

De Beers' 1H 2016 revenues up 8% to US\$3.27b

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The De Beers Group of Companies reported an 8 percent increase in revenues during the first half of 2016 to US\$3.27 billion, driven by growth in rough diamond sales.

Earnings before interest and taxes also rose 2 percent to US\$585 million, fuelled by a rise in demand for rough diamonds, tight operating cost control and favourable exchange rates, the company **said**.

Preliminary data also indicate that the US market showed positive overall growth while the Chinese market was generally stable in the first half of 2016. Japan demonstrated modest growth in local currency, whereas consumer demand in India was hampered by a month-long jewellers' strike in March against new government regulations.

De Beers also reported a 15 percent decline in rough diamond production to 13.3 million carats, reflecting a decision to reduce production in response to prevailing trading conditions in the second half of 2015.

Forevermark continues to expand its retailer network and is currently available in 1,874 outlets, a 6.5 percent increase since the end of 2015, in 38 countries, including the new markets of Hungary, Thailand and South Korea.

In June 2016, Forevermark announced the launch of the Black Label Collection – an innovative collection of fancy shape diamonds – and announced a US national television campaign featuring the Ever Us two-stone diamond collection. In Q1 2016, De Beers also invested in additional Chinese New Year marketing campaigns to further stimulate diamond jewellery gift-giving, which was received positively by the industry.

De Beers Diamond Jewellers maintained its focus on fast-growing markets, with 35 stores in 16 key consumer markets around the world. Growth in mainland China sales helped to offset the significant impact of fewer Chinese tourist arrivals in Europe.

In May 2016, the Government of the Republic of Namibia and De Beers signed a new 10-year sales agreement for the sorting, valuing and sale of Namdeb Holdings' diamonds. This represents the longest sales agreement ever concluded between the parties.



Diamond sorting at De Beers

Photo credit: De Beers

Outlook

According to De Beers, macroeconomic conditions underpinning consumer demand for diamonds remain generally stable, but with persistent downside risks looking into the second half of 2016, including recent social and political instabilities. Rough diamond revenues are expected to be weighted towards H1 2016, consistent with prior years and typical of the seasonal drivers.

In the midstream, caution in rough diamond buying is expected to prevail, as supplies bought by diamantaires in H1 2016 are gradually converted into polished.

Forecast diamond production for 2016 remains unchanged and is expected to be in the range of 26 million to 28 million carats, subject to trading conditions.

Consistent with this level of production, plans are in place to deliver approximately US\$200 million of cash savings in production costs, overheads, capital expenditure and disposal proceeds in 2016, De Beers said.