PARIS, France - Swiss luxury group Richemont could inject up to about 20 million euros ($27.6 million) into loss-making French leather goods maker Lancel to entice buyers, sources close to the matter said.

After trying in vain to sell the brand for several years, Richemont hired Nomura bankers to help it find a buyer but there have been more parties walking away than putting in bids, several sources said.

"I understand that Richemont is ready to finance some of Lancel's losses," one of the sources said. Two separate sources who also requested anonymity said the investment could amount to two years of losses, or about 20 million euros.

Richemont, Lancel and Nomura all declined to comment.

Richemont does not publish a breakdown by brand of revenue and profit. Other sources who had access to Lancel's books said the segment made an operating loss of 10 million euros on turnover of 135 million in the year to June.

Turnaround specialist Change Capital and consumer goods expert Lion Capital are among the only few that have expressed strong interest. Asian group Swire is also looking to team up with a private equity firm to make a bid, sources said.

Change Capital is a private equity firm set up by retail veteran Luc Vandevelde which today controls French ready-to-wear brand Paule Ka, while Lion Capital has invested in fashion brands such as Jimmy Choo and still owns a stake in American Apparel and AllSaints.

The sale of Lancel is part of Richemont's strategy to dispose of poorly performing businesses, and focus on watch and jeweler brands generating high margins such as Cartier and Van Cleef & Arpels.

Richemont would not be the only group to inject cash in a business it is struggling to offload. Sources said this week that French luxury group Kering (PRTP.PA) was ready to inject at least 300 million euros into its La Redoute mail order business in order to tempt a buyer.

Sources close to Richemont together with industry and financial sources said they also expected fashion brands
Sources close to Richemont together with industry and financial sources said they also expected fashion brands Chloe and Shanghai Tang to be put up for sale at a later stage, although no official disposal process had yet begun.

Luxury watch brand Baume & Mercier could also be hived off, some industry sources said.

Richemont would benefit from a positive re-rating if it sold underperforming brands such as Chloe, Lancel and Shanghai Tang, analysts said, as its average operating margin would increase by 1 or 2 percentage points from its current level of about 24 percent.

**DISPOSAL PLAN**

"If Richemont showed that it had started to put the wheels in motion to sell its poorly performing businesses, it would be regarded positively by the market as it could then focus on what it knows best," said Jon Cox, an analyst at Kepler Cheuvreux.

Richemont's fashion and leather goods brands, which also include Dunhill and online fashion retailer net-a-porter, represent only one fifth of the group's more than 10 billion euros in annual turnover.

The disposal plan was one of the biggest decisions Richemont Chairman Johann Rupert took in the group's 25-year existence before going on sabbatical last month, people close to the group said.

"Richemont is much more of a hard luxury player, it knows how to develop and sell watches and jeweler," a former Richemont executive said on condition of anonymity.

Analysts have interpreted the sudden departure last May of Richemont fashion and accessories chief Martha Wikstrom as marking the start of Richemont's disengagement from the sector.

The group has moreover confirmed that is not looking for a replacement. Bernard Fornas, the group's co-chief executive, is supervising the businesses in the meantime.

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