


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

July 2019 (# 7)

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):

100,8 (06/2019: 98,6) 

INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ In mirroring efforts of the US government to change its trade position, the LIPI has rebounded above the 100 benchmark in June due to conciliant US-Sino discussions at the G20 summit and US Fed's signals not to raise interest rates.
- ◆ However, TBTL believes that there are no fundamental improvements of the economic frame for the luxury industry. Gains in market capitalisation of luxury related shares at strong 12% in June simply reflect statistical effects of former losses, investors' assessments that luxury will outperform other industries and lip-reading of US administration's likely goals in trade policies.
- ◆ On top, Brexit and protests in Hong Kong may leave their impact on the luxury sales in 2019. Consequently, TBTL reaffirms its estimated growth rate for the luxury industry of 3-4% in 2019. Hence, restructuring measures and aggressive efforts to expand the distribution base will be focused by many luxury brands, likely at the expense of brand building activities.

COMPANY SNAPSHOTS:

- ◆ Cable industrialist Patrick Drahi intends to buy Sotheby's at US\$3.7bn (+61% closing price prior to the announcement).
- ◆ Chanel grew sales in 2018 at a rate of 13% to US\$11,1bn (Gucci +33%; LV +19%) while net profits jumped 16% to US\$2.17bn.
- ◆ According to Capgemini's World Wealth Report 2019, HNWI's wealth shrunk by US\$42tr after 7 years of growth.
- ◆ Celebrating its 2nd birthday, LVMH owned S24 (former Sèvres24) will introduce menswear of brands belonging to the group.
- ◆ Cosmetics group Coty writes off US\$3bn, some 30% of its market capitalisation, and intends to reduce its brand portfolios.
- ◆ E-commerce site Secoo is cooperating with Chinese Academy of Sciences (CAS) for AI product tagging and authentication to control daigu, second-hand products and fakes.
- ◆ Mercedes-Benz is starting to allow consumers to test vehicles for 2 days. Expanded trials shall allow customers to gain more confidence in purchase decision making.
- ◆ LVMH intends to launch an inhouse-fair for its watches (Bulgari, Tag Heuer, Zenith and Hublot) in January 2020 in Dubai.
- ◆ Commencing on July 1, Porsche, Audi and all Volkswagen brands will start to evaluate suppliers' sustainability in attempts to improve the group's damaged reputation after the diesel scandal.
- ◆ Net-A-Porter is launching EIP Privé in July, an invite-only high-jewelry e-commerce platform targeted at high-spending VIPs. According to Germany based Responsio, 10% of affluent women are ready to spend +€5.000 on jewellery online.
- ◆ Tesla announced a record for quarterly vehicle deliveries, a 51% increase from Q1 to 95.200 units (2019 goal: 360-400k unites).
- ◆ L'Oreal is considering the acquisition of Mugler and Azzaro (Clarins Group) to improve its position in high-end markets.
- ◆ BMW reaffirms 2019 targets after group sales increased by 3.2% in May y-on-y driven by strong demand from China.
- ◆ Eyewear group Safilo seeks new licence partners to compensate for the loss of its Dior partner (13% of Safilo sales).
- ◆ French fashion group SMCP acquires men's luxury clothing company De Fursac.

UP-COMING EVENTS:

- ◆ Pebble Beach Concours d'Elegance, August 18, 2019, Pebble Beach
- ◆ HKTDC Watch Fair, September 3-7, 2019, Hong Kong
- ◆ Maison d'Objet, September 6-10, 2019, Paris
- ◆ Vinzencaoro, September 7-11, 2019, Vicenza

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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%	21,1%	135,3%	18,7%	Luxury group
Kering	11,6%	7,5%	249,4%	28,4%	Luxury group
LVMH	10,5%	31,2%	195,0%	24,2%	Luxury group
Chow Tai Fook	26,9%	-0,2%	-13,1%	-2,8%	Watches & Jewelry
Citychamp	-1,1%	9,3%	87,2%	13,4%	Watches & Jewelry
Hengdeli	6,6%	14,1%	-52,9%	-14,0%	Watches & Jewelry
Lao Feng Xiang	8,1%	24,4%	76,6%	12,0%	Watches & Jewelry
Movado	4,8%	-44,1%	-35,2%	-8,3%	Watches & Jewelry
Richemont	12,3%	-1,5%	-11,0%	-2,3%	Watches & Jewelry
Swatch Group	11,0%	-40,7%	-47,8%	-12,2%	Watches & Jewelry
Tiffany	5,1%	-28,8%	-6,6%	-1,4%	Watches & Jewelry
Hugo Boss	12,3%	-24,8%	-46,4%	-11,7%	Fashion
Burberry	9,9%	-13,8%	25,6%	4,7%	Fashion
Brunello Cucinelli	5,3%	-22,5%	78,7%	12,3%	Fashion
Ferragamo	12,5%	0,4%	-3,7%	-0,7%	Fashion
Capri (Michael Kors)	6,8%	-47,9%	-60,9%	-17,1%	Fashion
Ralph Lauren	8,0%	-9,6%	-29,3%	-6,7%	Fashion
Moncler	13,9%	-3,6%	210,5%	25,4%	Fashion
Mulberry	-5,3%	-62,9%	-64,6%	-18,8%	Fashion
Prada	9,8%	-33,5%	-56,2%	-15,2%	Fashion
Tapestry (Coach)	11,1%	-32,1%	-7,2%	-1,5%	Fashion
Tod's	-5,7%	-23,0%	-55,8%	-15,1%	Fashion
Estée Lauder	13,7%	28,3%	146,6%	19,8%	Skin care
Shiseido	3,7%	-7,7%	339,7%	34,5%	Skin care
BMW	5,0%	-16,2%	-29,7%	-6,8%	Cars
Ferrari	11,9%	22,6%	--	--	Cars
Aston Martin	15,1%	--	--	--	Cars
Porsche	2,4%	4,7%	-24,9%	-5,6%	Cars
Marriott	12,4%	10,8%	118,9%	17,0%	Travel
Norweg. Cruises	-2,0%	13,5%	69,2%	11,1%	Travel
Luxottica	11,2%	-5,1%	48,2%	8,2%	Eyewear
Safilo	-6,1%	-66,9%	-90,7%	-37,8%	Eyewear
Sotheby's	72,4%	7,0%	38,4%	6,7%	Auctions
S&P Global Luxury Ind.	8,7%	-0,7%	16,0%	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 %) 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	-10,7%	-30,8%	-7,1%
Export value 201-500 CHF/unit	-6,5%	-17,0%	-3,7%
Export value 501-3.000 CHF/unit	0,3%	4,6%	0,9%
Export value > 3.000 CHF/unit	7,3%	-1,3%	-0,3%
All	3,7%	-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	9,0%	13,0%	1,7%	0,3%
Silver	5,1%	-5,3%	-31,1%	-7,2%
Diamonds	-0,5%	-1,9%	-9,4%	-2,0%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	0,6%	-1,9%	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 \$ 	1,4%	-1,2%	-3,1%
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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