

### LUXURY PRELIMINARY RESULTS 2016 AND FORECASTS 2017

The **slowdown of 2016** was the lowest point for the luxury industry that, after a decade of sustained growth (5.5% per year on average in the period 2005-2015), closed with a 2% increase in the footwear, leather goods and accessories segment.

The terrorist attacks, Brexit, the volatility of the Chinese market together with new consumption patterns, less predictable and highly influenced by new technologies, have made much more uncertain the economic environment and have defined a "new normal" for companies in the fashion industry. Consumer preferences, more demanding and price conscious, and the liveliness of the casual segment led to a most disappointing performance of the top luxury, advantaging the accessible segment, which recorded above average increases.

The **financial results** of the leading brands on the closure 2016 see the Kering Group as the top performer, sustained by Gucci (+8.1% to +14.5% in turnover and profits), followed by LVMH, which closed 2016 with organic growth of turnover and profits in the fashion and leather division respectively of 4% and 10%. Hermès closed last year with a +7.5% (+14% for the leather goods division), a positive result but far from the disruptive performances of the past five years. Slight increase in the Ferragamo group (+2% of the footwear division, leather goods stable), while Prada and Tod's confirmed a negative balance, although with a partial recovery trend recorded during the fourth quarter.

Despite the difficulties, the end of last year was generally characterized by a **brighter outlook**. Consumption in Europe, penalized by the decline of touristic flows, was partially supported by an internal recovery. Russia and Brazil, after the problems experienced in last two years show positive signs, also related to favorable exchange rate fluctuations. China, which has suffered the consequences of government policies, showed a recovery in domestic consumption (+4%) by reducing the price gap as compared to the European market and thanks to the expansion of the middle class. Its consumption growth rate should therefore settle at 8% -9% in the period 2017-2018, confirming its key market role.

These elements have led some industry analysts to revise upwards their **forecast** for the luxury industry, whose sales could increase by 5% in the first half of 2017, and then see further acceleration. The accessible segment will be the main protagonist of this recovery, especially in emerging markets.

In general, success will be determined by the ability to stimulate consumer interest, adapting to the evolution of the sales channels.