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## Swiss watches | Europe

## Polarization, premiumisation, reshoring... key developments so far this year

Ten key takeaways from market share trends so far in the Swiss watch industry

**What's new?** Every year in March, Morgan Stanley, in collaboration with Swiss watch industry consultancy firm LuxeConsult, breaks out the sales of the top 50 Swiss watch brands, as well as the market share data (see latest edition [here](#)). Ahead of the next edition to be published in a few months, we highlight ten key takeaways:

**#1 - Swiss watch exports should be down -32% in volume and -19.5% in value in 2020.** Although 2020 numbers will likely be better than feared back in April, assuming we are correct with our 14m units forecasts, this would mean that exports would reach in volume their lowest level since 1946 and this compares with a peak of 29.8m in 2011. In terms of value, due to premiumisation (see below), the decline should be less severe: we model a -19.5% contraction (vs. -27.8% YoY in 9M20) at CHF 16bn. Still this would mean that exports in 2020 would be equal to those of 2010.

**#2 - Polarization is continuing unabated...** While Rolex, Patek Philippe and Audemars Piguet's relative outperformance (weighted average) vs. the total of the industry might have been +500 bps in 2019, we believe that it should be around 1,000 bps in 2020 (i.e. these brands declining by 10% or slightly less on aggregate, while the industry should contract by approx. -19.5%).

**#3 - ...and so is premiumisation...** In 2020, the trend towards premiumisation should continue. We model that watches with a Wholesale value exceeding CHF 3,000 (i.e. at least CHF 6,000 at Retail) will account for 71% (from 69% in 2019 and 34% in 2000) of all Swiss watch exports in value, an all-time high - while the segment will only represent 10% of exports in volume.

**#4 - ...as the entry price ranges are increasingly impacted by smartwatches.** Extrapolating 1H20 smartwatch growth in units for the remainder the year, a total of approximately 81m smartwatches should be sold around the world. As discussed above, we estimate that a total of 14m Swiss watches should be exported in 2020. Back in 2016, the volumes were similar for both categories (22m units for smartwatches and 25m units for Swiss watches).

**#5 - Reshoring to China accelerates...** In 2020, exports to Mainland China should be up by approximately +24% to CHF 2.5bn, we estimate. Thus, China should account for about ~14% of total exports vs. 7% ten years ago. This would make Mainland China the largest export market for the first time, ahead of the United States (12% est.) and Hong Kong (10% est.).

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*We would like to thank Oliver Müller for his contributions to the market share analysis in this report. He is the founder of Swiss watch industry consultancy firm LuxeConsult and not a member of Morgan Stanley's Research Department.*

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**#6 - ... but sales in the US were surprisingly resilient.** In 2019, the US accounted for about ~24% of total personal luxury goods sales. However, the US accounted for only 11% of all Swiss watch exports that year. In 2020, we model that Swiss watch exports should contract in value by -15% to CHF 2.0bn vs. a contraction of -21% outside of the US, leading to the US share of total Swiss watch exports rising to 12% vs. 11% in 2019 and 10% in 2018. We think this market presents interesting opportunities for a number of brands going forward.

**#7 - Prices in the second-hand market.** All in all, based on discussion with market participants and data from the leading platforms, premiums are up YTD for Rolex, stable for Audemars and slightly down for Patek Philippe (a function of the premium on Grand Complications slightly narrowing) - but for three brands, premiums are near record highs. For some of the listed groups, the discounts are relatively flat YTD. All in all, this bodes well for the leading brands in terms of desirability.

**#8 - Rolex solid as a rock.** When factoring an average weighted price increase of around 7% this year (one of the most significant taken by Rolex in several years), this implies a mid-single-digit decline in Rolex sales this year. With Swiss watch exports likely down -20%, the Rolex brand will likely strengthen its leadership further in 2020.

**#9 - Is Breitling the turnaround story of 2020?** While it is too early to say if the turnaround has been a success (given that the company has yet to publish its financial statements, and given the high level of financial leverage), from a commercial standpoint, it looks like Breitling will emerge as one of the market share gainers of 2020 (we estimate that the brand's sales should only be down around 10% this year).

**#10 - Who is gaining share? Who is losing share?** In recent years, one specific development of the Swiss watch sector (vs. other sub segments of Luxury) is that private players significantly outperformed listed ones. So far in 2020, we believe that the trend has continued and amplified with industry leaders (Rolex, Audemars Piguet and Patek Philippe) outperforming even more the rest of the industry. Additionally, as discussed in this note, two smaller private brands should also increase their level of outperformance: Breitling and Tudor (even more). As for brands likely having a difficult year, we would flag Tissot, Jaeger-LeCoultre or Chopard.

# Update on 10 key trends in the Swiss watch market

## #1 - Industry sales should contract by about -19.5% and -31.9% in value and volume in 2020

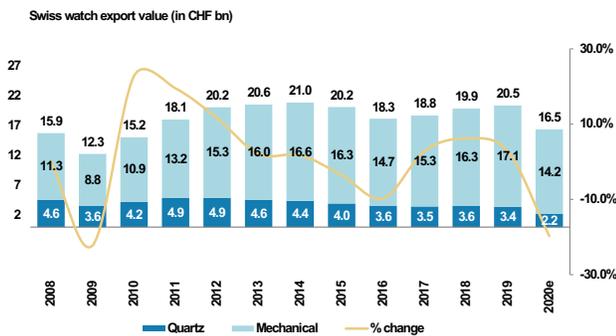
In 2019, Swiss watch exports amounted to CHF 20.5bn (up +2.6%) as per the Federation Horlogere Suisse (FHS). This wholesale figure represented about 53% of the global watch market in value (2% in volume). At retail, this implied a total value of CHF ~50.7bn (ex VAT), when taking into account a typical multiplier of 2.0x to 2.5x for wholesale sales.

In 9M20, Swiss watch exports (as per FHS) contracted by -39.9%. For the year 2020 as a whole, we now estimate that volumes should decline by about -31.9% to 14m units, as the impact of COVID sequentially diminishes during the end of the year, and as the industry is now cycling the impact of the disruption of the Swiss watch exports number one market, Hong Kong - sell out in Hong Kong started to be severely disrupted as of August 2019 (Hong Kong accounted for 14% of worldwide exports in 2018). Assuming we are correct with our 14m forecasts, this would mean that exports would reach in volume their lowest level since 1946 and this compares with a peak of 29.8m in 2011.

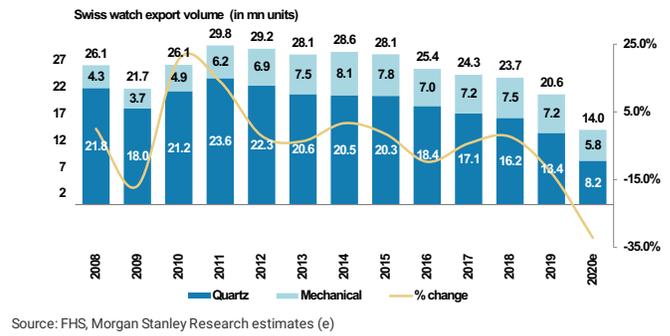
In terms of value, due to premiumisation (see below), the decline should be less severe: we model a -19.5% contraction (vs. -27.8% YoY in 9M20) at CHF 16bn. Still this would mean that exports in 2020 would be equal to those of 2010.

This highlights the underperformance of the Swiss watch sector vs. other sub segments of the personal Luxury Goods market. Regarding the latter, we model a c.-18% contraction to approximately €230bn (i.e. the level reached in 2014).

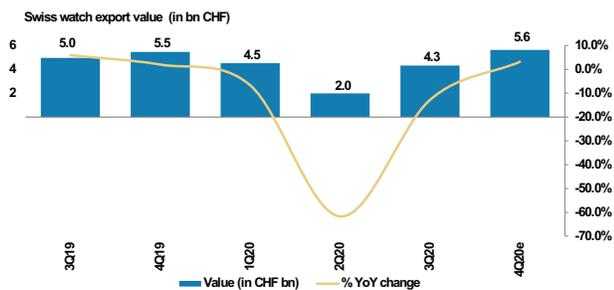
**Exhibit 1:** Swiss watch export value (in CHF bn) since 2008



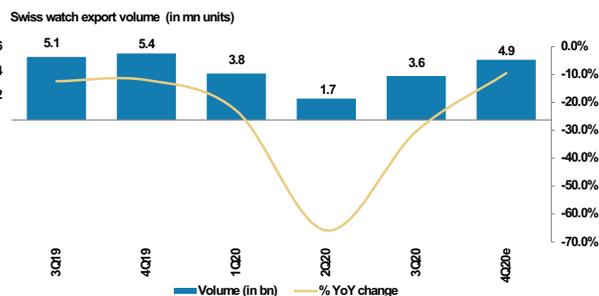
**Exhibit 2:** Swiss watch export in volume (units mn) since 2008



Source: FHS, Morgan Stanley Research estimates (e)  
 Note: Only for wrist watches, does not include other products (movements).

**Exhibit 3:** Swiss watch export value (in CHF bn) since 3Q19 - Quarterly

Source: FHS, Morgan Stanley Research estimates (e)

**Exhibit 4:** Swiss watch export volume (units mn) since 3Q19 - Quarterly

Source: FHS, Morgan Stanley Research estimates (e)

## #2 - Polarization is continuing unabated...

For the year 2019, we previously estimated that the seven brands with a turnover above CHF 1bn accounted for the totality of the industry growth in 2019 (and Rolex by itself for half of the growth).

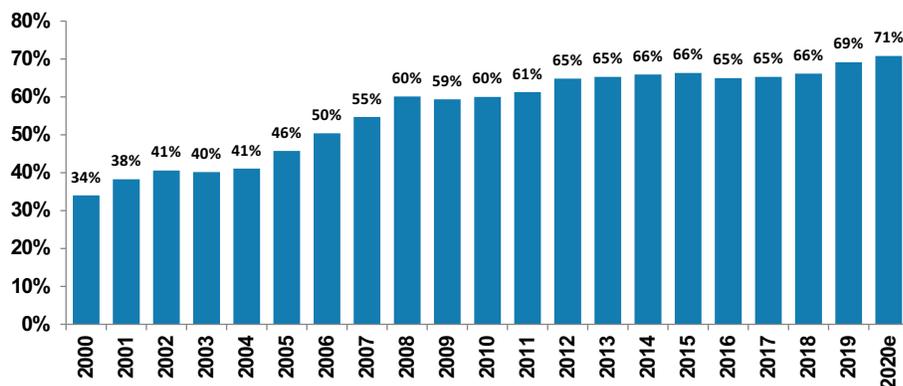
For 2020, in a contracting industry, one cannot calculate the share of growth that the biggest and best performing brands account for. However, we believe that the relative performance was even more pronounced.

While Rolex, Patek Philippe and Audemars Piguet's relative outperformance (weighted average) vs. the total of the industry might have been +500 bps in 2019, we believe that it should be around 1,000 bps in 2020 (i.e. these brands declining by 10% or slightly less on aggregate, while the industry should contract by approx. -19.5%).

## #3 - ...and so is premiumisation...

As in the broader personal Luxury Goods sector (e.g. Vuitton and Gucci sales outperforming Michael Kors and Coach in recent years), premiumisation has been a constant theme in the Swiss watch industry over the past twenty years. In the Swiss watch industry this phenomenon is particularly pronounced given two phenomena impacting the lower end: a) the labor intensive nature of the industry (Swiss labor costs are amongst the highest in the world) - to the benefit of fashion brands such as highly successful Swedish brand Wellington (manufactured in Asia); b) technological disruption (the entry price points have been severely impacted by the advent of smartwatches) - see below.

In 2020, the trend towards premiumisation should continue. We model that watches with a Wholesale value exceeding CHF 3,000 (i.e. at least CHF 3,000 at Retail) will account for 71% (from 69% in 2019 and 34% in 2000) of all Swiss watch exports in value, an all-time high - while the segment will only represent 10% of exports in volume. Brands in this segments are Rolex, Patek Philippe, Audemars Piguet, Vacheron Constantin, Breguet, Blancpain, Bulgari, etc.

**Exhibit 5:** Price point >3000 as % of total Swiss watch exports since 2000 in value terms (in CHFmn)

Source: FHS, Morgan Stanley Research estimates (e)

#### #4 - ...as the entry price ranges are increasingly impacted by smart watches

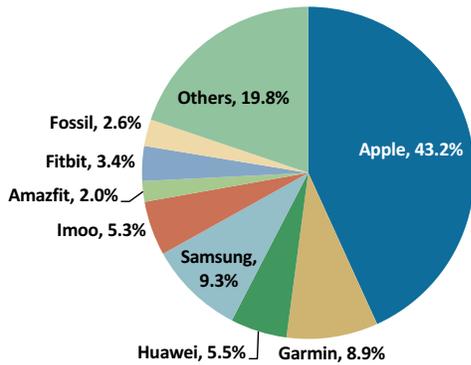
Today, the Apple Watch 6 (launched in September 2020) has a retail price which starts at CHF 450, while other smartwatch brands tend to range from about CHF 250 for the Fitbit Versa 3 to CHF 2,700 for the Garmin MARQ Driver. The Swiss watch industry body, the FHS, publishes Swiss watch exports on a monthly basis by price segments: CHF 0 to 200, CHF 200 to 500, CHF 500 to 3,000 and over CHF 3,000. Given that these are wholesale prices, we use a multiplier of at least 2x to get to retail prices. Thus, watches in the first two price bands compete directly with smartwatches.

As can be seen in the charts below, by the end of 2019, the CHF 0 to 200 segment had declined by a cumulative -37% in volume terms (-35% in value terms) since the introduction of the Apple Watch in 2015. The CHF 200 to 500 segment has declined by a cumulative -21% in volume terms (-21% in value). Over the same period, the entire Swiss watch industry has decelerated by -28% in volume (-3% in value).

In 1H20, as per Counterpoint research, smartwatch sales were up +20% while shipments remained flat. "Close to 42 million smartwatches were shipped in the first half of 2020 as wearables continue to see greater demand with consumers becoming more health conscious. India (+57% YoY), Europe (+9% YoY) and the US (+5% YoY)" according to Counterpoint. Apple now represents just over half of the market as can be seen in the [Exhibit 7](#) below, with shipment volumes up 22% in 1H20. Huawei shipments grew 57% (+90% in China and Asia for its GT2 series) while Garmin's grew 31% for its Forerunner and Fenix lines.

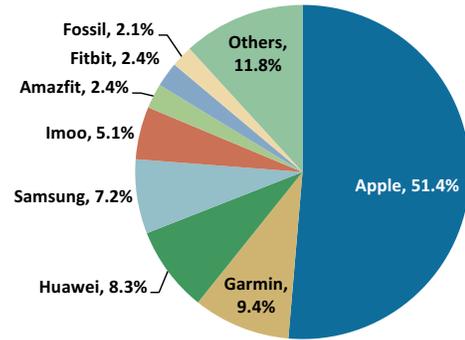
Extrapolating 1H20 smartwatch growth in units for the remainder the year, a total of approximately 81m smartwatches should be sold around the world. As discussed above, we estimate that a total of 14m Swiss watches should be exported in 2020. Back in 2016, the volumes were similar for both categories (22m units for smartwatches and 25m units for Swiss watches).

**Exhibit 6:** Global smartwatch shipment revenue share % in H1 2019 (in value)



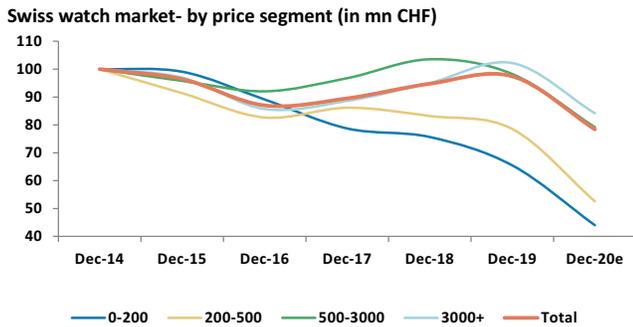
Source: Counterpoint Research, Morgan Stanley Research

**Exhibit 7:** Global smartwatch shipment revenue share % in H1 2020 (in value)



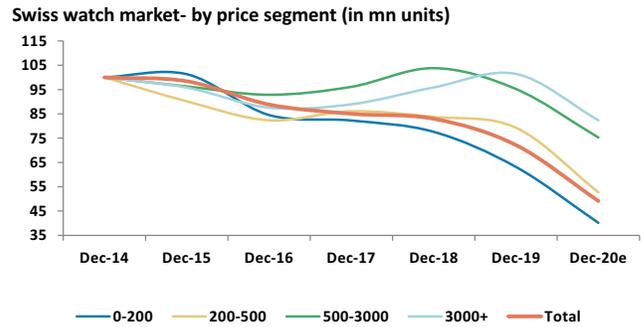
Source: Counterpoint Research, Morgan Stanley Research

**Exhibit 8:** Swiss watch value - by price segment (in CHF mn)



Source: FHS, Morgan Stanley Research

**Exhibit 9:** Swiss watch volume - by price segment (units mn)



Source: FHS, Morgan Stanley Research

## #5 - Reshoring to China accelerates...

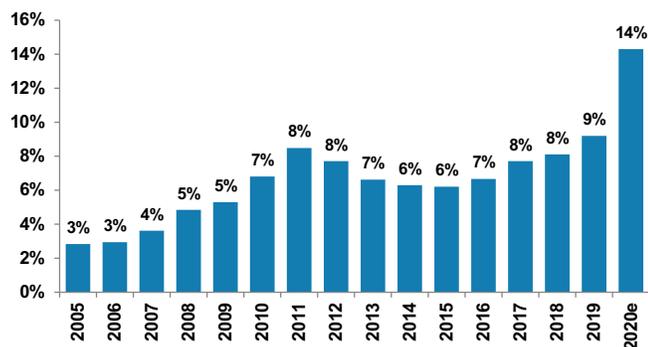
As followers of the industry will be aware, the re-shoring of Chinese nationals spending in the personal luxury goods market has been underway for some time: in 2019, we estimate that about 50% of total Chinese spend was done outside the Mainland vs. ~70% five years ago. However, the COVID pandemic accelerated quite dramatically the process.

In 2020, exports to Mainland China should be up by approximately +24% to CHF 2.5bn, we estimate. Thus, China should account for about ~14% of total exports vs. 7% ten years ago. This will make Mainland China the largest export market for the first time, ahead of the United States (12% est.) and Hong Kong (10% est.).

When it comes to market share by brand, there are very significant differences geographically. For example, we previously calculated that the Rolex brand had a 24.8% share worldwide in 2019. However, we believe that in Greater China, the world's largest market (21% share in 2019), Rolex is only No. 3 after Longines (No. 1) and Omega (No. 2). This is due to historical reasons (the Swatch Group entered the Mainland Chinese market very early on, in the early 1990s: by the time Omega opened its first mono brand outside China, in Zurich in 1998, it already had 35 mono brand stores in Greater China).

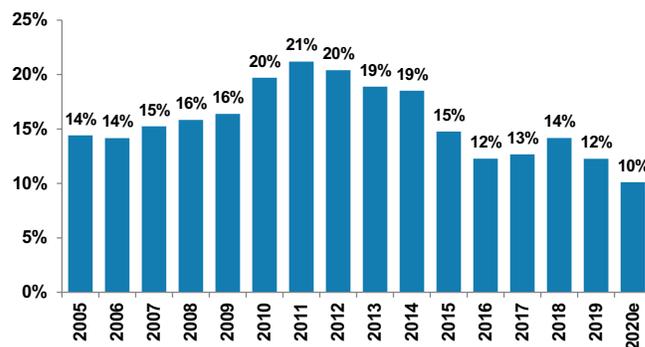
The strength of Mainland China should have allowed Omega and Longines to soften the blow of COVID in 2020 - as performance outside China should have been mediocre. For these two brands, we model sales down approximately -15% and -25%, respectively, worldwide in 2020 - more below.

**Exhibit 10:** Mainland China as % of worldwide Swiss watch exports since 2005



Source: FHS, Morgan Stanley Research estimates (e)

**Exhibit 11:** Hong Kong as a % of worldwide Swiss watch exports since 2005



Source: FHS, Morgan Stanley Research estimates (e)

## #6 - ... but sales in the US were surprisingly resilient

Sales of Swiss watches in the United States have been relatively anemic for several years; exports peaked at CHF 2.4bn in 2007, and in 2019 they stood at CHF 2.4bn (i.e. about flat over a period of twelve years). We believe that part of the explanation was related to the early adoption of smart watches in the US (see below). That's apparent given that the entry price segments CHF 0 to 200 and CHF 200 to 500 have underperformed more in the US than the rest of the world.

In 2019, to put things in context, the Americas accounted for ~30% of total sales of personal luxury goods items (bags, shoes, jewellery, etc.), as per Bain Altagamma - see chart below. As the US generally accounted for about 75% to 85% to sales in the Americas for most luxury brands, one can infer that the US accounted for about ~24% of total personal luxury goods sales in 2019. However, the US accounted for only 11% of all Swiss watch exports that year.

In 2020, we model that Swiss watch exports should contract in value by -15% to CHF 2.0bn vs. a contraction of -21% outside of the US, leading to the US share of total Swiss watch exports rising to about 12% vs. 11% in 2019 and 10% in 2018.

We note that Watches of Switzerland reported an organic sales decline in the United States of -21% for the quarter ending July 26th, but an increase of +43% for the 10 weeks of the 13 weeks quarter ending in 25th Oct 2020 (increase was partially driven by store expansion).

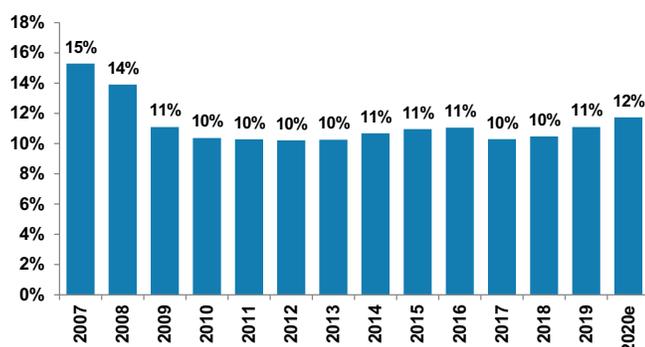
As per management, the strength of the business in the United States in recent months is a function wealth effect of their consumer base, higher saving rates and lack of opportunity to spend on travel/experiential luxury. Additionally, watches generally preserve their value and in some cases the product may increase in value (in some cases a lot), which Watches of Switzerland calls "rational indulgence". Additionally, the asset is increasingly liquid with the advent of second-hand platforms.

The rebound of sell out of luxury goods in general over the summer, including Swiss watches, is one of the reasons why brands with a high US exposure (e.g. TAG Heuer) experienced a material sequential improvement (with sales down 'only' around -15% YoY in 3Q, we estimate).

Regarding outer years, we believe that some of the established brands in the US should continue to perform well (e.g. Rolex which has an estimated market share of ~40% in that market). Or Audemars Piguet.

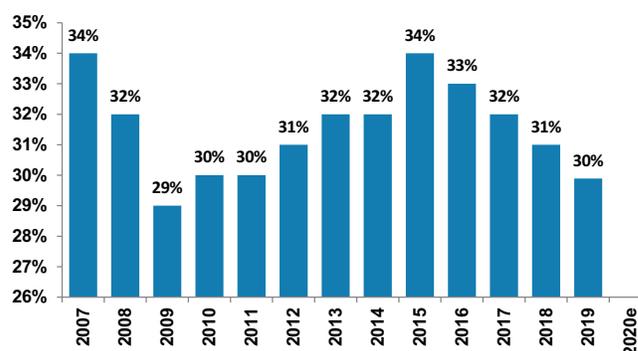
But we think other brands could grow meaningfully in the US in the coming years: we see no reason for Omega not to continue its momentum in that market (numerous US personalities have worn Omega - e.g. JFK, Buzz Aldrin, Daniel Craig or George Clooney - as for the Moon Watch it is one of the most iconic watches in the US market). As for Breitling, it has historically been strong in the US and we expect the new management team under the leadership of Georges Kern (since 2017) to perform well there.

**Exhibit 12:** US as % of worldwide Swiss watch exports since 2007



Source: FHS, Morgan Stanley Research estimates (e)

**Exhibit 13:** Americas as % of personal luxury goods since 2007



Source: Bain & Co., Morgan Stanley Research estimates (e)

## #7 - Prices in the second-hand market

Prices of watches in the second-hand market barely dipped during the Covid crisis (down c.10% in Q2) and are now back to or above the levels of January, according to a joint study by Chronex and WatchPro published in July and October 2020 (2 volumes). The shift to ecommerce during the pandemic benefited online secondary market players such as Chronex, Chrono24, Watchfinfer and Bob'sWatches. For Chronex, sales were already strong and back to pre-corona levels in April and May. The shutdown of the watch making supply chain during the crisis had an impact on volumes and prices of watches being offered for sale on the major platforms. "It seems certain that around 25% of this year's Swiss watch production will have been lost, and demand will therefore remain higher than supply for the most popular watches this year" states the report, meanwhile Chrono24 saw a decrease of c. 5% in the number of listings on their platform. The analysis in the report based on watches listed on Chrono24 shows that prices for steel Royal Oaks (Audemars Piguet), Nautilus (Patek Philippe) and Daytonas (Rolex) had levelled off in July, and maybe cooled by 10% in Q2, but are still well above recommended retail prices with authorised dealers. Chronex affirmed similar trends of average prices being stable during the crisis.

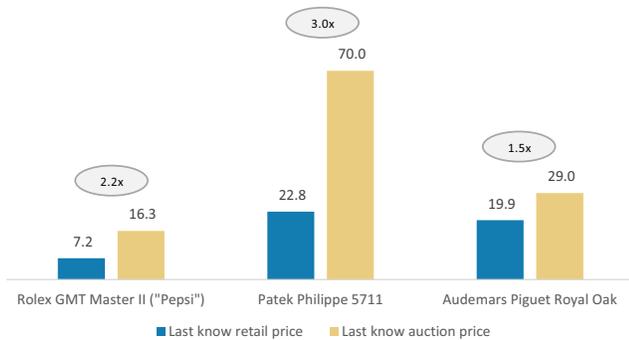
Furthermore, Rolex in particular lit up the market in September when it launched its

new collections. "Prices were affected over the summer both by rumours of what would be launched and discontinued by the brand" according to Chronext's CEO, also indicating "this has led to a significant appreciation for buyers by about 30% year over year" for Rolex classics. Chronext's data shows the price development for the Rolex Hulk (discontinuation announced in September 2020) at +2% (Jan-July), +5% (Jul-Aug) and +20% (Aug-Sep) of this year.

All in all, based on discussion with market participants and data from the leading platforms, premiums are up YTD for Rolex, stable for Audemars and slightly down for Patek Philippe (a function of the premium on Grand Complications slightly narrowing). For some of the listed groups, the discounts are relatively flat YTD.

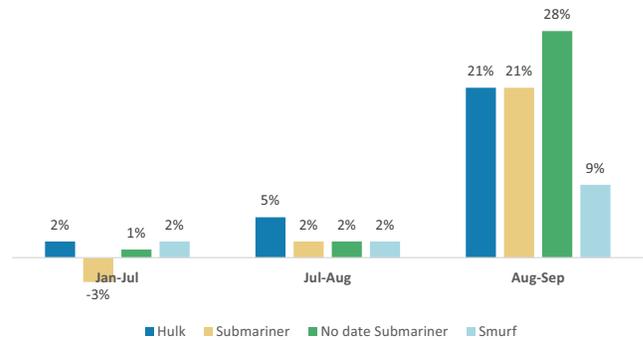
The premium paid for second-hand prestige brands (Rolex, Patek Philippe, Audemars Piguet, etc.) vs. the listed retail price is today near historical high, with auction prices on average c. 1.5x-3.0x of those of retail, see exhibit below. This indicates that demand for the most sought after brands remains very strong and should continue as the industry rebounds further in 2021.

**Exhibit 14:** Luxury Watch Value Appreciation, prices in £000



Source: Watches of Switzerland

**Exhibit 15:** Price development of Rolex watches in 2020



Source: Chronext & WatchPro special report October 2020

**Exhibit 16:** Estimated market value of a pre-owned Rolex GMT Master II



Source: Chrono24, Morgan Stanley Research  
Note: Rolex GMT Master II (ref 1675, steel 40mm)

**Exhibit 17:** Estimated market value of a pre-owned Audemars Royal Oak



Source: Chrono24, Morgan Stanley Research  
Note: Audemars Piguet Royal Oak (ref 15400ST.00.1220ST.02)

## # 8 - Rolex solid as a rock

As per our estimates earlier in the year, Rolex was the No. 1 brand in 2019 when it came

to turnover, and we estimated net sales of CHF 5.2bn in 2019, up about +5%. In 2019, we estimated that Rolex sold 1m watches, for the first time in its history. Given that we estimate it sold about 800,000 units in 2009, this implies a +2.5% CAGR for volume over the past decade.

In 2020, we believe that Rolex cut its production for a total of two months: first in April (for the first time) and then again in July/August. This means that volumes produced should be down around -15% to -20% in 2020 (i.e. to 800,000-850,000 units). However, due to safety stocks and relatively long lead times (about six months), we believe that volume actually sold should be down around -10% to -15% only. When factoring an average weighted price increase of around 7% this year (one of the most significant taken by Rolex in several years), this implies a mid-single-digit decline in Rolex sales this year. With Swiss watch exports likely down -20%, the Rolex brand will likely strengthen its leadership further 2020.

We note that one of Rolex's largest customers, Watches of Switzerland (likely the second Rolex re-seller after privately-owned Bucherer) indicated in 1Q21 call that "Rolex is going to be very significant for us. Their new product launches on 2nd September or we get to see it on 2nd September. Rolex continues to outperform as part of the mix". Rolex accounted for about ~50% of Watches of Switzerland sales last years.

We also note that Rolex's B brand, Tudor, is once again, doing particularly well in 2020. In 2019, we estimated Tudor's turnover at CHF 350m (about 6% of Rolex Group sales) with about 230,000 units sold. In 2019, we believe that Tudor was one of the fastest growing Swiss watch brands (with sales likely up around +10%), as the brand benefited from, among other things, the scarcity in stores of a large number of Rolex Oyster Professional models.

In 2020, we expect Tudor sales to be up around +15% (partly driven by price increase) to ~CHF 400m. This should mark a remarkable come-back for a brand that had sales below CHF 200m less than ten years ago, with about three quarters of its sales then in Mainland China and Latin America (we believe that sales are now much more balanced from a geographic standpoint).

## #9 - Is Breitling the turnaround story of 2020?

As per press reports at the time, CVC Capital Partners acquired an 80% stake in Breitling from the Schneider family at a valuation of more than €800 million (US\$874.6 million). In November 2018, CVC took over the remaining 20%. In July 2017, immediately after acquiring the asset, CVC appointed highly regarded Georges Kern as CEO.

Georges Kern joined Breitling as CEO (from Richemont) early 2017. Mr Kern rapidly put in place a new management team at the watchmaker. This has led to a pruning and rationalization of the product portfolio, new product being launched or re-launched (e.g. Endurance Pro, Navitimer, etc.), franchised mono brand stores being rolled out, while the digital presence has been enhanced. Today, we estimate that direct online sales account for about 5% of Breitling sales, growing rapidly.

As per press report at the time of the acquisition, Breitling had sales of CHF 453m for the fiscal year ending March 2018. For the fiscal year ending March 2020, we estimate that Breitling sales ranged between CHF 500 and 600m (up 15% as per CEO Kern

quoted in the FT in May 2020), with the company having posted organic growth every single year since its acquisition by CVC (this organic growth was supplemented by the acquisition of most of Breitling's agents around the world). As per management, higher average selling price explained part of the top line improvement: "Our average price is now \$5,800, When we took over [in 2017], it was below \$5,000." (CEO Kern, July 2020).

We believe that Breitling sales started turning positive in July and accelerated materially from August (up double digit). For the fiscal year ending March 2021, we believe that Breitling could be down only -10% to -12%. If one was looking at the calendar year 2020 (in order to benchmark Breitling vs. the rest of Swiss watch industry), we believe that the sales performance would be relatively similar, given that Breitling sales were up YoY in the quarter ending March 2020 (a function of Breitling having low exposure to China and high exposure to the US).

All in all, Breitling's successful turnaround so far shows that, while the industry is polarizing, the fortunes of lagging (but iconic) brands can be improved by a capable management team. The team was able to be nimble and opportunistic in growing sales, something some of the largest Swiss watch conglomerates might find more difficult to do.

## #10 - Market share gains and losses

In recent years, one specific development of the Swiss watch sector (vs. other sub segments of Luxury) is that private players significantly outperformed listed ones. So far in 2020, we believe that the trend has continued and amplified with industry leaders (Rolex, Audemars Piguet and Patek Philippe) outperforming even more the rest of the industry. Additionally, as discussed above, two smaller private brands should also increase their level of outperformance: Breitling and Tudor (even more). As for brands likely having a difficult year, we would flag Tissot, Jaeger-LeCoultre or Chopard.

**Exhibit 18:** Market share: Who is likely gaining and losing in 2020? - Morgan Stanley estimates

-	=	+
Chopard, Breguet, Rado, Tissot, TAG Heuer, Ulysee Nardin, Girard Perregaux, Montblanc, Roger Dubuis, Jaeger LeCoultre, Panerai, Baume & Mercier, IWC	Cartier, Vacheron Constantin, Omega, Mido, Longines, Hublot	Rolex, Patek Philippe, Audemars Piguet, Tudor, Blancpain, Breitling

Source: Morgan Stanley Research estimates.

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(as of September 30, 2020)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MSC
<b>Overweight/Buy</b>	<b>1326</b>	<b>40%</b>	<b>360</b>	<b>46%</b>	<b>27%</b>	<b>590</b>	<b>39%</b>
<b>Equal-weight/Hold</b>	<b>1444</b>	<b>43%</b>	<b>341</b>	<b>43%</b>	<b>24%</b>	<b>676</b>	<b>45%</b>
<b>Not-Rated/Hold</b>	<b>4</b>	<b>0%</b>	<b>1</b>	<b>0%</b>	<b>25%</b>	<b>3</b>	<b>0%</b>
<b>Underweight/Sell</b>	<b>557</b>	<b>17%</b>	<b>85</b>	<b>11%</b>	<b>15%</b>	<b>226</b>	<b>15%</b>
<b>TOTAL</b>	<b>3,331</b>		<b>787</b>			<b>1495</b>	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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## INDUSTRY COVERAGE: Brands

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/23/2020)
<b>Edouard Aubin</b>		
Dufry AG (DUFN.S)		SFr 37.29
Hermes International S.C.A (HRMS.PA)	E (08/07/2018)	€825.00
Kering (PRTP.PA)	E (05/19/2017)	€556.00
LVMH Moët Hennessy Louis Vuitton SA (LVMH.PA)	O (01/17/2018)	€428.00
PUMA SE (PUMG.DE)	O (08/05/2019)	€82.00
Richemont SA (CFR.S)	E (12/17/2018)	SFr 63.00
Swatch (UHR.S)	E (05/08/2019)	SFr 208.30
<b>Elena Mariani</b>		
Adidas (ADSGn.DE)	U (01/24/2019)	€281.80
Burberry (BRBY.L)	E (10/16/2015)	1,488p
EssilorLuxottica SA (ESLX.PA)	O (09/23/2019)	€115.70
GrandVision NV (GMNV.AS)	E (09/01/2017)	€23.45
Hugo Boss AG (BOSSn.DE)	E (06/11/2019)	€23.16
Moncler SpA (MONC.MI)	E (06/24/2020)	€38.94
Pandora AS (PNDORACO)	E (01/25/2018)	DKr 534.00
Prada SpA (1913.HK)	O (06/24/2020)	HK\$33.40
Salvatore Ferragamo SpA (SFER.MI)	E (05/10/2019)	€12.52
Tod's SPA (TOD.MI)	E (06/24/2020)	€21.54

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\* Historical prices are not split adjusted.