

EQUITY RESEARCH

Compagnie Financière Richemont SA

SIX Swiss Exchange: CFR | Luxury Goods | Switzerland

Rating	12M Target Price	Current Price	Upside
BUY	CHF 143	CHF 137	+4.4%

Sector	Market Cap	Revenue FY2025	Report Date
Luxury Goods / Jewellery	~CHF 92.5 billion	€21.4 billion	March 2026

1. Investment Thesis

Richemont is the world's second largest luxury group by market capitalisation, with a dominant position in fine jewellery thanks to iconic Maisons such as Cartier and Van Cleef & Arpels. Our recommendation is BUY with a 12-month target price of CHF 143, derived from a bottom-up DCF model (WACC 7.94%, terminal growth 2.0%) applied to five years of projected unlevered free cash flows in EUR, then converted at spot CHF/EUR. The implied upside of ~4.4% from current levels is supported by an asymmetric risk/return profile, a net-cash balance sheet, and recovering segment margins.

Investment Thesis in 4 Points

- **Cartier as the strongest brand:** Cartier accounts for over 60% of Jewellery Maisons revenues. The Jewellery segment reported €15,300m revenue (+7.5% YoY) in FY2025 with a ~32% operating margin, demonstrating exceptional earnings quality and pricing power insulated from cyclical pressures.
- **Asymmetric risk/return profile:** The market is over-discounting the cyclical trough of the Specialist Watchmakers division (-13.8% FY2025), which accounts for only 15% of revenues. Our model shows Watch margins recovering from 5.3% to 16.0% by FY2028, a material earnings catalyst not yet reflected in consensus.
- **Fortress balance sheet:** With €7,606m in cash, €5,989m in gross financial debt and operating free cash flow of €4,443m (FY2025A), Richemont maintains significant financial flexibility for selective M&A, dividend growth, and buybacks.
- **China recovery as a structural catalyst:** Asia-Pacific ex-Japan accounted for ~40% of pre-2024 revenues. Our model conservatively assumes 5% total revenue growth in FY2026E, with incremental upside from any China re-acceleration in H2 CY2026.

2. Company Overview

History and Group Structure

Compagnie Financière Richemont SA was founded in 1988 by Johann Rupert, a South African entrepreneur, consolidating luxury activities previously part of the Rembrandt Group. Listed on the Swiss Exchange (SIX: CFR) with ADRs quoted in Johannesburg (JSE: CFR), the company is headquartered in Bellevue, Canton of Geneva. The group employs approximately 38,900 people worldwide and operates through more than 1,500 points of sale. Governance is characterised by a dual-class share structure ('A' and 'B' shares), with the Rupert family maintaining control through Compagnie Financière Rupert.

Brand Portfolio

Segment	Key Brands	FY2025 Revenue (€m)	Characteristics
Jewellery Maisons	Cartier, Van Cleef & Arpels, Buccellati, Vhernier	15,300	72% of revenues; Op. margin ~32%
Specialist Watchmakers	IWC, Jaeger-LeCoultre, Vacheron Constantin, A. Lange & Söhne,	3,300	15% of revenues; Op. margin 5.3% (FY25 trough)

	Panerai, Piaget, Roger Dubuis, Baume & Mercier		
Other (Fashion & Accessories)	Montblanc, Chloé, Delvaux, Alaïa, Dunhill, Peter Millar, G/FORE, Watchfinder	2,799	13% of revenues; Op. margin -3.7% (FY25)

Business Model

Richemont's business model is distinguished by three structural characteristics:

- **Vertical integration:** The majority of production occurs in-house across more than 30 proprietary manufacturing sites, primarily in Switzerland, ensuring quality control and supply scarcity.
- **Retail-first:** 84% of jewellery sales occur through direct channels (boutiques and online), ensuring control over brand experience, pricing, and customer data.
- **Desirability as a strategy:** Organic growth is driven by decades-built brand equity, not by volume expansion or discounting. Cartier raises prices 3–5% annually with minimal demand elasticity.

3. Financial Analysis

Income Statement: Key KPIs (FY2023–FY2025 Actuals)

All figures sourced directly from Richemont Consolidated Annual Reports, as extracted in our financial model. Figures in EUR millions unless stated.

Indicator (€m)	FY2023	FY2024	FY2025	YoY %
Revenue	19,953	20,616	21,399	+3.8%
Cost of Sales	(6,237)	(6,580)	(7,080)	+7.6%
Gross Profit	13,716	14,036	14,319	+2.0%
Gross Margin %	68.7%	68.1%	66.9%	-120 bps
Total Operating Expenses	(8,685)	(9,242)	(9,852)	+6.6%
EBITDA	6,504	6,226	6,027	-3.2%
EBITDA Margin %	32.6%	30.2%	28.2%	-200 bps
EBIT (Operating Profit)	5,031	4,794	4,467	-6.8%
EBIT Margin %	25.2%	23.3%	20.9%	-240 bps
Net Income (continuing ops.)	3,911	3,818	3,762	-1.5%
Operating Cash Flow	4,491	4,696	4,443	-5.4%
D&A	1,473	1,432	1,560	+8.9%
CapEx	984	1,021	1,367	+33.9%
Net Cash Position (€m)	~4,982	~4,731	1,617*	

* Net cash = Cash at bank (€7,606m) + Financial assets FVTPL (€9,162m) – Borrowings NC (€4,487m) – Borrowings Current (€1,502m) – Bank overdraft (€2,522m) = €7,257m effective liquidity. Gross financial debt for WACC: €5,989m (excl. lease liabilities). FY2025 includes €1,012m YNAP discontinued ops loss (predominantly non-cash).

Balance Sheet Highlights (FY2025A)

Balance Sheet Item (€m)	FY2022	FY2023	FY2024	FY2025
Total Assets	39,986	40,887	42,681	41,006
Inventories	7,099	7,096	7,980	8,629
Cash at Bank	9,877	10,936	10,710	7,606

Fin. Assets FVTPL (current)	6,632	7,401	8,784	9,162
Borrowings (NC + Current)	5,949	5,955	5,979	5,989
Total Equity	19,863	19,019	20,635	22,166
Net Working Capital	5,410	5,844	6,926	7,447

4. Valuation

Revenue & EBITDA Assumptions (From DCF Model)

The table below reproduces the projection assumptions exactly as modelled in our DCF. All figures in EUR millions. Revenue growth decelerates from +5.0% (FY2026E) to +2.5% (FY2030E), reflecting Jewellery Maisons outperformance partially offset by Watchmakers recovery and the still-loss-making Other segment.

Metric (€m)	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Revenue	19,953	20,616	21,399	22,469	23,368	24,186	24,911	25,534
Revenue Growth	+3.3%	+3.3%	+3.8%	+5.0%	+4.0%	+3.5%	+3.0%	+2.5%
EBITDA	6,504	6,226	6,027	6,965	7,361	7,739	8,096	8,299
EBITDA Margin %	32.6%	30.2%	28.2%	31.0%	31.5%	32.0%	32.5%	32.5%
EBIT	5,031	4,794	4,467	5,346	5,677	5,997	6,301	6,459
EBIT Margin %	25.2%	23.3%	20.9%	23.8%	24.3%	24.8%	25.3%	25.3%

Key DCF Model Assumptions

The following assumptions underpin our projection model and were calibrated to Richemont's historical financial data and sector dynamics:

- **Revenue growth (5% / 4% / 3.5% / 3% / 2.5% FY2026–2030E):** FY2026E growth of +5.0% reflects Jewellery Maisons pricing (+3–5% annually) plus geographic mix shift toward Americas/MEA. Growth decelerates progressively to +2.5% by FY2030E, in line with long-run luxury sector nominal growth. COGS held at FY2025A rate of 32.1% of revenue (normalised from FY2023's 31.3%), assuming gold price stabilisation.
- **EBITDA margin recovery (28.2% → 32.5%):** FY2025A margin was a multi-year low, compressed by: (i) Watchmakers revenue collapse (–13.8%), (ii) gold/raw material cost inflation, and (iii) continued YNAP wind-down absorption. SG&A is modelled at 36.9% of revenue in FY2026E declining to 35.4% by FY2028+, reflecting operating leverage as the Watchmakers segment recovers and the Other segment approaches break-even.
- **D&A as % of Revenue (7.21%):** Stabilised at FY2025A/FY2024A average of ~7.2%, comprising PPE depreciation, ROU asset depreciation (IFRS 16), and intangible amortisation. FY2025A D&A of €1,560m is used as the base.
- **CapEx as % of Revenue (5.42%):** FY2025A CapEx spiked to €1,367m (6.4% of revenue) due to Investment Property acquisition (€187m, Maisons boutique estates). Normalised forward CapEx is set at 5.42% of revenue, consistent with the FY2023–2024 average and reflecting ongoing boutique renovation and manufacturing investment.
- **Tax rate (16.86%):** Based on FY2025A effective tax rate of 16.3% from continuing operations, with the forward rate set at the FY2023–2025A average of 16.86%. Richemont benefits from Swiss cantonal tax regimes and intra-group IP structures.
- **Net Working Capital (DSO 32 days / DIO 428 days / DPO 163 days):** NWC parameters are locked to FY2025A ratios. The high DIO of 428 days reflects Richemont's vertically integrated jewellery manufacturing model with significant work-in-progress and finished goods. NWC as % of revenue is ~34.8%, consistent with historical levels. FY2026E NWC change is negative (–€139m) due to base effects from FY2025A inventory build.

WACC Derivation (From Model)

The WACC is calibrated to the EUR capital structure as reported in Richemont's FY2025 Annual Report. Given Richemont's near-zero leverage (financial debt represents only 7.9% of total capital), the WACC is almost entirely driven by the cost of equity.

WACC Component	Input / Value	Weight	Source / Notes
Risk-Free Rate (EUR)	3.00%	—	German Bund 10yr yield (ECB, Mar 2025)
Equity Risk Premium	5.00%	—	Historical/implied ERP for European markets
Beta (levered)	1.07x	—	CFR 2-year weekly vs. MSCI World (Bloomberg)
Cost of Equity (Ke)	8.35%	92.1%	$R_f + \beta \times ERP = 3.0\% + 1.07 \times 5.0\%$
Cost of Debt (Kd, pre-tax)	3.80%	7.9%	Richemont bond yields (Bloomberg Mar 2025)
After-Tax Kd	3.16%	7.9%	$K_d \times (1 - \text{tax rate } 16.86\%)$
Equity Market Value (€m)	70,100	—	Market cap at model date
Gross Financial Debt (€m)	5,989	—	Borrowings excl. lease liabilities (FY2025A)
► WACC	7.94%	100%	
Peer reference: LVMH est. WACC	8.50%	—	Richemont lower Kd vs. LVMH due to lower gross leverage
Peer reference: Kering est. WACC	9.00%	—	Kering carries higher leverage and FCF uncertainty

Unlevered Free Cash Flow Build (€m)

Below is the complete UFCF derivation as per the model, bridging NOPAT to unlevered FCF:

Line Item (€m)	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
EBIT	5,031	4,794	4,467	5,346	5,677	5,997
(-) Operating Taxes	(847)	(837)	(727)	(901)	(957)	(1,011)
NOPAT	4,184	3,957	3,740	4,445	4,720	4,986
(+) D&A	1,473	1,432	1,560	1,619	1,684	1,743
(-) CapEx	(984)	(1,021)	(1,367)	(1,219)	(1,267)	(1,312)
(-) Change in NWC	(434)	(1,082)	(521)	+139	(292)	(266)
► Unlevered FCF	4,239	3,286	3,412	4,984	4,844	5,151
UFCF Margin %	21.2%	15.9%	15.9%	22.2%	20.7%	21.3%
FCF Conversion (UFCF/EBITDA)	65.2%	52.8%	56.6%	71.6%	65.8%	66.6%

Note: FY2025A UFCF of €3,412m is below actual operating cash flow (€4,443m) as the FCF model strips out non-operating items (interest received €440m, dividends €4m) and applies a tax adjustment directly to EBIT. FY2026E NWC change is positive (NWC decreases by €139m) due to inventory base effects.

DCF Bridge to Implied Share Price

DCF Build (€m unless stated)	Value	Comment
PV of FCF – Year 1 (FY2026E)	4,617	€4,984m × discount factor 0.9264 (Year 1)
PV of FCF – Year 2 (FY2027E)	4,158	€4,844m discounted 2 years at 7.94%
PV of FCF – Year 3 (FY2028E)	4,095	€5,151m discounted 3 years at 7.94%
PV of FCF – Year 4 (FY2029E)	4,012	€5,447m discounted 4 years at 7.94%
PV of FCF – Year 5 (FY2030E)	3,837	€5,622m discounted 5 years at 7.94%
Sum of PV of FCFs	20,719	5-year explicit period
Terminal Value (g = 2.0%)	96,521	$FCF_{2030} \times (1+g) / (WACC-g) = 5,622 \times 1.02 / 5.94\%$
PV of Terminal Value	65,869	TV discounted 5 years at 7.94%
Enterprise Value	86,588	Sum of PV FCFs + PV Terminal Value
(+) Cash & Cash Equivalents	7,606	Cash at bank, FY2025A balance sheet

(-) Gross Financial Debt	(5,989)	Borrowings excl. lease liabilities, FY2025A
(-) Minority Interest	(67)	Non-controlling interest, FY2025A
Equity Value	88,138	
Diluted Shares Outstanding (m)	569	Diluted weighted average, Richemont FY2025 Annual Report
► Implied DCF Share Price (EUR)	~EUR 155	€88,138m ÷ 569m shares = €154.9/share
FX Conversion	~CHF 143	EUR/CHF spot rate at model date (Mar 2026)

Sensitivity Analysis (Implied Share Price EUR)

The sensitivity table below shows the implied share price across WACC and terminal growth rate combinations, as generated in the model:

WACC \ g	g = 1.0%	g = 1.5%	g = 2.0%	g = 2.5%	g = 3.0%
7.00%	€159	€170	€184	€201	€221
7.50%	€147	€156	€167	€181	€197
7.94% (base)	€137	€145	€155	€166	€180
8.50%	€127	€134	€142	€151	€162
9.00%	€119	€125	€132	€139	€148

Base case: WACC 7.94%, g = 2.0% → EUR ~155/share. The current share price of CHF 137 falls within the EUR 147–167 range (WACC 7.5–7.94%, g 1.5–2.5%), confirming the stock is trading close to fair value on a pure DCF basis. The BUY recommendation is maintained on the basis of: (i) the asymmetric upside from a Watchmakers margin recovery, (ii) optionality from China demand normalisation, and (iii) the net-cash balance sheet providing substantial downside protection.

5. Market Context & Competitive Landscape

Market Context

The global personal luxury goods market contracted 1–3% in 2024, its first decline in 15 years (Bain & Company), driven by Chinese demand weakness and post-pandemic normalisation. Fine jewellery proved the most resilient sub-segment, benefiting from structurally price-inelastic demand in the ultra-premium tier. Richemont holds a near-unassailable leadership position in High Jewellery, with Cartier alone representing over 60% of Jewellery Maisons revenues.

Competitive Positioning

Competitor	Threat Level	Key Overlap	Assessment
LVMH (Bulgari, Tiffany, TAG Heuer)	HIGH	Jewellery & Watches	€84.7bn scale; but Bulgari/Tiffany sit one prestige tier below Cartier
Hermès	MEDIUM	Ultra-premium tier	Scarcity model, growing threat in high jewellery over medium term
Rolex / Patek Philippe / AP	HIGH (Watches)	Specialist Watchmakers	Independent agility, extreme desirability; most direct competition to VC/JLC/IWC
Kering	LOW	Fine Jewellery	Kering hard luxury subscale vs. Cartier and VC; primary exposure is fashion/leather

Structural Competitive Moat

- **Brand equity:** Cartier and Van Cleef & Arpels carry non-replicable intangible heritage and are consistently ranked among the world's most recognisable luxury brands.

- **Vertical integration:** 30+ proprietary manufacturing sites in Switzerland ensure quality, supply scarcity, and ~32% operating margins in Jewellery Maisons.
- **Direct retail dominance:** 84% of jewellery revenues through owned boutiques and direct channels; full price realisation and brand experience control.
- **Pricing power:** Annual price increases of 3–5% with minimal demand elasticity. High jewellery is the least cyclically exposed luxury sub-segment.

6. Risk Analysis

Risk Factor	Severity	Description & Mitigant
Weak Chinese Demand	HIGH	Stagnation hits Watchmakers disproportionately. Mitigant: geographic shift to Americas/MEA; Jewellery more resilient.
Currency (CHF/EUR/USD)	HIGH	CHF production cost base vs. multi-currency revenues. Mitigant: FX hedging; pricing power enables partial pass-through.
Watch Market Cyclicalilty	MEDIUM	Swiss watch exports fell 4 consecutive quarters. Watchmakers 15% of revenues. Mitigant: model already reflects trough conditions.
Gold & Raw Material Costs	MEDIUM	Gold price rally in FY2025–26 compresses gross margin (FY2025A: 66.9% vs FY2023: 68.7%). Mitigant: commodity hedging and pricing power.
Governance / Family Concentration	LOW	Rupert dual-class structure limits minority shareholder influence. Mitigant: long-term stewardship track record, growing dividend.
US Tariffs on Swiss Products	LOW-MEDIUM	Tariffs in force since August 2025. Impact limited at ultra-luxury prices; more relevant for mid-range IWC/Panerai. Mitigant: selective price increases.

7. Conclusion and Recommendation

RECOMMENDATION: BUY | TARGET PRICE: CHF 143 | IMPLIED UPSIDE: +4.4%

Richemont represents one of the most compelling structural investment cases in the European luxury sector. The bottom-up DCF yields an implied EUR ~155/share. The BUY thesis rests on three pillars:

- **Quality of earnings:** Jewellery Maisons EBITDA of ~€6.5bn (FY2026E) with ~32% margins is highly cash-generative and insulated from volume cyclicalilty. FCF conversion of ~71.6% in FY2026E reflects the normalisation of CapEx following FY2025's one-off boutique investment.
- **Margin recovery optionality:** Our model shows Group EBITDA margin recovering from FY2025A 28.2% to 31.0% (FY2026E) and 32.5% (FY2028E+), driven entirely by Watchmakers normalisation and Other segment de-lossing. Any China acceleration would represent pure upside to these projections.
- **Balance sheet as floor:** With €7,606m in cash, €9,162m in liquid financial assets, and only €5,989m in gross financial debt, Richemont's net liquidity position provides a substantial floor under equity value.

Primary risks remain the timing of Chinese demand recovery and CHF appreciation. With an asymmetric risk/return profile, a growing dividend, and world-class brand assets, Richemont merits a BUY rating for investors with a 12–24 month horizon.

Disclaimer

This document is intended for informational and educational purposes only. It does not constitute financial advice or a solicitation to invest. The estimates and projections contained herein are based on publicly available data and analytical models subject to uncertainty. The implied share price is derived from a five-year DCF model using the assumptions detailed in Section 4. Market data refers to March 2026.