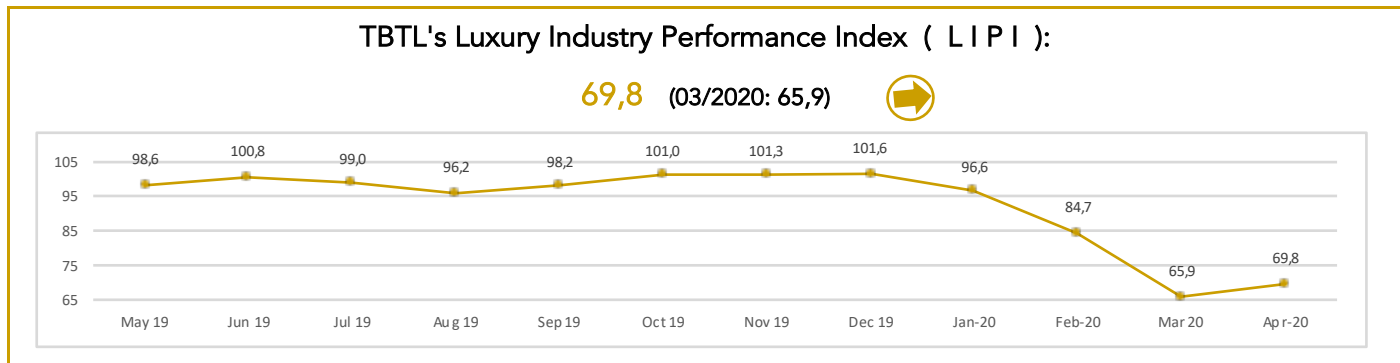


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

April 2020 (# 4)

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:

- ◆ In April, the LIPI has gained 3,9 basic points to reach an index of 69,8. As the impact of covid-19 is increasingly better understood and the pandemic's bad news are priced in, the LIPI starts to bottom out. Yet, many uncertainties remain and consequently the luxury industry will have to expect further volatilities caused by renewed lockdowns.
- ◆ Business scenarios for the next 18 months should thus include major setbacks due to possible new waves of infections. In the mid-term, the industry's development will follow the medical ones: status of infection tests, vaccines, therapies and their broad global availability and functioning.
- ◆ The IMF has adopted its GDP forecasts for 2020 and 2021. The fund expects a decline of global economic output of -3,0%. While India (+1,9%) and China (1,2%) are believed to grow, all major economies are expected to witness a shrinking of their GDPs by at least 5%. For 2021, the IMF anticipates a global GDP growth of 5,8% yet highlights the prognosis incertitude.
- ◆ For the time being, TBTL does not believe - even as lockdowns are lifted in many countries - that there will be a back to normal very soon. This is also valid in the long-term perspective over the next five to 10 years and beyond covid-19:
 - ◆ The pandemic has revealed new conflicts between political blocks that will influence topics such as free trade.
 - ◆ Huge amounts of incremental global, national, company and private debt rates risk new pressures on financial systems and its players (e.g. banks, insurers). Also, this may affect global currency exchange parities severely.
 - ◆ Government policies will directly influence industry business. Company bailouts could be linked to conditions. The German government considers financial aid for the automotive industry to be linked to investments into e-mobility.
 - ◆ The crisis could increase oligopolistic industry structures putting pressure especially on mid-sized and independent companies. This could lead to less diverse and therefore attractive offerings for consumers.
 - ◆ In the years to come, the luxury industry will shorten its supply chains to more local or national ones.
 - ◆ The crisis will affect consumer moods and behaviour creating a more complex space for luxury brands. Dependency on China will grow further over the next two years as the already most important market for high-end products and services is easing restrictions first. However, even there consumers being shocked by the covid-19 experience, especially millennials and generation Z, will to some degree opt for a more conscious and sustainable way of spending money. This not only due to lost savings normally providing confidence to use income for luxury purchases. The former optimistic happiness will be replaced by a new sensitivity of "less-can-be-more" influencing the way consumers are travelling, eating, dressing, driving etc.
 - ◆ Yet in the long run, luxury will still offer many new business opportunities for smart, fast and creative companies: emphasising social relevance in more appropriate storytelling, using digital innovation beyond sales channel politics, hyper-segmentations etc. (for more see LIPI 03/2020 on TBTL's site www.thebridgetoluxury.com section "news").

COMPANY SNAPSHOTS:

- ◆ Analyses by the World Tourism Organization indicate that 100% of global destinations have restrictions on travel in place (72% are closed for foreign tourism). In Q1, international tourism was down -22%. UNWTO estimates a slump of -60% to -80% and a loss of revenues amounting for US\$80bn in 2020.
- ◆ Swiss watch exports were down by -21% in March. While countries fully hit by covid-19 experienced a fall of up to -58% (Italy), others not yet affected markets still saw growth (USA +25,1%). Luxury consultancy TBTL expects total exports reach 60-70% of their 2019 levels only.
- ◆ McKinsey estimates the same numbers of the fashion industry for this year. For apparel and footwear the prognosis is a slump of -27% to -30%.
- ◆ Bain predicts a drop of global luxury related sales of -50% in Q2.
- ◆ Hermès Q1 sales were down -6,5% (-7,7% at const. rates); LVMH -15,4% (-17,4%); Kering -16,0% (-16,9%).
- ◆ Eyewear group EssilorLuxotica reports a fall of revenues of -10,1% in Q1.
- ◆ Cruise operator Norwegian Cruise Line has raised US\$2,2bn through debt and equity offerings. The company announced to have collected enough cash to survive without revenues until October 2021.
- ◆ Hotel group Marriott's profits slumped -92% in Q1 while revenues decreased by -7%.
- ◆ In protest of lockdown orders by the State of California, Tesla's CEO Elon Musk is threatening to move the electric car maker's headquarters to Texas. Also, the company reports a sales plunge of -64% of its Model 3 in China in April compared to March.
- ◆ For Q1, Ferrari has announced an increase of shipments of +4,9% (2.738 cars). Net revenues totalled €932m (-0,8%). Adjusted EBITDA was up +1,9% (its margin improved to 34,0%).
- ◆ BMW's car deliveries plunged -20,6% (477,111 units) in Q1. The German carmaker has announced a delay of major investments such as a new plant in Hungary.
- ◆ Estée Lauder reports for its Q3 a net sales' fall of -10,7% (US\$3,3bn).
- ◆ Coty is selling a majority of its beauty and retail hair businesses to investment firm KKR for US\$4,3bn.
- ◆ Fashion group Tapestry (Coach) announced a Q1 -19,4% drop of net sales (US\$1,0bn).
- ◆ Burberry is committed to pay all of its global staff being able to work or not. Also, the label will not take advantage of British government financial aid programs.
- ◆ After a drop of Q1 net sales of -17%, Hugo Boss expects revenues to slump by 50% in Q2. Online sales were up 39%.
- ◆ Saint Laurent will not participate in 2020's Paris fashion shows. Instead, the label will present its ready-to-wear collections on separately organised occasions.
- ◆ Russian Alrosa's March revenues fell -60% y-o-y. The diamond miner considers postponements of major 2020 investments.
- ◆ Online giant Alibaba announced the launch of a new platform. Soho is targeting young consumers and is supposed to offer luxury brands a sales channel to reduce overstocks being build-up due to covid-19.
- ◆ Luxury department store chain Neiman Marcus and apparel retailer J. Crew Group have filed for Chapter 11 bankruptcy.
- ◆ According to market research institute GfK, 7% of Germans intend to delay consumption of clothes, cars and luxury products.

SELECTED UP-COMING LUXURY INDUSTRY EVENTS:

◆ Oroarezzo	July, 18-21, 2020	Arezzo	Jewellery
◆ Vinzencaoro	September 5-9, 2020	Vicenza	Jewellery
◆ Luxe Pack	September 15-16, 2020	New York	Packaging
◆ Luxe Pack	September 28-30, 2020	Monaco	Packaging
◆ FT Business of Luxury Summit	November, 22-24, 2020	London	Luxury management

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	6,2%	6,5%	98,1%	14,7%	Luxury group
Kering	-3,3%	-12,7%	200,0%	24,6%	Luxury group
LVMH	4,1%	1,0%	125,1%	17,6%	Luxury group
Chow Tai Fook	20,6%	-21,1%	-14,6%	-3,1%	Watches & Jewelry
Hengdeli	0,0%	-24,4%	-72,3%	-22,7%	Watches & Jewelry
Lao Feng Xiang	2,6%	-8,6%	-22,4%	-4,9%	Watches & Jewelry
Movado	-12,8%	-71,1%	-64,8%	-18,8%	Watches & Jewelry
Richemont	3,3%	-26,4%	-34,5%	-8,1%	Watches & Jewelry
Swatch Group	-0,2%	-37,9%	-54,1%	-14,4%	Watches & Jewelry
Alrosa	-3,7%	-34,0%	-9,1%	-1,9%	Watches & Jewelry
Hugo Boss	9,8%	-59,2%	-77,0%	-25,4%	Fashion
Burberry	4,9%	-31,1%	-20,3%	-4,4%	Fashion
Brunello Cucinelli	6,1%	-9,2%	77,8%	12,2%	Fashion
Ferragamo	-6,7%	-44,1%	-59,4%	-16,5%	Fashion
Capri (Michael Kors)	41,3%	-65,4%	-75,3%	-24,4%	Fashion
Ralph Lauren	10,4%	-43,9%	-44,7%	-11,2%	Fashion
Mulcler	3,0%	-6,2%	115,7%	16,6%	Fashion
Mulberry	16,3%	-35,8%	-79,4%	-27,1%	Fashion
Prada	10,6%	13,3%	-40,5%	-9,9%	Fashion
Tapestry (Coach)	14,9%	-53,9%	-61,1%	-17,2%	Fashion
Tod's	-8,4%	-36,2%	-66,0%	-19,4%	Fashion
Coty	5,6%	-49,6%	-75,9%	-24,8%	Skin care
Estée Lauder	10,7%	2,7%	117,0%	16,8%	Skin care
Shiseido	-0,1%	-26,8%	194,9%	24,1%	Skin care
BMW	14,7%	-28,8%	-49,1%	-12,6%	Cars
Ferrari	1,3%	18,8%	--	--	Cars
Aston Martin	-10,0%	-82,0%	--	--	Cars
Tesla	49,2%	228,0%	245,9%	28,2%	Cars
Porsche	19,0%	-25,6%	-46,0%	-11,6%	Cars
Marriott	21,6%	-33,3%	13,6%	2,6%	Travel
Norweg. Cruises	49,6%	-70,9%	-66,2%	-19,5%	Travel
Luxottica	14,6%	3,8%	3,6%	0,7%	Eyewear
Safilo	-9,2%	-26,9%	-91,4%	-38,8%	Eyewear
Kweichow Moutai	14,0%	30,0%	452,8%	40,8%	Spirits
Bang & Olufsen	-8,2%	-63,3%	-64,5%	-18,7%	Audio
S&P Global Luxury	13,2%	-13,0%	8,2%	1,6%	Index
Euro Stoxx 50	5,1%	-16,7%	-19,0%	-4,1%	Index
Nikkei 225	6,7%	-9,3%	3,5%	0,7%	Index
S&P 500	12,7%	-1,2%	39,5%	6,9%	Index
Shanghai Composite	4,0%	-7,1%	-35,6%	-8,4%	Index

Sources: Reuters (monthly average), S&P

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(B) Development selective industry indexes

(B1) Luxury cars: Quarterly growth rates (units sold in %) Q4 2019

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	1,4%	19,2%	3,6%
BMW	2,9%	14,7%	2,8%
Rolls-Royce	24,2%	34,7%	6,1%
Audi	1,8%	2,3%	0,5%
Bentley	4,8%	9,0%	1,7%
Lamborghini	42,7%	152,9%	20,4%
Porsche	9,6%	24,7%	4,5%
Bugatti	6,6%	252,2%	28,6%
Ferrari	9,5%	32,2%	5,7%
Tesla	49,8%	625,8%	48,6%
Aston Martin	-9,0%	62,4%	10,2%
All	3,7%	17,3%	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%	-35,3%	-8,3%
Export value 201-500 CHF/unit	-13,4%	-18,9%	-4,1%
Export value 501-3.000 CHF/unit	-7,5%	1,2%	0,2%
Export value > 3.000 CHF/unit	5,0%	7,3%	1,4%
All	0,2%	1,1%	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	7,0%	33,6%	36,6%	6,4%
Silver	5,6%	-0,1%	-14,8%	-3,1%
Diamonds	0,8%	-4,4%	-9,9%	-2,1%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	0,1%	-4,6%	25,7%	4,7%










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

(C) GDP annual growth rate (in %)

Country	2017	2018	2019	2020E	2021E
Brazil 	1,3%	1,3%	1,1%	-5,3%	2,9%
China 	6,9%	6,7%	6,1%	1,2%	9,2%
France 	2,3%	1,7%	1,3%	-7,2%	4,5%
Germany 	2,5%	1,5%	0,6%	-7,0%	5,1%
Hong Kong 	3,8%	2,9%	-1,2%	-4,8%	3,9%
India 	7,0%	6,1%	4,2%	1,9%	7,4%
Italy 	1,7%	0,8%	0,3%	-9,1%	4,8%
Japan 	2,2%	0,3%	0,7%	-5,2%	3,0%
Russia 	1,8%	2,3%	1,3%	-5,5%	3,5%
Spain 	2,9%	2,4%	2,0%	-8,0%	4,3%
Switzerland 	1,9%	2,7%	0,9%	-6,0%	3,8%
UAE 	0,5%	1,7%	1,3%	-3,5%	3,3%
Great Britain 	1,9%	1,3%	1,4%	-6,5%	4,0%
USA 	2,4%	2,9%	2,3%	-6,0%	4,7%
World 	3,9%	3,6%	2,9%	-3,0%	5,8%

Source: IMF, 04.2020

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

Currency	1 Month	6 Months	12 Months
US \$ 	0,1%	-1,7%	-2,3%
BRL 	5,1%	34,8%	36,9%
CNY 	-0,4%	-1,4%	2,5%
HK \$ 	0,1%	-2,8%	-3,4%
JPY 	-0,4%	-2,7%	-6,2%
INR 	-0,9%	4,5%	5,3%
RUB 	-4,6%	15,8%	13,6%
CHF 	-0,2%	-4,1%	-7,5%
GBP 	-1,1%	1,6%	1,9%

Source: Oanda, per first of month

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

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