



BERNSTEIN

Retail Escalation

Altagamma Consumer & Retail Event

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See Disclosure Appendix of this report for important Disclosures and Analyst Certifications

Retail network expansion seems to have plateaued (1)

	2019	2023	Delta Stores		
			#	%	100
Americas	1,608	1,575	-33	-2.1%	-110
North America	1,352	1,312	-40	-3.0%	-133
Latin America & Caribbean	256	263	7	2.7%	23
Asia Pacific	2,815	2,861	46	+1.6%	153
East Asia	1,187	1,232	45	+3.8%	150
Greater China	1,093	1,119	26	+2.4%	87
Oceania	166	160	-6	-3.6%	-20
South Asia	38	39	1	+2.6%	3
South East Asia	308	285	-23	-7.5%	-77
Central Asia	23	26	3	+13.0%	10
EMEA	2,056	2,073	17	+0.8%	57
Central Europe	103	103	0	+0.0%	0
Eastern Europe	135	128	-7	-5.2%	-23
Eurozone	1,128	1,116	-12	-1.1%	-40
Middle East & North Africa	341	352	11	+3.2%	37
Northern Europe	35	41	6	+17.1%	20
Sub-Saharan Africa	18	20	2	+11.1%	7
Western Europe	296	313	17	+5.7%	57
Total	6,479	6,509	30	+0.5%	100

Source: Databoutique.com, Bernstein analysis
 Note: based on best effort analyses from scraping store locator websites.

Retail network expansion seems to have plateaued (2)

Delta Stores 2023-2019	Brands																				TOTAL	
	Moncler	Gucci	Dolce&Gabbana	Burberry	Givenchy	Louis Vuitton	Chanel	Christian Louboutin	Armani	Loro Piana	Bottega Veneta	Alexander McQueen	Bulgari	Hermes	Prada	Tods	Saint Laurent	Tiffany	Miu Miu	Ermenegildo Zegna		Michael Kors
Americas	31	54	18	-6	22	10	-9	5	0	-3	-4	-1	-1	2	-3	-4	-7	-11	-9	-2	-115	-33
Latin America & Caribbean	0	3	22	1	0	6	4	-2	0	0	-1	0	-1	-1	-3	-2	-1	-10	-1	-8	1	7
North America	31	51	-4	-7	22	4	-13	7	0	-3	-3	-1	0	3	0	-2	-6	-1	-8	6	-116	-40
Asia Pacific	58	6	4	45	2	13	9	3	0	6	-2	-6	-8	4	-12	1	-10	-16	-14	-21	-16	46
Central Asia	2	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	-1	0	0	0	0	3
East Asia	28	15	14	13	7	3	-7	3	0	1	-2	0	-4	1	-1	4	-2	-2	-2	-4	-20	45
Greater China	23	-11	-15	34	1	8	11	-1	0	4	1	-5	4	4	-6	7	-2	-2	-7	-12	-10	26
Oceania	6	1	0	0	1	2	-1	0	0	0	1	0	0	-1	-1	-2	-3	-5	-1	-4	1	-6
South Asia	0	0	0	-2	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	2	1
South East Asia	-1	1	4	0	-7	0	6	1	0	0	-2	-1	-8	0	-4	-8	-2	-8	-4	-1	11	-23
EMEA	44	4	22	-3	8	3	18	-6	0	-4	3	1	1	-14	2	-12	-6	1	-10	-34	-1	17
Central Europe	3	1	2	0	0	1	2	0	0	1	0	0	-3	1	1	-2	0	0	0	-1	-6	0
Eastern Europe	3	3	4	-5	-2	0	1	-2	0	-9	0	0	2	1	0	-1	0	0	0	-3	1	-7
Eurozone	22	0	7	-2	4	2	8	2	0	1	3	0	-3	-14	2	-3	-4	3	-9	-27	-4	-12
Middle East & North Africa	7	-2	5	2	-1	0	8	-7	0	1	0	0	2	-1	-2	-5	-2	-2	0	-2	10	11
Northern Europe	2	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	1	0	1	0	6
Sub-Saharan Africa	0	0	2	0	0	0	0	0	0	0	0	0	0	0	-1	0	0	0	0	0	1	2
Western Europe	7	2	2	2	7	0	-2	1	0	2	0	1	2	-1	2	-1	0	-1	-1	-2	-3	17
GRAND TOTAL	133	64	44	36	32	26	18	2	0	-1	-3	-6	-8	-8	-13	-15	-23	-26	-33	-57	-132	30

Source: Databoutique.com, Bernstein analysis

Note: based on best effort analyses from scraping store locator websites.

Luxury retail remains highly concentrated in the top cities

Rank	City	Number of Luxury Stores	% of total	cumulative %
1	Tokyo	234	3.8%	3.8%
2	Seoul	221	3.5%	7.3%
3	Paris	165	2.6%	9.9%
4	Hong Kong	148	2.4%	12.3%
5	New York City	134	2.1%	14.5%
6	London	128	2.1%	16.5%
7	Shanghai	106	1.7%	18.2%
8	Beijing	102	1.6%	19.8%
9	Osaka	98	1.6%	21.4%
10	Taipei	90	1.4%	22.9%
11	Dubai	85	1.4%	24.2%
12	Singapore	84	1.3%	25.6%
13	Macau	78	1.3%	26.8%
14	Milan	76	1.2%	28.0%
15	Bangkok	68	1.1%	29.1%
16	Rome	65	1.0%	30.2%
17	Moscow	63	1.0%	31.2%
18	Busan	61	1.0%	32.2%
19	Las Vegas	61	1.0%	33.1%
20	Mexico City	61	1.0%	34.1%
21	Melbourne	54	0.9%	35.0%
22	Istanbul	51	0.8%	35.8%
23	Sydney	51	0.8%	36.6%
24	Toronto	47	0.8%	37.4%
25	Chicago	45	0.7%	38.1%
⋮	⋮	⋮	⋮	⋮
⋮	⋮	⋮	⋮	⋮
663	Hsinchu	1	0.0%	100.0%
Total Number of cities		663		

Source: databoutique.com, Bernstein Analysis

Note: based on best effort analyses from scraping store locator websites.

Retail competition is escalating – the “landmark flagship” (1)



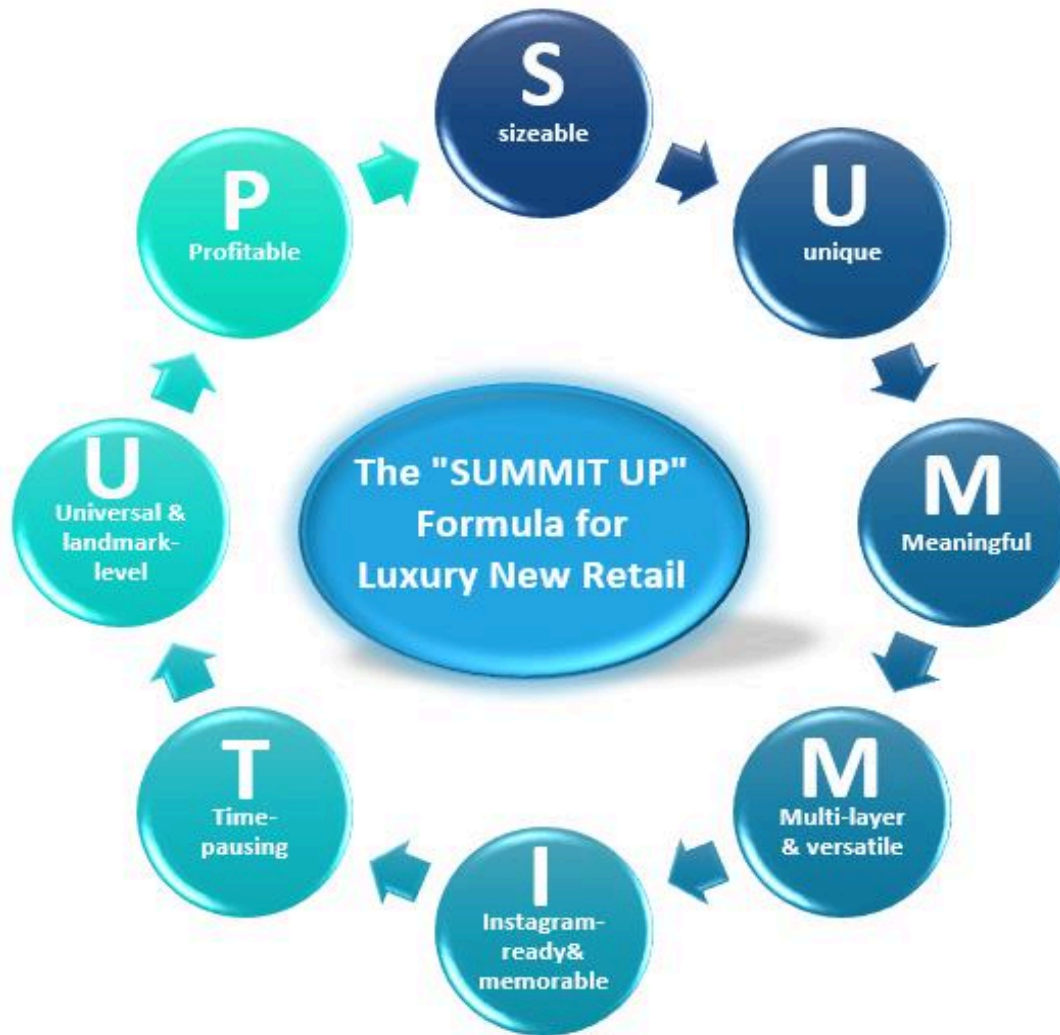
Source: Company website

Retail competition is escalating – the “landmark flagship” (2)



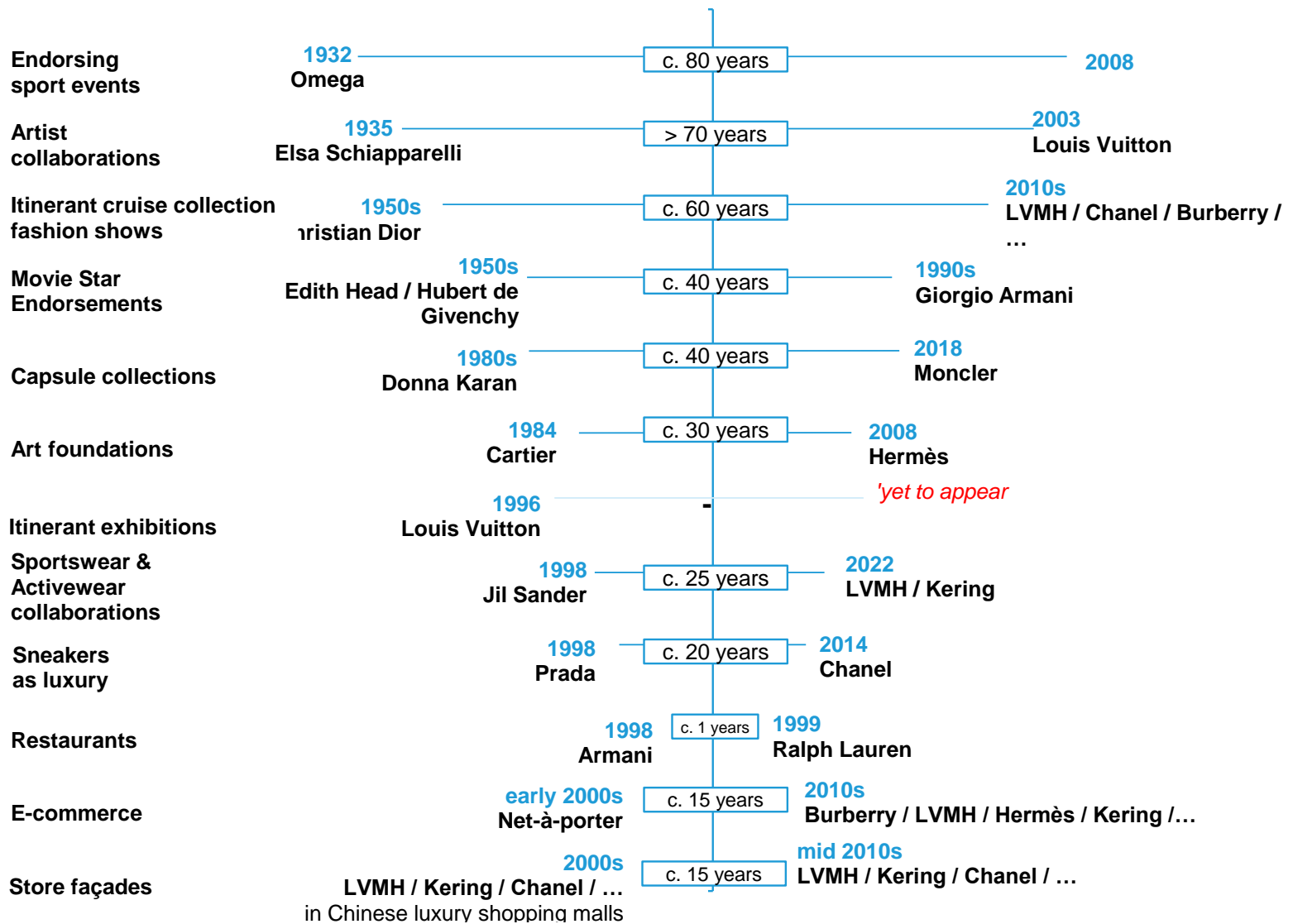
Source: Instagram

Modern luxury retail has continued to evolve and improve



Source: Bernstein analysis

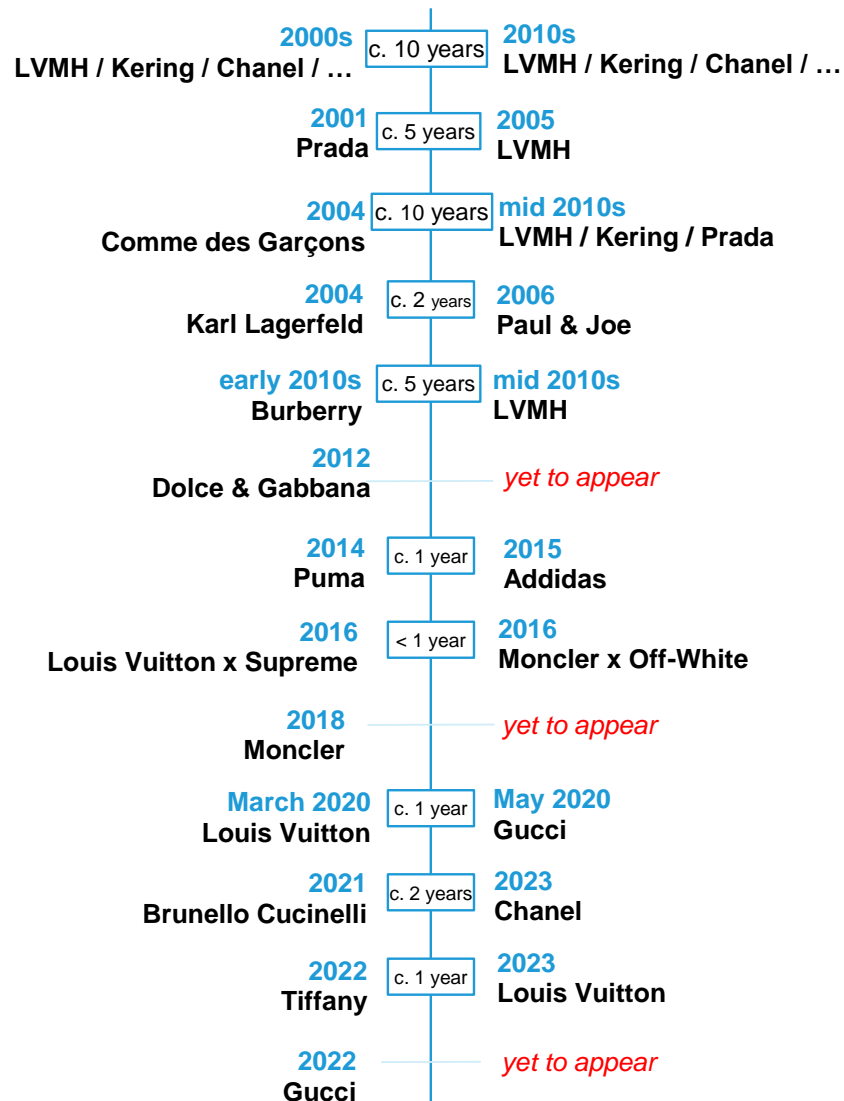
Retail is just one front of a broader competitive escalation (1)



Source: Bernstein analysis

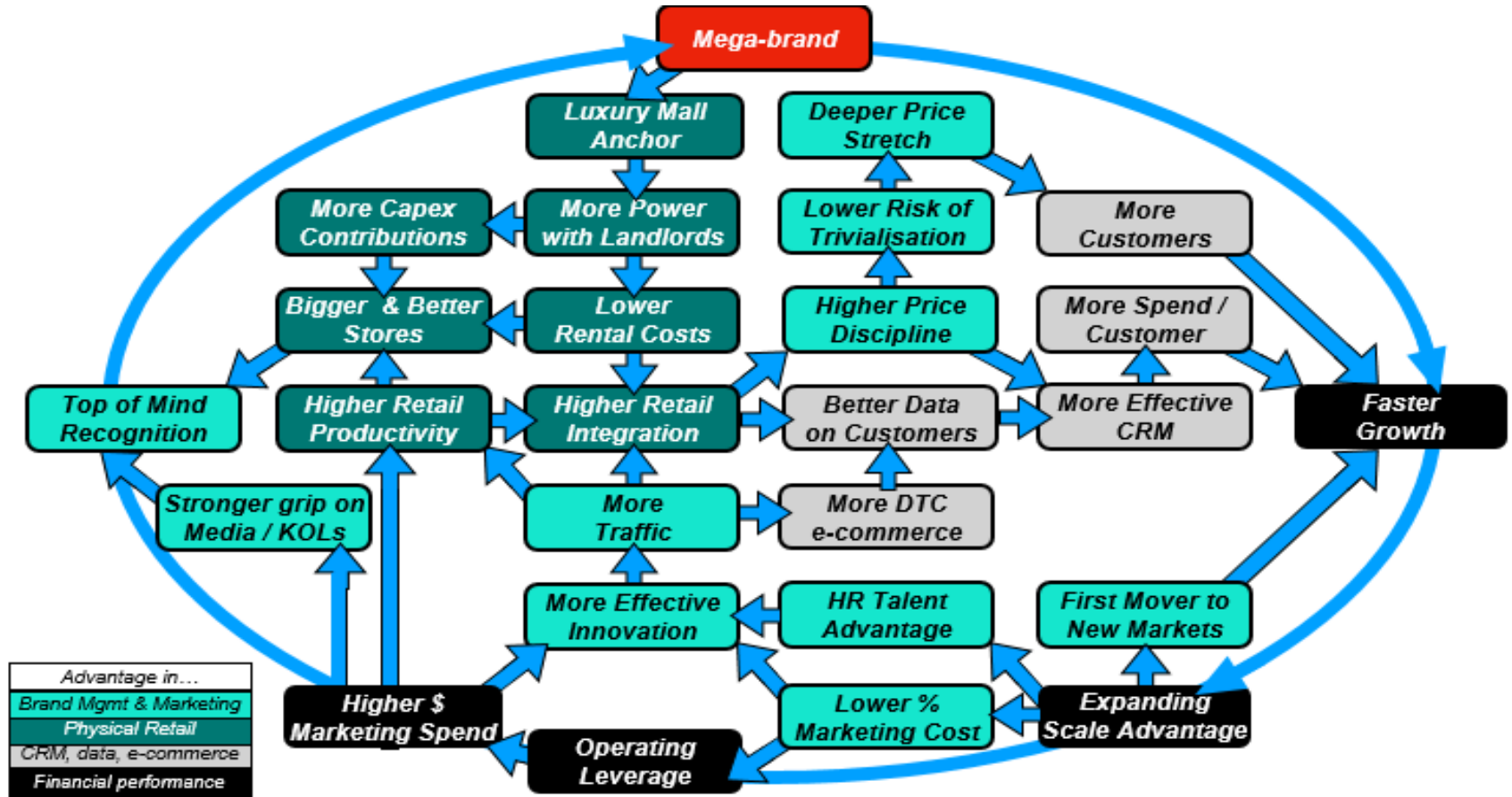
Retail is just one front of a broader competitive escalation (2)

- VIP areas within a store
- Architectural landmark flagship stores
- Pop-up stores
- High-Low Collaboration
- Social media communication
- Itinerant couture fashion shows
- Non-designer celebrities in design
- Logo swaps (High-high collaboration)
- Event driven collection presentation
- Video Shopping Service
- Private "VIP only" stores
- Department store takeover
- Metaverse stores



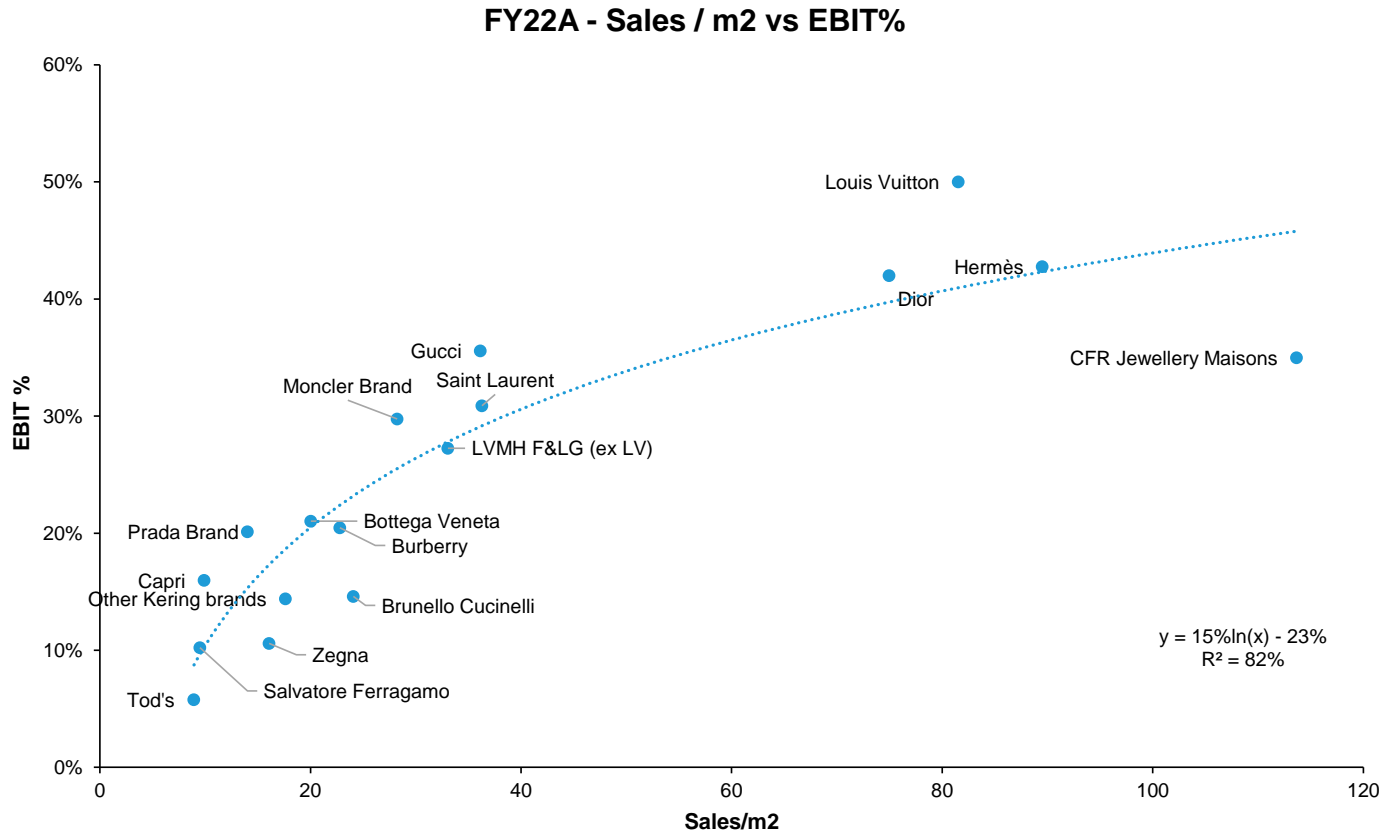
Source: Bernstein analysis

Cost escalation is driven by and plays into the hands of mega-brands



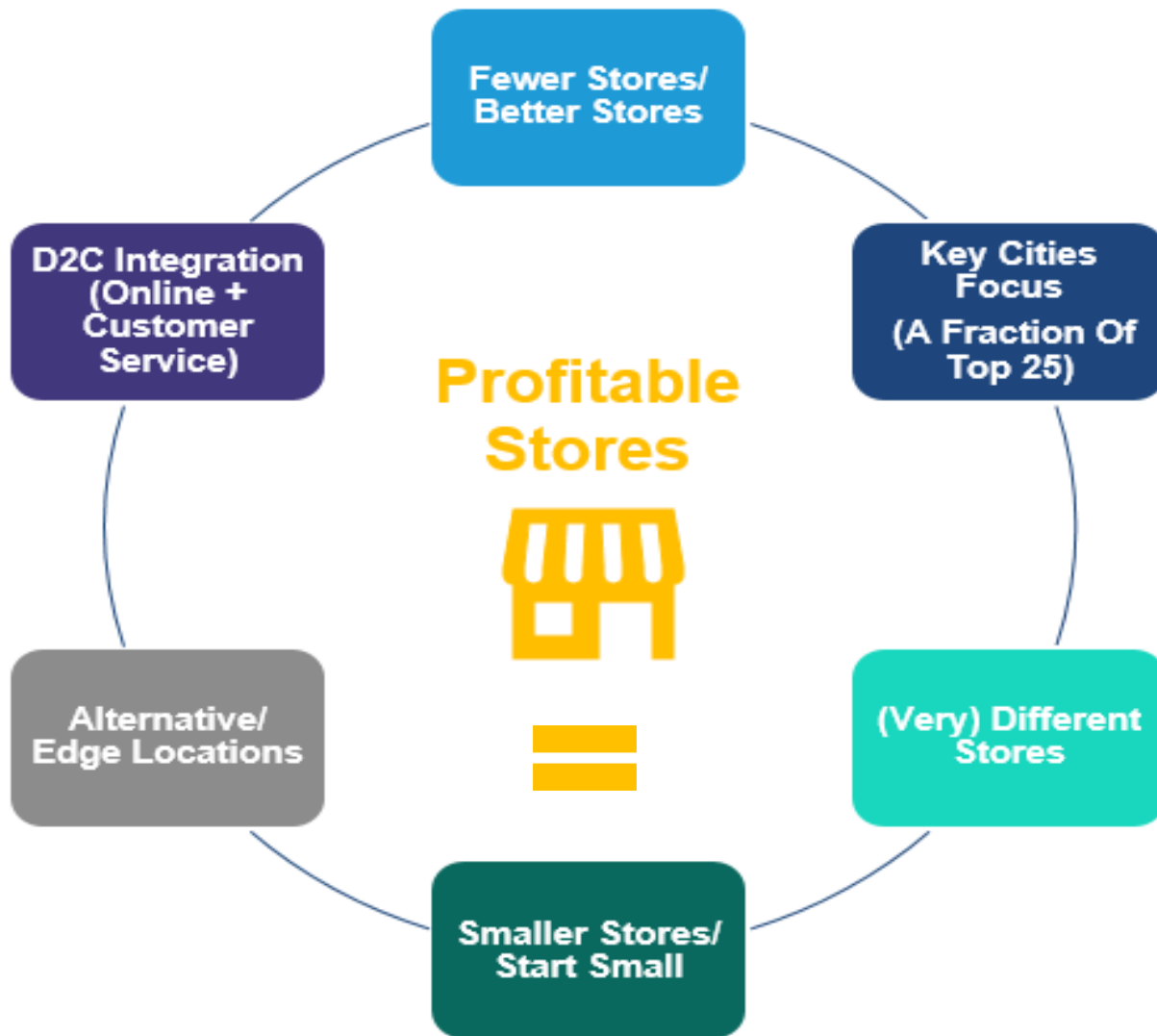
Source: Bernstein analysis

ROIC and profit is all about retail space productivity



Source: Company reports, Bernstein estimates and analysis
 Note: On FY basis

More than ever, small brands need to do something different



Source: Bernstein analysis

More than ever, small brands need to do something different – Gentle Monster

Flagship: 'laundry', Daegu, South Korea



Source: Instagram

More than ever, small brands need to do something different – Golden Goose

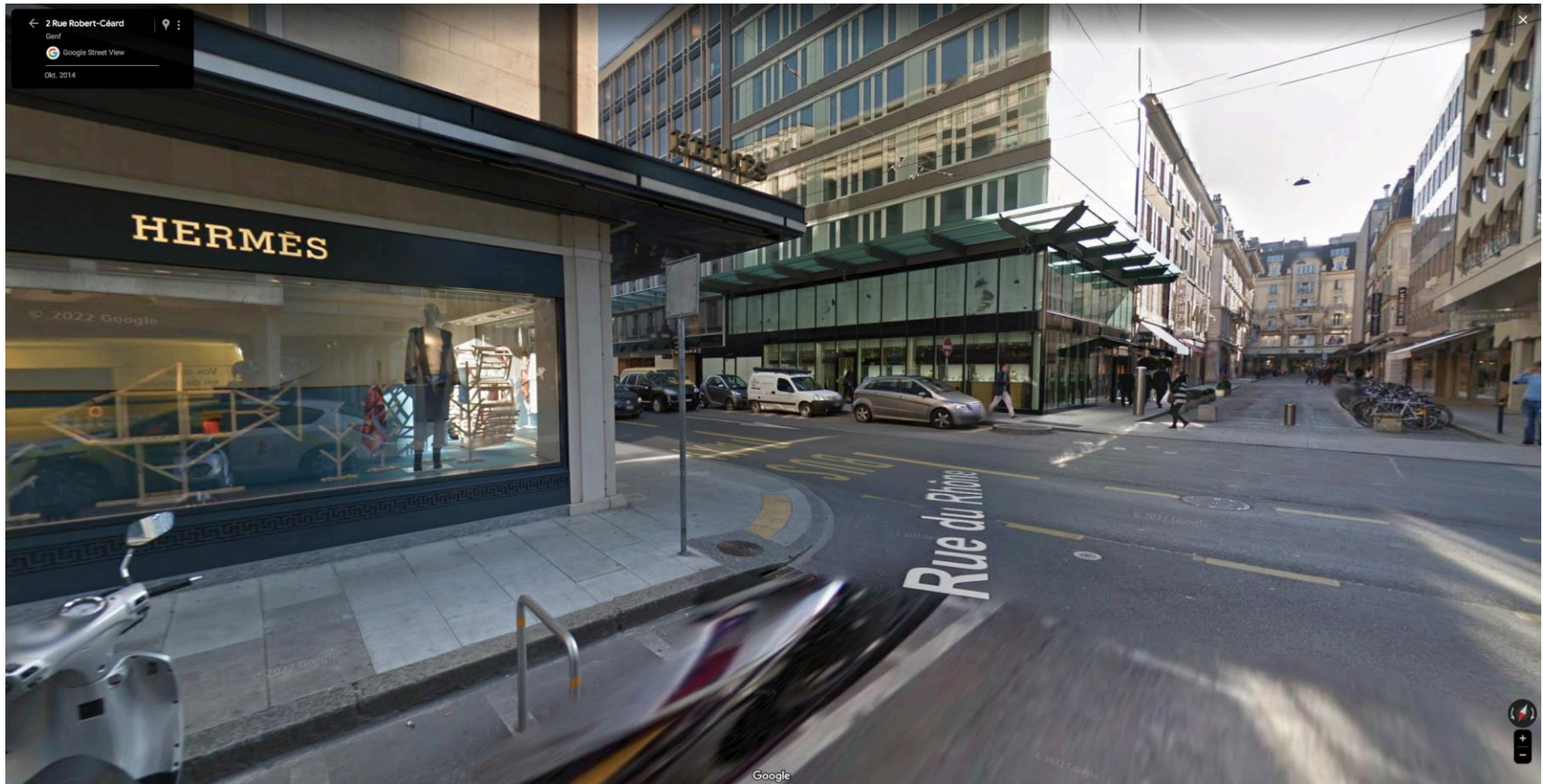
Via Verri, Milan



Source: Instagram, Bernstein analysis

More than ever, small brands need to do something different – Brunello Cucinelli

Off the Rue du Rhône, Geneva



Source: Google Maps

Note: <iframe

src="https://www.google.com/maps/embed?pb=!4v1688032664627!6m8!1m7!1sXPUSX6NHKMwn3LiD0Sg5dQ!2m2!1d46.20401354964594!2d6.149234710200741!3f163.2730615672992!4f0!5f0.7820865974627469" width="600" height="450" style="border:0;" allowfullscreen="" loading="lazy" referrerpolicy="no-referrer-when-downgrade"></iframe>

More than ever, small brands need to do something different – Moncler

The old Moncler store in Zurich



Source: Instagram, Bernstein analysis

BERNSTEIN TICKER TABLE

Ticker	Rating		4 Jul 2023		TTM		Reported EPS			Reported P/E (x)		
			Closing Price	Price Target	Rel. Perf.		2022A	2023E	2024E	2022A	2023E	2024E
BRBY.LN	M	GBp	2,104.00	2,267.00	5.4%	GBP	1.27	1.20	1.39	16.6	17.5	15.2
CFR.SW	M	CHF	150.30	152.00	33.7%	EUR	6.78	7.57	7.89	22.7	20.3	19.5
EL.FP	M	EUR	170.74	193.00	(0.6)%	EUR	4.83	7.41	8.07	35.4	23.1	21.2
FTCH	M	USD	6.18	6.00	(31.5)%	USD	0.77	(1.37)	(1.05)	8.0	(4.5)	(5.9)
RMS.FP	M	EUR	1,952.40	1,819.00	61.2%	EUR	32.09	39.96	46.21	60.8	48.9	42.3
KER.FP	O	EUR	506.00	681.00	(17.5)%	EUR	30.39	32.42	35.95	16.6	15.6	14.1
MC.FP	O	EUR	856.70	999.00	26.7%	EUR	28.11	35.98	39.01	30.5	23.8	22.0
MONC.IM	O	EUR	63.28	70.00	36.7%	EUR	2.26	2.50	2.93	28.1	25.3	21.6
1913.HK (Prada SpA)	O	HKD	52.80	71.00	25.4%	EUR	0.18	0.24	0.28	34.0	25.2	22.0
UHR.SW	O	CHF	276.00	374.00	2.2%	CHF	15.56	21.80	23.93	17.7	12.7	11.5
EDM			1,154.29				74.15	88.65	94.06	15.57	13.02	12.27
SPX			4,455.59				206.45	221.87	245.55	21.58	20.08	18.15
ASIAx			1,179.57				104.10	87.11	102.67	11.33	13.54	11.49

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

CFR.SW, RMS.FP, KER.FP, MC.FP, 1913.HK estimate is Adjusted EPS; CFR.SW, RMS.FP, KER.FP, MC.FP, 1913.HK valuation is Adjusted P/E (x); BRBY.LN, CFR.SW base year is 2023;

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY**Global Luxury Goods**

Luxury goods stocks tend to trade short-term on organic growth positive / negative surprises. Longer-term, we believe there is value on taking a more structural stance. We have a multi-pronged proprietary methodology to ascertain structural appeal. We use target relative PEs to establish our price targets, and gear those target relative PEs to our structural assessment scores. We make an exception for Farfetch, where we use a target EV / Sales multiple, using a correlation of EV/Sales to “take rate” with a number of other platforms.

RISKS**Global Luxury Goods**

Covid-19 triggers at least five of the ten risks of luxury (below), precipitates a material downward correction to GDP growth and leads to a sharp decline in consumer demand - and possibly medium-term damage to consumer confidence and propensity to spend. We are on “terra incognita” in terms of duration, impact and effectiveness of measures, as this scenario has become worse than 2008. More uncertainty remains regarding the plummeting oil price, upheavals in Hong Kong and the Sino-American trade confrontation. Luxury is cyclical and would suffer a triple whammy blow in a recession: 1) slower or negative top line growth would cause: 2) operating de-leverage – as luxury is a fixed cost industry. Valuation multiples would typically contract in that environment;

Luxury sales thrive on customers feeling affluent and secure in their wealth. A higher interest rate environment would dampen asset prices and cause the richer to feel poorer: this would be a severe blow to luxury. Asset price trends are important to support confidence of luxury consumers. The Chinese real estate market and the US stock market are the bellwethers. Higher taxation of upper income brackets, higher property taxes or other government actions to reduce the Gini coefficient would be a sector headwind.

Luxury thrives on people travelling, and on a limited number of global cities. Terrorist attacks (e.g. 9/11), tighter custom controls (especially in China) and epidemics (e.g. SARS) would be a risk for luxury – as fewer consumers would be travelling and spending money abroad. Luxury is dependent on a small number of cities: 25 of them account for more than 2/3 of luxury spend - Paris, Hong Kong and New York being the top three. Serious problems in any of the top luxury cities would be a sector headwind – partially compensated by consumers shopping elsewhere/ and – increasingly – online;

FX would also be a risk for the sector. European luxury goods companies thrive on a weaker EUR and stronger USD. American luxury goods companies are the mirror image to that. A weaker CNY causing Chinese consumers to spend more in Mainland China would be a headwind: prices in China are higher, price elasticity would reduce overall spend – all else being equal.

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- Underperform: Stock will trail the performance of the market index by more than 15 pp

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