millar. Online retail accounted for 6% of Group sales.

Finally, wholesale sales, which include sales to mono-brand franchise partners and third-party multi-brand retail partners, sales to agents and royalty income. Wholesale sales rose by 4% compared to the prior-year period as growth at the Jewellery Maisons more than offset softness in the two other business areas, partly impacted by the selective termination of wholesale relationships, as previously mentioned. Wholesale sales represented 23% of Group sales, slightly less than a year ago.

Let me now review our three business areas, most of which posted higher sales. The Jewellery Maisons led the Group's sales growth, with sales increasing by 12%. Sales rose by double digits in almost all regions, most notably in Asia Pacific and Japan. Sales benefitted from openings including the Mix C Mall in Hangzhou China for Buccellati, Ho Chi Min City in Vietnam for Van Cleef & Arpels and Cartier in Soho, New York. Both jewellery and watch sales grew strongly. In jewellery, let me mention *Trinity* and *Grain de café* at Cartier, *Le Grand Tour* and *Fauna* at Van Cleef & Arpels and *Opera Tulle* and *Ramage* at Buccellati.

Specialist Watchmakers sales increased by 3%, with notable performance from the retail channel, mitigating lower sales in the other channels and affirming the relevance of the ongoing 'retailisation' of our watch Maisons. Openings included Vacheron Constantin in Munich, a new "Casa Panerai" in Milan and the first directly owned store for A. Lange & Söhne in Paris on rue de la Paix. Overall, the quarter was driven by double-digit growth at Vacheron Constantin and A. Lange & Söhne.

Let us move to the 'Other' business area, which primarily includes the Group's Fashion and Accessories Maisons in addition to Watchfinder, as well as the Group's unbranded watch component manufacturing and real estate activities. Sales slightly contracted compared to the same period a year ago as lower wholesale and online retail sales were almost offset by the mid-single digit growth in retail sales, reflecting growth at a number of F&A Maisons including Alaïa, Delvaux, dunhill and Peter Millar. During the quarter, we announced

the arrival of a new CEO for Chloé, previously in charge of dunhill, to lead Chloé during a period of creative renewal.

Let us now move to our Luxury New Retail vision or 'LNR'. On 18 December, we informed the market that the arrangements with FARFETCH underpinning the transactions announced in August 2022 could not complete. Therefore, Richemont, FARFETCH and Symphony Global, an investment vehicle of Mr. Alabbar, terminated the agreements for the sale of a majority stake in YNAP to FARFETCH and Symphony Global; the adoption of FARFETCH Platform Solutions by most Richemont Maisons and YNAP as well as the opening of e-concessions on the FARFETCH marketplace by several Richemont Maisons.

We also warned that the convertible senior notes issued by Farfetch Limited are not expected to be repaid, hence the carrying amount of €220 million - as reported in the Interim report - has been written off to nil.

Having parted ways with FARFETCH free of any financial commitments, our Maisons and YNAP continue to operate on their own platforms and technology, while we are reviewing the strategic options aimed at finding a new controlling shareholder for YNAP that can best harness its strengths and potential. YNAP thus remains an 'asset held for sale'.

As to our Maisons, we are considering alternatives to pursue the realisation of our LNR vision. The work on the re-platforming planning and solution design we have carried out to-date will be of great value to reach that objective.

Let me now share an update on our ESG progress. Respecting human rights is embedded in Richemont's culture and is one of our most material topics. At the end of calendar year 2023, we formalised our Human Rights Statement, which was approved by the Governance and Sustainability Committee of the Board. This document reflects our commitment to respect the human rights of our stakeholders, including our employees, clients, investors, partners, suppliers and other people impacted by our value chain.

Furthermore, we completed our first ESG Risks and Opportunities Assessment to prepare for the rapidly evolving regulatory environment. We have taken a bespoke approach to identify, assess and report our ESG risks and opportunities, allowing us to reinforce our institutional knowledge and integrate ESG into all our business processes.

And finally, committed to acting on biodiversity, notably SDGs 14 & 15, life below water and life on land, we delivered a high-level biodiversity training to the Governance and Sustainability Committee of the Board. This focused on upskilling members to better understand the interdependencies between nature and business, as well as the biodiversity impacts arising from our value chain.

This concludes our third quarter trading review.

Sophie Cagnard: Thank you, Burkhardt. Before we open the line to the sell-side analysts for questions, let me add that we kindly ask you to limit your questions to the trading environment. Burkhardt will not comment on other financials. Thank you for your understanding. Alice, please open the lines to questions.

## Q&A

Moderator: Our first question comes from the line of Zuzanna Pusz, with UBS, please go ahead.

Sophie Cagnard: Good morning, Zuzanna.

Burkhart Grund: Morning, Zuzanna.

Zuzanna Pusz: Morning, thank you for taking my questions, I will stick to two. So, first of all, would you be able to maybe comment on the performance of Jewellery Maisons by, I don't know, price point or if you could tell us how high jewellery was doing? The reason why I'm asking is because it's interesting to see that Jewellery Maisons did much better than the retail channel, so I just want to make sure that, you know, there wasn't maybe anything, some, I don't know, wholesale restocking or anything that could have helped. I just imagine there was probably a big difference between watches and Jewellery Maisons for retail channels, so that's why I'm asking. Secondly, it's probably a slightly annoying question, so I apologise in advance, but any chance you could tell us maybe a little bit about Q4, cadence of-, sorry, Q3, now I know you don't comment on month but just to get an idea, if you've seen some acceleration towards the end of the quarter or was it more or less consistent, you know, throughout the quarter? So, these are my two questions, thank you.

Burkhart Grund: Yes, Zuzanna, and I have a question for you but I'll ask that at the end of my answer. First of all, the, yes, price points and, you know, difference between channel, just a walk-back on that, basically, for the Jewellery Maisons, which are about 83% own retail, the overwhelming part of the wholesale business that we do or the business we do through the wholesale channel is with mono-brand franchise stores, right? So, basically, there, you should expect similar patterns, in terms of spread across the collections, probably with a slightly lower impact of high jewellery, which tends to be more done through our own networks or through our own events, right? Then there is a last element, which is more for Cartier, where they have part of their watch business through wholesale, including multi-brand wholesale. Now, that being said I think you're asking for different price points, aspirational customer and less aspirational customer, that is less relevant for us. Our price points tend to be much higher and don't really take the aspirational customer as an outlier, that's what we've seen, for example, on the fashion side of the business. That being said, if you compare the performance, let's say retail versus wholesale and you look at jewellery, high jewellery and watches, I would say we have pretty similar double digit growth rates for the jewellery offer, so north of 10% growth, whereas high jewellery, against much stronger comps, has grown in the high single digits, so slightly below but the comps were quite high, and you know that business is more cyclical.

Second question, and actually, I think you're asking for the exit rates, right? In general, exit rates have been higher across all the business areas than, let's say, the entry rates into the quarter. We've seen sequential acceleration throughout the quarter, with the strongest month being the month of December. The exit rates are somewhere between three and five points higher than the quarter average that we just published, right?

Zuzanna Pusz: Okay, thank you.

Burkhart Grund: So, one question I had for you, I heard you were unhappy about not getting those Alhambra earrings for Christmas because there was no stock available.

Zuzanna Pusz: I was unhappy as a consumer but I was happy as an analyst to hear it was out of stock so it's a, you know-.

Burkhart Grund: Next time you have that problem, ask us, we might be able to help.

Zuzanna Pusz: I certainly will do. Well, James told me I should have asked Santa earlier, so I will make sure, this year, I won't make that mistake.

Burkhart Grund: But when you ask us, you have to be ready to upgrade.

Zuzanna Pusz: Well, there was nothing. Last year, I upgraded but this year, there was literally nothing in stock but as I said-,

Burkhart Grund: I know, that's a problem, working on it.

Sophie Cagnard: Thank you, Zuzanna, let's move to the next question, please.

Moderator: The next question comes from the line of Luca Solca with Bernstein, please go ahead.

Sophie Cagnard: Hello, Luca, good morning.

Luca Solca: Yes, good morning, Sophie, good morning, Burkhart.

Burkhart Grund: Morning, Luca.

Luca Solca: I just wonder, just to confirm what you just said about high jewellery, I think that there was a concern in the market that the appetite for design jewellery, so anything costing less than \$20 000 or so, could be waning because of the middle class being under pressure, just to confirm, this is not what you're seeing. You're actually seeing that design jewellery is growing at a higher rate than high jewellery.

Burkhart Grund: Yes, in the quarter, Luca, in the quarter, so let's not read anything more than that into a quarterly performance of high jewellery, right?

Luca Solca: Okay. No.

Sophie Cagnard: Yes, because it was linked to last year's launches in high jewellery.

Burkhart Grund: Yes, but I confirm what you said on the first part, yes.

Luca Solca: Fair enough, fair enough, it's a quarter, so we don't necessarily want to extrapolate, but it is, nevertheless, reassuring as far as consumer appetite for all of your products, not just the high end. Maybe if you could expand a bit more, how the increased exposure in retail is working for the Specialist Watchmakers, which levels you have reached at this point. I remember that you used to be breaking down the portion pertaining to mono-brand stores but also the portion pertaining to franchised stores in this respect and how you see the progress of this continuing retailisation going forward, knowing that we've seen some high-profile transactions, including the Bucherer acquisition by Rolex. Thank you very much indeed.

Burkhart Grund: Yes, I mean, okay, once again, Luca, we're at the quarter here. Usually, what we do is on a yearly basis, we break it down, or on a half-yearly. You know, for the half-year, we said that the retail share on the Specialist Watchmakers was at 56%, so that has slightly progressed since. We're below 60% but that has progressed, you know, in the last three months. The performance, you know, if we look at the overall growth for the Specialist Watchmakers for the quarter was at 3%, as we said, with a few different realities per channel behind that, right? There, we had a mid-teens expansion of retail or growth of the retail channel, mid-teens for the Specialist Watchmakers. Now obviously part of that is linked to internalisation and further retailisation, the like-for-like growth for the retail channel, that is what we, you know, really focus on because it shows the true customer demand, and the desirability was high single digits for the Specialist Watchmakers. So, you know, overall, quite a strong confirmation of the desirability of the brands and the products, whereas the wholesale channel in part suffered from this further internalisation which you've seen was negative. So, that leaves us somewhere in the area of 40+% with the franchise stores and the multi-brand wholesalers, you know, the rest of the distribution, and you can assume probably a 50/50 split for those 42% there, but this is surely pretty much continuing or showing the same structure of the numbers that we've shown at the half-year.

Luca Solca: Thank you very much indeed, Burkhart.

Sophie Cagnard: Thank you, moving to the next question please.

Moderator: The next question comes from the line of Thomas Chauvet with Citi, please go ahead.

Sophie Cagnard: Good morning, Thomas.

Thomas Chauvet: Good morning, Thomas Chauvet from Citi, I have two questions please. The first one, just trying to reconcile the wholesale performance, so you did plus-four for the group, with the wholesale of Specialist Watchmakers down double digit and fashion brands also down. So, was the difference all driven by Cartier watches being particularly strong or is it just your Jewellery Maison franchise stores. And with wholesale, can you discuss the level of watches inventories in your own books for the Group at the end of December and how your third-party dealers you think look? Secondly, on the exit rate, December and January, did that three weeks later timing of Chinese New Year, so 10th February this year, end of January last year, did it have an impact on wholesale and on Asia, ex Japan, in the period, so that you have perhaps a stronger start to January in greater China than anticipated? The December exit rate is already very strong, so is January, with Chinese New Year timing, helping also, thank you.

Burkhart Grund: Yes, morning, Thomas, first of all. Let me start with the wholesale. It's not a question of Cartier watches only, even though that helps, you know, the wholesale performance coming out of the Jewellery Maisons, but as I said before, we have significant business for Van Cleef exclusively with mono-brand franchise stores and for Cartier mono-brand franchise stores, plus for the full offer. That's for Van Cleef plus Cartier watches, which are sold through multi-brand retailers, and obviously well, yes, other accessories, such as perfume are also sold through the wholesale channel at Cartier. Now, the Cartier watch performance has definitely helped but it is not exclusively linked to that. It is more, I'd say, the general sell-out and then the resulting sell-in across the jewellery and watch spectrum for basically all three of our Maisons. I'm not going to dwell on, let's say, silver business at Buccellati, which is primarily sold through wholesale, but that has worked as well. So, it's more a more broad-based performance across wholesale at the Jewellery Maisons. The Fashion & Accessories Maisons regionally, in some regions, have performed quite well, notably the US as well, due to Peter Millar but in general, it's been slightly negative on the F&A side. Inventory, our watch inventory, or let's say watch and jewellery inventory, on our own books is, in general, coming down, which is part of the regular annual cycle that we have. Remember, we built inventory in the first half of the year, in the run-up to the high-selling season and then starting basically in November, the inventory comes down, it comes down strongly in December after strong months like this and then, kind of, normalises towards to the end of the year.

Nothing to report on that, on the inventory on our books. We are fine. We are short, as, you know, Zuzanna experienced, on some jewellery lines and on some high-end watch lines, it's still the case. And as to inventory in the trade, we are still in the same, I'd say, good, stable, controlled position we've been over the last, let's say, three, four years, so across the entire cycle. We're still pretty much at sell-in, sell-out at 100% or slightly above for the watchmakers, so pretty much at ease with that. Lastly-,

Sophie Cagnard: It was exit rates.

Burkhart Grund: Yes, it was. Well, exit rates, well, it was about the wholesale business linked to mainland China, to Chinese New Year. I'd say marginal impact but nothing to write home about. We will see and we will probably have to discuss this in May, when we update of how the quarter has gone. Remember, we've had, in January, Chinese New Year, a bit impact of Chinese New Year last year, this will happen now in February, and we've had the strong reopening effect in mainland China happening at the same time, meaning starting in the second half of January. So, we go into this quarter with some degree of confidence but we are aware of the very strong comparables that are stacked up against us.

Thomas Chauvet: Thank you, Burkhart.

Sophie Cagnard: Thank you, Thomas, let's move on to the next question, please.

Burkhart Grund: Thanks, Thomas.

Moderator: The next question comes from the line of Antoine Belge with BNP Paribas Exane, please go ahead.

Sophie Cagnard: Hi, Antoine.

Antoine Belge: Yes, good morning, it's Antoine from BNP.

Burkhart Grund: Morning, Antoine.

Antoine Belge: Yes, hello. I think the US was a pleasant surprise, so re-accelerating. I mean, you noted, with the shift towards more local demand that all metrics accelerated, so if you could comment a bit on that and also if here also you saw a better exit rate. And my second question relates actually to the Chinese cluster. I mean, it marginally decelerated but still was quite healthy. So, here also if you could maybe comment a bit about the mood of the consumer and what sorts of products are doing well. Thank you very much.

Burkhart Grund: Yes, with the last question, I'm a bit hard-pressed to break that down, you know, on a product side by region.

Sophie Cagnard: So, on the US maybe first?

Burkhart Grund: Yes, on the US, now we've had quite a strong business in the US, but let me probably just give you a bit more background, right. You know, and in the US, it was driven by the Jewellery Maisons, to a lesser extent, by the F&A Maisons, which were expanding at low single digit in the US, and the Specialist Watchmakers were down at low single digits, so, you know, neutralising this impact. So, the story was really about the Jewellery Maisons in the US. Same thing here as we've seen in general across the quarter, we've seen a sequential acceleration, not only quarter-after-quarter in the US. So, you know, as I said, the American client or consumer is plus-three, plus-three for the first two quarters and then picked up this quarter to about plus-seven. For the Jewellery Maisons, it has been something comparable. In the quarter, we've had a sequential acceleration, step-by-step, and we have shown a double digit expansion for the Jewellery Maisons in the Americas. This one was pretty broad-based, especially when we look at the Christmas business or the festive season business across the Maisons in the Americas pretty much, and this is Christmas, right, so we usually have more the iconic, highly-identifiable, highly-desirable product lines in watches and jewellery, you know, that are in high demand, and that has pretty much worked across the spectrum.

The high jewellery business is important but it adds to a Christmas business, it's not where we have the highest level of activity. Yes, we do have, for the festive season, you know, high jewellery deals that are then delivered in December but remember the big events we do, usually when we launch the collections, early summer, in June usually, right? So, pretty much across the spectrum, and interesting to note that the Jewellery Maisons have all expanded double digit in almost all regions, with the exception of Europe, where the business has been flat, which I take as an achievement given the fact that a lot of the American customers have repatriated their spend from Europe into the US. Once again, in the US today, the consumer is quite healthy but the split of where that business with the American customer is taking place has changed quite massively throughout the year. I think I spoke about it already at the half-year, the first quarter saw strong growth with American customers in Europe whereas the second and the third has seen the American consumer pulling back spend out of Europe, double digit down, somewhere between 18% and 20% less spend in Europe, which has entirely been repatriated into the Americas.

This obviously benefits the sales in the region but what we also focus on is the spend with the American clientele and there we can see that there has been, and probably that goes in line with the economic news



we have or the stock market performance in the US, we've had some enhanced feel-good factor in the US that has definitely helped. You know, exit rates in the US, not just for Jewellery Maisons but in general, have been similar to the quarterly performance, so high single digit.

Sophie Cagnard: And maybe, Burkhardt, just on the mood of the Chinese clientele, without going into details of product lines?

Burkhardt Grund: Yes, I mean, the mood of the Chinese clientele, we're not doing psychology 101 here, right, and I think we've, you know, spoken at length about it already throughout the year. There are macroeconomic problems, let's say, in China. We know about the real estate market, and the real estate market, once again, has gone lower in China, so that's not helpful and we know that this will take years instead of months or quarters to figure out. That is, sadly the nature of real estate challenges or crises. But in general, you know, we've seen, against weaker comps, a strong performance, 42%. I'm not going to go into all the details but mainland China was double digit positive. Hong Kong and Macau, so this nearer broad cluster, has grown throughout the quarter, depending on the month, somewhere between 60% and 80%, and between 80% and 100% for Macau. So, that rebuild is still pretty much intact overall, you know, mainland China or let's say this greater China area, 25% up, and the Chinese cluster or the clientele up by over 40%. Business has or is still continuing to rebuild in Japan, about mid-teens now of Japanese business is with Chinese, that compares to north of 30% pre-Covid. So, I would say the rebuild is probably halfway done. It still pretty much is in-sync with what we said at the beginning of the year, that it'll probably take two years to rebuild because, in Europe or in the Middle East, we only see let's say still more individual customers, no tour groups yet. Chinese business in Europe is somewhere between 5% and 6%, depending on the month.

So, they're there but they're not there in the massive numbers that we've seen pre-Covid, and like we said, that also coincides with some of the data we see out of China, that the first wave after the reopening has clearly seen that domestic tourism, and that includes Hong Kong and Macau, was the preferred route. In December or by the end of the calendar year, we've seen, looking at the statistics, that domestic travel is back to 91% of pre-Covid levels, so that probably has almost run its course. Hong Kong and Macau is still below pre-Covid, and outside of China or outside of mainland China, that is still rebuilding, as I just said.

Sophie Cagnard: Thank you, Burkhardt.

Antoine Belge: Many thanks, super helpful, thank you.

Burkhardt Grund: You're welcome, thanks.

Sophie Cagnard: Thank you, merci, Antoine. Let's move to the next question, please.

Moderator: The next question comes from the line of Louise Singlehurst with Goldman Sachs, please go ahead.

Sophie Cagnard: Good morning, Louise.

Burkhardt Grund: Good morning, Louise.

Louise Singlehurst: Hi, good morning, Burkhardt and Sophie, thanks for taking my questions, and actually we've had a lot of information, so I'll keep brief. I wonder, Burkhardt, if you can just talk about the overall regional aspects. I think, back in November, there was the phrase of, like, a soft landing in the broader discussion but when we think about the business today, you've highlighted the exit rates being a little bit more favourable during the period. But if we look at region-by-region, the US, you talk about the resilient economy and you've given us some colour on that. Europe, I wondered if you could just give us a little bit of flavour. We've obviously had a lower profit, a lower announcement from Watches of Switzerland this morning relating to weakness in the UK. So, I don't know if there's anything within Europe that you're seeing specifically. And

then for Asia, thank you for the commentary so far but I wondered if you could just touch on the mood across the retail partners, just obviously ahead of the Chinese New Year. Thank you.

Burkhart Grund: Yes, Louise, let me try to give you a bit more granularity on how the markets have performed in Europe and also in Asia. It gives you a bit more granularity because there are a lot of moving pieces here. We published one number for Asia, 13%, right, growth for the quarter but there are a lot of moving parts behind it. Starting with Europe, now, we were positively surprised, I would say, about the resilience of the European consumer because if you look around, in some of the major economies, obviously, it's pretty dire sometimes, what you see. You live in the UK, so I think the general environment and optimism, going into '24, is not so big, Germany in recession. So, we still see the same context, right, that until the ECB starts to lower rates, which is pushed out now, that we're probably going to go up and down, one month to the other, with a bit of whip-sawing in the first half of the calendar year, probably in our first half of our next fiscal year. We see this really in the markets, Europe, throughout the quarter, and we see that market-by-market but we see that also when we look at the like-for-like performance. Europe, entering the quarter, probably saw the low point on both counts in October, has rebuilt in November and actually has, in most markets, turned into positive terrain, meaning back to growth, a.k.a. exit rates, in most of the major markets in Europe has turned positive.

So, throughout the quarter a sequential acceleration. I'd say France and Germany are, if I look at exit rates, slightly below last year whereas we see renewed growth in the UK, Switzerland, Italy to name but those, more important markets. It has pretty much been the same pattern, dropping from September, October, a low point in October and then rebuilt. Now I think this is a pattern that we'll probably, as I said, see for the next six months, nine months but overall, it has been against a backdrop of a quite strong European consumer expansion. If you look at the quarters, we were 8% in the first quarter, 10% expansion in the second quarter, and then in the third quarter, we went from 10% to about 6% expansion for the consumer. That is still, I think, quite a healthy expansion given the economic backdrop. We'll have to monitor how that plays out, but I do see volatility, both in the monthly numbers going forward, but also market by market, you know, deviating. Asia Pacific, something I'd say similar, but let's back out first the performance, let's say, of what we call the Greater China, so area mainland plus Hong Kong plus Macau. Now here we've had a very strong obviously first quarter, a more moderate expansion in the second, which was a double-digit expansion, and a 25% re-acceleration in the third quarter, admittedly against weaker comps. The piece in Hong Kong and Macau has pretty much been similar, you know, triple-digit to high double-digit expansion between Q1, Q2 and Q3. The same thing for Macau, whereas mainland China, a very strong expansion in the first quarter, a high single digit drop in the second quarter. Once again, that's where the big tourist outflow also started. Then, you know, a double-digit, mid-teens expansion in the third quarter and with higher exit rates for mainland China for the quarter.

So, overall, I'd say the Chinese business, as I said before, is rebuilding. I don't know if it's according to plan, because it's very difficult to plan in this environment, but we are quite content with the way it's rebuilding knowing that we have growth potential or growth reserves, if we bank on a further expansion of the outbound international tourism business. If you look at the other markets in Asia Pacific, it's been, I would say, a mixed bag. You look at something closer to home for mainland Chinese, Taiwan, it's been, I'd say, a strong expansion in Q1, normalised around high single digits in the second quarter, and slightly negative in the third. Nothing really to say about it. Taiwan is a market which is always difficult to read because it usually goes against the trends of the rest of the region, and no specific reason for that. Korea was pretty much flattish to slow single digit growth across the year, and across the first three quarters with, however, a much higher exit rate, a mid-teens exit rate in Korea for December. We'll have to check on that, if that stays the same. The markets where we're challenged, and one of the major ones is Singapore, I've touched on that before, we see that there are local wealth effects linked to inflation and especially to exchange rate driven price adjustments that we've done, that applies to a certain extent to most of the dollar-linked currencies in Asia. Singapore has suffered from that, it has also suffered from an outflow of money, you know, that migrated there quite massively during Covid from Hong Kong. Australia, the same thing, has been negative in the quarter. Probably the same reasoning here, local pricing, or price increases by our brands have impacted

the demand, but it's not dramatic at this stage, and we are monitoring that obviously going forward. A long answer, but I hope it gave you some colour.

Louise Singlehurst: That's incredibly helpful. Thank you.

Sophie Cagnard: Thank you, Louise. Let's move on to the next question, please.

Moderator: The next question comes from the line of Edouard Aubin, with Morgan Stanley. Please go ahead.

Sophie Cagnard: Good morning, Edouard.

Burkhart Grund: Good morning, Edouard.

Edouard Aubin: Good morning. Good morning. Happy new year. If I can still say this. Just two questions for me, the main question, Burkhardt, is looking at the better than expected Jewellery Maisons performance, to the extent you can tell, is it a function of the luxury sector demand being more resilient, demand for jewellery being more resilient, or are you guys accelerating your market share gain? So, obviously it's difficult to assess, it's a bit of both, but based on your market intelligence, which one would you say is the greatest factor of the two? I'd be really curious to have your view on that. Then, sorry, just a small clarification on the exit rate, if you're not too tired to talk about it. You mentioned that December was better than the rest of the quarter. By any chance by the comp base getting a bit easier, or if you look at it, kind of, on an underlying two-year stack, there is also an acceleration? Thank you so much.

Burkhart Grund: Yes. No, I mean, the comm pace is getting better for sure, but in December, you know, we had a double digit expanse in the constant rates. So we're talking absolute numbers that have significantly increased, right? So the absolute volume of the business, and that's why. We're not really wanting to brag, but we said, 5.6 billion in this quarter, in terms of absolute business volume, is the highest volume we've ever had, or value we've ever had in any given quarter. So there is not just a question of weakening comps and thus strengthened growth rates in this quarter but it's also the absolute value and volume of the business has expanded.

Now, coming back to your first question, I think what we've seen over the last few years clearly emerging as a trend is that, in a way, brand equity, or individual brand equity, no pun intended here, you know, trumps, I would say, sector attractiveness in the sense that, yes, Jewellery Maisons or jewellery business in itself is an attractive segment to be in or to go into, and that's what we've seen a lot of competitors doing. I think it has many reasons behind it. One of the big reasons is that it is a product category that is inherently attractive for, I'd say, across generations, including in that it's been, I'd say, quite impressively proven for younger generation, Gen Zs, because millennials we don't even talk about anymore, which constitute the biggest part of our business by now. Within the sector or the segment, I think brand equity makes the big difference today. Probably as well it has helped us because in times of, let's say, economic uncertainty, and I'm not saying that times are bad but it's at least economic uncertainty with an outlook at least when you read in the newspapers, everybody's talking about more difficult, more challenging, more volatile times ahead, it helps to be a highly recognised and a highly respected jewellery brand through the power of its iconic product lines. This reassures customers, not just in jewellery, but also in watches, if we look at the Cartier watch business and watch performance there. So I'd say it's primarily driven by brand equity, and we see a clear clustering now. Our jewellery brands have all performed very strongly. The watch brands with the strongest brand equity, they have outperformed the rest of the crowd, and we see it everywhere and I think our peers see it as well with their strong hero brands, so mega brands in their own space. So I think brand equity makes a difference.

Edouard Aubin: So, the brand equity, leading to secular market share trends is still there but, again, based on your market intelligence, if you look at recent quarters, would it be fair to say that you suspect that Cartier and Van Cleef have accelerated their market share again? I mean, it seems that we are picking up, in terms of our channel checks, but wanted to hear it from you. Would that be fair to say that in recent quarters?

Burkhart Grund: Yes, except market share gains are difficult to gauge quarter to quarter. We're not, you know, fast-moving consumer goods, but in general trends, I would say so but there are two moving pieces here, right? One is against the competition, and one is, let's say, branded versus unbranded. So I think probably on both counts, yes.

Edouard Aubin: Got it. Thank you.

Sophie Cagnard: Merci, Edouard. Let's move on to the next question please, especially because it's already 09:22, so we'll take a few more.

Moderator: Our next question comes from the line of Jon Cox, Kepler Cheuvreux. Please go ahead.

Sophie Cagnard: Good morning, Jon.

Jon Cox: Yes, good morning guys. Yes, good morning. Belated happy new years to everybody.

Burkhart Grund: Good morning, John. Thank you. Same to you.

Jon Cox: A couple of questions for you. Yes. Thanks very much, a bit of an early new years surprise, a positive surprise. I'm amazed at how positive your commentary is, Burkhart. If you look at consensus at the moment, for the next quarter people are pretty much flat, probably constant currency. You're talking about exit rates being better, and I know the comps start to get a bit difficult, but just based on what you're saying today, you know, it seems that you'll probably do a little bit better than flat for the final quarter of the year. That's the first question. I'll see how that goes. People haven't really been talking about YNAP. I'm just wondering if you could just give us a bit of detail on any further write downs on that? Your net cash position actually looked a little bit worse than I was expecting. I'm wondering if there are some sort of outflows there, you know, related to what's happening with YNAP. Then you talk about you're looking for, you know, somebody else to take it over. I'm just wondering where you are on that, any time frame, you know, how much is the cash burn likely to be for the next couple of quarters, because obviously it will be on your books for at least the next few quarters? Thanks.

Burkhart Grund: Yes. I mean, we're positive looking back onto the quarterly performance. I mean, yes, positive exit rates. So I'd say we take out of this a bit of a positive momentum because our business and our business leaders, they hear a lot of bad news, and it's always good to have, kind of, a positive momentum re-established through positive news throughout the quarter. Like I said, it has been an acceleration. The entry into the quarter was more challenging. Now, does that mean, and I know that, you know, many people are looking desperately for a sign that, 'Hey, the industry has turned the corner.' I take a bit of a different view on that. I mean, it's not about turning a quarter, I still think, and if you put away all the projections and we put away all the invested money into our stocks and our shares, we are in an industry that has underlying, and over the very, very long term already proven that they grow, and can consistently grow as an industry. The projections, positive projections, are still there going forward, and you can discuss, but for us the growth rate has been, over the very long term, sort of, two times global GDP expansion, right? So that brings us to CAGR growth over the long period, probably the last 20 years, to around 8% or so. So I'd say that is a positive underlying fundamental. Secondly, we are in a business, and a jewellery business, that has, and I've spoken about it before, high protective moats around it. Investments, if you want to go and excel in that business, are quite high, and continuous and significant investments have to go into the business. If you execute well, your cashback, meaning the cash you generate, is quite high but you have to be willing to consistently invest also high amounts of money into this business.

Watches is the same but probably has a lower underlying growth rate to be expected. Right now, we're at a point where we have a few things that concern investors, but that also concern ourselves. One is we've had, not necessarily for Richemont, but across the industry, we've had the huge hope that when other markets, probably the western markets, start to weaken or to normalise, after quite an explosive growth in Europe and

in the Americas over the last four-year cycle, that China will ride to the rescue. That still is the case, and that still is our assumption in a way, but we've taken a much more subdued view that this would take probably the better part of two years to rebuild. It's not going to be a massive rebound as we've seen in 2021, calendar 2021. So we've been quite sober about that, and today at least this is what we still believe, and what we see building, or rebuilding.

Secondly, the strength of the American consumer, and to a lesser extent, the strength of the European consumer, is still there, which comes as a surprise, you know, for many observers, right? The same thing, I mean, yesterday the US, you saw the published retail sales which were beyond expectations, which, kind of, pushed back the Fed's interest rate lowering scenario by another few months probably. So, we're picking up some positive undertones and undercurrents here, yet we're not unaware that the fourth quarter has challenging comparatives. I don't want to overstate the case, but I don't want to be highly pessimistic either. We just simply don't know at this stage. It's highly volatile, too many moving parts to be, at this stage, able to reliably predict any given outcome at the end of the year. I'm not saying we're without visibility, but what I'm saying is we have a very short-term visibility. I can tell you what I see is that we've taken a positive momentum into the last quarter of the year. We'll see what happens. That's all I can say at this stage.

Then, I think the rhetoric that is coming up saying that 2024 will be a year of two halves, which by definition is always the case, but I think it makes sense that the first six months probably into summer, or towards the end of summer, will be more challenging. Comparatives are high, volatility is there and there is still a potential that, in Europe other countries slip, and there's still a potential that in the US some accidents might happen. For the time being it looks like a soft landing, but things can still happen whereas, once the lowering cycle in Europe and in the US gets underway, we should see more positive news coming out of it. So we have more, I'd say, subdued optimism, which is linked to the strength, and the confirmed strength, of our brands or the brand equity that drives sales, so that we're confident in general about the strength of our strong Maisons, that that will see us through. The rest is really today very challenging, very difficult to fathom.

Sophie Cagnard: And on YNAP?

Burkhart Grund: So, that was a long winded answer on question one. On YNAP, I can probably be a bit more sharp. So, pretty much what we said, or what we wrote, is what we're doing. So we're looking and we're preparing the process to identify a future majority shareholder, or a majority can go up to 100% for YNAP. That process is kicked off. How long will it take? I don't know. We see interest, unsolicited today, from a number of places, but we can update once we're further down the road. Just to give you an indication, I mean, held for sale means you see a reasonable, or management sees a reasonable chance that, yes, it will be sold within 12 months. That's from an IFRS perspective one of the criteria to be able to classify it held for sale. Cash generation, you mentioned that. Nothing to say, nothing linked to YNAP. Once again, this is a normal process, so we do that with the entities or the businesses that need it. We have recapitalised YNAP during the fourth quarter, but that is all internal so it doesn't really make a big difference. Nothing to report on the cash side with regard to YNAP. Going forward, what's the cash burden? I have a general idea, but I can't comment on that at this stage, because that would mean that I've taken a firm view on how the business development will be.

Jon Cox: Thank you.

Sophie Cagnard: You're welcome. So we are 9:32, should we take one last question?

Burkhart Grund: Sure. Sure.

Sophie Cagnard: So, next question please? Thank you. That will be the last question.

Moderator: Our last question for today comes from the line of Rogerio Fujimori, with Stifel. Please go ahead.

Rogerio Fujimori: Hi Burkhardt, Sophie, and James. I have actually just one question. I think in your prepared remarks, you called out Vacheron and Lange & Sohne outperforming, I think for Specialist Watchmakers. So when you look to your DTC business, are there any thoughts you could share with us in terms of consumer behaviour across price points, when you look at the sell-out data, say, Baume, or Montblanc, or watches for other Maisons, versus Vacheron, for example, at the top of the pyramid, in terms of resilience? I think you referred to the strongest brand equity as a differentiating factor, but I was just wondering if your exposure to high net worth individual clients is helping you at this stage of the cycle with brands like Van Cleef, Vacheron, Cartier, etc.? Thank you.

Burkhardt Grund: Yes, morning Rogerio. Let me just try to address the high net worth individual question. Yes, of course we benefit from high net worth individuals, and I think we see in some brands in the soft luxury spectrum this trend, and we can also see it through YNAP that, you know, the high net worth individuals, or the VVIP customers, however you want to call them, they take probably more share over time. If we look at Cartier, we look at Van Cleef, for argument's sake, the volume they sell, the biggest part of that volume is decidedly, let's say, for middle-class customers, if you look at the average price points. Let's say somewhere between five and ten for watches, not for Van Cleef, and probably ten to 20 in jewellery, or five to 20 in jewellery. This is more driven, if you look at the volume impact, by more middle-class customers than always the high net worth individuals. If you look at the watch space, I would try to put it in a quadrant model if you want to, in the sense that you have to two axes, one is price points, and the other is basically positioning of the Maisons. I must say, also positioning of the Maisons in their own space, as compared to positioning of a Maison with a product line-up in a more contested space.

If you look at some of our brands that are positioned in the more sporty, or steel segment such as IWC, such as Panerai, such as parts of the Montblanc line-up, but also such as Omega, Rolex, Breitling, this is a more contested space, right, in general because the sporty more steel part of the watch segment is quite important. That is where a big battle is playing out in a way, and that is where you have more competitive pressure. On the other hand, yes, you have lower price points, and you have higher price points and interestingly enough, depending on where you position your business, we are more on the very high end of the watch market. If you look at the watch exports, we are always on the upper part. That has performed very well, but what has happened is the very low, or entry price segment, which is where Swatch and many other brands are positioned, has also expanded recently. That's not where we are present, or only with a marginal presence. So our price points are more skewed to the upside, somewhere between, let's say, entry 3 000, up to you name it. There, definitely our exposure to the higher price points has helped us. I'd say price points in general, on average, higher than the rest of the industry have helped us for sure. Then again, you have the very contested space, where Rolex is dominating and where some of our brands and some of the Swatch brands are positioned, where it's much more contested. So try to look at the business a bit like that, and try to read it like that, with the insight you get from your own sources.

Rogerio Fujimori: Super helpful. Thank you very much.

Sophie Cagnard: Thank you.

Burkhardt Grund: Thank you.

Sophie Cagnard: Thank you all. I think this concludes our third quarter sales presentation. Should you have any more questions, obviously James and I are happy to take them afterwards. So, wishing you a very good end of the day. Bye bye.

Burkhardt Grund: Thank you very much.