Richemont shares rise on report it rejected Kering's merger approach

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Shares in Cartier owner Richemont rose on Monday after an online fashion publication reported it had been approached by French luxury goods group Kering for a potential merger in January but had rejected the informal offer.

Paris-based Miss Tweed, which specialises in fashion and luxury, wrote late on Sunday that a cash-and-shares proposal to merge had been made directly by Kering CEO François-Henri Pinault to Richemont chairman and controlling shareholder, Johann Rupert.

The report said that Rupert, who said in November he had no plans to sell, was unsatisfied with the terms and did not submit them to Richemont's board.

Speculation over a possible tie-up between Richemont and Gucci owner Kering have been circulating for years but have gathered steam in recent months after LVMH’s takeover of U.S. jeweller Tiffany put pressure on rivals to scale up.

Representatives for Kering and Richemont declined to comment on the report.

Kering, which also owns Bottega Veneta and Yves Saint Laurent, is strong in fashion and leather goods, while Richemont, whose brands include Van Cleef & Arpels and Jaeger-LeCoultre, is best known for watches and jewellery.

But while combining the two would make sense strategically, the family ownership structure at both companies is a big hurdle to what would be the biggest deal ever in the luxury sector.

Kering has a market capitalisation of 74 billion euros ($88 billion) versus Richemont’s 47 billion Swiss francs ($50.8 billion).

Rupert’s family investment vehicle owns 10% of Richemont’s equity, but it has 51% of voting rights due to a complex dual share scheme. Kering is 41%-owned by Artemis, the holding company controlled by the Pinault
complex dual share scheme. Kering is 41%-owned by Artemis, the holding company controlled by the Pinault family.

Richemont’s shares were 3.8% higher in late morning trading in an otherwise flat Swiss stock market, while Kering’s shares fell 1.4%.

UBS said in a note on Monday a deal between Kering and Richemont would create a luxury powerhouse capable of challenging LVMH’s dominance in the market.

“Combining the two mega brands of the soft and hard luxury industry, Gucci and Cartier, could address the perceived higher fashion risk of Kering and the perception of mismanagement of Richemont’s smaller brands in its portfolio,” it said.