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COMPANIES EUROPE: Richemont prefers hard luxury to clothing

By Haig Simonian in Zurich, Financial Times
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Richemont, the Swiss luxury goods group, yesterday reversed its acquisitive strategy by selling its Hackett men’s' clothing brand.

The group, whose range includes Cartier jewellery and Montblanc pens, is selling UK-based Hackett to Torreal, a Spanish investment company, for an undisclosed sum.

Richemont, which will publish full-year financial figures next week, declined to comment on the transaction, beyond saying the deal would not affect its results for the current financial year to March 31. The group does not disclose sales or earnings by brand.

"We would guess Hackett has turnover of about €40-€50m ($49m-$61m) and a slight operating profit," said Scott Weldon at Lombard Odier Darier Hentsch, the private bank.

While the transaction is small in scale, investors were galvanised by the possibility that Richemont and Norbert Platt, its new chief executive, might be prepared to sell some of its other small, often underperforming marques after a history of brand accretion.

The group has described its men's apparel activities as non-core, and suggested it would prefer to concentrate on "hard luxury" items such as watches and jewellery.

"It is significant that Richemont has never sold a luxury goods brand before. The move ... is evidence that Richemont is no longer prepared to tolerate long-term loss-making activities," said ***James Amoroso*** at Helvea, the Swiss brokerage.

Other analysts argued that the sale was an opportunistic one-off, stressing that Hackett's very masculine, UK-based focus did not fit easily with the rest of the group.

Richemont earlier this year announced a 10.1 per cent increase in 2004-5 sales to €3.72bn, reflecting the strong recovery in the luxury goods sector on the back of growing economic confidence, especially in the US and Asia.