GS CONSUMER: Luxury – high frequency data & spec sales view / Carlsberg feedback / EL read across / Danone / JD Sports

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Consumer - Specialist Sales

All references to "we/us/our" refer to the views and observations of the desk unless specified otherwise. Max loss is amount invested.

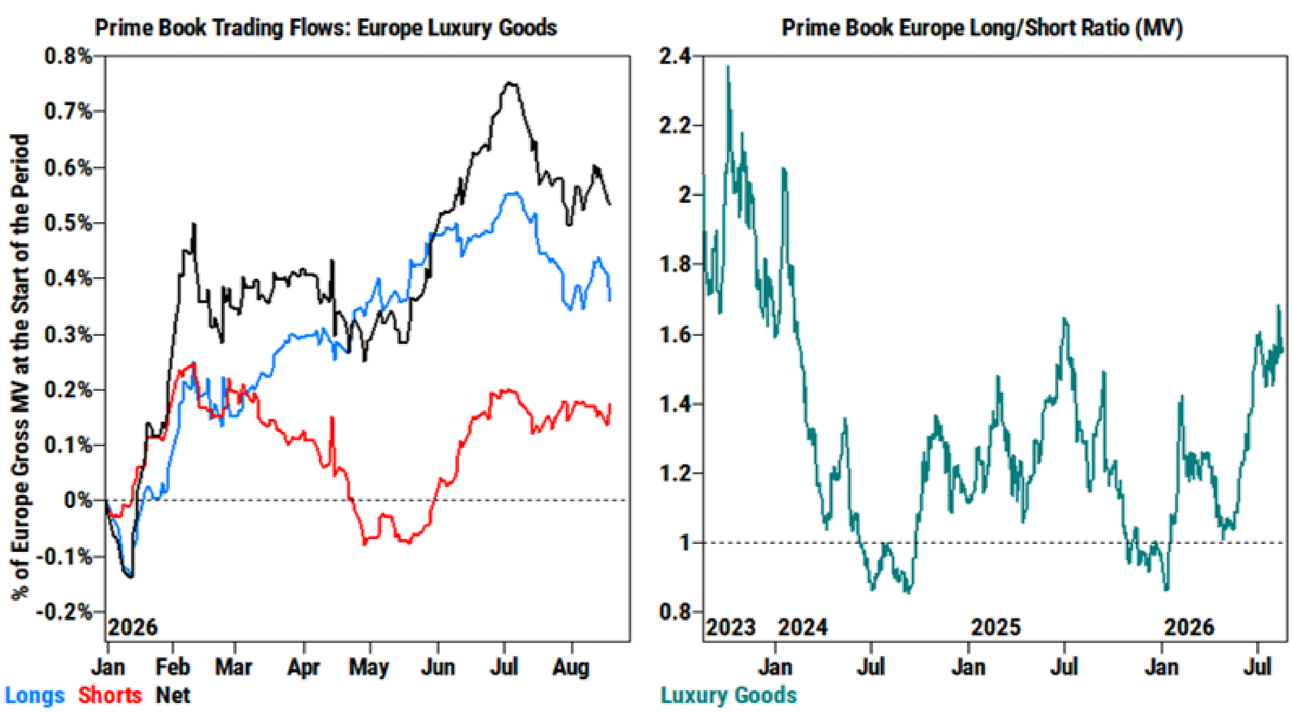
Luxury – Current trading, positioning & how to play the space from here

- **Bloomberg reports this morning that the 25 largest Luxury labels saw sales fall double digits in China in July**, citing three firms that track industry data. This represents a slowdown vs June but should not be a major surprise for anyone looking at the credit card data (which, feedback suggests, has also remained soft into early August). It also chimes with other high frequency inputs we track for ML China last month: Swiss watch exports -19%, Jewellery retail sales -10%, handbag imports -5%. The article blames China's recently announced efforts to stem capital outflows and reclaim tax revenues, including tighter controls on cross-border stock trading and levies on offshore investment gains.
- Speaking with local industry contacts this morning, **we think a pick up in outbound tourist spending is perhaps to blame** more for weak ML China data than tax changes at this stage. July/August are big tourist months, price gaps have widened in Japan/Korea and **broader Asia data supports the idea that Chinese consumers are spending on Luxury abroad**: 1) South Korean department stores said strong sales continued into July (Shinsegae July sales to foreign customers +120%; Lotte said luxury goods and tourist spending will drive growth in Q3); 2) Japan department store sales have remained strong through July and the first half of August; 3) Shanghai International Airport said with its H1 print that air traffic improved in July, noting fuel surcharges are coming down; 4) Estee Lauder called out double digit sales growth in Hainan for June/July and echoed L'Oreal saying the travel retail channel should improve in H2, 5); Hong Kong watch exports were positive.
- **The bottom line is that we believe QTD spending by the Chinese cluster is not as bad as domestic data** for this sector would suggest. This was already a theme that started to emerge in Q2 commentary - overall, industry participants suggested spending by the Chinese cluster either slightly improved sequentially vs Q1 or remained unchanged, with offshore demand picking up. **That said, we acknowledge there are other reasons to be a little wary heading into pre-close season** – US credit card data has also slowed, Kospi has had a pullback and comps are tougher sequentially. Overall current

trading commentary was mixed at the Q2 stage – at the high end, companies cited no change in trend (Brunello, Zegna, Hermes) but other did say June/July was softer (Kering, Prada, Moncler, Ferragamo**). In addition, positioning is not as cautious as you might believe** – we've seen long selling in the last couple of weeks but the Long/Short ratio in our prime book (1.5x) still sits in the top decile vs the past 2 years.

- **So what would we need to see to be more confident from here?** I'm hopeful that August data in the US could be better (the Nasdaq has bounced since the July sell-off) but key will be September which is more of a local spending month. In order to have conviction in this industry's recovery, we need more evidence that newness is working as Autumn/Winter hits shelves (and signs that early improvement in leather goods has sustained – note Vogue flagging some helpful changes to price architectures today). If you wanted to be bullish you could argue that comps are not as tough as they look for Q3 (something that LVMH mentioned on their earnings call) because China fell off a cliff this time in 2024. However, **at this stage it feels really hard trade this sector with conviction** and, indeed that is borne out with HF gross exposure to luxury now sitting at its lowest level in 5 years. Valuation is not compelling and I maintain my view that, while debate continues around where China normalises, institutional money is unlikely to step in and buy this space in earnest. **Wealth effects are present and helpful but visibility is low**.

HFs have been long selling Luxury Goods through the Summer but the L/S ratio is looking elevated vs 2 year history



Source: Goldman Sachs Global Banking & Markets Data, Prime Services as of 19th August 2026. Past performance is not indicative of future trends

Q2 earnings highlighted strength in Chinese tourist spending, while the US cluster accelerated

	2Q26 Trend	
	Direction (GS Interpretation)	Commentary
China Cluster		
LVMH	→	- Cluster remained flat in Q2, with flattish local demand while offshore demand improved (Chinese customers spending less in Asia and more in Europe and Japan.)
Hermes	→	- AEJ region growth remained +2% cFX (vs. +2% in 1Q), with Greater China continuing to grow.
Kering	↗	- Cluster remained negative but improved sequentially vs Q1, both at home and abroad.
Moncler	→	- Cluster growing +DD (as strong as 1Q), supported by both local and overseas spending.
Prada	↗	- Cluster double-digit positive in Q2 and improved versus Q1, with positive spending both locally and abroad.
Brunello	↗	- Growing +DD with the retail business becoming increasingly material, now representing c.12-13% of sales
Zegna	↗	- Continued to improve sequentially and remained positive (both cluster and region)
Richemont	↗	- Cluster returned to growth mainly led by tourism, after being slightly negative in previous quarter
Burberry	↗	- Cluster up +MSD (same as 1Q), region continued to grew +9% LFL (vs +10% LFL last quarter)
Ferragamo	↗	- APAC regional growth decline slowed to -1% cFX vs -5% cFX in 1Q, with DTC positive but wholesale negative

	2Q26 Trend	
	Direction (GS Interpretation)	Commentary
Americas Cluster		
LVMH	↗	- Improved to HSD (vs +LSD/MSD in 1Q), led by Fashion & Leather and Watches & Jewellery
Hermes	→	- Region grew +14% cFX (vs +17% cFX in 1Q), growth remained solid and balanced.
Kering	↗	- Cluster positive HSD, improving sequentially vs Q1, with growth both locally and offshore
Moncler	→	- Cluster positive (from positive single digit) and region slowed to +4% cFX (from +7% cFX in 1Q)
Prada	↗	- Very positive and further accelerated vs Q1, driven by local demand.
Brunello	↗	- Region continued to outperform with 2Q (+21% cFX vs 20% in 1Q)
Zegna	↗	- Region accelerated to +22% cFX from +18% cFX in 1Q26
Richemont	↗	- Region accelerated to +27% cFX (vs +18% cFX in 4Q26), driven by continued strength in local demand
Burberry	↗	- Cluster strong growth; region at +12% LFL (vs +10% LFL last quarter) supported by local demand and broad based customer acquisition
Ferragamo	↗	- Cluster improved offshore and locally. Region growth at +13% cFX (vs +19% cFX in 1Q), both retail and wholesale +DD

Source: Company data, Goldman Sachs Global Investment Research

Macro, Strategy and Big Picture Themes

Poland – Yesterday afternoon, Poland announced plans to overhaul income taxes in order to ease the burden on the middle class. This will be financed with higher levies on companies. Most exposed to Poland in our European coverage (of which we would expect the discretionary names to benefit relatively more given higher gearing to household available cash flow and more operational leverage within the P&Ls): Pepco (40% of sales), Kingfisher (14%), CCH (11%), Douglas (9%), Zalando (5%) Carlsberg (4%).

Staples

Carlsberg – We had been saying into the print that positioning was not as short as headline short interest suggested and feedback yesterday seemed to confirm that view. We heard bulls defending the stock on the open, pointing to 1) strong FCF, 2) soft drinks growth (+9%), 3) Britvic synergies ahead of schedule, 4) underlying EBIT (ex IFRS restatements) looking fine. However, through the day, longer conversations revealed some doubt emerging in the fundamental story. Those who are in this stock for deleveraging catalysts/a return to buyback earlier than planned are still convicted in that view. However, we heard some acknowledgement that the beer demand backdrop feels challenging: 1) China remains weak into Q3 (GSe Asia vols -4% next quarter) and while some of this is transitory, you have to really believe in the premium mix story to offset mainstream volume weakness over the MT; 2) Beer in Europe is still a tough place to be (category -4% in the region) with competition intensifying in the UK and a tough pricing environment making pass through of higher COGS next year potentially challenging. Last, we heard disappointmen Kazakhstan will not contribute to profits this year. Olivier cuts FY26-28 EPS by 4% overnight.

Essity – Is acquiring Kenvue's Brazilian femcare business for SEK 2.7bn implying a 1.8x trailing multiple. This compares to the 1.3x paid for Edgewell femcare last year. Strategically, we think sound, establishing a strong position in a market where Essity already leads in incontinence. B largest femcare revenue pool and the acquired business has 31% share (albeit with an opport improve recent trends as Kenvue has been a donor in the last 5 years). In terms of numbers, the deal should be accretive to sales by 1% and net debt/EBITDA will increase modestly from 0.9x to 1x this year before any contribution from acquired EBITDA.

Danone – The UK CMA has cleared Danone's acquisition of Huel. Feedback on this deal has been that people see the acquisition as complimentary to Danone's existing portfolio (which already has a protein focus, plant based products and also medical nutrition segment). However, a few eyebrows were raised at the EBITDA multiple paid (we actually thought the sales multiple implied by press reports of 3.2x was fairly consistent with recent functional drink deals in the UK e.g. Muller/Biotiful). As a reminder, this category is growing c.13% according to Worldpanel data (Huel itself reported a 2020-24 sales CAGR of 31%) and I like the fact that this asset will bring a younger (and likely quite loyal) customer to the group, with capabilities in DTC distribution. Sentiment really seems to have turned on this stock recently, with investors citing frustration at the pace of improvement in US EDP and concerns on China infant formula. I continue to like the stock and view it as the best structurally positioned European Food company.

L'Oreal – What's the read across from Estee Lauder's print yesterday? With L'Oreal having already reported, we view it as more a confirmation of what management had already told us – the broader beauty market is recovering (recall L'Oreal raised its guidance for beauty market growth). Specifically within this, EL saw strength in many of the same areas as it's European peer – Fragrances and China Luxury – while its negative growth in Hair was idiosyncratic. Looking forwards, EL said that Travel Retail sales have been positive QTD, with shipments expected to improve (consistent with L'Oreal saying this channel in Asia should be better in the back half). EL also sounded confident in ML China strength sustaining – reassuring against some weaker data points for luxury more broadly in this market (see above). Overall, we still think L'Oreal is a good place to be and, while we acknowledge some more competition from EL going forwards, continue to like OR's more diversified product/channel/geographic mix.

Pernod – India's food safety regulator has inspected a Pernod factory and collected whiskey samples as part of a widening investigation into the sector, according to Reuters. As a reminder Diageo recently agreed to reformulate certain brands following the FSSAI banning several of its products, alleging the improper addition of flavours.

Retail & Digital

JD Sports - Q2 LFL -3.1% (consensus -2%) with the miss driven by the US (-7%). By category, they unsurprisingly call out a weak footwear market (consistent with comments from the likes of Zalando and adidas) which remains promotional (as On had flagged). However, they also say the US market was affected by weak sentiment/cost of living and deferred BTS demand from July into the beginning of August. UK was actually good, helped by strong football replica kit sales and improved Outdoor performance. Consistent with expectations, they have tried to avoid being dragged too much into promos and so GM was in line with expectations. Guidance is now for FY27 PBT of £700-800m (previously £750-850m, consensus £780m) while the FCF outlook is reiterated. Spec sales view: While read across had pointed to some risks to LFL we didn't hear many expecting a guidance cut today and, with stock having bounced 45% off the lows, expect to see a negative reaction.

UK Retail – Consumer confidence improved in August, with shoppers' expectations for retail spending rising sharply according to the BRC-Opinium data set. The industry body is quoted saying this represents the best level of confidence since the war in Iran started and reflects some of the recent announcements from the Burnham administration.

Luxury, Sporting Goods & Brands

Watches – July export data +10%, following +11% in June, with this data set still impacted by tariff driven volatility. ML China -19% (vs YTD -7%). US +27% (YTD -7%) but with the 2-year stack showing progression. UK +6% which chimes with WOSG talking about improving trends in this market.

LVMH – Is selling its DFS business at Abu Dhabi airport to Falic Group, according to Modaes.

Kering – Gucci has cut its Mercatao tote bag price by 20-25%, according to Vogue Business.

GS Upcoming Events

Gourmet Master Co [2723 TW] | 21 Aug | Virtual | CFO, IR
Pernod Ricard [PERP PA] | 1-2 Sep | London | CFO, IR
Zegna | 7 Sept | London | CEO
Puig Brands | 10 Sept | New York | CEO, CFO
Interparfums | 11 Sept | Fireside at 2pm UKT | CEO | Register here
Global Consumer and Retail Conference | 14-15 Sep | New York | Consumer & Retail
Nestle | 24 September | Field Trip to Purina Institute, St Louis | Request deadline 3rd Sept
Luxury Field Trip | 10-11 Nov | Milan, Italy | Field Trip | Save the Date

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