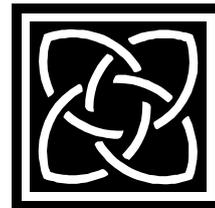


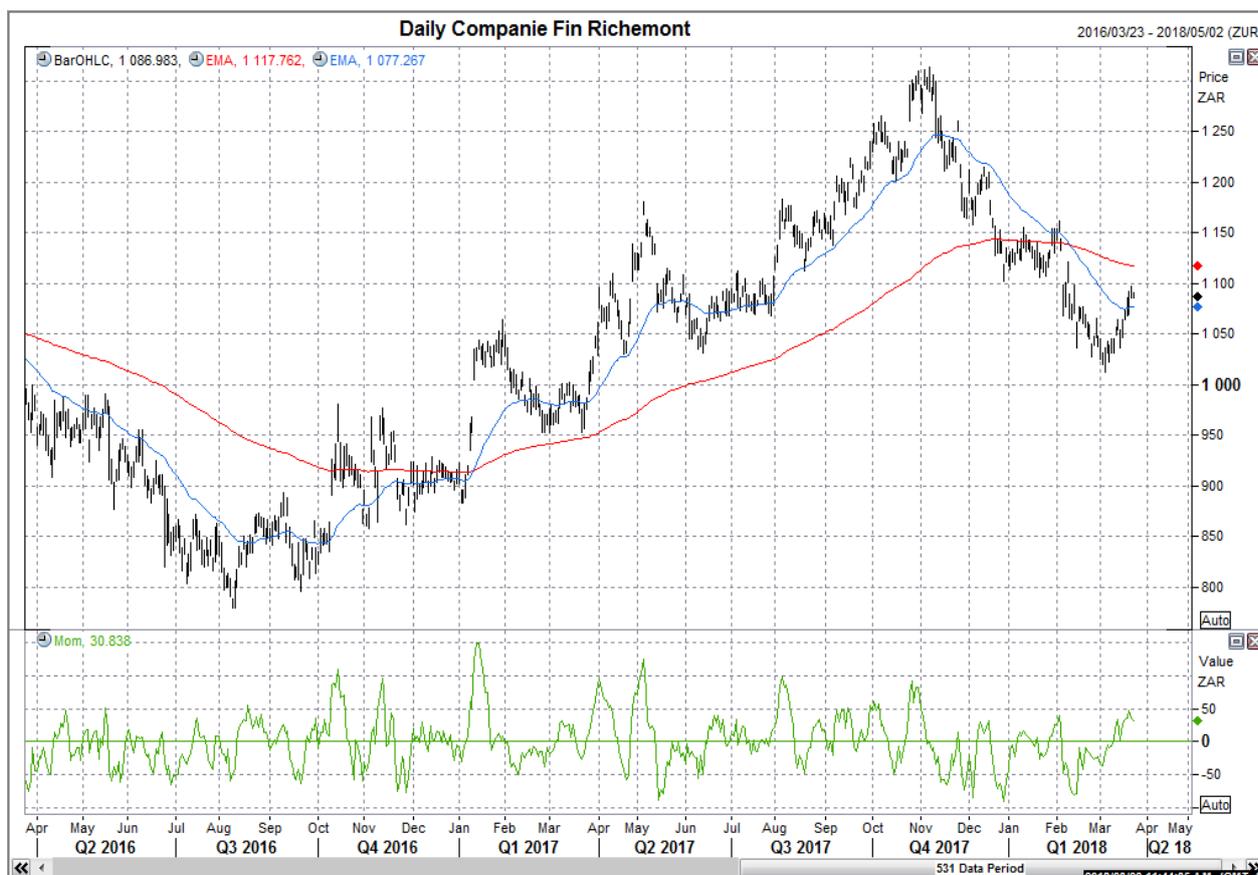
FFO SECURITIES (PTY) LTD

Authorised User of the JSE Limited



TRADE IDEA FOR TODAY

22 Mar 2018



Richemont (CFR) owns several of the world's leading companies in the field of luxury goods, specialising in jewellery, luxury watches and premium accessories. The Group have interests in several of the most prestigious names in the luxury industry including Cartier, Alfred Dunhill, Van Cleef & Arpels, Montblanc, Piaget, Jaeger-LeCoultre. The company sells these luxury goods worldwide, with Asia Pacific contributing 39% of revenue, Europe 29%, Americas 16%, Japan 8%, and Middle East and Africa 8%

INVESTMENT CASE

The group reported a 10% increase in sales for the six months period ended September 2017, with operating profit up 46%, citing strong sales growth from jewellery and watches in mainland China, Korea, and Macau. Operating margin in the jewellery segment remained strong at 31%, from 27.4% in the comparative period, and specialist watchmakers segment recovered to 19%, from 12.9% in

the previous period. Also pleasing is the 66% improvement in cash flow from operations due to the higher operating profit, and lower absorption of cash for working capital as a result of decreased inventories.

The World Bank is expecting the global economy to grow by 3.1% in 2018, with East Asia and Pacific regions to grow by 6.2% in 2018, (39% of Richemont's sales generated in these regions). The improved global economic outlook along with improved operating margins, if sustained, should be positive for future earnings of Richemont. The company release its full year results on 18 May 2018.

The Rand is overbought at current levels and an investment in Richemont presents an opportunity to hedge against possible Rand depreciation, as a typical Rand Hedge share.

WHAT WE SEE IN THE CHART

The share price had a decent pullback from its high of R 131.00 reached in November 2017, as the Rand strengthened significantly in this period. The price broke up through the 40-day moving average, along with positive momentum indicators, signalling further upward potential.

Our fair value estimate and long-term price target is R 125.00. Our recommendation is to BUY.

TARGET OUTCOME

Current Price: R 108.70

Target Price: R 125.00

Potential Return: 15.00%

Disclaimer:

This is pure technical analysis, and not based on any fundamental research. Prepared by Wilmar Buys and Hendrik de Kock on behalf of FFO Securities (Pty) Ltd. The above representatives do not have any open interest in the shares of this company. The information contained in this analysis and/or report is not to be construed as advice in terms of the Financial Advisory and Intermediary Services Act of 2002, and is given for information purposes only. Please consult your financial adviser should you require advice of a financial nature and/or intermediary services. Information for stock and index observations are obtained from sources believed to be reliable, but we do not warrant its completeness or accuracy, or warrant any results from the use of the information. Your use of the stock observations, and opinions are entirely at your own risk and it is your sole responsibility to evaluate the accuracy, completeness and usefulness of the information. The information provided here is for interest and educational purposes only, and does not constitute advice.