

Company Update Report

Compagnie Financiere Richemont

Consumer Discretionary

Ticker	CFR-ZA
Share price	R3 606
Intrinsic value	R3 372
Upside/(Downside)	-6%
Recommendation	Hold

As at: 28 Nov 2025

Analyst thesis

Our recommendation is based on:

- Valuations are elevated from a P:E and EV:EBIT perspective.
- Watch (15% of revenue) exposure with dampening demand seen in Swiss watch exports put pressure on growth.
- Growth regions such as Japan are normalising from previous highs (after cheaper Yen saw a spike in tourist spend), and Asia Pacific growth remains dampened (as China's economic conditions have negatively impacted demand).
- Cost pressure (especially rising precious metal and material costs) could further place pressure on profit margins.

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Key highlights

In this report, we review CFR's 1H26 results, released in November 2025, and evaluate their implications on our view.

Financial results at a glance:

Group results:

- Group revenue was up 5% with Q2 seeing a growth of 14% caused by growth across the regions of operations.
- Gross profit was up 2% in the period, with the margin contracting by 190bps, led by increased raw material costs.
- Operating profit was up 7% with the margin expanding by 30bps, driven by cost control in operations to offset raw material cost pressure along with forex impacts.
- EPS increased from €0.78 to €3.08 (+295%), driven by a profit from continuing operations during this period compared to a large loss in the prior period.

Results per geographic region:

- Europe was up 19% driven by local demand and some positive contributions from tourist spending.
- Asia Pacific was flat for the period, driven by a stronger Q2 related to a 7% increase in China, Hong Kong and Macau.
- The Americas were up 11% led by strong local demand along with the performance of watches and jewelry.
- Japan was down 5% due to high comparables in the prior period, that was driven by tourist spend related to a weaker Yen; local demand remains solid.
- Middle East and Africa were up 13% due to demand in jewelry and watches with the UAE being a key contributor.
- Asia Pacific, Americas, Europe, Japan, and the Middle East and Africa contributed 32%, 25%, 24%, 10% and 9% respectively to group revenue.

Results per product segment:

- The Jewelry Maisons segment was up 9% driven by Buccellati, Cartier, Van Cleef & Arpels and Vhemier.
- The Specialist Watchmakers segment was down 6% for the period.
- The Other segment was down 1% due to dampened demand within its product offering.
- Jewelry Maisons, Specialist Watchmakers, and Other contributed 73%, 15% and 12% respectively to revenue.

Management's outlook:

CFR typically does not give outright guidance. However, the outlook from management remains cautiously optimistic. The expectation is for continued strong demand globally and for momentum from Q2 to carry into the second half of the year. China remains a region of concern in terms of demand, Japan's performance is normalising, and costs of raw materials remain elevated.

Taking this into account, although CFR has leading products in Jewelry Maisons, cost pressure and some demand weaknesses have positioned current valuation levels as elevated limiting upside potential as they are at one standard deviation above the ten-year average from a P:E and EV:EBIT perspective. This has informed our hold recommendation.

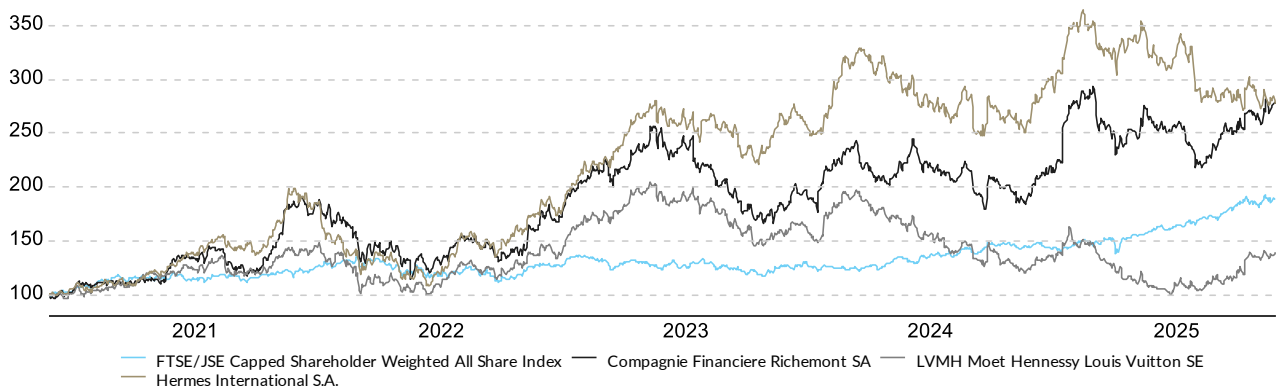


Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 6.1% and expected three-year EPS CAGR is 19.4%. We expect earnings growth over the next three years to be driven by: The strength of the jewelry segment, a recovery of the watch segment driven by a stabilization in global economic conditions, along with cost controls to expand margins.
Valuation	★★★★☆	The share price is trading at a 6% premium to the intrinsic value. Current NTM P:E of 26.9x is trading at a 19% premium to the five-year average P:E of 22.7x.
Dividend	★★★★☆	LTM dividend yield 1.9%. NTM dividend yield 1.9%.
Issuance	★★★★☆	Shares issued have increased by 3% in the past five years.
Catalyst		Favourable brand positioning through marketing and consumer trends. Broadening of consumer reach through expansion by e-commerce. Continued increase in global UHNW and HNW individuals Cost control to protect margins and grow earnings.
Quality of earnings	★★★★☆	Five-year average ROE 15.6%. Five-year average operating margin 21.2%. Seven of the past 10 years had positive earnings growth.
Moat	★★★★☆	Brand equity. Pricing power and scale. Craftsmanship and intellectual property.
Management and governance	★★★★☆	CFR has a concentrated ownership structure similar to most luxury peers with Mr Johann Rupert owning 51% of the group voting rights. The group has a history of excellent allocation of capital as seen in generally strong returns historically along with strong returns.
Balance sheet	★★★★☆	Net debt/EBITDA ratio -0.6x, interest coverage ratio 9.1x with CFR in a net cash position. Debt/assets ratio 32.1%.
Risks		Decrease in consumer demand for watches and jewellery. Forex in both the share ZAR share price and impacts of forex on costs (Euro reporting with core materials such as gold denoted in Dollars). Deterioration in the macro-economic and market environment should see dampened demand. Regulation: labour laws can impact costs, export controls and tariffs on materials or products can impact demand, ESG non/-compliance can impact perception and brand equity.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

Table 2: Price performance versus benchmark and peers

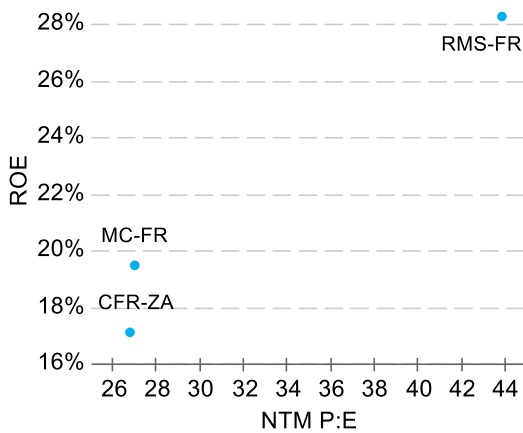
Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
CFR-ZA	29.9%	0.0%	15.4%	6.2%	44.5%	56.3%	69.2%	177.9%	235.4%
MC-FR	1.7%	0.0%	19.2%	28.8%	12.7%	-9.9%	1.6%	39.6%	433.3%
RMS-FR	-8.0%	0.0%	-4.9%	-13.5%	7.1%	6.5%	56.7%	177.9%	730.1%
Capped SWIX	32.0%	2.2%	9.6%	18.7%	30.8%	48.2%	47.3%	92.5%	75.8%

Source: FactSet

All returns are denoted in Rands due to using global luxury peers as there are no like-for-like peers listed on the local Bourse.

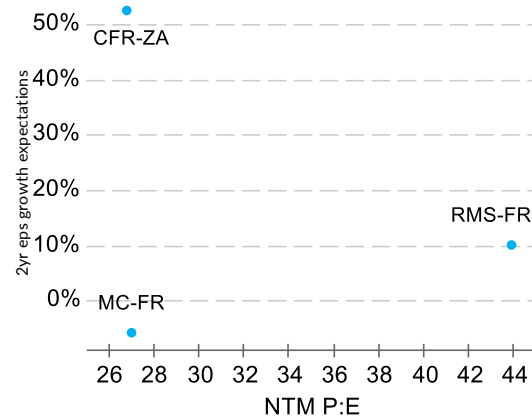


Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs consensus EPS 2Y CAGR forecast



Source: FactSet

Valuation

We value CFR using an NTM EV:EBIT multiple applied to FY26's EBIT forecast. We have taken into consideration the growth acceleration in the second quarter, along with margin pressure driven by raw material cost increases into our forecast. We have combined this with applied EV:EBIT multiples that showcase a correction in the elevated levels.

CFR currently trades at an EV:EBIT level that is at a 31% premium to its ten-year average level and a 23% premium to its ten-year average P:E. We view these levels as elevated and have thus applied in our Bear, Base and Bull case an EV:EBIT of 17x, 19x and 28x, respectively. This keeps the valuation within the one standard deviation band except for the Bull case which matches the highest levels in the last 10 years, with 17x representing the ten-year average multiple.

We have applied a 30%, 50% and 20% weight on our Bear, Base, and Bull cases, respectively, to represent a correction of the elevated levels (Bear and Base) but maintaining above-average multiple levels due to CFR being a quality company. This has led us to a 6% downside on current levels and, based on our recommendation parameters, a hold on the company.

Table 3: Valuation

	<i>Bear</i>	<i>Base</i>	<i>Bull</i>	<i>Weighted</i>
<i>Scenario</i>	30%	50%	20%	100%
<i>FY26 est EBIT</i>	5 031	5 031	5 031	5 031
<i>EV/EBIT</i>	17.0x	19.0x	28.0x	20.2x
<i>Enterprise Value</i>	85 525	95 587	140 865	101 624
<i>Cash</i>	7 278	7 278	7 278	7 278
<i>Debt</i>	5 988	5 988	5 988	5 988
<i>Equity Value</i>	86 815	96 877	142 155	102 914
<i>Shares Outstanding</i>	587	587	587	587
<i>Intrinsic value Euro</i>	143.53	160.16	235.02	170.15
<i>Euro/ZAR assumption</i>	19.88	19.88	19.88	19.88
<i>Intrinsic value ZAR</i>	2 853	3 184	4 672	3 382
<i>Share price</i>	3 606	3 606	3 606	3 606
<i>Upside/(Downside)</i>	-21%	-12%	30%	-6%

Source: FactSet, PSG Wealth analysis

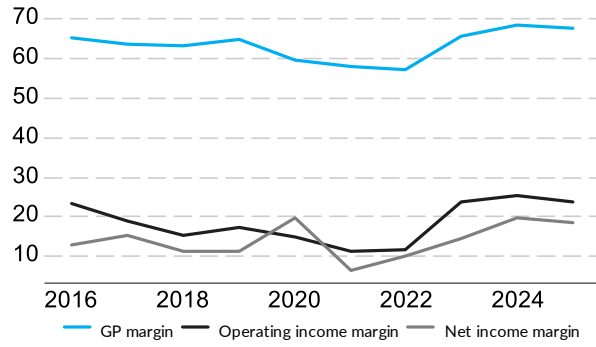


Graph 4: NTM P:E relative to benchmark



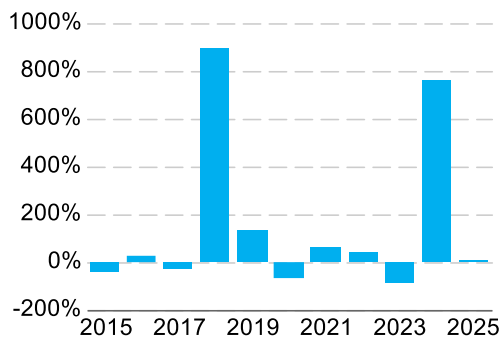
Source: FactSet

Graph 5: Profit margins (%)



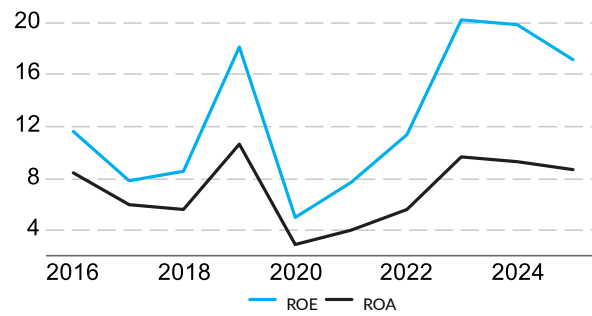
Source: FactSet

Graph 6: 10Y EPS year-on-year growth



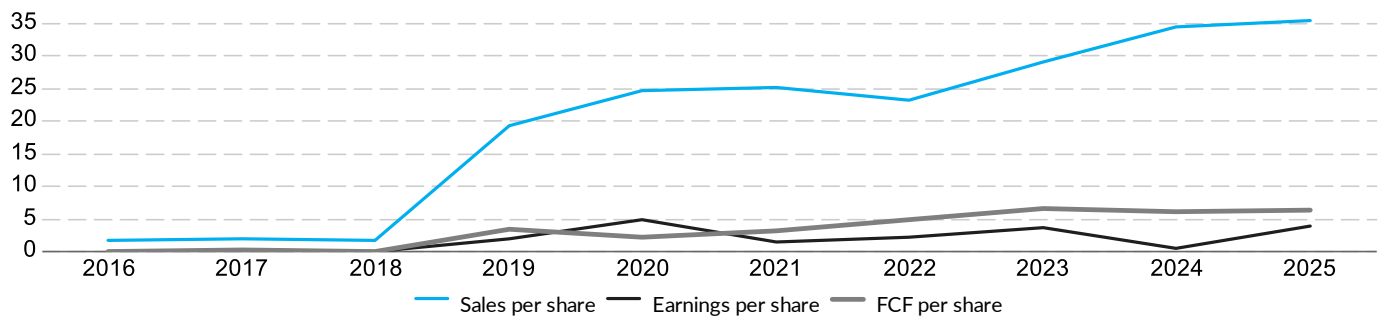
Source: FactSet

Graph 7: ROE and ROA (%)



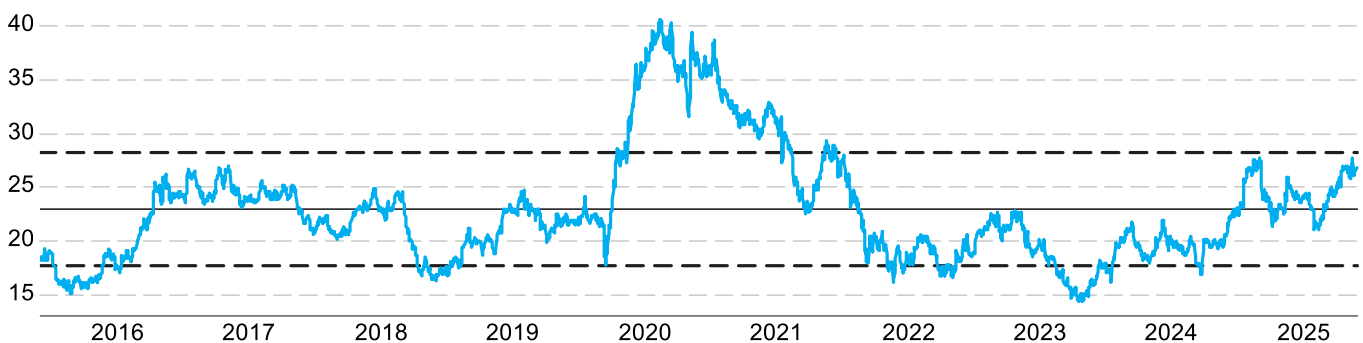
Source: FactSet

Graph 8: Sales, earnings and FCF per share (€)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (€Mn)	Mar 21	Mar 22	Mar 23	Mar 24	Mar 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	14 141	17 868	19 825	19 805	20 369	3%	4%	5%
Cost of sales	6 057	6 094	6 250	6 376	6 812	7%	4%	1%
Gross income	8 084	11 774	13 575	13 429	13 558	1%	5%	8%
EBIT	1 669	4 220	5 073	4 672	4 330	-7%	1%	20%
EBITDA	3 302	5 520	6 408	6 045	5 814	-4%	2%	11%
Net income	1 400	2 607	3 898	3 674	3 582	-3%	11%	28%
EPS (€)	2.48	3.90	0.55	3.94	4.46	13%	5%	20%
Balance sheet (€Mn)	Mar 21	Mar 22	Mar 23	Mar 24	Mar 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	39 584	40 942	40 581	41 518	39 190	-6%	-1%	4%
Total shareholders equity	19 782	20 338	18 877	20 073	21 184	6%	1%	3%
Total liabilities	19 802	20 604	21 705	21 445	18 006	-16%	-4%	5%
Ratios	Mar 21	Mar 22	Mar 23	Mar 24	Mar 25	5Y Avg		
Net debt/EBITDA	0.1	-0.3	-0.4	-0.5	-0.6	-0.3		
Interest coverage	7.2	17.9	16.9	11.0	9.1	12.4		
Debt/assets	38.0	37.6	38.4	38.3	32.1	36.9		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
Bps	Basis points
CFR	Compagnie Financiere Richemont SA
EPS	Earnings per share
EV/EBIT	Enterprise value to earnings before interest and tax
FCF	Free Cash Flow
FY	Financial year
GP	Gross profit
LTM	Last twelve months (also known as trailing)
M	Month
MC	LVMH Moët Hennessy Louis Vuitton SE
MTD	Month to date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
Q	Quarter
RMS	Hermès International S.A.
ROA	Return on assets
ROE	Return on equity
UAE	The United Arab Emirates
Y/y	Years (s)
YTD	Year to date



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