Kering to sell watches division

24 January 2022

Kering is shedding its watches division, with plans to sell high-end labels Girard-Perregaux and Ulysse Nardin to current management, a move that will allow the French luxury goods group to focus on activities in which it has scale.

The transaction fits the company's strategy of prioritising labels "with the potential to become sizable assets within the group", Kering said in a statement on Monday.

After being hit hard by the coronavirus pandemic, the high-end watches industry is showing signs of improvement, helping to fuel a 32% rise in sales of luxury group Richemont over the third quarter ending in December.

"Kering is probably making the most of a recovering watch market to exit a category where it was suffering, given its smaller relative position to bigger competitors in this space," said Luca Solca, an analyst with Bernstein, who described the move as a "positive" one.

Gucci owner Kering has been working to bolster the watches business, streamlining distribution channels and overhauling product lines. It shed around a quarter of the division's staff in September 2020 as the pandemic prompted store closures and halted travel.

Despite the legitimacy of Kering's watches brands in the high end market, competition has intensified among leading players, with the most successful labels becoming stronger and stronger, noted Jean-Philippe Bertschy, analyst with Vontobel.

The move is likely to throw the spotlight on Kering's potential for further M&A activity.
The move is likely to throw the spotlight on Kering's potential for further M&A activity.

Rumours of a possible tie-up between Richemont and Kering have been circulating for years, further fueled by LVMH's takeover of U.S. jeweller Tiffany which added pressure on rivals to scale up.

"For sure, Kering has ambition to grow, both organically and through acquisitions," said Solca. "Not in watches, though."