

Structured Opportunity on Luxury Companies

a 18 months opportunity - non leveraged

Strategy Summary

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Level of Risk	Time Horizon	Upside Opportunity	Asset Type	Coupons	Currency

Your benefits:

- ▶ **Underlying Companies:** LVMH, Ferrari, Hermes
- ▶ **Conditional capital guarantee:** Up to 33 % on the downside of the worst performing equity
- ▶ **Issue Price:** 100 % (no leverage)
- ▶ **Maturity:** 18 months
- ▶ **Reimbursement Triggers:** Quarterly observations, first autocall after 3 months at 100 %, thereafter: Q2 to Q3: 95 %, Q4: 90 %, thereafter : 85%
- ▶ **Coupon type:** Guaranteed
- ▶ **Payout at Maturity:** European barrier at 70 %, if each equity is at or above Low Strike level, the investor will be redeemed 100 %; else: the payout will be linked to the worst performing equity.
- ▶ **Coupon Features:** n/a
- ▶ **Coupon Barrier:** n/a
- ▶ **Valuation:** Bid/Ask live Intraday
- ▶ **Price tag:** 25.08.2022 17:07

Investment Opportunity

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Consumer Discretionary Sector View

Slowing growth, high inflation and monetary policy tightening are weighing on general discretionary spending, yet the high-end brands are most immune against lacking consumer appetit. As for now, Asian tourists are mostly absent; we expect pent-up spending will hit the market once all long-haul flights are fully reestablished.

On the back of a meaningful wage growth, stable employment and healthy consumer sentiment, discretionary spending is expected to continue. Current inventory levels at shop levels are low, and the inventory in stock is generally very fresh. This freshness signals a potentially unprecedented opportunity to sell at full prices – a trend that could sustain itself for quite some time even with further inflation pressure.

In particular we like high-end consumer discretionary companies because their balance sheets are in a strong financial shape.

Company view:

▶ **LVMH:** LVMH is characterized by a defensive portfolio and strong brands: Louis Vuitton and Sephora are global leaders in their core product segments. With clear control over distribution channels and sustained innovation, the management team has made the right strategic decisions in the past, in our view. Growth expectations are higher than the sector average. In a tough environment for luxury goods, LVMH seems to be better positioned to adjust to a slower growth scenario. In particular, the Louis Vuitton brand is retaining strong momentum and is one of the most favoured brands for younger French, Italian and Chinese consumers, based on our surveys. LVMH continuously demonstrates the resilience of its brand. The diversified portfolio led to stable growth, and management discipline resulted in better execution compared to peers. We believe these qualities are not reflected in the current share price, which makes for an attractive risk/return profile.

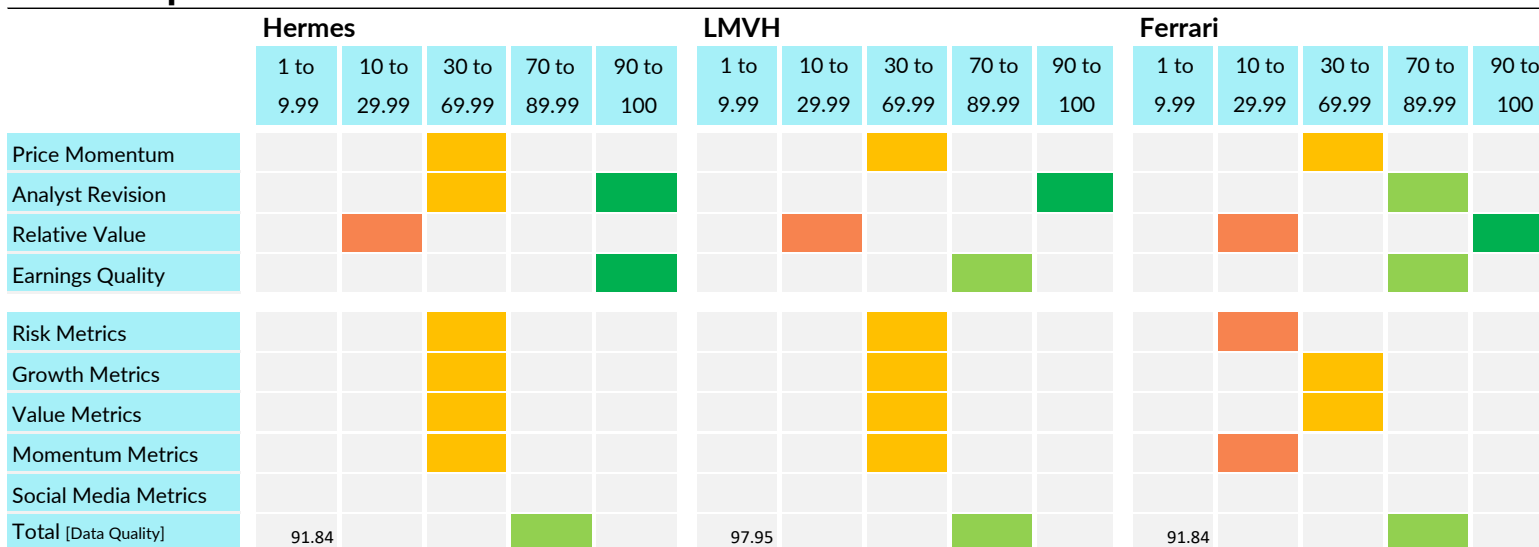
▶ **RMS:** The company once again confirmed its price increase policy, which is solely to offset increase in costs of production from materials and labor. The company expects a total pricing increase of +4% in highly adverse market conditions. While this slightly lower than the average of the peer group, the company expects to be able to accelerate price adjustments in the 2nd half of 2022. This should occur mainly on the back of adequate inventory management and an unique supply-driven business model, which allows it to weather any disruptions in the market.

Management highlighted a strong rebound in China in June once Covid-related restrictions were eased. Also, the company reported that no incremental slowdown took place in any of their business activities worldwide.

▶ **RACE:** Ferrari is one of the world's most prestigious car brands. The aim of Ferrari is to preserve the brand value and its pricing power, as volume growth will not serve as a major driver for the stock. Brand expansion is expected to be very limited, yet Race has established itself successfully in the SUV segment where it is expected to gain momentum. On the back of decent long-term visibility, stable earnings, and cash flows, the company's valuation ratios resemble the one of the luxury sector.

Heatmaps

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Hermès is a French luxury brand founded in 1837 with a strong heritage in leather goods manufacturing. It currently has 311 exclusive stores, of which 223 are directly operated, and c15,000 employees worldwide, of which around half in production. The company operates seven divisions: leather goods and saddlery, ready-to-wear and accessories, silk and textiles, other Hermès métiers, perfumes, watches, and others.

LVMH Moët Hennessy Louis Vuitton SE is a France-based luxury group active in six sectors: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, Selective Retailing and Other Activities. Wines and Spirits owns brands, such as Moët & Chandon, Krug, Veuve Clicquot, Hennessy and Chteau d'Yquem, among others. Fashion and Leather Goods owns brands, such as Luis Vuitton, Christian Dior and Givenchy, among others. Perfumes and Cosmetics owns brands, such as Christian Dior, Givenchy Guerlain, Benefit Cosmetics, Fresh and Make Up For Ever, among others. Watches and Jewelry owns brands, including TAG Heuer, Hublo, Zenith, Bulgari, Chaumet and Fred, among others. Selective Retailing owns the brands DFS, Miami Cruiseline, Sephora and Le Bon Marche Rive Gauche, among others. Other Activities includes lifestyle, culture and the arts brands, such as Les Echos, Royal Van Lent, and Cheval Blanc. The Company is active worldwide.

Ferrari NV, known as Ferrari, is an Italy-based designer, manufacturer and retailer of sports cars that is incorporated in the Netherlands. It operates under the Ferrari brand. Its sports cars portfolio includes, among others, F12berlinetta, FF, Ferrari 488 GTB, 488 Spider, 458 Speciale, Ferrari California T, F12tdf and LaFerrari. The Company also offers financing services through Ferrari Financial Services. It also produces limited series and one-off cars. The Company divides its regional markets in EMEA (Europe, the Middle East, India and Africa), Americas, Greater China and Rest of APAC (Asia-Pacific region, excluding Greater China) and is active in over 60 markets worldwide through a network of authorized dealers.

12-months price probability analysis

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TP	-10%	-20%	-30%	-35%	TP	-10%	-20%	-30%	-35%	TP	-10%	-20%	-30%	-35%
89%	7%	3%	1%	1%	68%	12%	6%	2%	1%	64%	23%	13%	5%	3%

Guidance

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Pay-out diagram (plus eventual coupons payment) based on issue price of 100%

Worst-Performer	100%	90%	80%	70%	67%	60%	50%	40%	30%	20%	10%	0%
Redemption	100%	100%	100%	100%	67%	60%	50%	40%	30%	20%	10%	0%

Characteristics

Nam Name	Luxury Basket III
Issuing Bank	to be announced
ISIN Number	to be announced
Duration:	Maximum 18 months, early redemption mechanism applies
Management Fee	1 % on the invested capital
Type of investment	Yield enhancement
Issue size:	USD 100K, min denomination USD 1K
Risk scale	<div style="display: flex; border: 1px solid black; width: 100px; height: 15px; background-color: green;"></div>

Risk

- Capital is not protected below barrier or if the issuer or guarantor fails
- Gain is limited to the coupon payment
- The investor will not receive dividend payments from the underlying
- * Repayment diagram is indicative and subject to final terms at redemption

Product Launch

- Launch subject to investment conditions fixed by the issuer and amount raised.

Disclaimer

Past performance is no guarantee of future returns.

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