

# The Outbreak Touches All Industries, Including Luxury

In the face of the COVID-19 outbreak, the primary concern for companies in the luxury industry has been the health and safety of its employees. Even as companies mobilize to support their employees, the industry overall is confronting significant uncertainty. A solution to the virus has yet to be found, but the countermeasures taken by local authorities—such as city lockdowns and travel bans—are unprecedented.

**Boston Consulting Group (BCG)** has partnered with **Altqamma** and **AB Bernstein** to survey CEOs and CFOs in the luxury industry on how brands are reacting to the crisis and what they believe may be expected in terms of economic consequences. The results are that CEOs and CFOs foresee an impact on EBITDA in the 15% range for 2020, which would mean a potential worldwide loss of about €10 billion. Confidence is high, however, that pre-epidemic revenue targets could be reached within one year (by 2021). CEOs and CFOs are taking several actions to mitigate, as much as possible, both exposure and risk. The overall attitude is to hope for the best but prepare for the worst.

This research, combined with our analysis of comparable outbreaks, such as SARS, allows BCG to offer our clients and alumni a unique view on the topic.

## CEOs & CFOs foresee an impact on their Sales/EBITDA worldwide but mostly in China in the next c. 6 months



40% expect an impact worldwide but mostly in China (Chinese travelers also a concern)...



...with the majority of respondents expecting an impact in the next 3-6 months



Thinking about recent Coronavirus outbreak, where do you expect the highest impact for your business in terms of sales?



% of respondents Sales/EBITDA



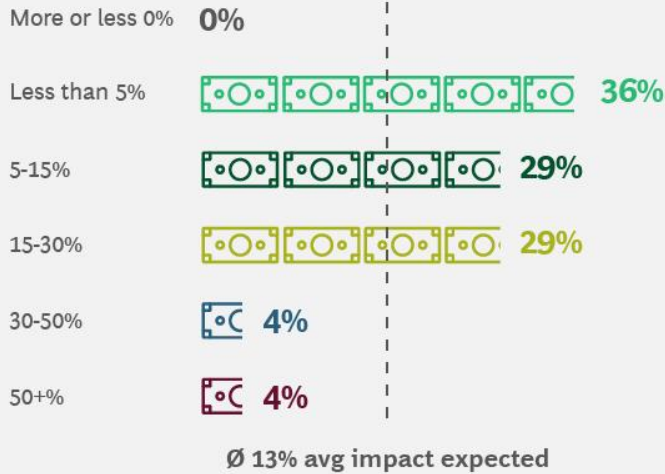
For how long do you expect Coronavirus to have an impact on your sales and/or EBITDA before coming back to "normalization" (i.e. pre-virus target)?



## Impact on EBITDA expected to be in the 15% range in 2020 but quickly recovered by 2021



Which financial impact do you estimate the Coronavirus will have on your overall EBITDA in 2020 (as a % decrease)?



**61%**  
of CEOs and CFOs expect to reach pre-virus revenue targets in 2021

## Expected impacts on companies economics will impact 2020 personal luxury market for 30-40 €B (sales value)

**EBITDA impact**

**~10 €B**  
of potential EBITDA decline in 2020

**Sales impact**

**30-40 €B**  
personal lux. market decline in 2020

**Inventory impact**

**10-15 M**  
of potentially unsold products destined for China causing a potential sustainability issue