

ALTAGAMMA RETAIL EVOLUTION

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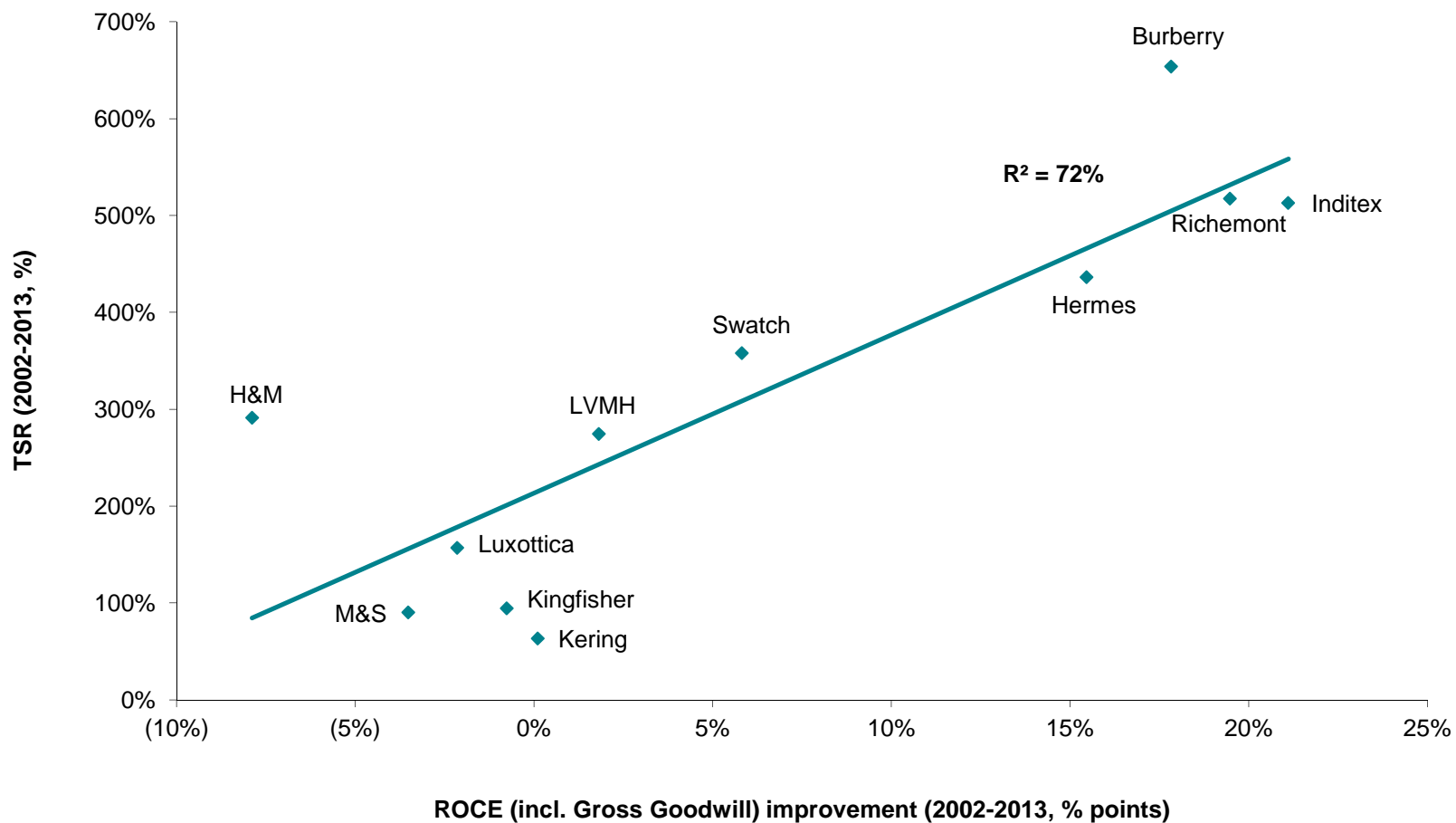
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Value Creation and Luxury Goods

1. Improving ROIC and producing superior TSR go hand in hand

ROIC improvement (2013-02, % ppts) vs. TSR (2002-13, %)



Value Creation and Luxury Goods

2. Luxury goods companies have turned into retailers

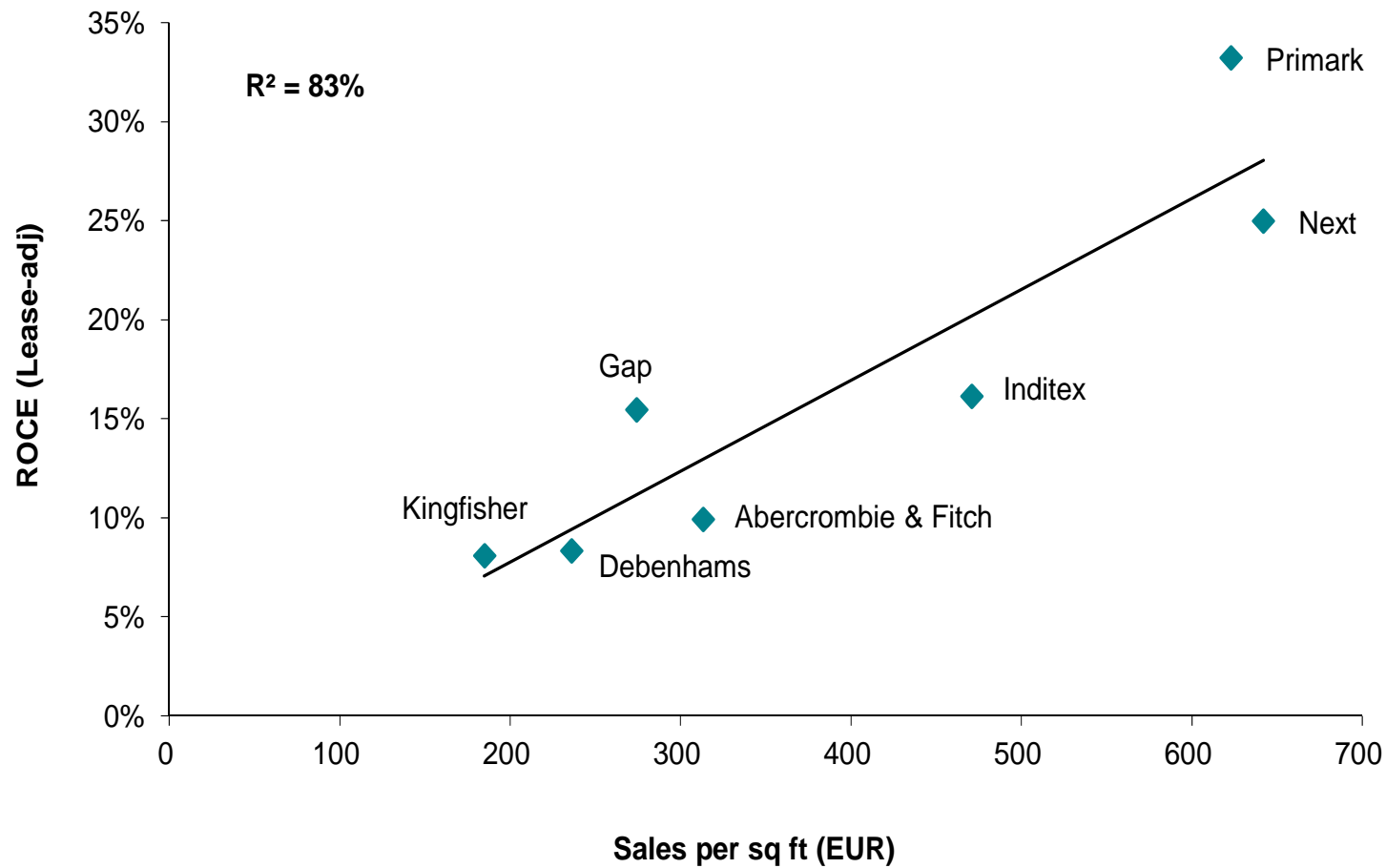
Sales Split – Retail / Wholesale (%)

	LVMH	Kering - Luxury	Hermès	Burberry	Prada	Richemont	Swatch	Luxottica	Hugo Boss	Tod's	Ferragamo	Moncler	Cucinelli
	Retail												
FY 12	64%	68%	82%	71%	81%	54%	19%	61%	47%	60%	65%	51%	28%
FY 13	65%	68%	82%	70%	84%	55%	21%	59%	54%	64%	64%	57%	36%
FY 14E	64%	70%	83%	71%	85%	58%	24%	58%	58%	64%	64%	61%	41%
FY 15E	64%	71%	85%	73%	85%	59%	25%	57%	60%	65%	65%	64%	43%
	Wholesale + Licensing												
FY 12	36%	32%	18%	29%	19%	46%	82%	39%	53%	40%	35%	49%	72%
FY 13	35%	32%	18%	30%	16%	45%	79%	41%	46%	36%	36%	43%	64%
FY 14E	36%	31%	17%	29%	15%	42%	76%	42%	42%	36%	36%	39%	59%
FY 15E	36%	30%	15%	27%	15%	41%	75%	43%	40%	35%	35%	36%	57%

Value Creation and Luxury Goods

3. Retailers ROIC is a direct function of space productivity

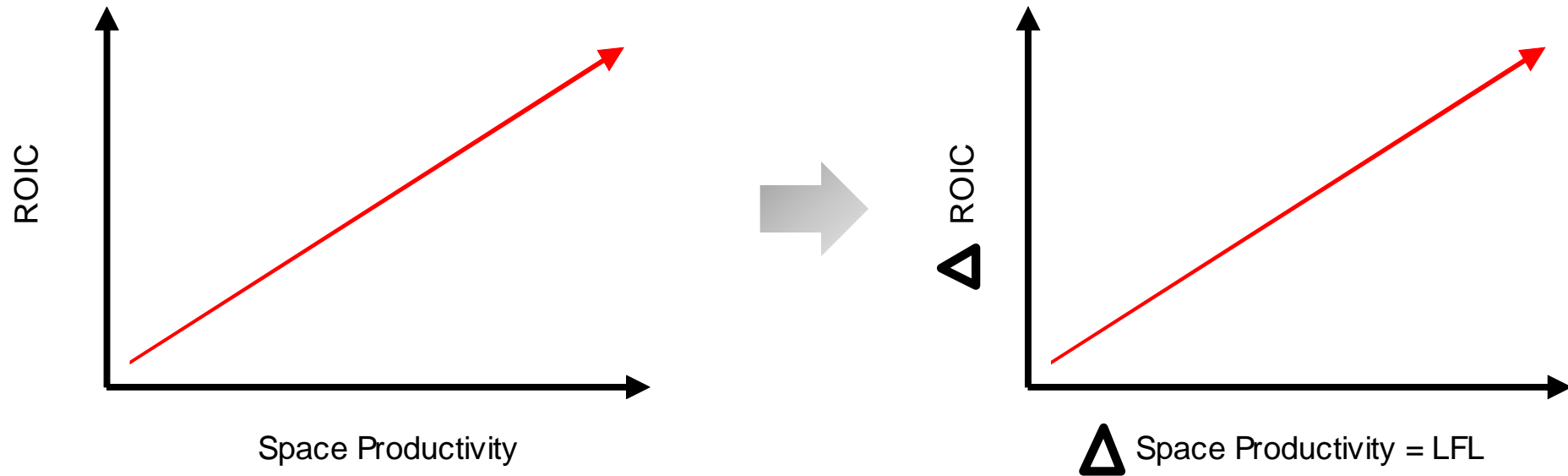
Sales per sq ft (EUR) vs. ROCE (lease-adj, post-tax) – 2013
The Example of General Retail



Value Creation and Luxury Goods

4. Hence, LFL growth is the key to ROIC improvement

LFL growth is key to ROIC improvement



Value Creation and Luxury Goods

5. LFL growth and relative share price performance go hand in hand

Summary table - LFL growth (%) vs. Share price performance (%)

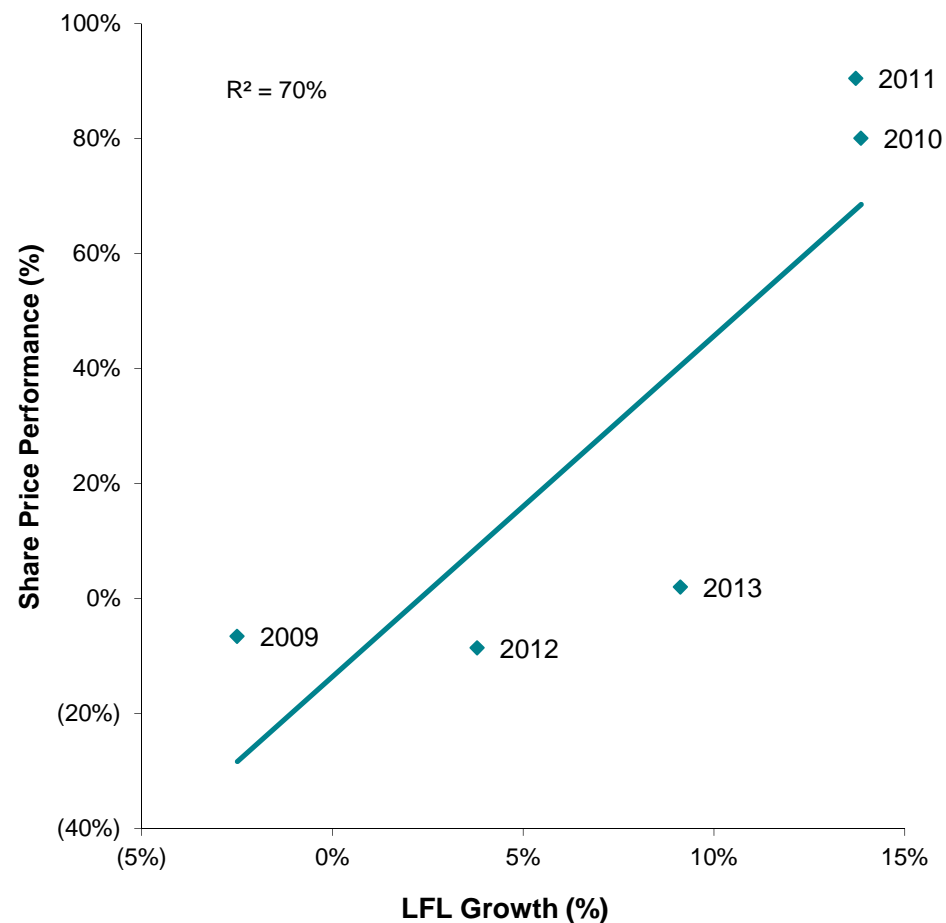
LFL	2009	2010	2011	2012	2013
Burberry	-2%	14%	14%	4%	9%
Swatch	-8%	20%	20%	8%	3%
LVMH	-7%	10%	2%	5%	4%
Luxottica	-5%	6%	8%	6%	6%
Richemont	-6%	16%	26%	5%	8%

Share Price Performance	2009	2010	2011	2012	2013
Burberry	-7%	80%	90%	-9%	2%
Swatch	-32%	76%	38%	-12%	38%
LVMH	-18%	65%	38%	-3%	4%
Luxottica	0%	34%	11%	25%	41%
Richemont	-9%	68%	45%	-6%	61%

LFL growth (%) vs. Share price performance (%)

Burberry	70%
Swatch	61%
LVMH	52%
Luxottica	44%
Richemont	39%

Burberry LFL growth (%) vs. Share price performance (%)



Ferretting out LFL performance

1. Luxury goods companies don't typically disclose retail space and LFL

	Retail Space growth	LFL
LVMH	NO	NO
Kering	NO	NO
Hermes	NO	NO
Prada	YES	YES
Burberry	YES	YES
Richemont	NO	NO
Swatch Group	NO	NO
Luxottica	YES	YES
Tod's	NO	NO
Ferragamo	NO	NO
Cucinelli	NO	NO
Moncler	YES	YES

Ferretting out LFL performance

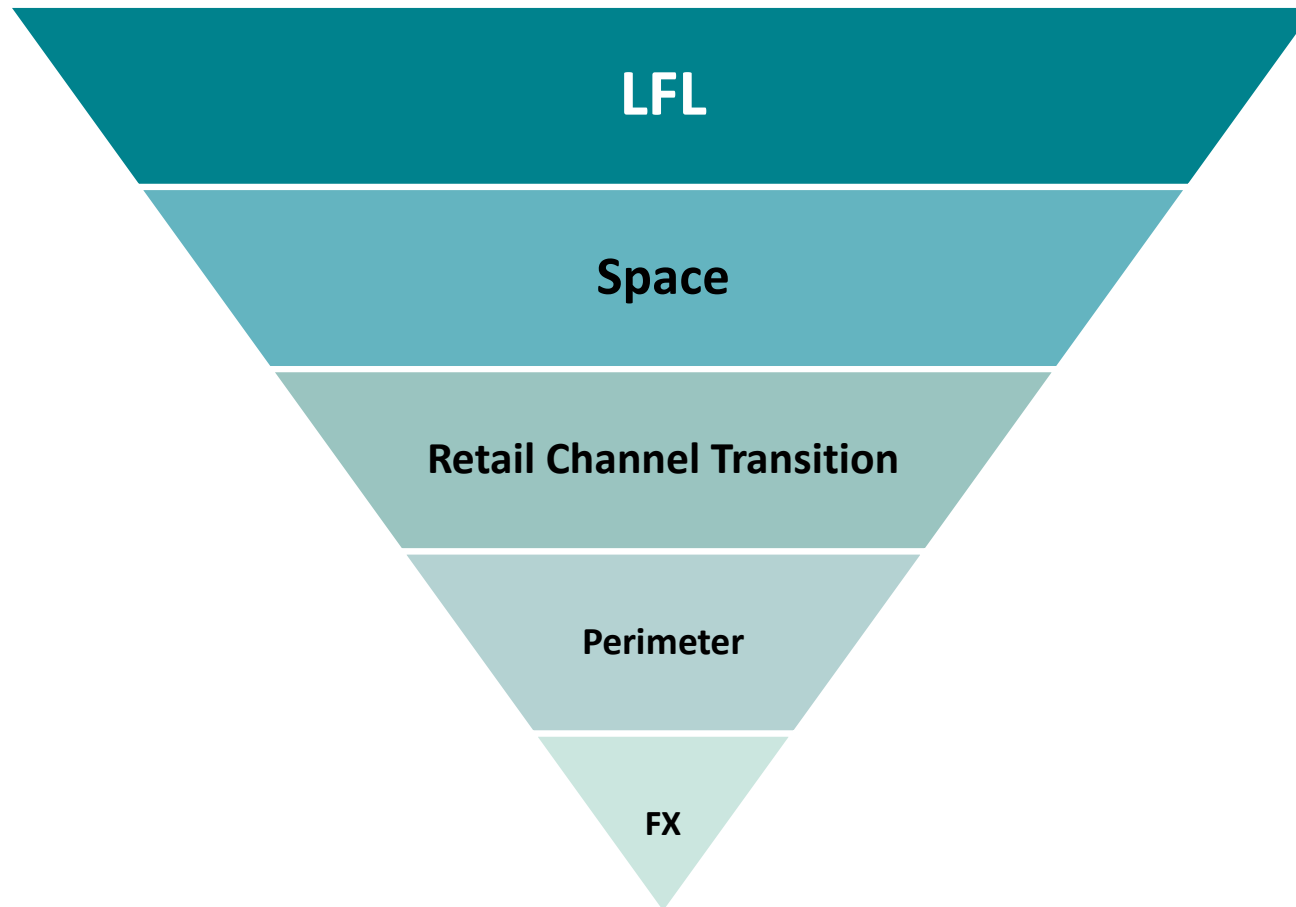
2. We have worked to dissect growth drivers and isolate LFL ...

LFL growth breakdown

<i>CAGR</i>	FX	Perimeter	W => R	Space	LFL	Pricing	Mix	Volume
Hermes	1%	0%	1%	2%	13%	3%	2%	8%
Richemont	5%	1%	3%	1%	11%	4%	5%	1%
Prada	0%	0%	7%	4%	8%	3%	3%	3%
Burberry	0%	2%	4%	2%	8%	3%	5%	0%
Swatch	-2%	1%	2%	0%	7%	2%	4%	2%
Luxottica	0%	1%	1%	0%	5%	2%	-4%	7%
LVMH	14%	2%	1%	5%	4%	2%	1%	1%
Kering LUX	4%	2%	1%	9%	2%	3%	5%	-6%

Ferretting out LFL performance

3. ... with a clear hierarchy of growth drivers in mind



Ferreting out LFL performance

4. We look at luxury goods stocks' valuation through the LFL lens

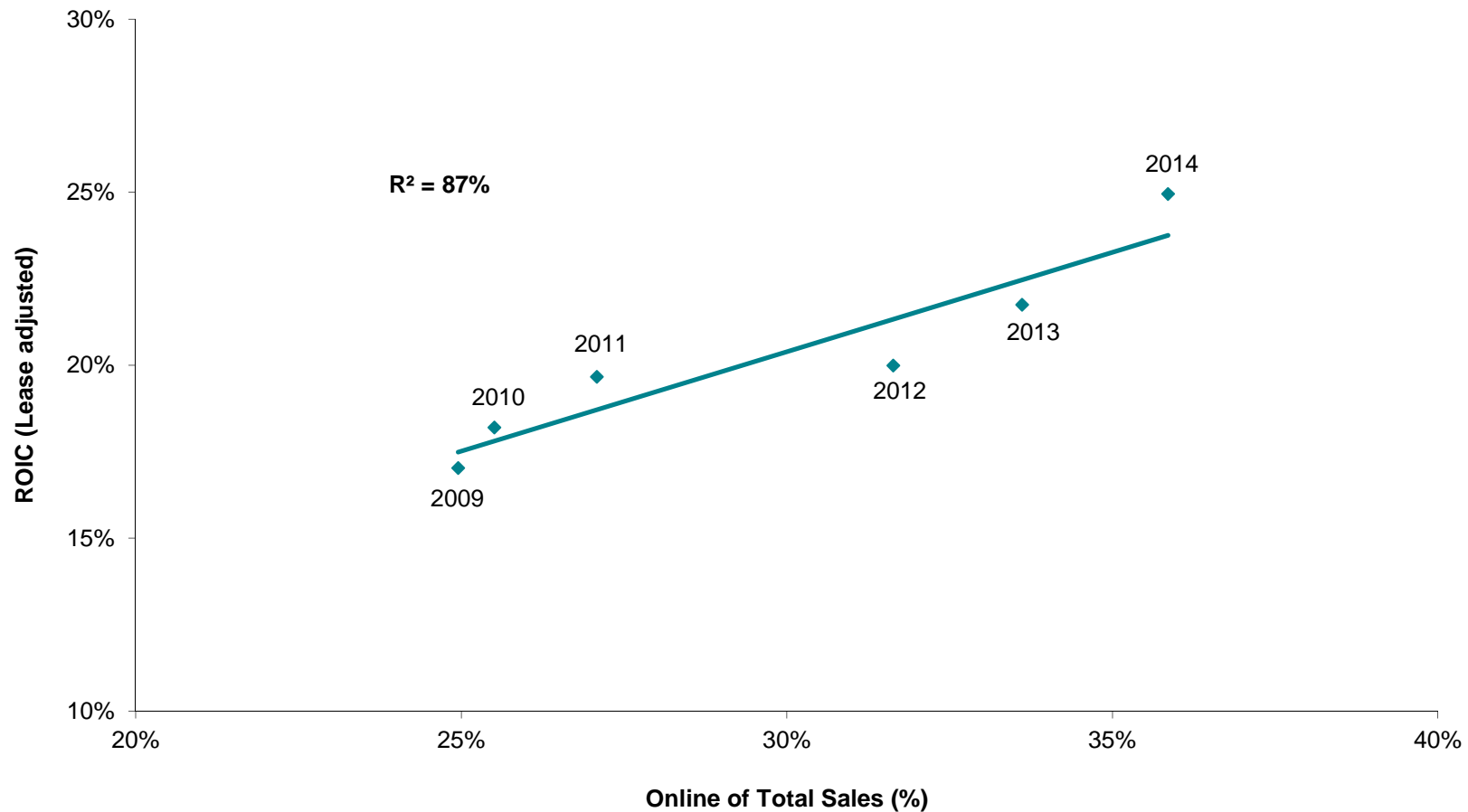
Expected LFL growth in FY15E & Multiples

	LFL Growth - 2015E	P / E	Rel P / E	EV / S	EV / Ebitda	EV / EBIT
Prada	0%	21.2x	1.5x	3.1x	10.5x	13.6x
Kering	1%	14.6x	1.1x	2.3x	10.8x	12.7x
Tod's	2%	17.9x	1.3x	1.8x	8.9x	11.4x
LVMH	3%	18.1x	1.3x	2.2x	9.3x	11.3x
Swatch	4%	14.4x	1.0x	2.4x	8.8x	10.3x
Hugo Boss	4%	17.8x	1.3x	2.6x	10.9x	13.5x
Hermès	4%	27.8x	2.0x	5.6x	15.5x	17.3x
Richemont	4%	17.3x	1.3x	2.9x	10.5x	12.2x
Luxottica	6%	25.0x	1.8x	2.5x	12.0x	15.7x
Burberry	6%	18.9x	1.4x	2.3x	10.0x	13.0x
Ferragamo	6%	19.1x	1.4x	2.3x	10.5x	12.4x
Cucinelli	7%	31.3x	2.3x	3.0x	16.6x	21.5x
Moncler	8%	20.5x	1.5x	3.7x	11.2x	12.7x

Online and CRM as ROIC boost

1. Online allows assets to work harder and boost ROIC

Next plc – Online of Total Sales (%) vs. ROIC (Lease adjusted) The Example of General Retail



Online and CRM as ROIC boost

2. Luxury brands are accelerating their digital engagement

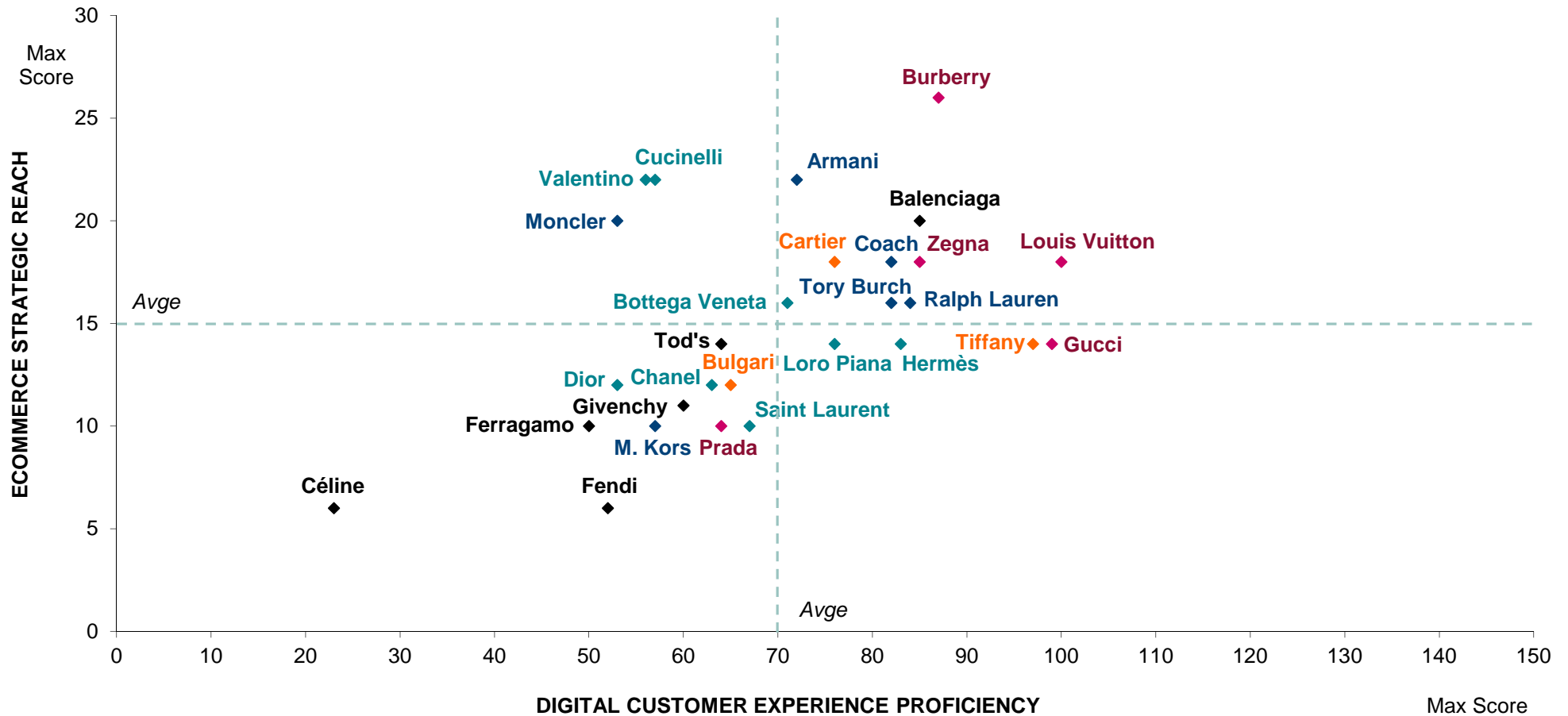
The 28 brands we track have improved their digital performance by 8% in 4Q14, primarily on the "digital customer experience" axis

Digital Competitive Map Categories (4)	Competitive Map Score Sept 2014	Competitive Map Score Dec 2014	Delta Score %	December Score Over Maximum Potential %
Ecommerce Strategic Reach	421	438	4%	56%
Website Experience	734	812	11%	49%
Ecommerce Experience	522	576	10%	69%
Cross Channel Experience	707	759	7%	42%
TOTAL PANEL	2384	2585	8%	51%

Online and CRM as ROIC boost

3. We monitor the digital progress of major brands on an ongoing basis ...

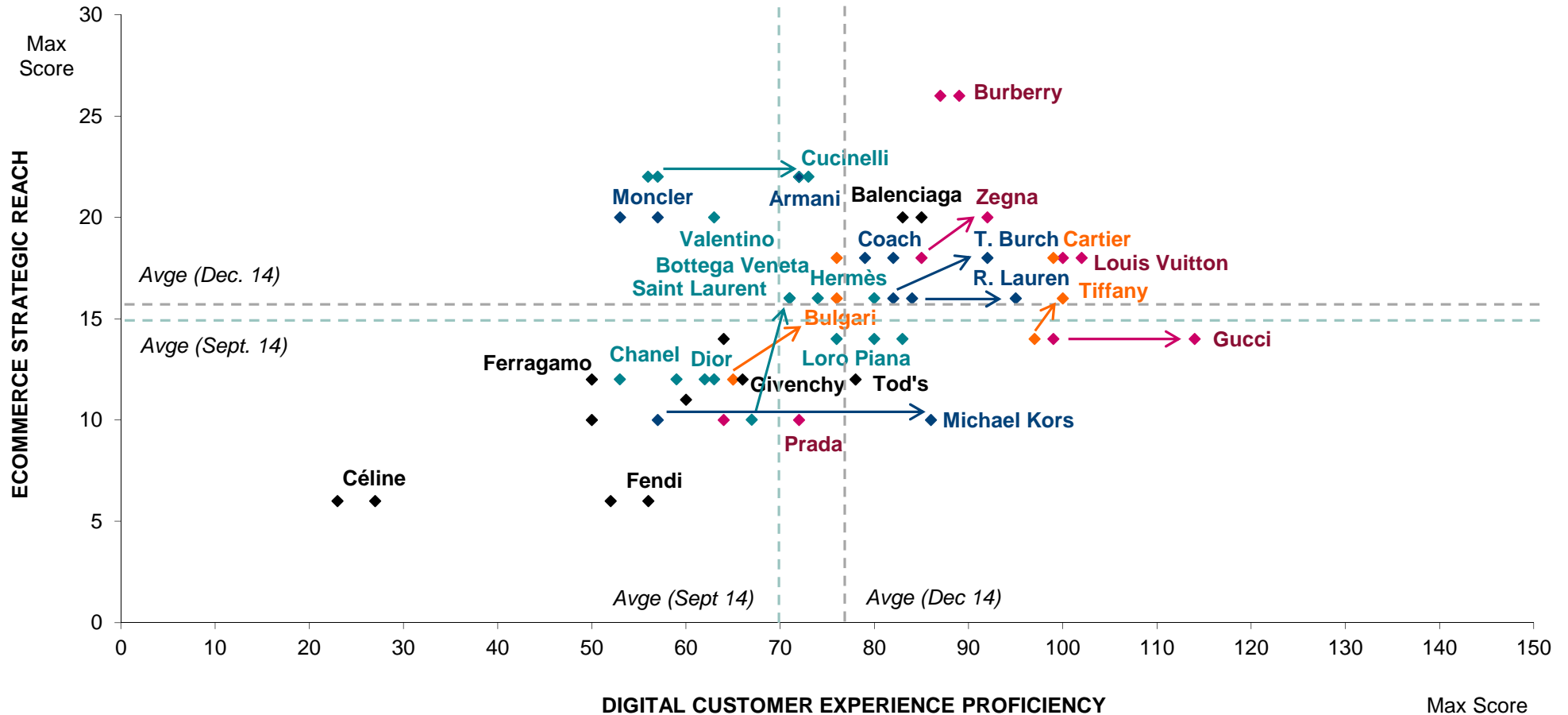
Digital Competitive Map (Sept. 2014)



Online and CRM as ROIC boost

3. We monitor the digital progress of major brands on an ongoing basis ...

Digital Competitive Map (Dec. 2014 vs. Sept. 2014)



Online and CRM as ROIC boost

4. ... as well as the nature and depth of their online product range

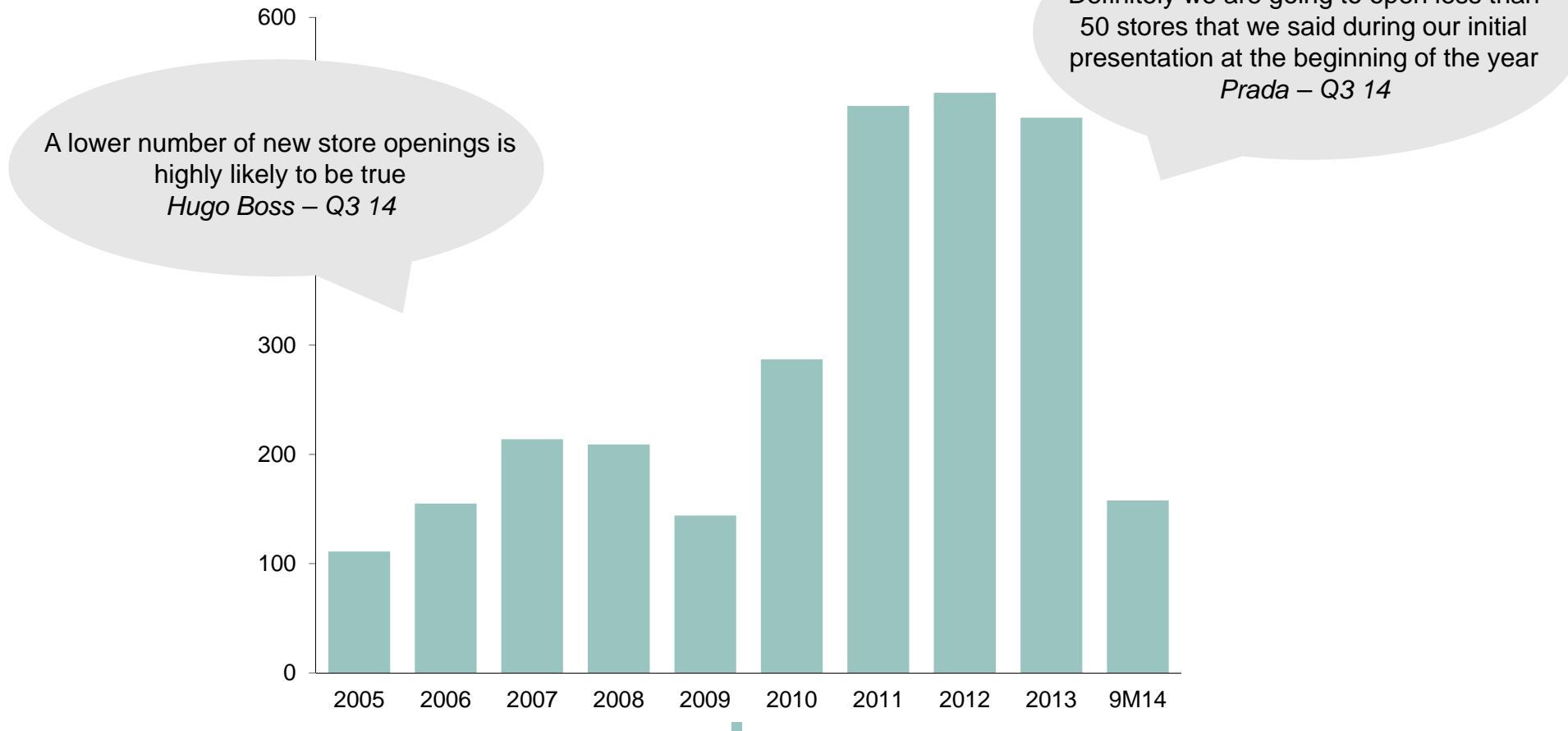
Shoppable Items by Product Category (Model, Oct – Nov 2014)

BRAND	RTW	Bags	Small leather goods	Jewelry	Shoes	Soft accessories	Children	Watches	Home	Eyewear	Accessories	Beauty & Perfumes	Writing	Total
Gucci	570	352	341	184	441	192	460	99	16	87	81	71	0	2,894
Burberry	1015	282	215	32	192	159	373	100	10	110	85	95	0	2,668
Hermès	159	42	179	377	128	409	32	42	531	0	62	84	71	2,116
Michael Kors	546	322	133	193	258	35	0	188	0	13	44	40	0	1,772
Louis Vuitton	0	381	296	185	116	116	0	26	6	63	93	0	77	1,359
Cartier	0	50	87	328	0	15	0	125	10	55	25	38	49	782
Bottega Veneta	83	159	167	82	67	62	0	0	22	21	34	23	0	720
Ferragamo	0	146	114	81	160	87	4	23	0	45	19	20	0	699
Coach	49	184	125	57	80	16	0	44	1	30	49	10	16	661
Prada	0	165	58	7	71	0	0	0	0	138	19	0	0	458
Valentino	186	76	6	4	103	19	0	0	0	0	6	5	0	405
Bulgari	0	33	46	123	0	24	0	11	0	13	5	56	15	326
Brunello Cucinelli	210	11	18	5	29	44	0	0	6	0	2	0	0	325
Balenciaga	96	70	23	26	37	8	0	0	0	3	11	14	0	288
Total	2914	2273	1808	1684	1682	1186	869	658	602	578	535	456	228	15,473

Online and CRM as ROIC boost

5. Conversely, we note luxury brands have put the foot on the brake on new stores

Net New Directly-Operated Store Openings



A lower number of new store openings is highly likely to be true
Hugo Boss – Q3 14

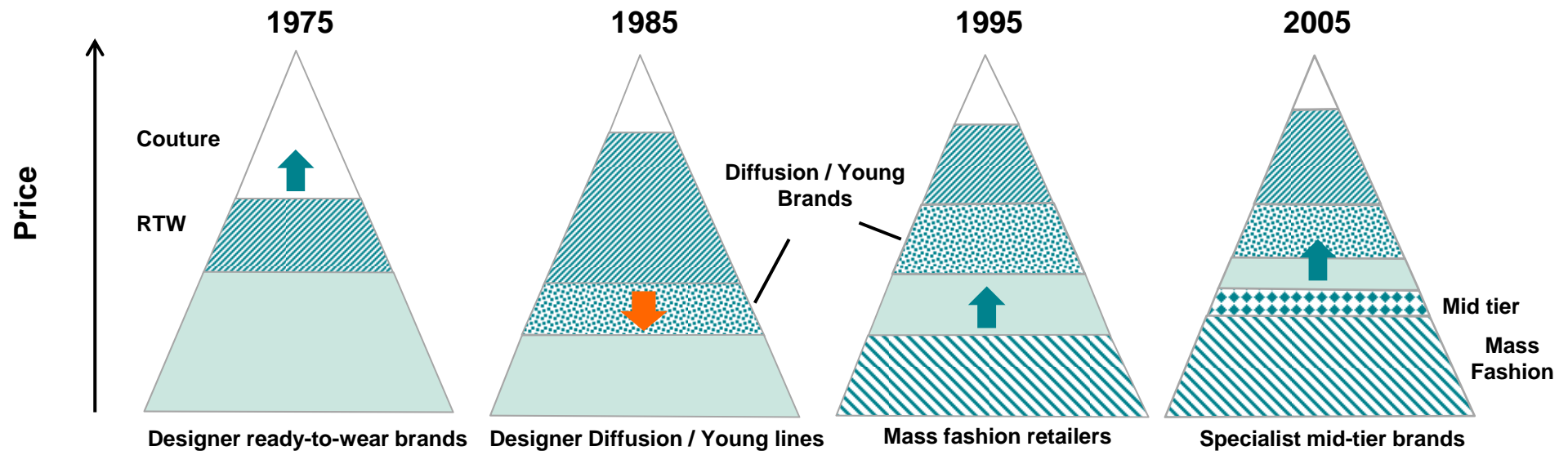
Definitely we are going to open less than 50 stores that we said during our initial presentation at the beginning of the year
Prada – Q3 14

Note: incl. Kering Luxury, Prada Group, Richemont, Hugo Boss and Tod's

Competitive Dynamics in Retail

1. Competition is intensifying in a number of categories – e.g. handbags

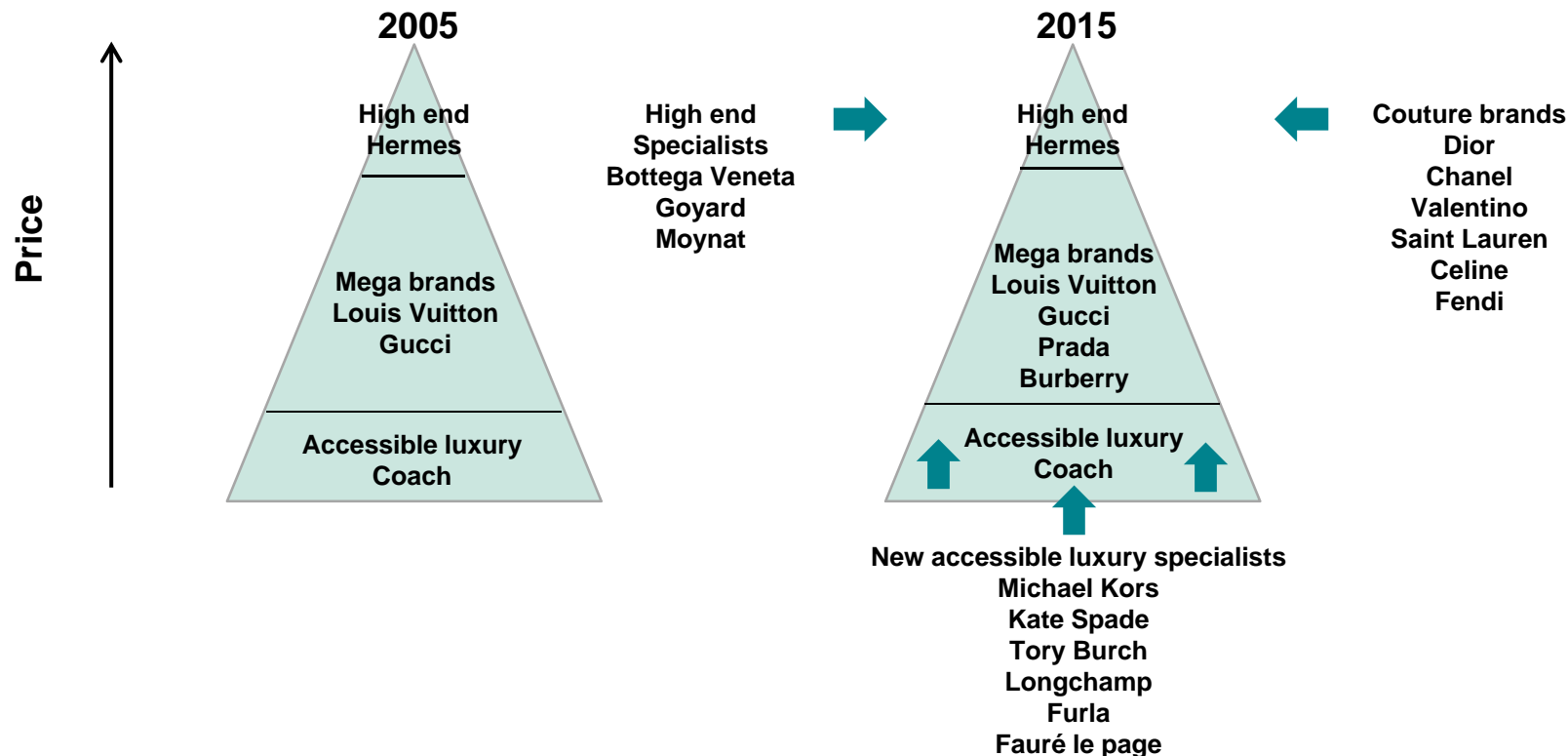
Mass fashion retailers and mid-tier specialist brands are pressuring "diffusion" designer lines



Competitive Dynamics in Retail

2. Competition is intensifying in a number of categories – e.g. apparel

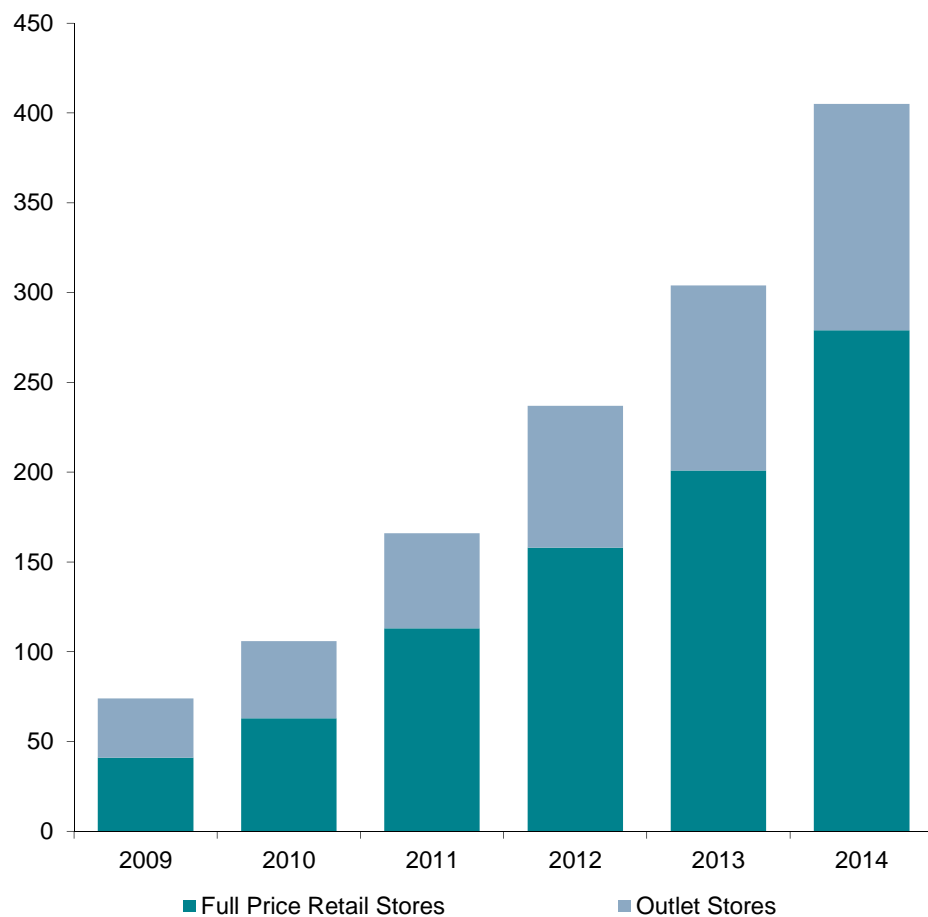
Mega brands moving out of entry price space have provided a "price umbrella" to accessible luxury brands - The handbags market is getting more and more crowded



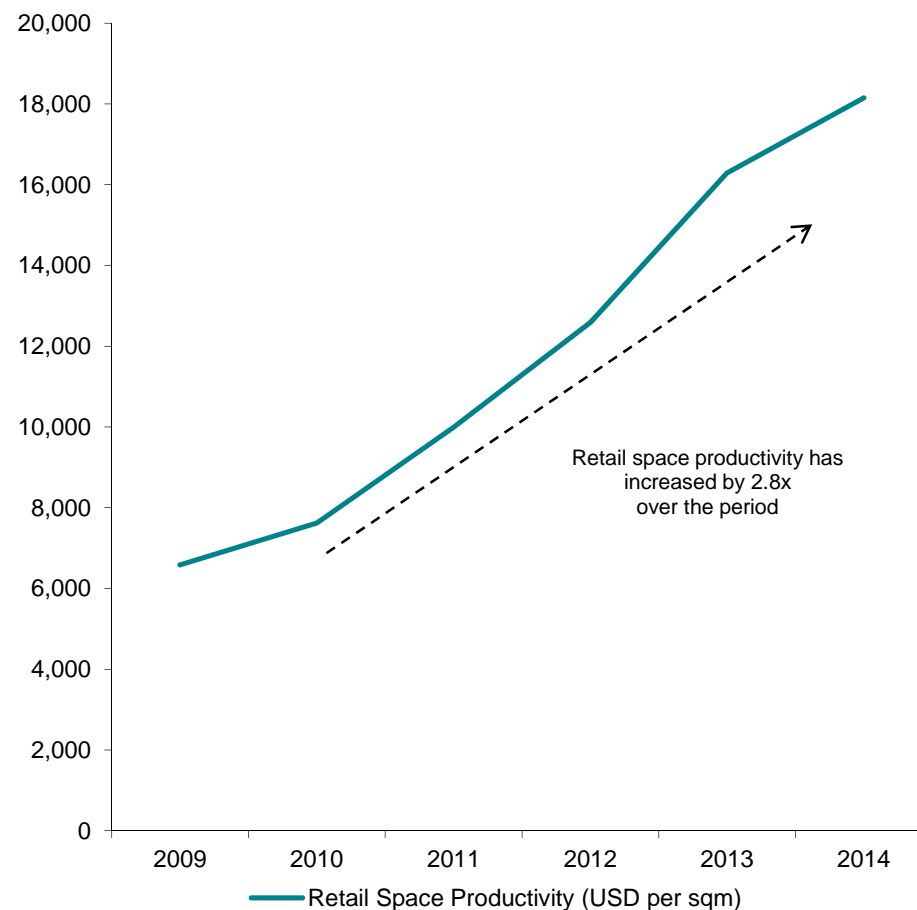
Competitive Dynamics in Retail

3. Explosion of accessible luxury handbags stores

Michael Kors - # of stores






Michael Kors - Retail Space Productivity (USD per sqm)



Competitive Dynamics in Retail

4. Mass fashion is growing faster than designer diffusion lines

	2003	2011	Delta		
Price 	Giorgio Armani	30%	32%	2%	
	Emporio Armani	27%	27%	0%	
	Armani Collezioni	19%	10%	-9%	
	Armani Jeans	15%	13%	-2%	
	Armani Exchange	7%	14%	7%	
	Other	2%	4%	2%	
	100%	100%			
Armani Stores					
Direct	135	187	1.4x		
Franchised	380	564	1.5x		
Inditex Stores					
Space (m2)	988,357	2,838,980	2.9x	= 2 X Armani	
#	1,875	5,527	2.9x		

SOURCE

Page 2: Datastream, Company reports, Exane BNP Paribas estimates

Page 3: Company reports, Exane BNP Paribas estimates

Page 4: Company reports, Exane BNP Paribas estimates. Latest reported data

(1) Kingfisher sales per sq ft only refer to UK and Ireland

(2) Debenhams sales per sq ft only refer to UK

(3) Sales per sq ft for GAP and Abercrombie & Fitch are calculated on average gross square footage, whereas for all other companies we use average selling square footage

(4) Primark ROCE is pre-tax

Page 5: Exane BNP Paribas Analysis

Page 6: Datastream, Company reports, Exane BNP Paribas estimates

Page 7: Company reports

Page 8: Company reports, Exane BNP Paribas Analysis & Estimates

Page 9: Exane BNP Paribas Analysis

Page 10: Exane BNP Paribas Analysis & Estimates

Page 11: Company reports, Exane BNP Paribas Analysis

Page 12: ContactLab analysis

Page 13: ContactLab analysis

Page 14: ContactLab analysis

Page 15: ContactLab analysis

Page 16: Company reports, data including Kering Luxury, Prada Group, Richemont, Hugo Boss and Tod's

Page 17: Exane BNP Paribas Analysis

Page 18: Exane BNP Paribas Analysis

Page 19: Company reports, Exane BNP Paribas estimates

Page 20: Company reports & Altagamma & Pambianco