

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

September 2019 (# 9)

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).

TBTL's Luxury Industry Performance Index (LIPI):

96,2 (08/2019: 99,0)



INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ For a second consecutive month the LIPI has given ground and fallen to its year low of 96,2 points. Even if protests in Hong Kong cease, Brexit scenarios become more predictable and Sino-US trade discussions yield positive results, the luxury industry's outlook will remain uncertain for the next 12 months according to TBTL's assessments.
- ◆ Germany's and the UK's economies are said to fall into recession soon. Expressed concerns about a globally slowing down economy may already have self-fulfilling prophetic impacts on the mood sensitive luxury industry. Such a concern is related to tourism: Q1 2019 Chinese outbound tourism to top 20 countries grew by +6% only (+23% full 2018, Gavekal Dragonomics). Given a Renminbi that has lost some -10% against the US\$, some -5% against the Yen and some -4% against the Euro since May, currency incentives to stimulate international Chinese travelling and spending cannot be expected in the near future.
- ◆ From the investors' point of view, however, luxury shares remain attractive. In taking the S&P 500 index as benchmark, their ytd's performances have so far been strongly correlated. Also, the structure of market capitalisation of stock listed luxury companies do not indicate major shifts: Ytd Kering, Hermès and LVMH together gained +2,8% of total market capitalisation (beauty +2,3%) at the expense of watches & jewellery (-2,3%), fashion (-1,9%) and cars (-1,0%).

COMPANY SNAPSHOTS:

- ◆ Marriott has cut its 2019 outlook of revenues per available room down to 1-2%.
- ◆ Audi will join Daimler and BMW in an alliance to create innovative driving assistance systems while mother company Volkswagen continues to cooperate with Ford on highly automated driving functions.
- ◆ Estée Lauder does not see any slowdown in China and expects full-year revenues (June 2020) to rise between 7-8%.
- ◆ Prada increased sales +2% in by 2019 to €1,57bn at current fx, yet being flat at constant rates. EBITDA €491m.
- ◆ Dior stopped its newest Savage campaign due to strong criticism about racist content.
- ◆ Capri Holdings announce a Q1 +11,9% revenue growth and a share repurchase programme of US\$500m.
- ◆ Q2 yty revenues of Salvatore Ferragamo rose by 2,6% after the first three months' sales grew by +2,2%.
- ◆ At constant exchange rates, Tiffany's first half year materialised a decline in sales of -1% while net earnings plunged -9%.
- ◆ Alibaba Group acquires e-commerce platform Kaola for US\$2bn.
- ◆ Porsche has presented its first zero-emissions sports car Taycan with a leather-free interior to push ecological rebranding.
- ◆ LV intends to give jobs to an additional 1.500 manufacturing staff in France by 2022 to cope with strong demand.
- ◆ According to the UN Alliance of Sustainable Fashion, the industry generates 8% of the global carbon emissions.
- ◆ 32 fashion brands initiated the Fashion Pact, a legally non-binding commitment to increase the industry's sustainability.
- ◆ Thebe Magugu is the first African designer to win the LVMH Prize for young fashion designers.

UP-COMING EVENTS:

- ◆ Monaco Yacht Show, September 25-28, 2019, Monaco
- ◆ Silmo, September 27-30, 2019, Paris
- ◆ Luxe Pack, September 30 - October 2, 2019, Monaco
- ◆ Paris Fashion Week, September 23 - October 1, 2019, Paris

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	-2,5%	10,9%	137,2%	18,9%	Luxury group
Kering	-6,2%	-5,9%	193,8%	24,1%	Luxury group
LVMH	-3,4%	20,1%	204,5%	24,9%	Luxury group
Chow Tai Fook	-7,6%	-8,8%	-27,7%	-6,3%	Watches & Jewelry
Citychamp	6,7%	1,8%	77,6%	12,2%	Watches & Jewelry
Hengdeli	-4,8%	25,0%	-55,6%	-15,0%	Watches & Jewelry
Lao Feng Xiang	18,6%	58,4%	93,4%	14,1%	Watches & Jewelry
Movado	-18,3%	-49,5%	-42,0%	-10,3%	Watches & Jewelry
Richemont	-10,1%	-10,4%	-12,3%	-2,6%	Watches & Jewelry
Swatch Group	-7,5%	-35,2%	-46,1%	-11,6%	Watches & Jewelry
Tiffany	-9,6%	-30,8%	-15,9%	-3,4%	Watches & Jewelry
Hugo Boss	-11,3%	-26,4%	-52,5%	-13,8%	Fashion
Burberry	-4,2%	-3,2%	52,3%	8,8%	Fashion
Brunello Cucinelli	-1,4%	-25,6%	48,6%	8,2%	Fashion
Ferragamo	-8,5%	-15,3%	-22,4%	-4,9%	Fashion
Capri (Michael Kors)	-25,9%	-63,7%	-67,1%	-19,9%	Fashion
Ralph Lauren	-15,2%	-33,5%	-47,8%	-12,2%	Fashion
Moncler	-8,3%	-12,5%	185,8%	23,4%	Fashion
Mulberry	11,9%	-27,5%	-60,2%	-16,8%	Fashion
Prada	-9,3%	-37,9%	-60,0%	-16,7%	Fashion
Tapestry (Coach)	-33,2%	-59,3%	-43,9%	-10,9%	Fashion
Tod's	3,3%	-22,2%	-44,8%	-11,2%	Fashion
Estée Lauder	7,5%	41,3%	157,7%	20,8%	Skin care
Shiseido	8,0%	11,1%	352,6%	35,3%	Skin care
BMW	-9,0%	-27,1%	-31,4%	-7,3%	Cars
Ferrari	-1,7%	27,1%	--	--	Cars
Aston Martin	-3,5%	--	--	--	Cars
Porsche	-4,4%	4,7%	-17,6%	-3,8%	Cars
Marriott	-9,3%	-0,3%	81,6%	12,7%	Travel
Norweg. Cruises	2,6%	-5,3%	52,4%	8,8%	Travel
Luxottica	9,5%	8,0%	66,3%	10,7%	Eyewear
Safilo	12,2%	-55,0%	-89,9%	-36,7%	Eyewear
Sotheby's	-3,3%	20,3%	41,5%	7,2%	Auctions
S&P Global Luxury Ind.	-4,2%	-8,2%	15,9%	3,0%	Index (80 companies)

Sources: Reuters (monthly average), S&P

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(B) Development selective industry indexes

(B1) Luxury cars: Quarterly growth rates (units sold in %) Q2 2019

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	-0,3%	30,7%	5,5%
BMW	1,5%	15,9%	3,0%
Rolls-Royce	36,2%	14,2%	2,7%
Audi	-7,8%	1,7%	0,3%
Bentley	5,6%	-0,9%	-0,2%
Lamborghini	96,9%	129,4%	18,1%
Porsche	3,4%	22,8%	4,2%
Bugatti	-1,2%	68,1%	10,9%
Ferrari	14,9%	35,3%	6,2%
All	-1,8%	16,3%	3,1%

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	-14,1%	-33,3%	-7,8%
Export value 201-500 CHF/unit	-6,9%	-17,0%	-3,7%
Export value 501-3.000 CHF/unit	-3,2%	3,2%	0,6%
Export value > 3.000 CHF/unit	5,5%	-0,7%	-0,1%
All	1,7%	-3,1%	-0,6%

Source: Swiss Watch Federation

(B3) Current production of superyachts

	2018	2017	2016
number of superyachts	830	773	760

Source: Global Order Book, 2019, Boat International Media

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

Metal	MoM	YoY	5 Years	CAGR 5Y
Gold	6,7%	26,5%	12,0%	2,3%
Silver	11,6%	26,0%	-12,6%	-2,6%
Diamonds	-0,3%	-3,3%	-11,2%	-2,4%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	-0,3%	-1,6%	34,9%	6,2%










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

(C) GDP annual growth rate (in %)

Country	2016	2017	2018	2019E	2024E
USA 	1,7%	2,4%	2,2%	1,8%	1,6%
Brazil 	-3,3%	1,1%	1,1%	2,1%	2,2%
Japan 	0,6%	1,9%	0,8%	1,0%	0,5%
China 	6,7%	6,9%	6,6%	6,3%	5,5%
Hong Kong 	2,2%	3,8%	3,0%	2,7%	3,0%
India 	8,2%	7,2%	7,1%	7,3%	7,7%
UAE 	3,0%	0,8%	1,7%	2,8%	2,7%
Russia 	0,3%	1,6%	2,3%	1,6%	1,6%
France 	1,2%	2,2%	1,5%	1,3%	1,5%
Germany 	2,2%	2,5%	1,5%	0,8%	1,2%
Italy 	1,1%	1,6%	0,9%	0,1%	0,6%
Spain 	3,2%	3,0%	2,1%	2,2%	1,6%
Switzerland 	1,6%	1,7%	2,5%	1,1%	1,6%
Great Britain 	1,8%	1,8%	1,4%	1,2%	1,6%
World 	3,4%	3,8%	3,6%	3,3%	3,7%

Source: IMF, 04.2019

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

Currency	1 Month	6 Months	12 Months
US \$ 	-0,6%	-3,4%	-5,3%
BRL 	-0,7%	-2,2%	-4,0%
CNY 	0,6%	-1,6%	0,3%
HK \$ 	1,0%	-1,8%	-3,5%
JPY 	1,4%	-2,4%	-5,1%
INR 	0,3%	-1,7%	-2,3%
RUB 	-1,2%	-10,6%	-2,7%
CHF 	-0,7%	-1,0%	-3,7%
GBP 	1,6%	-0,4%	1,1%

Source: Oanda, per first of month

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

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.

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