

A close-up photograph of two pieces of platinum jewellery. In the foreground, a ring with a wide band is set with a dense array of small, round-cut diamonds. Behind it, another ring with a similar design is visible. The background is softly blurred, showing more pieces of jewellery, including a chain. A semi-transparent teal banner is overlaid on the left side of the image, containing the title and event details.

# Platinum jewellery market development briefing

PGI for AAP Investor Analyst Market Visit  
Hong Kong  
November 12, 2018

# Content

**Introduction to  
PGI and  
jewellery  
development**

**PGI's ROI**

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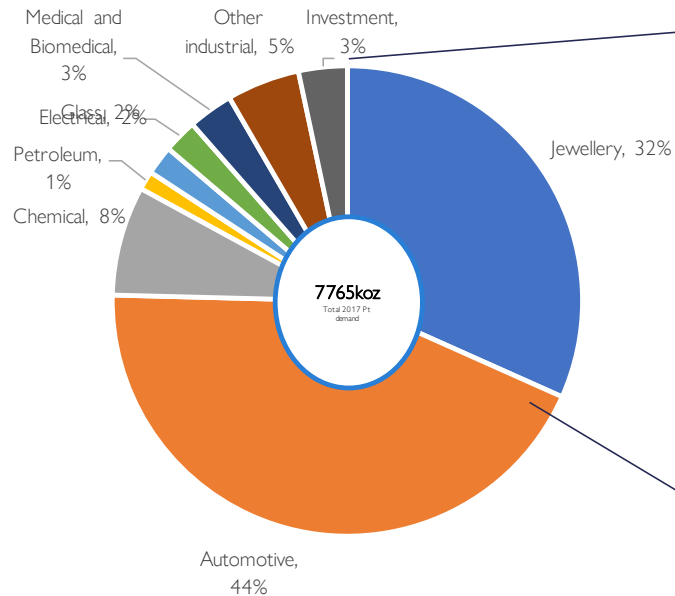
**Q&A**

# Introduction to PGI and jewellery development



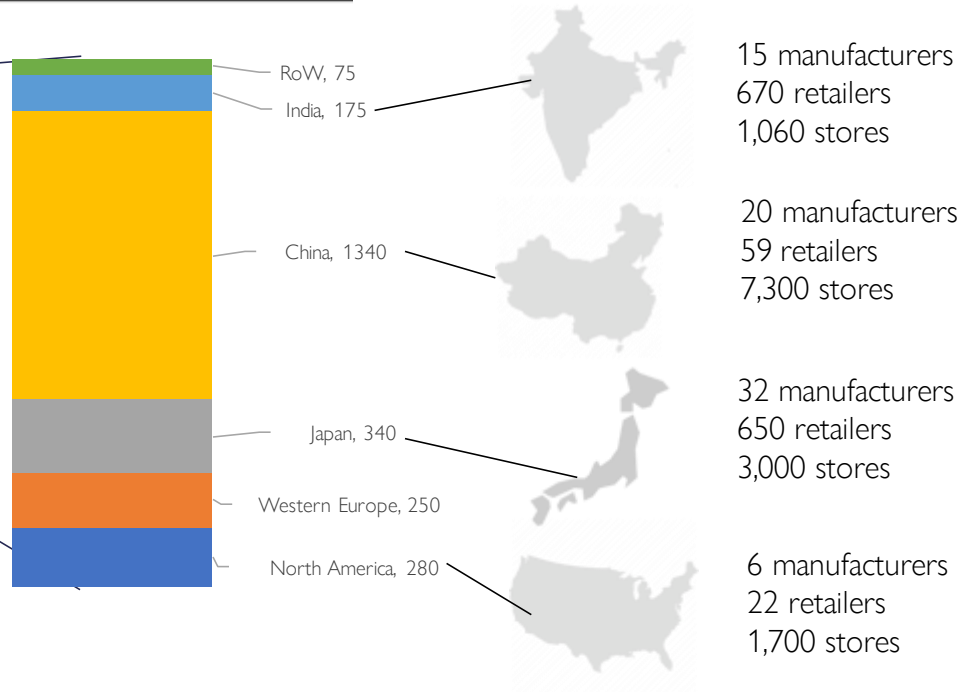
# Jewellery accounts for ~32% of total Platinum demand with China accounting for ~55% of that

## THE IMPORTANCE OF JEWELLERY DEMAND...



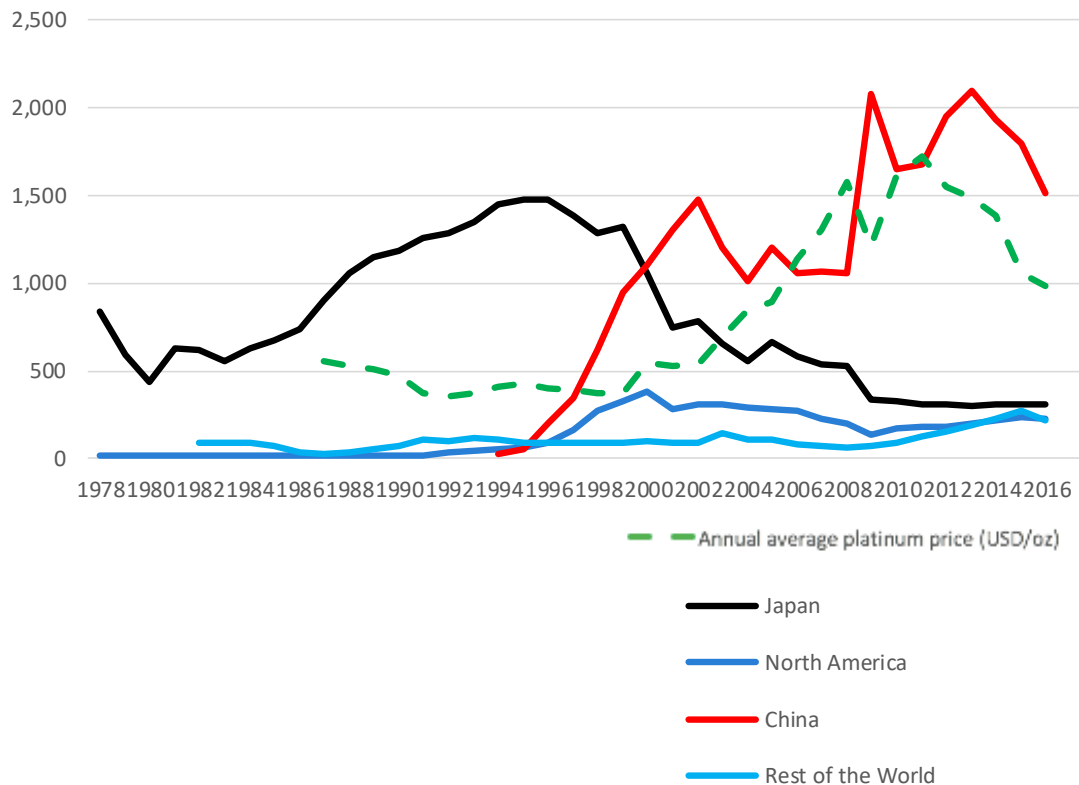
Source: World Platinum Council

## ...AND HOW PGI ACTIVATES IT IN MARKET



# Since PGI's launch in 1975, jewellery has created ~80 m ounce of demand

- 1975 big three producers launch PGI in Japan and Germany. Followed by Italy, France, US, China, India, UK.
- PGI role to is develop platinum jewellery as a source of created demand
- Generic B2C marketing campaigns to build consumer awareness and desire
- B2B leadership and collaboration with manufacturing and retail trade amplify sponsor investment
- 2012 onwards budget cuts entail closure of Europe, major reductions in Japan, US, significant reductions in China.
- Only India now has growth level of funding.



**PGI distinguishes between three types of ounces. 'Owned ounces' refer to baseline demand that exists without any marketing...**

Owned ounces

No Funding

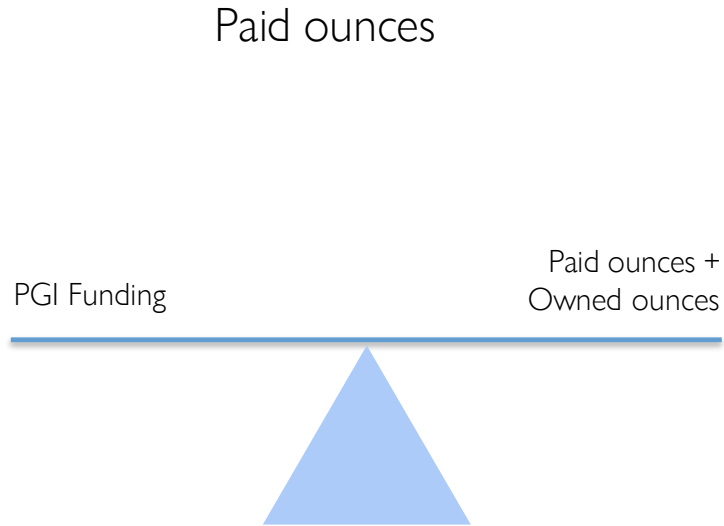
Owned ounces



In 1780, Louis XVI declared platinum the only metal fit for kings and commissioned the first platinum objects. Jewellery followed.

Platinum jewellery demand benefits from an ounce baseline.

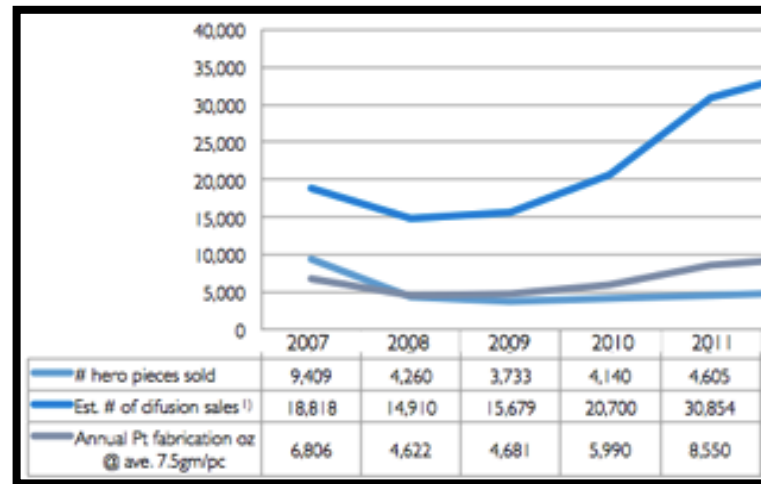
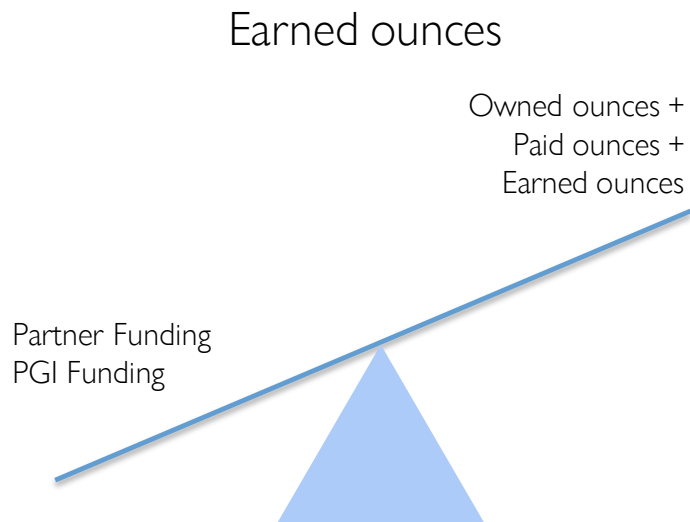
...'paid ounces' is demand directly created through PGI's marketing programmes...



Targeted and generic marketing programmes drive ounce sales for specific segments, occasions or collections.

ROI varies by market, objective and programme design, and typically ranges between 10 and 200 (USD per marketing \$ spent).

...and 'earned ounces' are the multiplier effect of partner efforts

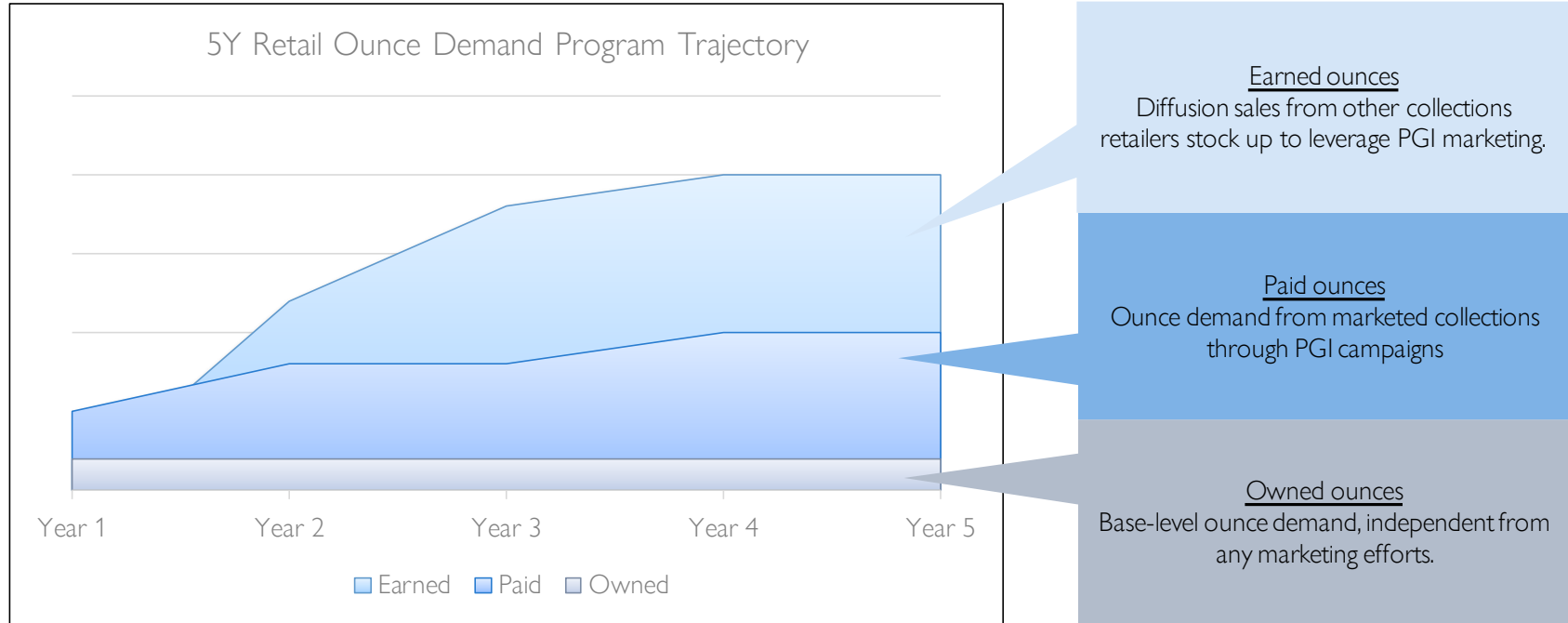


1:7

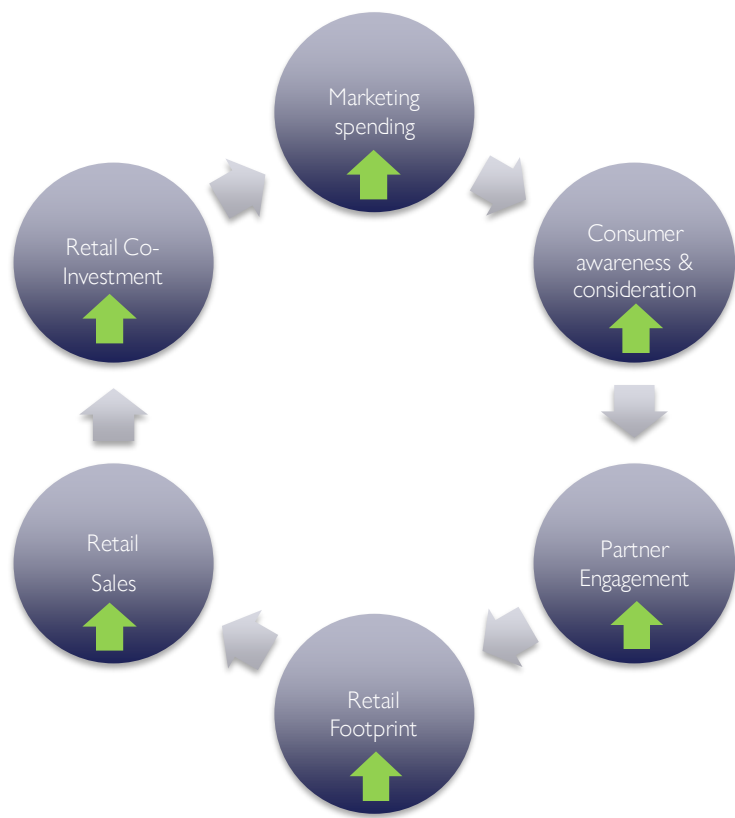


# On a five-year trajectory, different types of ounce demand occur at different stages

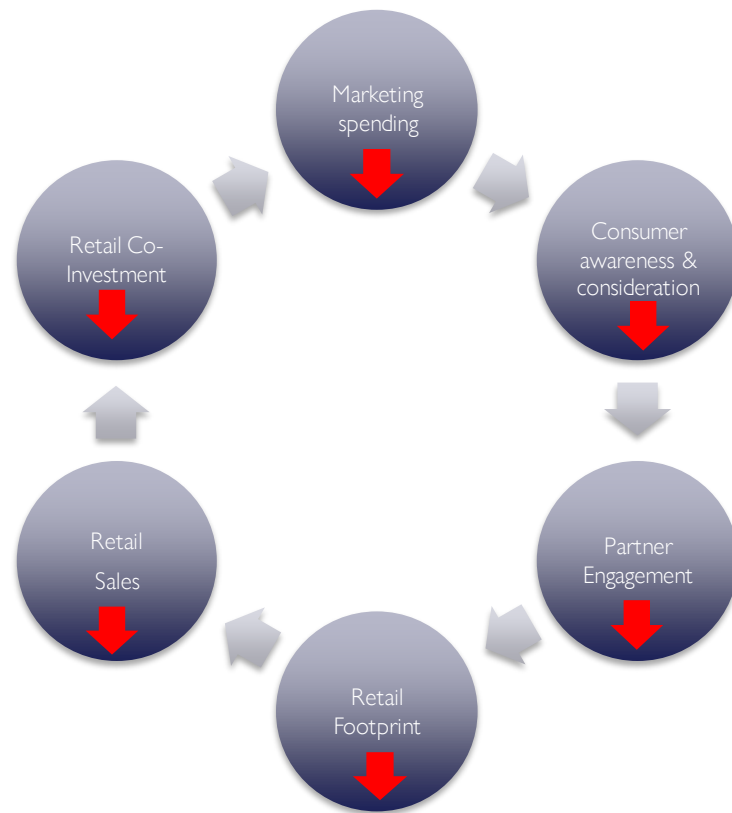
Ounce demand for platinum jewellery comes from owned, paid and earned ounces. Earned ounces leverage marketing spending by as much as 1:7



# Platinum jewellery demand follows distinct patterns in line with levels of marketing investment



**India is a prime example of the virtuous circle that results from the thermostat being cranked up...**

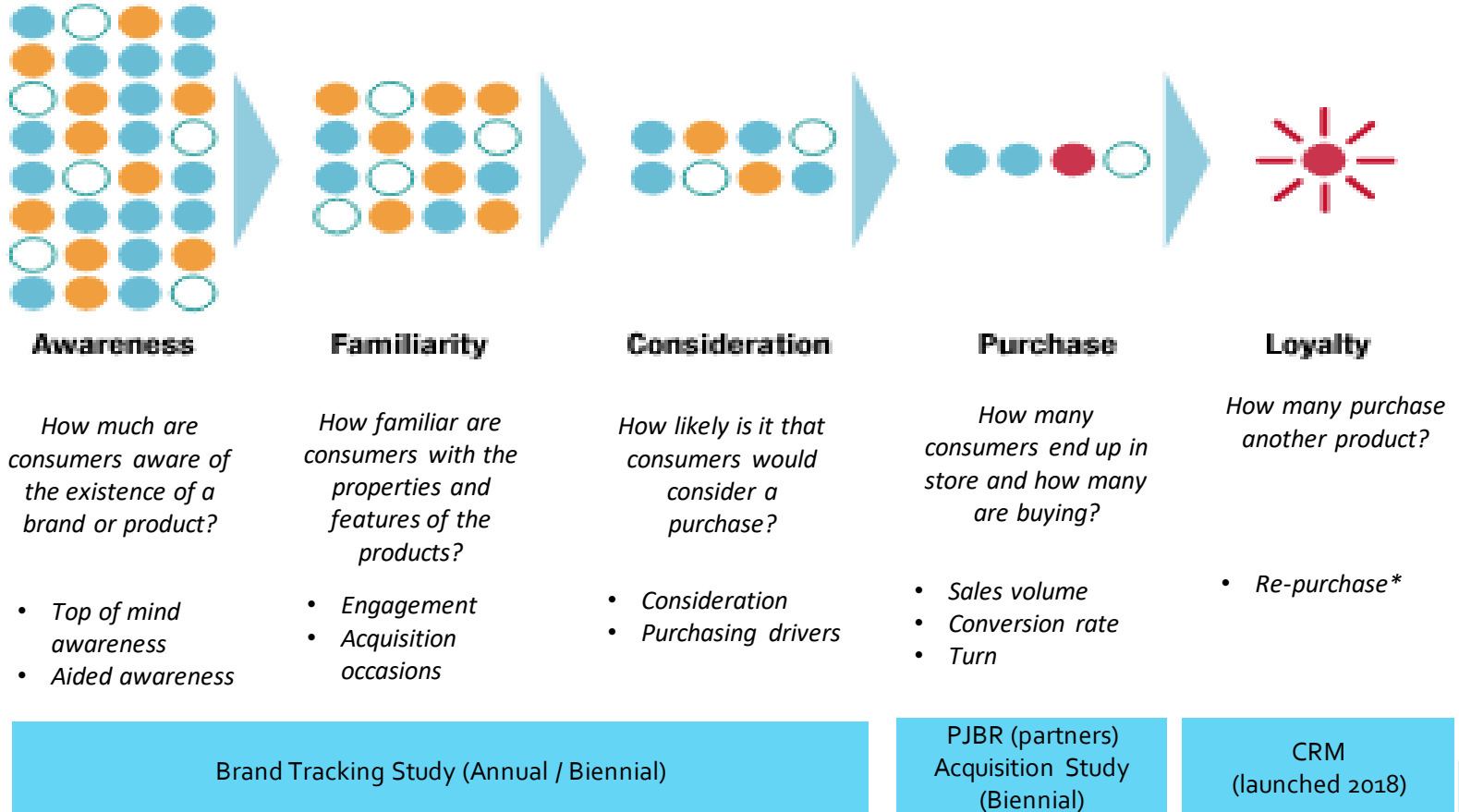


**...while China has entered a vicious circle since the thermostat has been dialed down**

# PGI's ROI

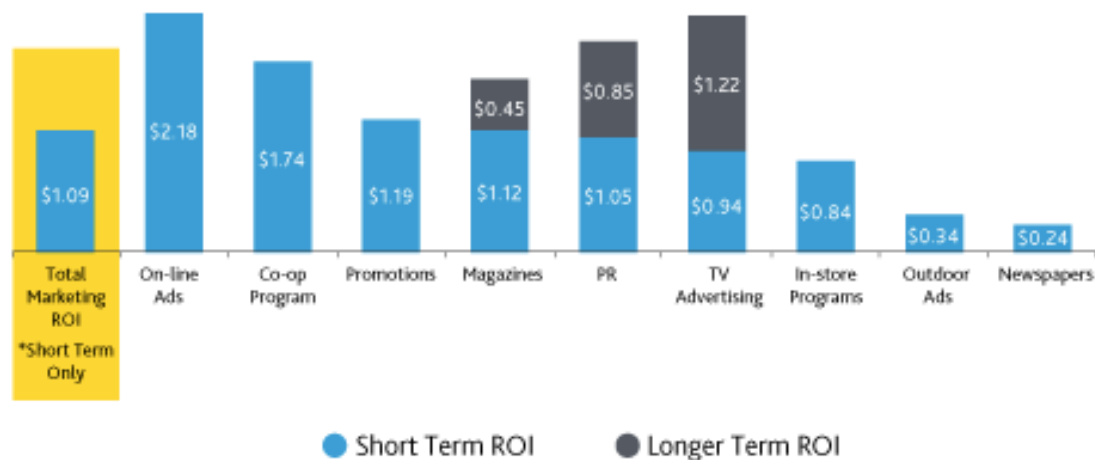


# Marketers use a wide set of metrics to track success



# Global industry benchmarks

Return on Investment (ROI) - Incremental Revenue per \$ Spent



\*Global benchmark based on studies conducted by Nielsen

Source: The Nielsen Company

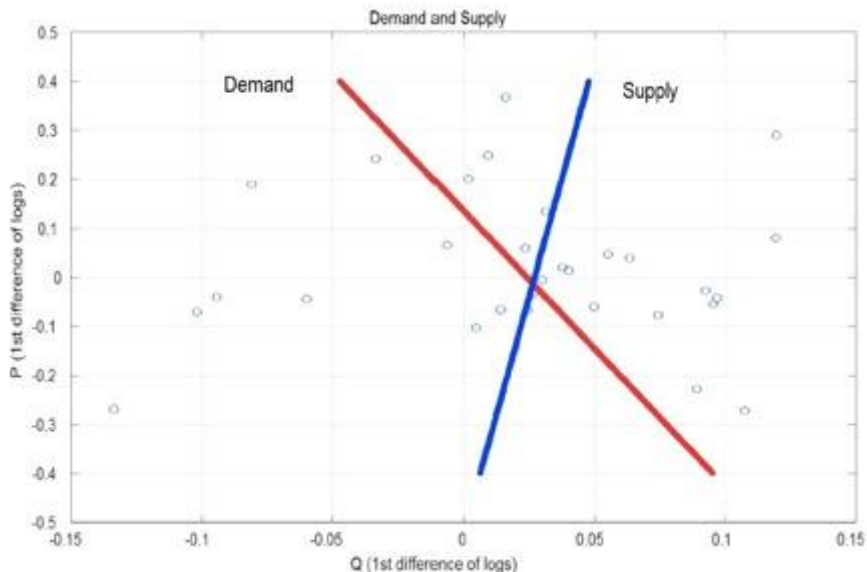
# PGI commissioned independent research to develop a sound econometric model to quantify the impact of marketing for platinum jewellery



Research conducted by scientists from the Hong Kong University of Science and Technology, ranked as one of the best business schools globally. Research was concluded in two phases:

1. Develop an econometric model by academic standards to **determine the ROI of marketing activities** for platinum in PGI's core markets (2016)
2. Determine the impact of marketing on the platinum price and its demand elasticity (2018)

# Key modelling insights



**56 \$ per oz <sup>1, 2</sup>**

On average, it cost 56 USD to create one ounce of consumer demand

**+/- 66 \$**

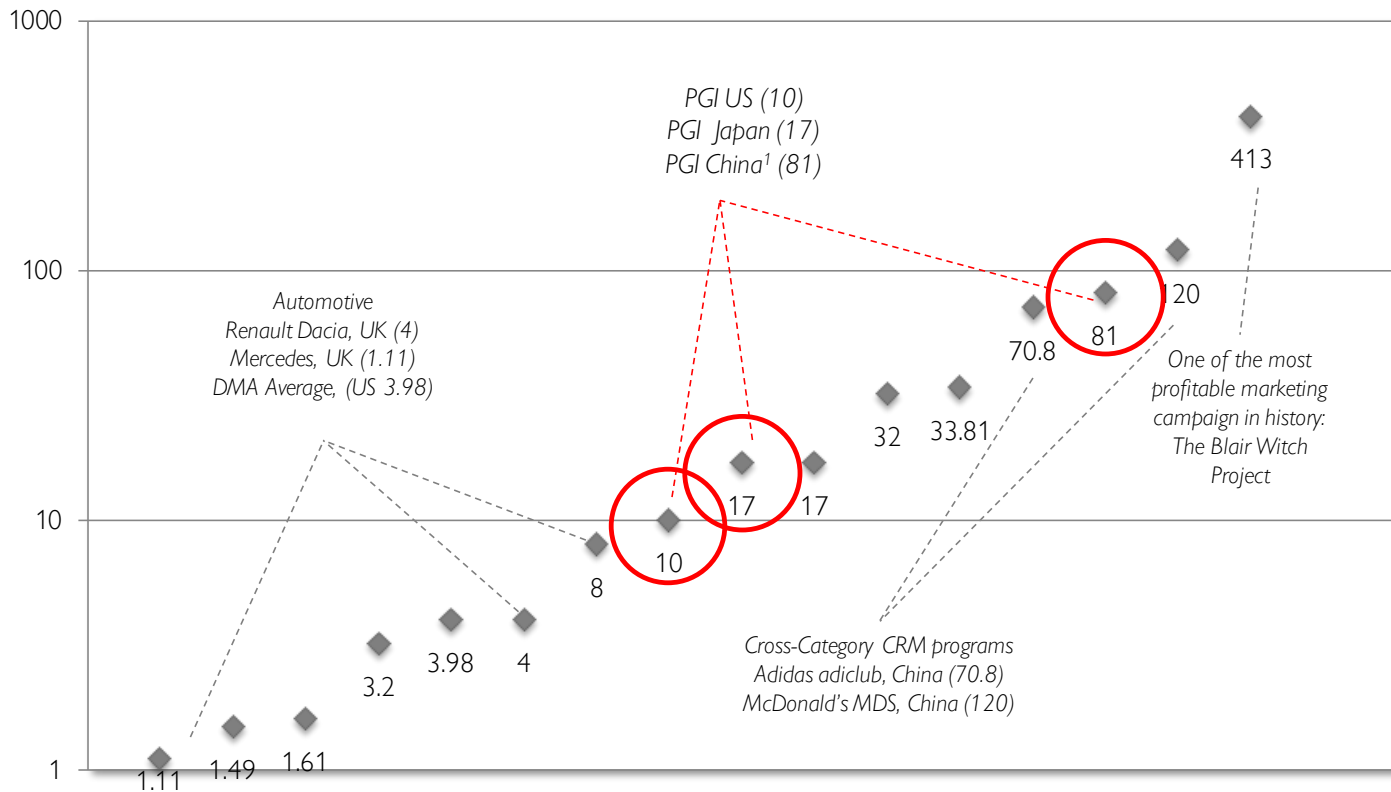
For every 100k oz. changes in demand for jewellery, the platinum price will change ~66 USD

**~ 500 \$**

The platinum price increase PGI could generate through incremental demand just by unlocking top 3 opportunities (see appendix)

- 1) Global average, based on ~20 years of data where available (Historic \$ per oz: US=100\$; Japan=58\$; China=12\$.) For forward looking calculations PGI uses a global average of 56\$ per oz. as emerging markets' rapid media inflation of 20-30% YoY cannot be accounted for based on past data.
- 2) Among global marketers, marketing ROI is expressed as incremental revenue generated through marketing. To provide a more meaningful metric to the mining industry, PGI is expressing this ROI as \$ per ounce, assuming an oz. price of 1,000 USD to account for historic fluctuations in price

## PGI's ROI is at the upper end of cross-industry benchmarks



<sup>1</sup>Institute of Practitioners in Advertising: the organization recognised as the world's most influential professional body for practitioners in advertising and marketing communications

1) Historic ROI for PGI China at 12USD per ounce, current return lower.

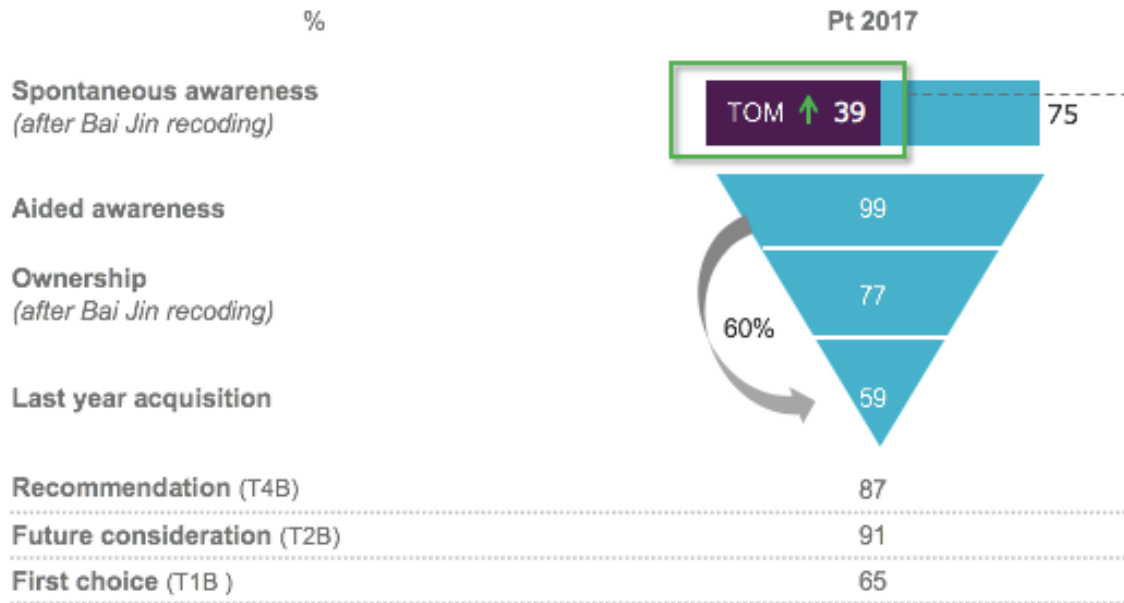


# China market briefing



# Platinum brand fundamentals are exceptionally strong, indicating plenty of upside

## Platinum KPI performance



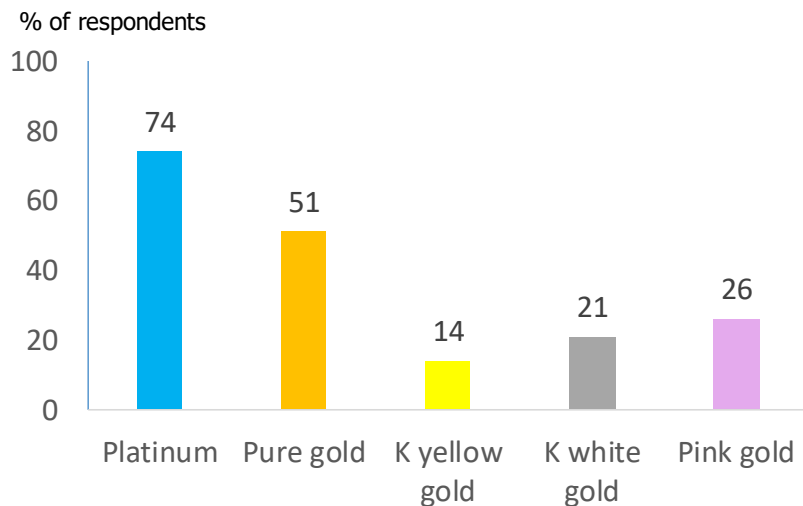
Note: data for recommendation and consideration are based on Pt awarers

SOURCE: A3/A3.2/A4/A16/A20/A7/A9

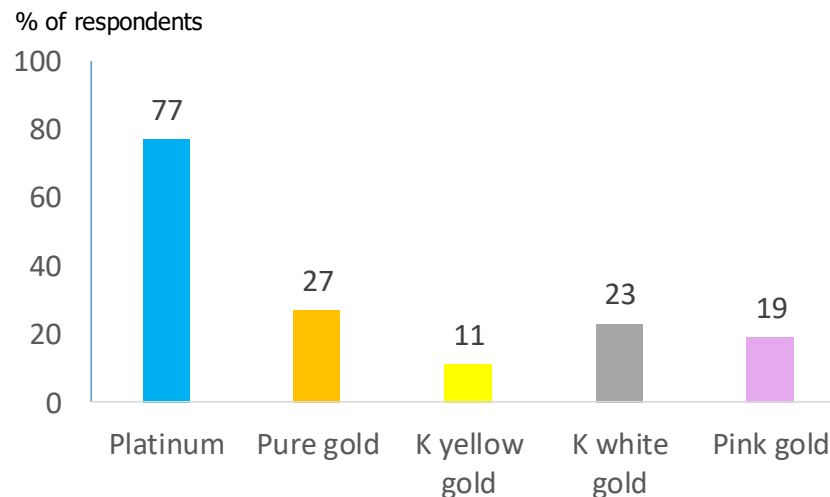
Weighted base: All females. 2017, N=2,650; 2016, N=2,650

# Platinum enjoys strong ownership of relevant and differentiating equities

*“WHICH OF THESE METALS DO YOU THINK ARE A CLEAR SYMBOL OF LOVE?”*



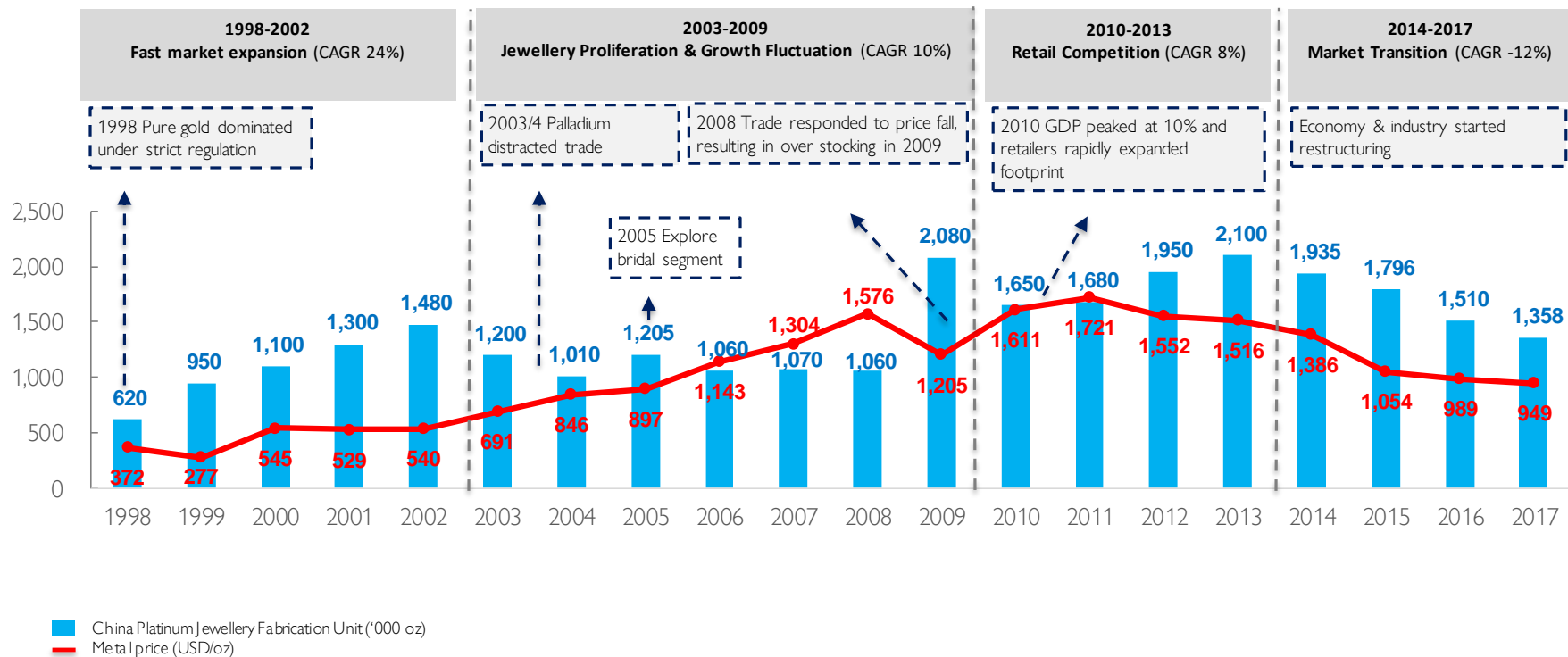
*“WHICH OF THESE METALS DO YOU THINK ARE **PREFERRED** SETTING FOR DIAMOND?”*



Source: 2016 brand tracking study by TNS

The survey was conducted online, targeted women aged 18-44, mid to high income, high school education and above in 17 cities

# China platinum jewellery market is now at a critical transition point



Data source: Johnson Matthey

# The key opportunities and challenges for platinum jewellery in China

## Opportunities

1

Bridal potential in lower-tier cities

2

Love related occasions

3

Platinum gem-set

## Challenges

1

Economic transition and anti corruption drive depresses gold and total jewellery sales

2

Overall decrease in store traffic

3

Jewellery increasingly competes with other categories for younger consumers

4

Jewellery dramatically loses share of voice in marketing

5

The industry is facing multiple challenges; margins are key which generic pure gold and platinum do not deliver as well

6

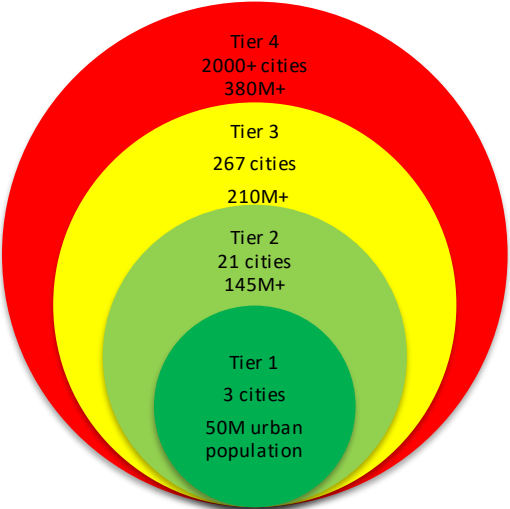
Growth is slowing, future growth lies in lower-tier cities which are more difficult to unlock for most retailers

# Key opportunities: 1) There is huge ounce opportunity for bridal in lower-tier cities

## CHALLENGE & OBJECTIVE

	Key Attributes	Growth
Tier 1	Shanghai, Beijing, Guangzhou 15m + people	○ to -
Tier 2	Provincial and sub- provincial capital cities 3-15m people	○ to +
Tier 3	Prefecture capital cities -3m people	++

Historic growth came from Tier-1 cities like Shanghai, Beijing and Guangzhou. Current and future growth is stemming from Tier-2 and Tier-3 cities.<sup>(1)</sup>



Current marketing spending levels are not enough to cover all city tiers. In 2016, PGI was able to cover 18 out of 267 tier 3 cities

## THE OPPORTUNITY



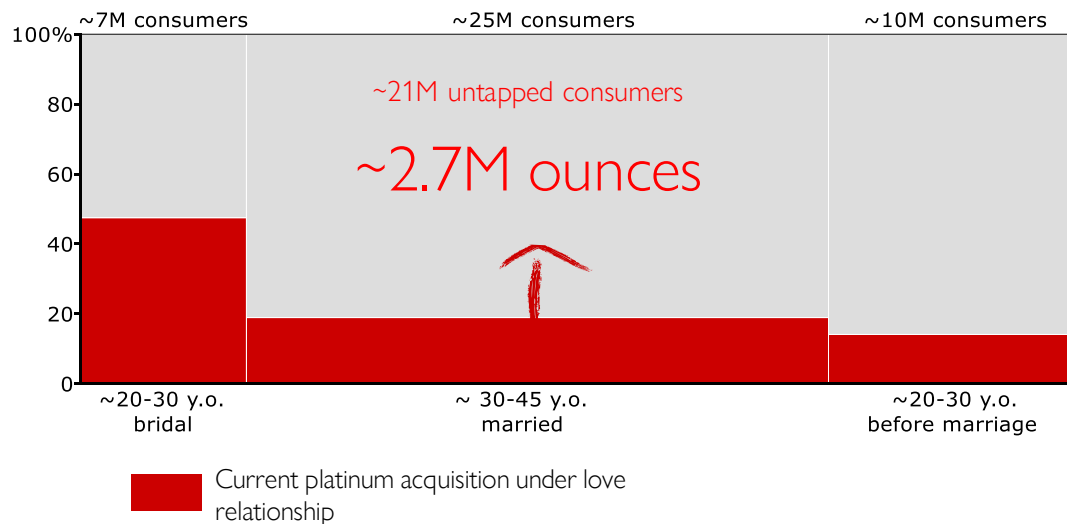
Just by introducing the ritual of exchanging platinum wedding bands at weddings through existing marketing material would create 350,000 oz. incremental consumer demand

1) Brookings 'Beneath China's GDP slowdown; 2) city tier definition by PGI;

# Key opportunities: 2) Love related occasions

## CHALLENGE & OBJECTIVE

Platinum jewelry potential target consumer population (M)



In China, platinum is considered to be THE metal of love (2.6x more than gold). Tailgating platinum's strong position in bridal, unlocking post-bridal occasions (anniversaries, Valentine's day, other love occasions) would unlock a massive ounce potential, currently out of reach at current budget levels.

## THE OPPORTUNITY

‘Bridal +1’

5-10 branded collections  
10 retail partners  
10% of untapped consumers

= 270,000 oz.

PGI has identified the source of business, the consumer insight and the unmet need – and is currently developing branded propositions. A full-scale marketing launch would allow to gain 10% of this market segment.

# Key opportunities: 3) Gem-set jewellery continues to grow for platinum, but is outpaced by other metals

## PLATINUM

Piece share plain & gem set jewellery

Plain:  65%

Gem set:  35%   
**+13%**

Average platinum weight per piece



## TOTAL PRECIOUS JEWELLERY

Piece share plain & gem set jewellery

Plain:  81%

Gem set:  19%   
**+36%**

Source : 2016 PAS study

Projected base: All jewellery piece acquired in 2016



# Q&A