


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

May 2019 (# 5)

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 (L I P I):

100,4 (04/2019: 100,7) 

INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ In April, the LIPI lost 0,3 basic points to finish at 100,4. The increase of market capitalisation of luxury shares (+5,8% vs. previous month) was mainly triggered by hopes that progress in Sino-American trade talks would be made. In the meantime, optimism of investors has decreased again as an end of the dispute is not in sight.
- ◆ However, the US administration's decision to postpone an import duty of 25% on European and Japanese cars has been received with relief. In China, the demand for cars has slowed down for 11 consecutive months; for a first time in a decade spending on cloths dropped.
- ◆ The Italian luxury fashion industry rose only by 0,2% in 2019's first quarter against normal growth rates of 3% on average.

COMPANY SNAPSHOTS:

- ◆ LVMH has bought wine producer Le Chateau du Galoupet.
- ◆ Tata Motors expects Jaguar Land Rover to return to profits this year due to recovering sales in China and cost cuts. However, Q1 resulted in a 5% decline of revenues.
- ◆ Carmaker Austin Martin's revenues grew by 6% to 196 m£ in Q1 while adjusted profits plunged to a loss of 2 m£.
- ◆ Watches & jewellery group Richemont closed its financial year (31st of March) with sales up +27,0% (13,9 bn€) and operating profit at +5,3% (1,9 bn€).
- ◆ Burberry's sales were flat for the fashion's brand 2017/18 financial year (2,7 bn£) while reported profits grew at 6,5% (0,4 bn£).
- ◆ Le Printemps intends to open a 30.000 sqm flagship store in Doha and another in Milan (2.500 sqm) in 2021.
- ◆ Tapestry (Coach, Kate Spade) intends to buy back 1 bnUS\$ in stock, representing 11% of its shares outstanding.
- ◆ For its fashion shows, French luxury group Kering has announced to only work with models over age of 18 in the future.
- ◆ Also, Kering is tightening its ethical standards on animal welfare (forbidding intensive farming or antibiotic treatments). LVMH announced a partnership with UNESCO to ensure controlled sources of its raw materials.
- ◆ In Italy, Gucci has agreed to settle 1,25 bn€ of tax debts.
- ◆ Estée Lauder lifts its 2019 sales forecast to 7-8% up from previous 5-6% due to expected strong demand in Asian markets.
- ◆ Hugo Boss' revenues rose a currency-adjusted 1% to 664 m€ while operating profit shrank 22% to 55 m€.
- ◆ Audi's self-driving cars will be developed at Volkswagen; further cost-cutting r&d projects are planned with Porsche.
- ◆ Ferrari's net sales grew 13% in Q1 to 940 m€ (China +79%).
- ◆ Salvatore Ferragamo reports a 4,3% rise of sales for Q1 (2,2% retail, wholesale 7,0%) to 317 m€ (profits +23,5%).
- ◆ Prada, Ralph Lauren and other fashion brands are intensifying efforts to improve profitability in closing down wholesale operations and to stop end-of-season discounts.

UP-COMING EVENTS:

- ◆ Packaging Première, May 28-30, 2019, Milano
- ◆ Arab Luxury World, June 12-13, 2019, Dubai
- ◆ Luxury Marketing Innovation Summit, June 27, 2019, Paris
- ◆ Pebble Beach Concours d'Elegance, August 18, 2019, Pebble Beach

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	6,6%	18,0%	147,8%	19,9%	Luxury group
Kering	3,1%	18,2%	255,7%	28,9%	Luxury group
LVMH	6,5%	20,7%	173,2%	22,3%	Luxury group
Chow Tai Fook	5,7%	-14,4%	-7,0%	-1,4%	Watches & Jewelry
Citychamp	6,7%	3,6%	83,2%	12,9%	Watches & Jewelry
Hengdeli	5,1%	13,9%	-57,3%	-15,6%	Watches & Jewelry
Lao Feng Xiang	1,2%	22,3%	96,0%	14,4%	Watches & Jewelry
Movado	-2,0%	-9,6%	-9,2%	-1,9%	Watches & Jewelry
Richemont	2,7%	-21,2%	-16,6%	-3,6%	Watches & Jewelry
Swatch Group	9,2%	-35,0%	-44,9%	-11,2%	Watches & Jewelry
Tiffany	2,2%	4,9%	23,2%	4,3%	Watches & Jewelry
Hugo Boss	2,1%	-20,1%	-37,8%	-9,1%	Fashion
Burberry	3,2%	10,6%	35,8%	6,3%	Fashion
Brunello Cucinelli	5,6%	17,2%	56,3%	9,3%	Fashion
Ferragamo	5,5%	-17,7%	-11,5%	-2,4%	Fashion
Capri (Michael Kors)	-3,7%	-35,6%	-51,7%	-13,5%	Fashion
Ralph Lauren	1,5%	19,8%	-13,1%	-2,8%	Fashion
Moncler	1,8%	-2,3%	188,6%	23,6%	Fashion
Mulberry	-1,7%	-60,1%	-60,1%	-16,8%	Fashion
Prada	-5,1%	-44,2%	-64,2%	-18,6%	Fashion
Tapestry (Coach)	-0,7%	-40,0%	-27,7%	-6,3%	Fashion
Tod's	6,1%	-31,5%	-56,6%	-15,4%	Fashion
Estée Lauder	3,8%	16,0%	136,8%	18,8%	Skin care
Shiseido	9,2%	22,6%	378,0%	36,7%	Skin care
BMW	10,4%	-17,9%	-15,8%	-3,4%	Cars
Ferrari	1,0%	18,3%	--	--	Cars
Porsche	10,5%	-12,7%	-22,1%	-4,9%	Cars
Marriott	9,1%	-0,2%	135,5%	18,7%	Travel
Norweg. Cruises	2,6%	5,5%	72,1%	11,5%	Travel
Luxottica	11,4%	-4,0%	40,7%	7,1%	Eyewear
Safilo	33,0%	-63,4%	-90,7%	-37,8%	Eyewear
Sotheby's	11,7%	-20,1%	0,3%	0,1%	Auctions
S&P Global Luxury Ind.	2,8%	-1,6%	20,0%	3,7%	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 %) Q1 2019

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	-2,3%	30,7%	5,5%
BMW	1,2%	15,9%	3,0%
Rolls-Royce	31,1%	14,2%	2,7%
Audi	-6,4%	1,7%	0,3%
Bentley	-3,1%	-0,9%	-0,2%
Lamborghini	67,5%	129,4%	18,1%
Porsche	-0,7%	22,8%	4,2%
Bugatti	-8,1%	68,1%	10,9%
Ferrari	8,6%	28,6%	5,2%
All	-2,4%	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	-7,6%	-29,0%	-6,6%
Export value 201-500 CHF/unit	-5,6%	-17,6%	-3,8%
Export value 501-3.000 CHF/unit	2,4%	3,6%	0,7%
Export value > 3.000 CHF/unit	7,6%	-3,7%	-0,8%
All	4,7%	-4,8%	-1,2%

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	-0,5%	-2,9%	-6,2%	-1,3%
Silver	-0,9%	-9,2%	-27,2%	-6,1%
Diamonds	0,4%	0,3%	-7,7%	-1,6%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	0,0%	-0,9%	29,6%	5,3%










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 \$		0,0%	-1,4%	-6,7%
BRL		0,7%	4,3%	4,3%
CNY		0,4%	-4,3%	-0,9%
HK \$		-0,1%	-1,3%	-6,8%
JPY		0,2%	-2,6%	-5,2%
INR		0,5%	-6,2%	-2,5%
RUB		-1,2%	-2,9%	-4,7%
CHF		2,0%	-0,1%	-4,5%
GBP		0,2%	-3,0%	-2,3%

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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