Global luxury markets **fully recovering vs. 2019**, driven by personal and experience-based products

Global luxury markets (€B | 2022E)

<table>
<thead>
<tr>
<th>Year-over-year ('21-22E) growth</th>
<th>@Current FX</th>
<th>@Constant FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Luxury Goods</td>
<td>+22%</td>
<td>+15%</td>
</tr>
<tr>
<td>Luxury Cars</td>
<td>+6%</td>
<td>-1%</td>
</tr>
<tr>
<td>Luxury Hospitality</td>
<td>+110%</td>
<td>+95%</td>
</tr>
<tr>
<td>Fine Wines &amp; Spirits</td>
<td>+16%</td>
<td>+9%</td>
</tr>
<tr>
<td>Gourmet Food &amp; Fine Dining</td>
<td>+12%</td>
<td>+11%</td>
</tr>
<tr>
<td>High-Quality Design Furniture &amp; Homeware</td>
<td>+13%</td>
<td>+9%</td>
</tr>
<tr>
<td>Fine Art</td>
<td>+13%</td>
<td>+5%</td>
</tr>
<tr>
<td>Private Jets &amp; Yachts</td>
<td>+18%</td>
<td>+10%</td>
</tr>
<tr>
<td>Luxury Cruises</td>
<td>+355%</td>
<td>+325%</td>
</tr>
</tbody>
</table>

vs. 2019

<table>
<thead>
<tr>
<th>@Current FX</th>
<th>+26%</th>
<th>+3%</th>
<th>-7%</th>
<th>+26%</th>
</tr>
</thead>
<tbody>
<tr>
<td>@Constant FX</td>
<td>+15%</td>
<td>-1%</td>
<td>+95%</td>
<td>+9%</td>
</tr>
</tbody>
</table>

Global luxury markets (€B | 2022E)
Luxury cars
hindering by continued supply chain disruptions, with car manufacturers increasing interest towards direct-to-consumer to enhance experience along the customer journey.

Luxury yachts
posting strong growth and record order level, with customers increasingly seeking enhanced connection with nature.

Private jets
increasing demand after pandemic, with rising interest in ‘flying private’ solutions, although with potential emerging headwinds due to sustainability concerns.

Fine art
experiencing positive growth for both auctions and dealers, with rising importance of new art hubs in Asia and Europe, and the continuous expansion of cultural boundaries towards diverse artists (Women, African American, Gen Z...)

High-quality design
continuing its unparalleled growth, nurtured by consolidation of new post-pandemic living habits and unceasing desire for functionality, comfort and refined aesthetics.

Wine
growing as social activities revamp, yet partially jeopardized by temporary lockdowns in China.

Spirits
on positive trend, with ‘status spirits’ confirming their relevance with younger audiences, and increasingly ‘fluid’ consumption across sub-categories.

Gourmet food and fine restaurants
characterized by a continuous search for enhanced experiences (with ‘locavore’ twist), pairing interest in at-home gourmet food with revamped out-of-home (increasingly rural) fine dining.

Luxury hotels
accelerated recovery as tourism further resumes, despite subdued business travel, with ability to deliver enhanced emotions (and connections) through human touch emerging as the new winning factor.

Luxury cruises
recovering quickly on the wave of strong interest accrued during the pandemic, with highly dynamic offer in the ultra-luxury space, as hospitality players tap into the market while bridging the gap between cruises and private yachting.
After the V-shaped rebound in 2021, **record year** for personal luxury in 2022 despite TUNA (Turbulence-Uncertainty-Novelty-Ambiguity)

**THE PERSONAL LUXURY GOODS MARKET**

"Sortie du temple"

Democratization | Crisis | Chinese Acceleration | Reboot | New Normal | Covid Crisis & rebound | Renaissance (?)

After the V-shaped rebound in 2021, **record year** for personal luxury in 2022 despite TUNA (Turbulence-Uncertainty-Novelty-Ambiguity)
Market proving resilient also against plummeting macroeconomic indicators

**Global Real GDP Growth**
- FY22 ~0.5x vs 2021

**Inflation**
- ~2x vs 2021

**Consumer Confidence Index**
- ~-3p.p. vs 2021

**Timeline of the Year**
- Outbreak of Russia–Ukraine War: Feb ’22 - Today
- EU ease of Covid-19 measures: Jun ’22
- 20th National Congress of the Chinese Communist Party: Oct ’22
- Covid-19 lockdowns in key Chinese cities: Mar ’22 - Jun ’22
- US midterm elections: Nov ’22

Notes: 9-months 2022 figures are actual numbers, Q4 refers to estimates
Source: IMF, World Bank, OECD Data

**Luxury market resiliency drivers**

- **Covid-19 savings**
  - Boost in savings accumulated during covid

- **YOLO culture**
  - Desire for living (missed) experiences despite future uncertainty

- **TUNA resilience**
  - Reduced impacts of “TUNA” after 2008-09 crisis

- **Luxury as an asset class**
  - Purchase of luxury products with investment purposes and resale opportunities
### Holiday Season hard to predict, due to strong 2021 comps, possible macroeconomic headwinds, China in gradual recovery

Personal luxury goods market evolution by Q

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>(%)</td>
<td>(%</td>
<td>vs 2019)</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>2%</td>
</tr>
</tbody>
</table>

#### Full-year market growth (2022E vs. 2021)

- **BEST CASE**
  - Q1: 26% +22% @K
  - Q2: 18% +11% @K
  - Q3: 23% +15% @K
  - Q4: 19% +13% @K
  - Full-year: ~+24%

- **WORST CASE**
  - Q1: 0% +12% @K
  - Q2: 19% +15% @K
  - Q3: 22% +24% @K
  - Q4: 3% +17% @K
  - Full-year: ~+10%

#### Key Points

- **China** recovering to 2021 levels benefitting from very limited lockdowns and a reinforced consumer confidence
- Continued positive performance in US and Europe, delivering strong holiday season
- Slower growth in China unable to recover to 2021 levels
- Limited impact of recession in EU and US, despite all time low consumer confidence
- Ongoing struggles in China (prolonged zero-Covid policy, stock market tensions, continued financial pressure on real estate)
- Initial material impacts of recession and continued inflation pressure affecting US and EU’s affluent consumers spending behavior

Note: @K: growth at constant exchange rates
What should we expect in 2023?

**Personal luxury goods market – evolution scenarios**

(% | 2022E and 2023F at constant exch. rates)

### Better scenario
Positive growth path in 2023, driven by China recovery and grip from Europe and Americas (although stabilizing)

- Local spending still solid, with maintained extra-boost from tourism

### Realistic scenario
Overall growth more severely impacted by a recession scenario in mature markets, while slower recovery in China

Growth vs Last Year (@current exchange rate)
Source: IMF

---

**Mature markets (Europe and Americas)**

- Europe and Americas to maintain positive growth (despite normalized vs. 2022), luxury consumer confidence only marginally impacted by a potential recession scenario
  - Local spending still solid, with maintained extra-boost from tourism

**M. China (and Chinese)**

- M. China (and Chinese) to fully recover by 1H23, thanks to a progressive and brisk lift of Covid-19 restrictions and a rapid rebound of consumer confidence

**Macroeconomic slowdown, driven by high inflationary pressure and energy crisis, to potentially impact luxury customer spending more severely (particularly upper-middle class) in mature markets (Americas and Europe)**

- Slower lift/removal of Covid-19 restrictions as well as challenged macroeconomic conditions will lead to local customers' spending stay below 2021 level by the end of 2023

**Real GDP growth ‘23F vs ‘22**

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>+0.3%</td>
</tr>
<tr>
<td>USA</td>
<td>+1.0%</td>
</tr>
<tr>
<td>M. China</td>
<td>+4.4%</td>
</tr>
</tbody>
</table>
A potential global recession in 2023 will likely be different vs. 2008-09 crisis. Luxury market and industry appear to be readier to cope with it.

### How different was 2008-09 vs. today’s crisis?

<table>
<thead>
<tr>
<th>2008-2009</th>
<th>2022-?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock/credit market-driven</td>
<td>Hyperinflation-driven</td>
</tr>
<tr>
<td>Financial crisis</td>
<td>Cross-industry crisis</td>
</tr>
<tr>
<td>International (not global)</td>
<td>Global downturn</td>
</tr>
</tbody>
</table>

### Why are the luxury market and industry more prepared now?

#### Luxury market

- Larger consumer base
- ...and more concentrated

#### Luxury industry

- More customer-centric
- Multi-touchpoint (vs. siloed)

### Impact on luxury market

- **Immediate** impact (since Q3 2008) on luxury spending
- **Luxury shame**
- So far **sustained** luxury purchases (almost) everywhere
- Investment approach
After growth acceleration in 2022, and potential bumps along the route, solid fundamentals driving a brilliant midterm direction

Personal luxury goods market evolution (€B | 2019–2030F)

'19-30F CAGR: 6/7%

'22E-30F CAGR: 5/7%

2019: 281
2020: 220
2021: 290
2022E: 353
2023F: 360-380
2030F: 540-580

~2.5x 2020 Luxury Market
2022

Luxury renaissance unfolds despite global uncertainty

The rise of Post-streetwear in re-stocking the wardrobe

Old continents leading, new markets surprising
Stores win back their «new» role
Precocious Gen Z ruling... waiting for Gen Alpha

Stores win back their «new» role

Elevation... across the board

Expanded customer base, yet elevated... and harder to win
Luxury embracing Art
The rise of Post-streetwear in re-stocking the wardrobe

Diffused growth: the end of polarization?
Investments for future growth

Widespread growth, asking for widespread creativity

THE NEW WAVE of the market asks for evolution amid disruption, adaptation amid uncertainty, spread of creativity in the basics...

…while new trends arise
Stellar S. Korea and Southeast Asia, strong Europe and US, while China remains challenged, affected by lockdowns

<table>
<thead>
<tr>
<th>Asia</th>
<th>Europe</th>
<th>Americas</th>
<th>RoW</th>
<th>Japan</th>
<th>M. China</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Stellar S. Korea, reducing gap vs. Japan: cross-category growth (yet, accessories overperforming); solid engagement across spending bands (from Elite to aspirational consumers)</td>
<td>• Strong growth everywhere and throughout the year thanks to local consumption and solid tourist comeback (from US and Middle East)</td>
<td>• Booming H1, across areas and categories</td>
<td>• Middle East still strong, thanks to locals and intraextra-regional tourists: Dubai leading, Kuwait and Qatar gaining traction</td>
<td>• Solid local consumption, yet polarized among brands – icons still prevailing; small accessories (e.g., textiles, fashion jewelry, small leather goods during Feng Shui dates) gaining traction</td>
<td>• Strong impacts from prolonged lockdowns (Q2), “freezing” consumer confidence and impacting all channels (online included) and categories</td>
</tr>
<tr>
<td>• SEA booming across the board – Thailand leading (@comp) – and elevating (e.g., high-end jewelry gaining traction)</td>
<td>• Italy and France championing, surprising Turkey, UK and Spain following, Germany softening (from H2)</td>
<td>• Partial spending shift of American tourists over “long” summer season</td>
<td>• Saudi softening from H2, after booming 2021 – back to travelling within region (Dubai) and in Europe</td>
<td>• Giant and established brands already over 2021 – clienteling and “fierce” customer intimacy paying off</td>
<td>• Weak Hong Kong and Macau, yet with limited impact on the whole area; Taiwan slowly in recovery</td>
</tr>
<tr>
<td>• Weak Hong Kong and Macau, yet with limited impact on the whole area; Taiwan slowly in recovery</td>
<td>• Russian market almost zero, impacted by the suspension of operations after war outbreak</td>
<td>• Softening of consumptions from HENRYs (High Earners, Not Rich Yet) individuals in H2</td>
<td>• Solid growth in LatAm: Mexico winning, Brazil following</td>
<td>• Positive rebound when and where restrictions are lifted – yet not enough to offset Q2 halt</td>
<td></td>
</tr>
</tbody>
</table>

Growth ‘21 -‘22E (%)
- 43%

Europe

Asia

Americas

RoW

Japan

M. China

### Growth ‘21 -‘22E (%)
- 43%

<table>
<thead>
<tr>
<th>Europe</th>
<th>Americas</th>
<th>RoW</th>
<th>Japan</th>
<th>M. China</th>
</tr>
</thead>
<tbody>
<tr>
<td>+27%</td>
<td>+25%</td>
<td>+21%</td>
<td>+18%</td>
<td>+95%</td>
</tr>
<tr>
<td>+30% @K</td>
<td>+15% @K</td>
<td>+11% @K</td>
<td>+23% @K</td>
<td>-1% -10% @K</td>
</tr>
<tr>
<td>'22E VS. 19 (%)</td>
<td>+14%</td>
<td>+6%</td>
<td>+35%</td>
<td>+1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asia</th>
<th>Europe</th>
<th>Americas</th>
<th>RoW</th>
<th>Japan</th>
<th>M. China</th>
</tr>
</thead>
<tbody>
<tr>
<td>+30% @K</td>
<td>+26% @K</td>
<td>+21%</td>
<td>+11% @K</td>
<td>+27%</td>
<td></td>
</tr>
<tr>
<td>€94B</td>
<td>€113B</td>
<td>€15B</td>
<td>€24B</td>
<td>€59B</td>
<td></td>
</tr>
</tbody>
</table>

Market size 2022E (€B) Note: RoW = Rest of the World @K: Growth at constant exchange rates

+14%
Europe already beyond 2019 levels, thanks to strong locals and extra boost from intra/extra-regional tourists

Strong performance throughout the year with remarkable summer season; Q4 stabilizing due to strong comp in 2021

Q 1  
Q 2  
Q 3  
Q 4  
REAL-TERM TREND 22E vs. 21

Sustained by strong local demand and revamped tourist spending

Europe – personal luxury goods market (€B | 2019 – 2022E)

With Americans driving rebound

Luxury Goods tax-free shopping (*)

~2.3x Spending of US tourists in Europe in 2022 vs 2019

~65% from transactions increase

~35% from higher spending

~+55% Spending per top client

Note: (*) Figures refer to completed transactions from Jan-Sep period for France, Italy, Spain and Germany and are based on a panel of selected personal luxury brands | Source: Elaboration on Global Blue data

Tourist spending doubled in 2022 driven by intra-regional and international tourism – Middle Eastern and US customers leading, also thanks to super-dollar

Tourists

Locals

Local growth

Tourists growth

2019

2021

2022E

89

74

50%

94

50%
**M. China** still challenged; expected to recover 2021 levels by mid-2023, depending on lift of zero-Covid measures. Some **risks** to be monitored

**China will recover to 2021 level between H1 and H2 2023…**

![Graph showing recovery trend from 2021 to 2025]

**Locals:**

- **Tourist flows:** (expected to resume)

**H2 23**
- Within Asia

**H2 24 / H1 25**
- Global

---

**…with some potential risk factors to be monitored**

**OPERATIONAL**
- Disruptions in physical **distribution**
- Overpressure of Asian-based supply chain

**DEMAND**
- Softening discretionary spending in short-term
- Pressure on **top-of-the-pyramid consumers**

**REPUTATIONAL**
- Higher regulatory scrutiny on businesses

**BUSINESS (OVER)EXPOSURE**
- International tensions and sanctions
- Preference for “local” brands (guochao)

**Risk likelihood:**

- Limited
- Relevant

---

**REAL-TERM TREND '19-25F**
No ‘new China’ will rise in next 10 years, but other emerging consumers could represent **new and significant pockets of growth** for luxury.

**China was the growth behemoth of last decade**

Mid- and high-income consumers by country

<table>
<thead>
<tr>
<th>Country</th>
<th>2014</th>
<th>2022</th>
<th>+180M</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHINA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Future growth fragmented across emerging markets**

Relative to China’s increase ‘14-’22

- **INDIA**: x0.20
- **SOUTHEAST ASIA**: x0.15
- **EMERGING AFRICAN COUNTRIES**: x0.05

Top emerging countries will add approx. **70M mid- and high-income consumers**, ~40% of China’s increase in last decade.
European, American and Other Asians reigniting luxury appetite; China (and Chinese) to remain fundamental in the long-term

Personal luxury goods market (€B | 2019-2030F)

By customer nationality

<table>
<thead>
<tr>
<th>2019</th>
<th>2021</th>
<th>2022E</th>
<th>2030F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Asian 13%</td>
<td>11-13%</td>
<td>13-15%</td>
<td>13-15%</td>
</tr>
<tr>
<td>Chinese 33%</td>
<td>21-23%</td>
<td>17-19%</td>
<td>38-40%</td>
</tr>
<tr>
<td>Japanese 10%</td>
<td>6-8%</td>
<td>6-8%</td>
<td>6-8%</td>
</tr>
<tr>
<td>American 22%</td>
<td>30-32%</td>
<td>32-34%</td>
<td>5-7%</td>
</tr>
<tr>
<td>European 17%</td>
<td>22-24%</td>
<td>22-24%</td>
<td>16-18%</td>
</tr>
</tbody>
</table>

By geography

<table>
<thead>
<tr>
<th>2019</th>
<th>2021</th>
<th>2022E</th>
<th>2030F</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoW 6%</td>
<td>4-6%</td>
<td>4-6%</td>
<td>4-6%</td>
</tr>
<tr>
<td>Other Asian 13%</td>
<td>Rest of Asia 15%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Chinese 33%</td>
<td>China 11%</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td>Japanese 10%</td>
<td>Japan 8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>American 30%</td>
<td>Americas 30%</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>European 32%</td>
<td>Europe 32%</td>
<td>26%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Note: RoW = Rest of the World

REAL-TERM TREND '22E-'30F

'22E vs. '19  '30F vs. '22E

'22E vs. '19  '30F vs. '22E
**Monobrand** increasing its relevance in 2022, while **online** normalizing; jump of **Travel Retail**, although still far below pre-pandemic levels

---

**2022…**

- Booming monobrand, thanks to fierce "back-to-stores" attitude and willingness to have physical interactions
- Online on a normalizing trend, with Brand.com outperforming indirect distribution
- Department stores recovering through a renewed value proposition for locals in US, while re-engaging with tourists in Europe

---

**…and beyond**

- Retail to dominate through a further reinforced role of monobrand
- Omnichannel development at a point of no return: online to consolidate its role as #1 channel for transactions
- Outlet remaining key to engage with value-driven consumers as primary touchpoint with luxury… and eventually up-trading to full-price
- "Reinvented" department and specialty stores, increasingly shifting toward direct business for brands
- Travel retail recovering to historical levels
Increasingly blurring boundaries between monobrand and (direct) online

The dawn of luxury trans-humanism

From HUMANISM...

...to TRANS-HUMANISM

OMNICHANNEL 3.0 enhanced with NEW TECH

Monobrand

Customer intimacy
Enhanced customer care
Remote shopping
Elevated CX

Proactive engagement
Empowered selling ceremony

Monobrand

Brand.com

Brand.com
New Next Gens (Z and Alpha) will grow **3x faster** vs. other generations until 2030, making up **1/3 of the market**.

**15 years old**

**Gen Z age** when they start buying luxury items – vs. **18-20 y.o.** for Millennials

**Gen Alpha** to behave in a similar way.

---

**Personal luxury goods market by generation (€B | 2019–2030F)**

<table>
<thead>
<tr>
<th>Generation</th>
<th>2019</th>
<th>2022E</th>
<th>2030F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby boomer</td>
<td>281</td>
<td>353</td>
<td></td>
</tr>
<tr>
<td>Generation X</td>
<td>23%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Generation Y</td>
<td>36%</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Gen Z</td>
<td>8%</td>
<td>18%</td>
<td>25-30%</td>
</tr>
<tr>
<td>Gen Alpha</td>
<td>540-580</td>
<td>2022E</td>
<td></td>
</tr>
</tbody>
</table>

**REAL-TERM TREND '19-'22E & '19-'30F**
Top customer base expanding as well, hungry for unique products and money-can’t-buy experiences, putting brands’ VIC strategies into overdrive

Top customer incidence on total market (€B | 2021–2022E)

~35% of market value in 2021
~40% of market value in 2022E

TREND

Incidence on total market (# customers)

~1,5% ~2%

Avg. spending

vs 2019 vs 2021

EXPANDED AND ELEVATED CUSTOMER BASE

Dedicated product offer
Personalized, exclusive, highly creative

Unique distribution
Dedicated and selective touchpoints, exclusive formats

Enhanced and specific CX
Elevated, one-of-a-kind
Consumers across the board increasingly **knowledgeable** and **opinionated**, heightening competition for loyalty and advocacy.

**AWAR E N E S S**
- **Pre-covid**: Widening sources of information
- **During covid**: Refocused on relevant brands
- **Today**: Information overload along purchase journey
- **Trend**: Luxury customer today is...
  - Increasingly knowledgeable
  - More opinionated
  - Incrementally polarized
  - Less dependable

**P U R C H A S E**
- Depending on brand

**L O Y A L T Y**

**A D V O C A C Y**

Luxury industry NPS normalizing after unparalleled increase during Covid outbreak.
Pretty much aligned **overperformance of all categories**, all well beyond 2019 levels; Leather goods, Hard luxury and Apparel leading

<table>
<thead>
<tr>
<th>Leather</th>
<th>Jewelry</th>
<th>Watches</th>
<th>Apparel</th>
<th>Shoes</th>
<th>Beauty</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Iconic models and <strong>new heroes</strong> remain main object of desire</td>
<td>• Unparalleled appetite for the category (vs. others) due to huge efforts and investments from jewelry brands</td>
<td>• Growth capped due to low product availability for top brands/pieces</td>
<td>• Post-streetwear emerging as <strong>new look</strong>, elevating streetwear and simplifying occasion-wear</td>
<td></td>
<td>• Make-up leading growth and <strong>fragrances</strong> following – physical distribution supporting the rebound; <strong>high-end lines</strong> winning thanks to new launches</td>
</tr>
<tr>
<td>• Brand signifier still relevant - whatever it is – e.g., shape, metalware, material, monogram,…</td>
<td>• Uber-lux pieces <strong>overperforming</strong>, across geographies, together with <strong>iconic pieces/laces</strong></td>
<td>• Relentless growth of top offer and <strong>iconic pieces</strong></td>
<td>• Restocking the <strong>wardrobe</strong> trend driving the recovery of the category</td>
<td>• <strong>New casual/24-7 categories on the rise</strong> (e.g., fussbett, Wellington boots,..)</td>
<td></td>
</tr>
<tr>
<td>• Small leather goods continue gaining traction – <strong>less functional, more creativity loaded</strong></td>
<td>• All-generation purchase, with both <strong>investment and status</strong> as key purchasing drivers</td>
<td>• Most impacted category by <strong>exchange rate</strong> (and weight of US players)</td>
<td></td>
<td>• <strong>Travel retail</strong> in recovery (in the West), yet not back on track</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>’22E vs. ’21 (%)</strong></th>
<th><strong>’22E vs. ’21 (%)</strong></th>
<th><strong>’22E vs. ’21 (%)</strong></th>
<th><strong>’22E vs. ’21 (%)</strong></th>
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<th><strong>’22E vs. ’21 (%)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>23-25%</td>
<td>23-25%</td>
<td>22-24%</td>
<td>22-24%</td>
<td>20-22%</td>
<td>14-16%</td>
</tr>
<tr>
<td><strong>€~80B</strong></td>
<td><strong>€~28B</strong></td>
<td><strong>€~52B</strong></td>
<td><strong>€~74B</strong></td>
<td><strong>€~28B</strong></td>
<td><strong>€~69B</strong></td>
</tr>
</tbody>
</table>

Market size 2022E (€B)
### Market elevation

Market elevation happening throughout 2019-2022, yet with volumes holding (Leather goods example)

<table>
<thead>
<tr>
<th>Sortie du temple &amp; democratization</th>
<th>Crisis</th>
<th>Chinese acceleration</th>
<th>Reboot</th>
<th>New normal</th>
<th>Covid crisis &amp; rebound</th>
<th>Renaissance (?)</th>
</tr>
</thead>
</table>

#### MKT GROWTH

- **1994-2007**: 10%
- **2008-2009**: 1%
- **2010-2014**: 14%
- **2015-2016**: 3%
- **2016-2019**: 7%
- **2019-2021**: 6%
- **2021-2022E**: 23-25%

#### PRICE EFFECT

- **1994-2007**: Down
- **2008-2009**: Up
- **2010-2014**: Up, Up, Up, Up
- **2015-2016**: Up, Up
- **2016-2019**: Up, Up
- **2019-2021**: Up, Up, Up
- **2021-2022E**: Up, Up, Up

#### VOLUME EFFECT

- **1994-2007**: Up, Up, Up
- **2008-2009**: Down
- **2010-2014**: Up
- **2015-2016**: Down
- **2016-2019**: Up, Up
- **2019-2021**: Up
- **2021-2022E**: Up

#### MAIN DRIVERS

- **Footprint and consumer base expansion**
  - Price mix reduction
- **Market polarization**: price mix increase
- **Footprint expansion yet LFL volumes down**
- **Unit price up and International pricing policies**
- **Unit price up, Luxury equation inconsistencies: volumes down**
- **Volumes up again, Re-adjustment in price mix almost offsetting increase in unit price**
- **Top offer boost and price list increase partially offset by category mix (towards entry items)**
- **Volumes pushed by new customers “wave”**
  - Deliberate (and effective) brands’ further elevation strategy, from top to entry-offer, without damaging volume growth despite diffused scarcity

% of Leather market growth driven by **price increase**

- **~50%** 2019-21
- **~70%** 2021-22
- **~60%** 2019-22
Luxury watches rediscovered: from a challenged category to the new object of desire

Solid demand during crisis…

<table>
<thead>
<tr>
<th></th>
<th>CAGR '14 – ‘19</th>
<th>CAGR ‘19 – ’22E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second hand</td>
<td>77-82</td>
<td>25-30</td>
</tr>
<tr>
<td>First hand</td>
<td>25-30</td>
<td>52</td>
</tr>
<tr>
<td>2014</td>
<td>44</td>
<td>8</td>
</tr>
<tr>
<td>2019</td>
<td>37</td>
<td>40</td>
</tr>
<tr>
<td>2022E</td>
<td></td>
<td>52</td>
</tr>
</tbody>
</table>

+12/14% CAGR '19-22E

+4% CAGR '14-19

Self-indulgence
for ultra-rich

Investments & resale for young

UHNWI redirecting their unspent budget to iconic watches/unique pieces during/post-crisis

Gen Z and Millennials purchasing the category for investment purpose and resale opportunities, given its high resilience during crisis

...with scarcity further pushing desirability

Limited product availability pushing demand even further on both primary and secondary markets (with speculative pressures), especially for icons by established brands, yet the recent increasing offering is normalizing prices since H2 of 2022

Luxury and art converging
Luxury embracing Art

transcending from its original *form* towards broader meanings

<table>
<thead>
<tr>
<th><strong>FROM</strong></th>
<th><strong>TO</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Artisanal</strong></td>
<td><strong>Artful</strong></td>
</tr>
<tr>
<td><strong>BOUND BY FORM</strong></td>
<td><strong>BOUND BY MEANING</strong></td>
</tr>
<tr>
<td>Craftsmanship</td>
<td>Imagination</td>
</tr>
<tr>
<td>Functional</td>
<td>Symbolic</td>
</tr>
<tr>
<td>Handmade creations</td>
<td></td>
</tr>
<tr>
<td>Icon(s)</td>
<td>Masterpiece(s)</td>
</tr>
<tr>
<td>Wealth</td>
<td>Cultural</td>
</tr>
<tr>
<td>Elite Courts</td>
<td>Elite Institutions</td>
</tr>
</tbody>
</table>

**Markers of value**
- Craftsmanship
- Imagination

**Authority**
- Functional
- Symbolic

**Uniqueness**
- Handmade creations

**Hero products**
- Icon(s)
- Masterpiece(s)

**Legitimacy**
- Wealth
- Cultural
- Elite Courts
- Elite Institutions
What comes after streetwear?

The combination of ‘here to stay’ streetwear elements, with other emerging traits exceeding its aesthetic

Boundless
overcoming the traditional luxury dichotomies by blurring its boundaries

Gender norms
Radical fluidity

Usage occasions
Creativity-driven, occasion-less

Traditional luxury perimeter
Shape inclusivity, sport inspiration

Elevated
outstripping streetwear stylistic codes, to re-engage with heritage and new luxury canons through

Techniques
Beyond jersey, back to tailoring and sartorial integration, with a casual twist

Materials
Embracing performance-oriented and sustainable fabrics, leathers, components

Shapes
beyond t-shirts, hoodies and sneakers, exploiting new wardrobe staples (e.g., fußbett)
All winners! Luxury market is generating positive growth for ~95% of brands, as in the key growth periods of its history.
Players are **investing** in their growth (while facing inflation): **profitability slightly decreasing** after unprecedented increase in 2021

**EBIT of selected personal luxury goods brands by era**  
(\% | 2007 – 2022E)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crisis</strong></td>
<td>18%</td>
<td>16%</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Chinese</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>acceleration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reboot</strong></td>
<td>19%</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>&amp; New Normal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Covid Crisis</strong></td>
<td>21%</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>&amp; Rebound</strong></td>
<td></td>
<td></td>
<td></td>
<td>19-21%</td>
</tr>
</tbody>
</table>

Hyperinflation and resumption of brands’ investments (i.e., marketing, renovations, IT, transformation costs) slightly driving down industry profitability in 2022
Luxury 2030 will expand beyond products and trading, with new tech-enabled profit pools.

**Personal luxury goods market (€B | 2022E–2030F)**

- **Beyond products (and trading)**: <1%<br>  - Additional market value by 2030F: €60-120B (~10-20%)

- **Products**: €353B<br>  - 2022E<br>  - 2030F: €540-580B

**Metaverse and NFTs**<br>  - Digital twins, collectibles, NFTs<br>  - New products, services, and cultures, within the metaverse

**Communities’ monetization**<br>  - E.g., virtual events, data monetization, affiliation with community and tribes

**(Media) contents**<br>  - E.g., film, music, art, …

**In-house 2nd hand**<br>  - (Direct) control on second-hand market

**3.0 experiences**<br>  - Virtual stores, digital shopping assistants, ultra-luxury travel and hospitality
(Re)imagining the world:

From the beginning via excellent products,

through recent leveraging human-centric engagement,

towards the future across domains

Cultural avant-garde and insurgent excellence
How to win in the Future of Luxury

...while surfing the current uncertainty

Be driven by purpose...
through a broader Elements of Value-driven proposition and expanded brand meaning

Master the customer journey
Intercept the winning portion of the customer base (across generations, nationalities, income, cultures, …) and own its luxury journey

Excel in omni-retail 3.0
Constantly evolve solutions to stay at the forefront of industry and deliver superior CX

Build new markets
Invest in shaping the structure of emerging markets, to build early competitive advantage and grip on local consumers

Grow beyond product trading
Develop new tech-enabled revenue streams and profit pools to complement pure product trading

Champion impact
Take a leadership role, to become the trailblazers for the whole fashion industry

Retool creativity chain
Evolve supply chain towards 360° integration, enhanced connection, and consolidated resilience

Tech-up
Think, act like a digital native, and implement with agility

... bring ing cultural avant-garde and insurgent excellence to new domains pushing business transformation
THANK YOU
Over the last 18 years, Federica has led more than 300 assignments in the fashion and luxury industry on issues relating to corporate and brand strategy, portfolio management, merchandising, retail and wholesale excellence, digital acceleration, millennial strategies, marketing and communication, and more.

Alongside Claudia D’Arpizio, Federica is the co-author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

Claudia has spent more than 25 years advising multinational luxury and fashion clients on everything from strategy and new product development to innovation and organizational change.

She is the lead author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

In 2009, Claudia was also recognized as one of the Top 25 Consultants in the World by Consulting Magazine.

Claudia D’Arpizio
Partner, Bain & Company
Leader, Global Fashion-Luxury Goods vertical

Federica Levato
Partner, Bain & Company
Leader, EMEA Fashion-Luxury Goods vertical
Claudia D’Arpizio
- Partner (Milan)
- Email: claudia.darpizio@bain.com

Federica Levato
- Partner (Milan)
- Email: federica.levato@bain.com

Filippo Prete
- Associate Partner (Milan)
- Email: filippo.prete@bain.com

Press
- Orsola Randi (Italy)
  Orsola.Randi@bain.com or +39 340 408 2256
- Gary Duncan (EMEA)
  Gary.Duncan@bain.com or +44 7788 163791
- Dan Pinkney (US)
  Dan.Pinkney@bain.com or +1 646-562-8102

For any questions or further discussion, please contact:

For a copy of the study, please contact:
**Methodology of the study**

**Revenues at retail equivalent value**

Revenues at retail value represent total sales valued at retail price. Each player's consolidated sales are *retailized* through the following methodology:

![Methodology diagram]

**Bottom-up and top-down estimates**

**Bottom-up**

- We add brands’ individual retail values...

**Top-down**

- Industry-specific (e.g., watches vs. beauty) data in the main geographical markets
- Comparison between market breakdown and turnover breakdown for key players
- Interviews with industry experts (top management of brands, distributors, department stores, …)
- Consistency check on the data and fine-tuning

...we cross-check results