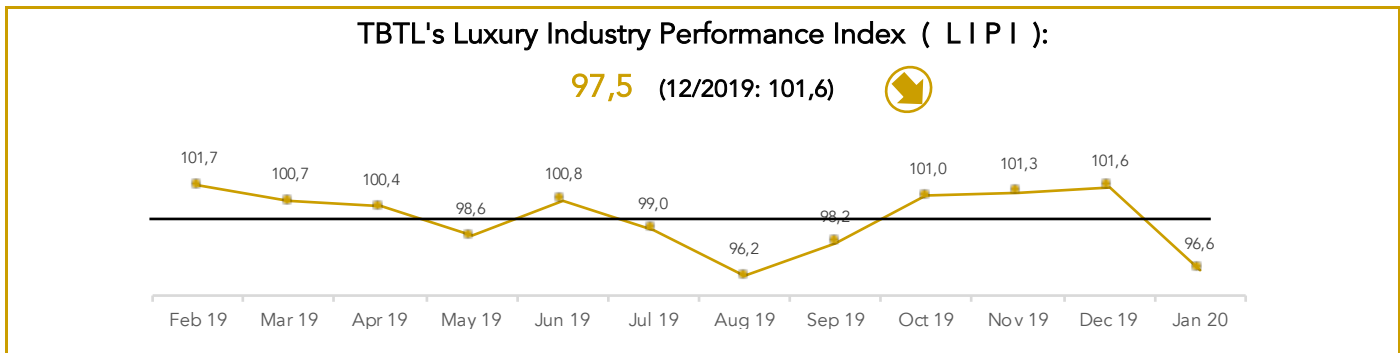


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

January 2020 (# 1)

TBTL's Luxury Industry Performance Index (LIPI) is a monthly published indicator, providing a quick overview of the high-end industry 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 January 2020, the LIPI experienced its most dramatic fall ever down to 96,6 from 101,6 index points. The world's locomotive of luxury consumption and industry growth, China, is facing three major challenges at once that will impact global business throughout this year: the still unsolved trade disputes between China and the US administration, political instability in Hong Kong and the globally spreading of the coronavirus
- ◆ In 2019, China's GDP growth rate of 6% was already the weakest in decades. This year's rate will likely materialize in corridor of 4 to 5% only. Shrinking income, reduced travel activities and a general depressed spending mood of Chinese consumers will influence global industry development severely.
- ◆ Given other factors, TBTL estimates 2020's luxury industry overall growth to be flat in a best-case scenario: Brexit, the luxury car industry being in a continuous process of transformation (e-mobility), growing international debates about sustainability altering traditional customer mind-sets (e.g. fashion, cruising), the Tokyo Olympic Games in an important luxury hotspot (sport tourism is not a boosting factor for high-end consumption in the hosting city).

COMPANY SNAPSHOTS:

- ◆ Ralph Lauren has closed half of its 110 China stores due to the coronavirus. Michael Kors has shut down 150 pos and expects US\$100m decrease in annual sales. Only 40 of Burberry's 64 China stores operate.
- ◆ Moncler has announced that sales in its China stores have fallen by 80% since the coronavirus outbreak.
- ◆ Canadian Goose, manufacturer of winter jackets, has lowered its 2020 sales growth forecast to 14% to 15% from formerly +20% due to the coronavirus.
- ◆ Estée Lauder is reducing its 2020 revenue forecast to 6-8% from 7-8%, the producer of high-end cosmetics now expects adjusted earnings of \$5.60 to \$5.70 per share (\$5.85 to \$5.93). Competitors L'Oréal and Coty, however, do believe that the coronavirus will only have small impact on their earnings. All three groups announced strong 2019 Q4 sales.
- ◆ Mercedes-Benz Cars sold 2.385.400 units in 2019 (0,1%). Sales rose to €93,9bn (2018: €93,1bn). EBIT fell by 53% to €3,4 bn. Restructuring measures foresee a cut in workforce of at least 10.000 people by 2022.
- ◆ Deliveries of other car manufacturers: Audi +1,8% (1.845.600 units), Porsche +9,6% (280.800), Lamborghini +42,7% (8.205), Rolls-Royce +25,4% (5.152), Bentley +4,8% (11.006), Tesla +49,7% (367.600), Aston Martin -9,8% (5.809)
- ◆ Ferrari's sales grew +10.1% in 2019, operating profit was +14.0%. The sportscar maker shipped 10.131 units (2018: 9.251)
- ◆ ABB, a provider of digital technologies, and Porsche have announced an exclusive partnership to jointly promote e-mobility.
- ◆ Tesla's planned car factory near Berlin can expect federal aid according to Germany's Minister of Economic Affairs.
- ◆ Aston Martin has received a GBP500m cash injection from Canadian investor Lawrence Stroll.
- ◆ A 12,5% stake of handbag manufacturer Mulberry was acquired by retailing chain House of Fraser.
- ◆ Swatch Group sales amounted for CHF8,2bn in 2019 (-1,8% at const. rates), net profit was down to CHF748m (-13,7%); LVMH watches sales €4,4bn (+3,1% at const. Rates).
- ◆ Last year's merged EssilorLuxottica eyewear group has to expect EU anti-trust investigations with regard to its €7,2bn offer for Dutch opticians' chain GrandVision.

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (01/2020)

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	1,6%	29,0%	125,2%	17,6%	Luxury group
Kering	-5,2%	26,9%	232,8%	27,2%	Luxury group
LVMH	-4,6%	41,3%	175,5%	22,5%	Luxury group
Chow Tai Fook	-5,2%	1,1%	-16,7%	-3,6%	Watches & Jewelry
Citychamp	0,0%	0,6%	81,5%	12,7%	Watches & Jewelry
Hengdeli	-10,6%	-13,2%	-68,3%	-20,5%	Watches & Jewelry
Lao Feng Xiang	5,3%	17,6%	42,5%	7,3%	Watches & Jewelry
Movado	-20,8%	-46,1%	-28,5%	-6,5%	Watches & Jewelry
Richemont	-7,1%	3,2%	-7,7%	-1,6%	Watches & Jewelry
Swatch Group	-10,1%	-14,9%	-33,9%	-7,9%	Watches & Jewelry
Tiffany	0,3%	51,0%	54,7%	9,1%	Watches & Jewelry
Hugo Boss	-1,1%	-31,7%	-62,6%	-17,9%	Fashion
Burberry	-11,4%	8,4%	13,0%	2,5%	Fashion
Brunello Cucinelli	4,0%	4,0%	80,2%	12,5%	Fashion
Ferragamo	-11,0%	-4,7%	-35,0%	-8,3%	Fashion
Capri (Michael Kors)	-21,5%	-29,5%	-57,7%	-15,8%	Fashion
Ralph Lauren	-3,2%	-2,3%	-32,0%	-7,4%	Fashion
Moncler	-2,7%	18,5%	195,9%	24,2%	Fashion
Mulberry	-12,6%	-18,1%	-70,9%	-21,9%	Fashion
Prada	-7,0%	15,6%	-34,2%	-8,0%	Fashion
Tapestry (Coach)	-4,4%	-33,4%	-30,7%	-7,1%	Fashion
Tod's	-11,4%	-10,0%	-59,9%	-16,7%	Fashion
Estée Lauder	-5,5%	43,1%	176,5%	22,6%	Skin care
Shiseido	-8,9%	9,5%	273,4%	30,1%	Skin care
BMW	-12,0%	-12,4%	-39,0%	-9,4%	Cars
Ferrari	3,1%	40,4%	--	--	Cars
Aston Martin	-4,0%	-59,9%	--	--	Cars
Tesla	55,5%	22,3%	88,0%	13,5%	Cars
Porsche	-8,3%	7,6%	-17,9%	-3,9%	Cars
Marriott	-7,5%	22,3%	88,0%	13,5%	Travel
Norweg. Cruises	-7,8%	4,7%	23,1%	4,2%	Travel
Luxottica	-1,1%	21,3%	35,5%	6,3%	Eyewear
Safilo	-8,1%	25,9%	-87,0%	-33,5%	Eyewear
S&P Global Luxury	-3,3%	14,1%	32,7%	5,8%	Index
Euro Stoxx 50	-2,8%	15,2%	15,5%	2,9%	Index
Nikkei 225	-1,9%	12,9%	31,3%	5,6%	Index
S&P 500	0,1%	19,2%	61,6%	10,1%	Index
Shanghai Composite	-2,4%	15,6%	-7,3%	-1,5%	Index

Sources: Reuters (monthly average), S&P

TBTL LUXURY INDUSTRY PERFORMANCE INDEX (01/2020)

(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	-14,4%	-33,8%	-7,9%
Export value 201-500 CHF/unit	-5,6%	-13,9%	-2,9%
Export value 501-3.000 CHF/unit	-5,3%	2,9%	0,6%
Export value > 3.000 CHF/unit	7,3%	5,5%	1,1%
All	2,6%	1,2%	0,2%

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	3,8%	19,5%	16,4%	3,1%
Silver	0,6%	12,1%	-4,2%	-0,8%
Diamonds	7,4%	4,9%	4,2%	0,8%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	-0,6%	-3,5%	28,5%	5,1%










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 \$ 	-1,1%	0,3%	-3,2%
BRL 	5,4%	12,3%	13,5%
CNY 	-1,5%	0,9%	-0,3%
HK \$ 	-1,4%	-0,5%	-4,2%
JPY 	-1,3%	0,2%	-3,9%
INR 	-0,5%	4,0%	-2,7%
RUB 	2,1%	0,4%	-5,4%
CHF 	-1,5%	-2,7%	-6,1%
GBP 	-0,6%	-7,9%	-4,0%

Source: Oanda, per first of month

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SELECTED UP-COMING LUXURY INDUSTRY EVENTS:

◆ Lineapelle	February 19-21	Milano	Leathergoods
◆ Doha Jewellery & Watches Exhibition	February 24-29	Doha	Watches & jewellery
◆ MIDO	February 29-March 2	Milano	Eyewear
◆ HKDTC Jewellery Show	March, 4-8	Hong Kong	Jewellery
◆ Geneva Motor Show	March 5-15	Geneva	Cars
◆ TEFAF Maastricht	March 5-15	Maastricht	Arts
◆ Luxe Pack	April 8-9	Shanghai	Packaging
◆ Salone del Mobile	April 21-26	Milano	Furniture
◆ Condé Nast Luxury Conference	April 29-May 1	Vienna	Luxury management
◆ Luxury Venture Day	April 30-May 5	Basel	Luxury management

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.

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