

Sector View

Luxury Goods

Improvement in tax free shopping in October

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-3.5%	-5.8%	-2.9%	-3.3%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

*Stoxx Sector Indices

Global Blue has provided some encouraging figures on tax-free purchases with a 2.3% decline in October versus -5.6% in September and better trends with both Russian and Chinese clientele.

Companies covered

BURBERRY	NEUTRAL	1350p
CHRISTIAN DIOR	BUY	EUR190
HERMES Intl	BUY	EUR410
HUGO BOSS	NEUTRAL	EUR70
KERING	BUY	EUR218
LVMH	BUY	EUR194
MONCLER	BUY	EUR17,5
PRADA	NEUTRAL	HKD31
RICHEMONT	BUY	CHF73
SALVATORE FERRAGAMO	NEUTRAL	EUR23,8
THE SWATCH GROUP	NEUTRAL	CHF320
TOD'S GROUP	SELL	EUR53

ANALYSIS

- According to Global Blue, worldwide tax free purchases were down 2.3% in October versus a decline of 5.9% in September, showing some improvement albeit still negative. Among the positive news, we would highlight that tax-free purchases by Chinese customers dropped 7.6% during the month whereas the decline stood at 14% both in September and in August. Furthermore, Russian shoppers were more dynamic with 2.9% growth in October, the first positive month since 2013. Russian clientele accounts for 3-4% of the worldwide luxury market while Chinese customers account for one third of the market. Tax-free purchases in France were still down in October (-10.8%), but showed some improvement versus -22% in September and in August, and -8.7% in Italy while in the UK, purchases were up 35%.
- Most luxury groups registered some improvement in Q3 vs H1, particularly with Chinese clientele. For instance, Louis Vuitton sales with Chinese shoppers were up double-digit in Q3 while they were only up mid-single digit overall, and total LV sales in Paris even rose slightly in September. Gucci also enjoyed a double digit sales increase with Chinese customers in October. Lastly, Richemont highlighted that its October sales were up slightly versus -6-7% in September!

NEXT CATALYSTS

- Richemont will release its Q3 2016 sales trading statement mid-January 2017.

Loïc Morvan, lmorvan@bryangarnier.com

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NEUTRAL ratings 0%

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
				Regulated by the FINMA

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