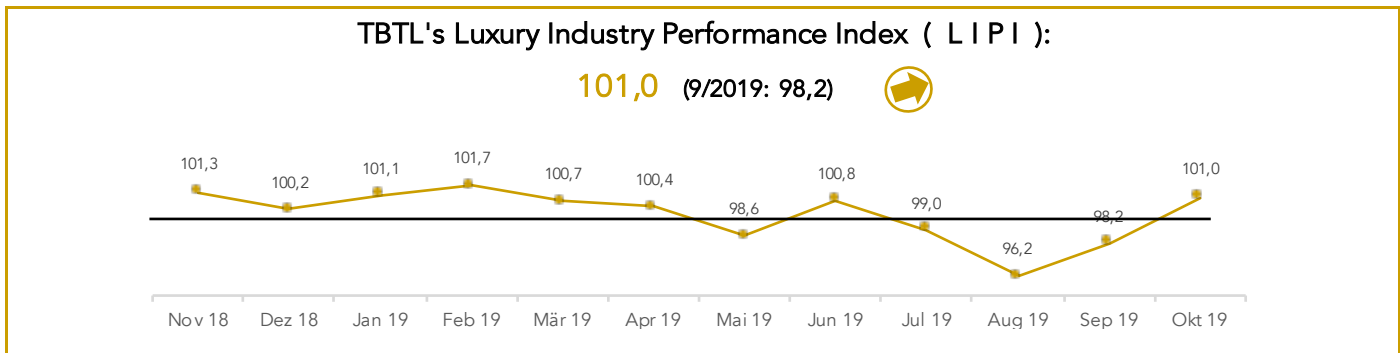


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

October 2019 (# 10)

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:

- ◆ From its year low of 96,2 basic points in August, the LIPI has strongly bounced back to an index of 101,0 in October in breaking the important 100 threshold. As throughout 2019, the LIPI continues to mirror the global political and economic uncertainties: US-Sino trade talks, the Hong Kong situation, Brexit, the Middle East etc.
- ◆ This frame is likely to remain the same for the time being even if there are signs of a more cautious approach of the US administration in trade policies (e.g. the recent delayed introduction of higher import duties on European cars).
- ◆ In its October report, the IMF has revised its 2019 and 2020 estimates. For this year, the IMF expects a 3,0% global GDP growth against a 3,3% forecast in April and actual 3,8% in 2018. The projection for 2020 is 3,4% instead of 3,6%. Besides HK, Russia, Switzerland, Germany, Italy and the USA contribute over-proportionally to the global economic slowdown.
- ◆ China's local luxury sales remain robust due to a weaker Yuan (less travelling abroad) and a reduced sales tax in 2019.

COMPANY SNAPSHOTS:

- ◆ With a market capitalisation of more than \$200bn, LVMH with its more than 70 brands has become the highest evaluated company in the Euro zone. The group is asked to offer \$14.5bn by iconic jewellery brand Tiffany for its acquisition. In September, competitor Richemont (Cartier, Van Cleef & Arpels) had brought Italian jewellery brand Buccellati.
- ◆ Richemont has agreed upon a partnership with former Lanvin designer Alber Elbaz
- ◆ The world's 5th largest hotel group Huazhu Group is acquiring Deutsche Hospitality (e.g. Steigenberger) at €700m (a x17 multiple of 2019 expected EBITDA).
- ◆ Ferretti (luxury yachts) has cancelled its plan on an IPO due to unsatisfactory offerings by investors.
- ◆ A unique Patek Philippe Grandmaster Chime in steel has become the world's most expensive wrist watch ever sold. The timekeeper fetched CHF31m at the charity auction "Only Watch" to fund research against duchenne muscular dystrophy
- ◆ Kering reports +11,6% in Q3 revenues with stronger sales of all major brands despite Hong Kong business being affected.
- ◆ PE Regent has bought German fashion label Escada from billionaire Megha Mittal.
- ◆ French L'Oréal will take over Clarins fragrance entities such as Mugler. The divisions' sales amounted for €340m in 2018.
- ◆ Fashion label Boss and porcelain manufacturer Meissen have introduced a fashion line.
- ◆ Swatch Group has announced the end of its licencing agreement for watches and jewellery with fashion label Calvin Klein.
- ◆ Blaming Brexit uncertainties, Tesla will build its European 7.000 employees' factory in Berlin.
- ◆ Versace's acknowledges lower sales in China linked to controversial HK/Macao T-shirt.
- ◆ De Beers' marketing budget 2019 will surpass the previous year's one (\$170m) - the highest in more than 10 years.
- ◆ BMW warned that a global trade war would risk jobs in its USA factory. BMW is the USA' biggest car exporter in value.
- ◆ Porsche and Boeing will partner to develop an electronic flying car.
- ◆ Ferrari raised its 2019 forecast to €3,7bn (previously €3,5bn). The brand intends to launch more line-extensions into apparel and accessory collections, entertainment offers, luxury products and services for clients (e.g. restaurants).
- ◆ Estée Lauder is among the companies that cite ongoing unrest in Hong Kong as a reason for lower than expected revenues.

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (10/2019)

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	1,7%	27,7%	161,0%	21,2%	Luxury group
Kering	9,1%	29,6%	256,5%	28,9%	Luxury group
LVMH	4,9%	42,3%	213,6%	25,7%	Luxury group
Chow Tai Fook	9,1%	2,8%	-20,6%	-4,5%	Watches & Jewelry
Citychamp	-2,3%	5,6%	66,7%	10,8%	Watches & Jewelry
Hengdeli	-12,0%	1,5%	-58,8%	-16,2%	Watches & Jewelry
Lao Feng Xiang	3,3%	38,6%	69,2%	11,1%	Watches & Jewelry
Movado	4,8%	-32,4%	-26,2%	-5,9%	Watches & Jewelry
Richemont	6,0%	5,3%	-4,1%	-0,8%	Watches & Jewelry
Swatch Group	3,1%	-19,9%	-40,1%	-9,7%	Watches & Jewelry
Tiffany	34,4%	11,9%	29,5%	5,3%	Watches & Jewelry
Hugo Boss	-23,3%	-40,3%	-64,4%	-18,6%	Fashion
Burberry	-6,0%	12,9%	33,5%	6,0%	Fashion
Brunello Cucinelli	-1,7%	-7,2%	74,0%	11,7%	Fashion
Ferragamo	-1,2%	-19,9%	-11,1%	-2,3%	Fashion
Capri (Michael Kors)	-6,3%	-43,9%	-60,5%	-16,9%	Fashion
Ralph Lauren	0,6%	-25,9%	-41,7%	-10,2%	Fashion
Moncler	5,6%	12,5%	212,3%	25,6%	Fashion
Mulberry	0,2%	-7,6%	-62,4%	-17,8%	Fashion
Prada	18,4%	-2,5%	-43,5%	-10,8%	Fashion
Tapestry (Coach)	-0,7%	-38,9%	-24,8%	-5,5%	Fashion
Tod's	-5,8%	-21,4%	-42,1%	-10,4%	Fashion
Estée Lauder	-6,4%	35,5%	147,8%	19,9%	Skin care
Shiseido	3,9%	25,7%	388,7%	37,3%	Skin care
BMW	6,4%	-9,9%	-19,5%	-4,2%	Cars
Ferrari	1,3%	38,6%	--	--	Cars
Aston Martin	-24,1%	--	--	--	Cars
Tesla	30,7%	8,3%	67,1%	10,8%	Cars
Porsche	10,6%	17,3%	1,0%	0,2%	Cars
Marriott	1,8%	8,3%	67,1%	10,8%	Travel
Norweg. Cruises	-2,0%	15,2%	30,2%	5,4%	Travel
Luxottica	3,4%	13,3%	55,3%	9,2%	Eyewear
Safilo	-3,8%	-6,3%	-85,7%	-32,2%	Eyewear
S&P Global Luxury Ind.	8,0%	8,3%	29,9%	5,4%	Index

Sources: Reuters (monthly average), S&P

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (10/2019)

(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	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%
Austin 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	-14,1%	-33,1%	-7,7%
Export value 201-500 CHF/unit	-6,1%	-14,7%	-3,1%
Export value 501-3.000 CHF/unit	-3,5%	3,8%	0,7%
Export value > 3.000 CHF/unit	7,4%	1,4%	0,3%
All	3,0%	-1,4%	-0,3%

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	1,3%	23,7%	21,9%	4,0%
Silver	6,3%	26,5%	1,5%	0,3%
Diamonds	0,5%	-3,8%	-7,9%	-1,6%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	-0,9%	-2,4%	32,6%	5,8%










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

Source: Oanda, per first of month

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SELECTED UP-COMING LUXURY INDUSTRY EVENTS:

◆ London Fashion Week (Men)	January 4-6, 2020	London	Fashion
◆ Milan Fashion Week (Men)	January 10-13, 2020	Milano	Fashion
◆ Paris Haute Couture	January 20-23, 2020	Paris	Fashion
◆ Maison d'Objet	January 17-21, 2020	Paris	Household goods
◆ Vicenzaoro	January 17-22, 2020	Vicenza	Jewellery
◆ NYC Fashion Week (Men)	February 3-5	New York	Fashion
◆ Milano Unica	February 4-6	Milano	Fashion & accessories
◆ NYC Fashion Week (Women)	February 7-12	New York	Fashion

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

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