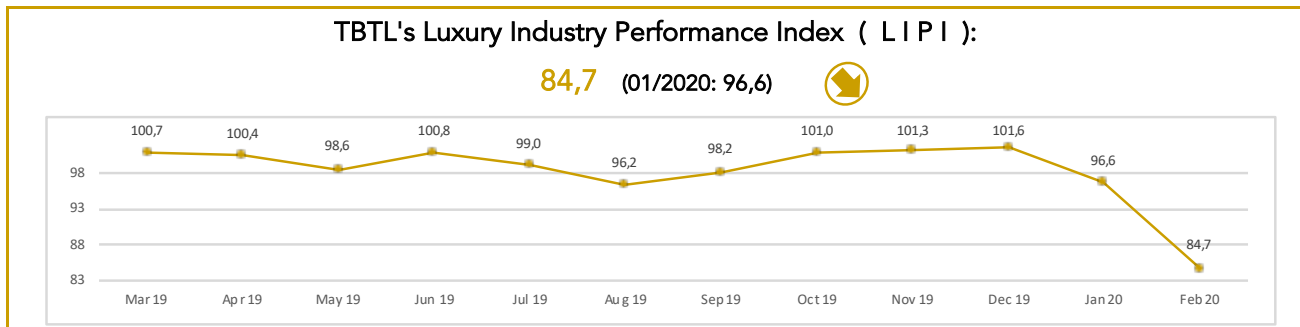


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

February 2020 (# 2)

TBTL's Luxury Industry Performance Index (LIPI) is a monthly published indicator, providing a quick overview of the high-end industry's current status and an outlook on its development over the next months. The LIPI is distributed as a free e-newsletter edited by international strategy consulting firm The Bridge To Luxury (www.thebridgetoluxury.com).



INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ In falling 5,0 basic points in January, TBTL's LIPI anticipated early the upcoming heavy impact of the coronavirus on the luxury industry. However, in light of the by now better knowledge about the virus' impact on global social and economic life the index has dropped to a historical low of 84,7 basic points.
- ◆ The implications of the crisis will be severe. Unlike earlier events such as SARS or Lehman, this time the luxury industry is less prepared to recover rapidly. Contrary to former challenges this one will alter the luxury industry's more profoundly. Many smaller and weaker players will disappear thus accelerating the industry's long-term concentration process. The main reason being that China's economic growth rate, motor of the global luxury industry of the last 20 years, is much weaker than it used to be. With a likely increase of GNP of only <2% in 2020 this time China will not be able to bolster the epidemic's influence in other countries being in recession.
- ◆ Also, today's consumers perceive the world differently than 10 or 20 years ago. The global social frame has changed due to topics like sustainability, #metoo etc. and therefore customers' spending moods differ from former more optimistic ones.
- ◆ TBTL estimates a global loss of some 100.000 to 150.000 luxury related jobs in the next two years. Particularly hit will be the Chinese OEM business, manufacturers in northern Italy, the Swiss watch and the German car industry plus many small high-end brands and startups. On top, service providers such as communication agencies, bloggers, freelance designers etc. will feel the pressure in all markets. In correcting its January forecast of 0 growth, TBTL now estimates a contracting luxury industry of -5 to -8% in 2020.
- ◆ However, the crisis of the coronavirus also offers opportunities. Currently, TBTL advises its clients (brands, OEMs, investors) not only to cut cost and to slow down activities along their value chains but to take advantage of special circumstances.
- ◆ Two of many examples: Cleaning of improper grey sales channels is less noticed when revenues are down anyway. This especially applies to stock listed companies. Regarding communications, brands with a strong CRM system should continue to interact 1-to-1 with consumers - yet in a sensitive way - to be top-of-mind once demands return.

COMPANY SNAPSHOTS:

- ◆ Chinese textile group Shandong Ruyi has so far failed to provide US\$600m for its 2018 acquisition of Swiss shoe maker Bally.
- ◆ Jaguar Land Rover announced that its 2020 EBIT margin will be 1 percentage point down due to the coronavirus.
- ◆ Giorgio Armani, Versace, Prada, Chanel and Gucci have cancelled April and May fashion shows globally and on cruise ships.
- ◆ Hugo Boss expects a single digit decline of sales in the Asia/Pacific region while global revenues will grow by 0-2%.
- ◆ At the beginning of EU-UK negotiations, Bentley has emphasized a larger importance of free trade with Europe than the US.
- ◆ February online sales of L'Oréal China outperformed last year numbers compensating for part of decline wholesale revenues.
- ◆ Heavily indebted South-Africa's diamond miner Petra has lowered its cash-flow goal down to a range of US\$100m and US\$150m over the next two years (formerly US\$150-200m).
- ◆ Despite the coronavirus, EssilorLuxottica believes the eyewear group's revenues will rise 3%-5% in 2020.
- ◆ Notwithstanding a slow-down of its China revenues, BMW confirms growth targets of passenger car sales for 2020.
- ◆ Online platform MyTheresa intends to be listed on the NYSE in April 2020.

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (02/2020)

(A) Development share prices in the luxury industry (in %)

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	-6,9%	13,1%	118,5%	16,9%	Luxury group
Kering	-8,9%	5,4%	199,0%	24,5%	Luxury group
LVMH	-6,2%	22,8%	126,3%	17,7%	Luxury group
Chow Tai Fook	-4,4%	-8,8%	-9,2%	-1,9%	Watches & Jewelry
Hengdeli	1,7%	-18,9%	-67,7%	-20,3%	Watches & Jewelry
Lao Feng Xiang	-11,8%	7,0%	20,0%	3,7%	Watches & Jewelry
Movado	-14,6%	-58,0%	-42,8%	-10,6%	Watches & Jewelry
Richemont	-7,4%	-14,4%	-22,1%	-4,9%	Watches & Jewelry
Swatch Group	-8,6%	-24,9%	-48,9%	-12,6%	Watches & Jewelry
Alrosa	-11,0%	-24,9%	4,2%	0,8%	Watches & Jewelry
Hugo Boss	-7,6%	-39,2%	-65,6%	-19,2%	Fashion
Burberry	-15,6%	-12,8%	-11,9%	-2,5%	Fashion
Brunello Cucinelli	-8,6%	-12,4%	61,6%	10,1%	Fashion
Ferragamo	-14,3%	-23,5%	-47,3%	-12,0%	Fashion
Capri (Michael Kors)	-13,8%	-43,4%	-61,7%	-17,5%	Fashion
Ralph Lauren	-7,0%	-15,7%	-23,2%	-5,1%	Fashion
Moncler	-9,7%	4,4%	161,5%	21,2%	Fashion
Mulberry	-2,6%	-18,6%	-71,5%	-22,2%	Fashion
Prada	-15,5%	0,6%	-45,8%	-11,5%	Fashion
Tapestry (Coach)	-9,0%	-32,9%	-46,2%	-11,6%	Fashion
Tod's	-15,0%	-28,2%	-65,9%	-19,4%	Fashion
Coty	-10,0%	-16,1%	-55,3%	-14,9%	Skin care
Estée Lauder	-5,9%	17,0%	122,1%	17,3%	Skin care
Shiseido	-9,4%	-12,7%	206,5%	25,1%	Skin care
BMW	-8,4%	-20,7%	-47,8%	-12,2%	Cars
Ferrari	-7,2%	25,1%	--	--	Cars
Aston Martin	-32,2%	-68,7%	--	--	Cars
Tesla	2,7%	-1,0%	49,2%	8,3%	Cars
Porsche	-7,9%	-4,0%	-32,0%	-7,4%	Cars
Marriott	-11,5%	-1,0%	49,2%	8,3%	Travel
Norweg. Cruises	-30,9%	-33,0%	-24,6%	-5,5%	Travel
Luxottica	-8,3%	15,6%	17,9%	3,3%	Eyewear
Safilo	-2,9%	32,0%	-88,4%	-35,0%	Eyewear
Kweichow Moutai	0,4%	40,0%	556,5%	45,7%	Spirits
S&P Global Luxury	-9,0%	-1,0%	17,2%	3,2%	Index
Euro Stoxx 50	-8,6%	0,9%	-7,5%	-1,5%	Index
Nikkei 225	-8,9%	-1,1%	12,5%	2,4%	Index
S&P 500	-8,5%	5,9%	40,1%	7,0%	Index
Shanghai Composite	-3,2%	-2,1%	-13,0%	-2,7%	Index

Sources: Reuters (monthly average), S&P

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (02/2020)

(B) Development selective industry indexes

(B1) Luxury cars: Quarterly growth rates (units sold in %) Q3 2019

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	3,3%	23,1%	4,3%
BMW	2,0%	14,4%	2,7%
Rolls-Royce	42,1%	37,2%	6,5%
Audi	-7,5%	-1,6%	-0,3%
Bentley	2,4%	4,6%	0,9%
Lamborghini	96,3%	138,3%	19,0%
Porsche	1,9%	15,3%	2,9%
Bugatti	6,2%	207,1%	25,2%
Ferrari	14,5%	33,3%	5,9%
Tesla	87,8%	705,6%	51,8%
Aston Martin	7,9%	74,2%	11,7%
All	2,0%	16,9%	3,2%

Source: company reports and press releases

(B2) Swiss watch exports growth rates (value in %)

Price Category	roll. 12 M	5Y-o-5Y	CAGR 5Y
Export value 0-200 CHF/unit	-14,5%	-34,1%	-8,0%
Export value 201-500 CHF/unit	-4,8%	-13,3%	-2,8%
Export value 501-3.000 CHF/unit	-4,2%	4,4%	0,9%
Export value > 3.000 CHF/unit	7,9%	7,1%	1,4%
All	3,3%	2,6%	0,5%

Source: Swiss Watch Federation

(B3) Current production of superyachts

	2019	2018	2017
number of superyachts	807	830	773

Source: Global Order Book, 2020, Boat International Media

(B4) Precious metals and diamonds (growth in %)

Metal	MoM	YoY	5 Years	CAGR 5Y
Gold	2,9%	22,7%	24,7%	4,5%
Silver	-8,7%	5,3%	-9,0%	-1,9%
Diamonds	-8,3%	-4,1%	-4,3%	-0,9%

Sources: Macrotrends (monthly quotes); IDEX
















TBTL LUXURY INDUSTRY PERFORMANCE INDEX (02/2020)

(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	-0,3%	-3,5%	29,1%	5,2%










Source: Li-ex 500 wine index (per previous month)

(C) GDP annual growth rate (in %)

Country	2017	2018	2019E	2020E	2024E
Brazil 	1,1%	1,1%	0,9%	2,0%	2,3%
China 	6,9%	6,6%	6,1%	5,8%	5,5%
France 	2,3%	1,7%	1,2%	1,3%	1,2%
Germany 	2,5%	1,5%	0,5%	1,2%	1,2%
Hong Kong 	3,8%	3,0%	0,3%	1,4%	2,9%
India 	7,2%	6,8%	6,1%	7,0%	7,3%
Italy 	1,7%	0,9%	0,0%	0,5%	0,6%
Japan 	1,9%	0,9%	1,2%	0,5%	0,5%
Russia 	1,6%	2,3%	1,1%	1,9%	1,8%
Spain 	3,0%	2,6%	2,2%	1,8%	1,6%
Switzerland 	1,7%	2,5%	0,8%	1,3%	1,6%
UAE 	0,8%	1,7%	1,6%	2,5%	2,5%
Great Britain 	1,8%	1,4%	1,2%	1,5%	1,5%
USA 	2,4%	2,9%	2,3%	2,1%	1,6%
World 	3,4%	3,8%	3,0%	3,4%	3,6%

Source: IMF, 10.2019

(D) Currencies exchange rates: the Euro's performance (change in %)

Currency	1 Month	6 Months	12 Months
US \$ 	-0,6%	0,4%	-3,0%
BRL 	3,8%	8,3%	15,2%
CNY 	0,2%	-2,0%	1,2%
HK \$ 	-0,2%	-0,2%	-3,7%
JPY 	-0,9%	2,0%	-6,4%
INR 	0,4%	1,3%	-1,1%
RUB 	3,8%	0,5%	-1,7%
CHF 	-0,5%	-2,1%	-6,3%
GBP 	2,4%	-4,8%	0,1%

Source: Oanda, per first of month

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (02/2020)

SELECTED UP-COMING LUXURY INDUSTRY EVENTS:*

◆ Condé Nast Luxury Conference	April 29-May 1	Vienna	Luxury management
◆ Luxe Pack	May 6-7	New York	Packaging
◆ TEFAF New York	May 8-12	New York	Arts
◆ Tax Free World TFWA Asia Pacific	May 14-20	Singapore	Duty free & travel retail
◆ FT Business of Luxury Summit	May 17-19	Athens	Luxury management
◆ Copenhagen Fashion Summit	May 27-28	Copenhagen	Fashion
◆ JCK Las Vegas	June 2-5	Las Vegas	Jewellery
◆ EPHJ	June 16-19	Geneva	Watches

* Due to the coronavirus, above listed events may be cancelled on short notice.

The full list of 2020's events is available at TBTL's homepage: www.thebridgetoluxury.com ("news").

ABOUT US:

The Bridge To Luxury (TBTL) is an international strategy consultancy firm, focusing exclusively on high-end brands, products and services. TBTL and its global network support owners, management and investors on luxury related topics: market assessments and research, strategy and branding, product development, communications including social media, distribution and internationalization, organization and restructuring, business modelling and evaluation, m&a.

CONTACT DETAILS:

The Bridge To Luxury
info@thebridgetoluxury.com
 Tel.: +49 351 2002 444
 Keppgrundstrasse 18
 01259 Dresden
 Germany
www.thebridgetoluxury.com

TBTL appreciates any suggestion for additional performance indicators of the luxury industry to be incorporated into this monitor.

To unsubscribe please write to info@thebridgetoluxury.com.

DISCLAIMER

The Bridge To Luxury (TBTL) believes the information in this report are accurate and complete. Information presented were obtained or derived from sources TBTL considers reliable, but TBTL makes no representations as to their accuracy or completeness.