BAIN & COMPANY HAS UNRIVALLED EXPERTISE IN LUXURY

• Unparalleled **experience**, working with **all key sector players**
  - Leading global Luxury Groups
  - Major fashion houses
  - Other luxury good producers (jewellery, watches, furniture, etc.)
  - Specialty chains, department stores and luxury distributors
  - Private equity funds

• Unique **market observer and expert**
Present eight trends that will shape luxury by 2020
INCLUDING ALL CATEGORIES, THE LUXURY MARKET EXCEEDED ONE TRILLION EUROS IN 2016

WORLDWIDE LUXURY “MARKET OF THE MARKETS” (2016E|CB)

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth 15-16E</th>
<th>Value 2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Luxury Goods</td>
<td>-1%</td>
<td>249</td>
</tr>
<tr>
<td>Luxury Cars</td>
<td>8%</td>
<td>183</td>
</tr>
<tr>
<td>Luxury Hotellerie</td>
<td>4%</td>
<td>66</td>
</tr>
<tr>
<td>Luxury Wines &amp; Spirits</td>
<td>4%</td>
<td>46</td>
</tr>
<tr>
<td>Luxury Food</td>
<td>-5%</td>
<td>39</td>
</tr>
<tr>
<td>Fine Art</td>
<td>0%</td>
<td>33</td>
</tr>
<tr>
<td>High-Quality Design</td>
<td>3%</td>
<td>18</td>
</tr>
<tr>
<td>Luxury Private Jets</td>
<td>0%</td>
<td>7</td>
</tr>
<tr>
<td>Luxury Yachts</td>
<td>5%</td>
<td>2</td>
</tr>
<tr>
<td>Luxury Cruises</td>
<td>-1%</td>
<td>1.081</td>
</tr>
</tbody>
</table>
EXPERIENCE GAINING TRACTION OVER PRODUCT IN GLOBAL LUXURY

GLOBAL LUXURY GOODS SEGMENTS (2008-2016E|CB)

Out-of-home luxury experiences gaining traction, benefiting from the growth of luxury travelers and increasing self-indulgence

Luxury Cars consistently top performing segment, especially on the Absolute segment, fostered by the Chinese market growth

Luxury goods slowing down in recent years after being the fastest growing category

Luxury consumable experiences consistently positive fostered by luxury consumers redirecting their spend toward new and more personal high-end cocooning

NOTE: Out-of-home luxury experiences include hotels, cruises and restaurants, luxury toys includes private jets & yachts, luxury consumable experiences include beauty, wines & spirits and food & beverage, in-home luxury experiences including high quality design and fine art
THE MARKET FOR PERSONAL LUXURY GOODS HAS TRIPLED OVER THE PAST 20 YEARS

GLOBAL PERSONAL LUXURY GOODS MARKET TREND (1994-2016E€B)
2016 AT A GLANCE

**Stable** market in both **nominal** and **real terms**

**Geopolitical tension** impacting consumer confidence, **touristic flows** and consumption trends

Still a **Western market**, but dependent on **global tourists**

**US** continuous struggle, **Europe** losing touristic support, the revitalization of **China**

A growing impact of **currency fluctuations**
LUXURY 2020: 8 THEMES THAT WILL RESHAPE THE SECTOR

- The persistent dominance of Western markets
- The importance of megacities
- The critical role of Chinese globe-trotters
- The unstoppable rise of alternative channels
- The great generational change
- A truly omnichannel world
- Green as the new black
- The next frontier of technology
THE PERSISTENT DOMINANCE OF WESTERN MARKETS IN GLOBAL LUXURY...STARTING WITH THE US

Personal luxury goods, top countries, 2015 (€B)
THE US AND EUROPE ARE LARGELY SUPPORTED BY TOURISTS

Personal luxury goods spending by local consumers vs. tourists, by region, 2016E, €B

- **Europe**
  - Local consumers: 82%
  - Regional tourists: 17%
  - Extra-regional tourists: 17%

- **Americas**
  - Local consumers: 82%
  - Regional tourists: 22%
  - Extra-regional tourists: 22%

- **Japan**
  - Local consumers: 82%
  - Regional tourists: 22%
  - Extra-regional tourists: 22%

- **Mainland China**
  - Local consumers: 82%
  - Regional tourists: 22%
  - Extra-regional tourists: 22%
BUT US AND EUROPEAN CONSUMERS PRIMARILY BUY IN THEIR DOMESTIC MARKETS

Where consumers shop for personal luxury goods, by nationality, 2016E, €B

- European consumers: ~47%
  - Europe: 23%
  - Americas: 14%
  - Rest of world: 6%

- American consumers: ~57%
  - Europe: 28%
  - Americas: 25%
  - Rest of world: 2%

- Japanese consumers: ~28%
  - Europe: 16%
  - Americas: 1%
  - Japan: 10%
  - Asia: 5%

- Chinese consumers: ~74%
  - Rest of world: 50%
  - Japan: 10%
  - Asia: 10%
  - China: 14%
  - Europe: 10%
MEGACITIES: THE TOP 20 CITIES ACCOUNT FOR 60% OF THE GLOBAL PERSONAL LUXURY GOODS MARKET

Personal luxury goods, top countries, 2015E €B

Source: Bain & Company
BY 2020, CHINA SHOULD CONTRIBUTE 80% OF NEW LUXURY CONSUMERS GLOBALLY

Number of global luxury consumers, 2013 – 2020F

2013

330M
Chinese
Rest of the World

57M
New Chinese consumers

13M
New consumers other nationalities

400M
Chinese
Rest of the World

2020F

Number of new Chinese consumers: 57M
Number of new consumers other nationalities: 13M

BY 2020, CHINA SHOULD CONTRIBUTE 80% OF NEW LUXURY CONSUMERS GLOBALLY
THE SHARE OF CHINESE CONSUMERS IN GLOBAL LUXURY SPEND IS CONTINUOUSLY GROWING
Chinese consumers are also broadening the spectrum of their luxury consumption.
THE UNSTOPPABLE RISE OF ALTERNATIVE CHANNELS

Share of global personal luxury goods market, 2012 – 2020F, %

2012: 13%

2016E: 25%

2020F: 32%

- Airport
- Online
- Off-price stores
LUXURY ONLINE IS REACHING A NEW EQUILIBRUM

Luxury online channel Market evolution
2005-2020F, B€
GENERATIONAL CHANGE: LUXURY MARKET GROWTH WILL BE MAINLY BOOSTED BY GENERATIONS X AND Y

Global personal luxury goods market by consumer generation 2013-2020F, B€

<table>
<thead>
<tr>
<th>Generation</th>
<th>2013</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby boomer</td>
<td>33%</td>
<td>25%</td>
</tr>
<tr>
<td>Generation X</td>
<td>37%</td>
<td>40%</td>
</tr>
<tr>
<td>Generation Y</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Silent Generation</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Silent Generation</td>
<td>2%</td>
<td>~0%</td>
</tr>
</tbody>
</table>

'13-20 CAGR

- ~5%
- ~0%
- ~6%
- ~5%
A TRULY OMNICHANNEL WORLD: CONSUMERS EXPECTING A TOTALLY SEAMLESS EXPERIENCE ACROSS CHANNELS
A TRULY OMNICHANNEL WORLD: IMPLICATIONS ACROSS THE BUSINESS

ROLE OF STORES AND NETWORK

EXPERIENCE-ENHANCING TECHNOLOGY AND ADVANCED ANALYTICS

SUPPLY CHAIN AND LOGISTICS

ORGANIZATION AND CAPABILITIES
GREEN IS THE NEW BLACK: FEW CONSUMERS ACTIVELY PURCHASE BASED ON BRAND SUSTAINABILITY YET, THOUGH RATE IS INCREASING

WHAT IMPACT DOES A COMPANY’S SUSTAINABILITY INITIATIVES HAVE ON YOUR CHOICE OF LUXURY BRAND?

14% of consumers could consider changing shopping behavior based on companies conduct

9% of consumers influenced in their purchases by companies ethical conduct
BUT SUSTAINABILITY IS NEVERTHELESS CRITICAL FOR BUSINESS

STAKEHOLDERS

INVESTORS
Provide access to dedicated funds and protect share price

EMPLOYEES
Engage employees, draw talents and increase retention

INFLUENCERS
Shape company and brand perception

CONSUMERS
Influence consumer loyalty
THE NEXT FRONTIER OF TECHNOLOGY: NEW PRODUCTS, NEW PROCESSES
THE “NEW NORMAL” IN PERSONAL LUXURY GOODS: GROWTH SHOULD STRUCTURALLY STABILIZE AROUND 2-3%
THE PERSONAL LUXURY MARKET IS EXPECTED TO REACH €280-285B BY 2020, A CAGR OF 3-4% OVER 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>CAGR</th>
<th>2017 Key Trends</th>
<th>2020 Key Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>€251B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016E</td>
<td>€249B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017F</td>
<td>€251-254B</td>
<td>1-2%</td>
<td>Recovery consumption in US</td>
<td>Rising Chinese middle class and recovery of consumers from mature markets</td>
</tr>
<tr>
<td>2020F</td>
<td>~€280-285B</td>
<td>3-4%</td>
<td>Rebound of Chinese global spending</td>
<td>Gen Y &amp; X to become ever more relevant</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Consistent positive trajectory of Europe</td>
<td>A healthier mark-down market reducing sales cannibalization</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Challenging situation in Japan</td>
<td>On-line still the &quot;champion&quot; format</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Still challenging HK &amp; Macau</td>
<td>No clear &quot;champion&quot; category nor segment</td>
</tr>
</tbody>
</table>
THE NEW NORMAL: FROM "INDUSTRY INDEX" TO "WINNERS AND LOSERS"

CAGR OF SELECT LUXURY BRANDS BY PHASE

Global personal luxury goods market CAGR

<table>
<thead>
<tr>
<th>Phase</th>
<th>CAGR %</th>
<th>% of Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sortie du Temple &amp; Democratization (1994-2007)</td>
<td>+7%</td>
<td>87%</td>
</tr>
<tr>
<td>Crisis (2007-2009)</td>
<td>-5%</td>
<td>37%</td>
</tr>
<tr>
<td>Chinese Frenzy (2009-2015)</td>
<td>+4%</td>
<td>93%</td>
</tr>
<tr>
<td>New Normal (2015-2016E)</td>
<td>-1%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Note: based on a subset of soft luxury brands; growth rate calculated on revenues in €
<table>
<thead>
<tr>
<th>Markets and consumers</th>
<th>Route to market</th>
<th>Value proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design 'locally global' pricing and execute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:1 customer experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stretched offer, and Locally global assortment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New role of store</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perfect a value-driven &quot;Fast luxury&quot; model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-channel omni-channel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scientific customer corridor management: from salience to advocacy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NEW STRATEGIES AND PLAYBOOKS ARE NOW REQUIRED TO WIN IN LUXURY
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