

Key **V**alue

ASSET MANAGEMENT

EQUITY RESEARCH

ANALYSIS OF
LVMH

DATE :
13 June 2024

keyvalueam.com

LVMH Moët Hennessy (MC)

BUY: 952,94 (+29,59%)

Summary

Informations	
Country	France
Tax Rate	25%
Sector	Luxury Goods
Date	12/06/2024
Last Price	\$ 735,40
Target Price	\$ 952,98
+/- Potential	29,59%
Ticker	MC

Market Data	
52-Week High	892,7
52-Week Low	644
Avg. 3 Month Volume	0,29 MM
5 Yr Beta	1,00

Market Data	
Revenue Growth (Cagr 3 yr)	24,49%
Revenue Growth (Cagr 5 yr)	12,97%
Price Return (ytd)	4,10%
Price Return (1 yr)	-9,00%
Price Return (5 yr)	94,80%

Capital structure	
Market Cap	365.942
Enterprise Value	403.892
Shares O/S	498
Interest cover Ratio	23,43
Debt/Equity	13,08%

(Smnl)	FY22	FY23	LMT
Revenues	79.184	86.153	86.153
Gross Profit	54.196	59.277	59.277
EBITDA	23.253	25.270	25.270
EBIT	21.018	22.795	22.795
Net Income	14.084	15.174	15.174

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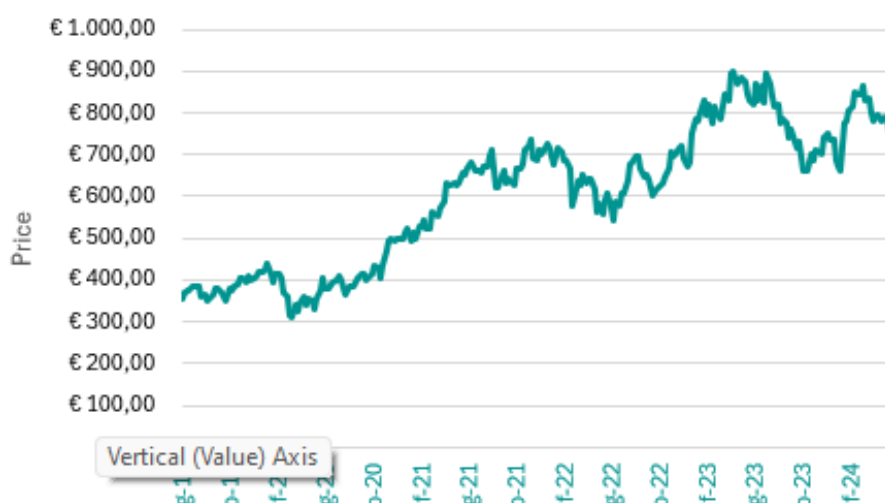
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LVMH | 1/06/2019-1/06/2024





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OVERVIEW

Introduction

“Luxury is connected to the human emotion of accomplishment,” is how Anish Melwani, chairman and CEO of LVMH North America, describes the true power of the luxury market, a sector almost completely dominated by LVMH.

Founded in 1987 by the merger of Louis Vuitton and Moët Hennessy, LVMH has become a global giant with over 75 prestigious brands under its umbrella, including Dior, Givenchy, Bulgari, Fendi and Dom Pérignon. With a presence in over 70 countries, LVMH represents excellence and craftsmanship in the fields of fashion, watches, jewellery, perfumes and wines and spirits. The company is known not only for its high-quality products, but also for its ability to create unique experiences and enhance the cultural heritage of its brands.

Under the leadership of a visionary leader such as Bernard Arnault, president and CEO of the group, LVMH continues to define the standards of modern luxury, maintaining a balance between tradition and innovation. This commitment to excellence is what makes LVMH a dominant force and an inspiration in the world of luxury.

LVMH's product portfolio is incredibly diverse and includes fashion and leather goods with brands such as Louis Vuitton, Dior, Fendi and Givenchy; wines and spirits such as Moët & Chandon, Hennessy and Dom Pérignon; watches and jewelry with Bulgari, TAG Heuer and Chaumet; perfumes and cosmetics with Sephora, Guerlain and Benefit Cosmetics; and selective distribution with DFS and Le Bon Marché.

Despite the global challenges caused by the COVID-19 pandemic, LVMH has demonstrated remarkable resilience. During the most critical period of the pandemic, the company quickly adapted its sales strategies, strengthening the e-commerce channel and launching digital marketing initiatives. These efforts have helped mitigate the negative impact of physical store closures. In 2023, LVMH recorded significant growth, with increases in sales and profits across all of its core divisions. The company has continued to expand its global presence, opening new stores and investing in sustainable initiatives. This success is demonstrated by the continuous expansion of the product portfolio and the constant interest of consumers in the group's brands.

LVMH continues to demonstrate how the combination of innovation and tradition can lead to exceptional results, consolidating its position as the undisputed leader in the luxury market. "Timeless Excellence," perfectly embodies the company's philosophy and commitment to excellence.

Business Model

LVMH is a luxury giant that dominates several sectors of the global market, offering an eclectic range of products and services of the highest quality. Its business model is based on a combination of diversification, vertical integration, brand enhancement, innovation and tradition, which contribute to its status as an undisputed leader in the world of luxury.

Fashion and Leather Goods: represents the beating heart of LVMH, with iconic brands such as Louis Vuitton, Dior, Fendi and Givenchy. These brands are synonymous with exclusivity and style, with a history of impeccable craftsmanship and cutting-edge design. Louis Vuitton is the brand that generates the highest turnover within LVMH. The brand enhances its exclusivity through careful production control, maintaining high standards of artisanal quality. Marketing campaigns, often featuring collaborations with celebrities and artists, reinforce the brand's luxury image. Furthermore, Louis Vuitton has vertically integrated many stages of its production, from design to final sale in its flagship stores, ensuring total control over quality and the customer experience.

Wines and Spirits: Includes the production and distribution of some of the world's finest wines, champagnes and spirits. Among the main brands we find Moët & Chandon, Hennessy, Dom Pérignon, Veuve Clicquot, Krug and Château d'Yquem. Hennessy is one of the most renowned cognac brands and represents a significant part of LVMH's wine and spirits business. the brand is enhanced through the preservation of centuries-old traditions and continuous innovation in the production process. High-profile advertising campaigns and partnerships with international artists help keep the brand relevant and desirable. Hennessy also invests in sustainability practices, such as responsible vineyard management and the use of eco-friendly technologies in production. Dom Pérignon, one of the most renowned champagnes in the world with a centuries-old history, perfectly embodies excellence and tradition in the production of high-quality champagne.

Perfumes and cosmetics: deals with the creation, production and distribution of perfumes, skin care products and cosmetics. Major brands include Sephora, Guerlain, Benefit Cosmetics and Make Up For Ever. Sephora is one of the industry's leading brands and a leading retailer of beauty and fragrance products.

Segment	Revenues				
	2023	%	2022	%	Incr/Decr
Wines and Spirits	6.602	8%	5.974	9%	11%
Fashion and Leather Goods	42.169	49%	30.896	48%	36%
Perfumes and Cosmetics	8.271	10%	6.608	10%	25%
Watches and Jewelry	10.902	13%	8.964	14%	22%
Selective Retailing	17.885	21%	11.754	18%	52%
Other activities and eliminations	324	0%	19	0%	1605%
Total	86.153		64.215		34%

Business Model

By combining a vast assortment of products with innovative services such as personalized beauty consultations, Sephora differentiates itself from other retailers in the sector for its customer experience and exclusivity on many brands. It is also a pioneer in integrating the e-commerce channel with physical stores, creating a perfect synergy between online and offline sales.

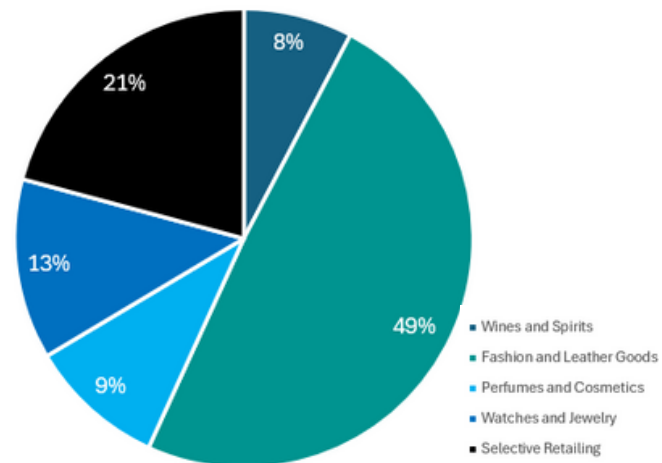
Selective retailing: includes the management of retail stores and distribution platforms that sell luxury products. The main brands are DFS, Le Bon Marché. DFS is a world leader in travel retail, operating duty-free stores in airports, city centers and tourist destinations. The enhancement of the DFS brand is based on the ability to offer an exclusive selection of luxury products to international travellers. By vertically integrating logistics and sales operations management, DFS manages to maintain high standards of service and quality.

Watches and Jewelry: includes the production and sale of luxury watches and jewelry, combining traditional artisan techniques with contemporary design. The main brands are Bulgari, TAG Heuer, Hublot, Zenith and Chaumet. Bulgari is one of LVMH's most successful jewelry brands. Brand enhancement is based on the combination of a rich historical heritage and innovative design.

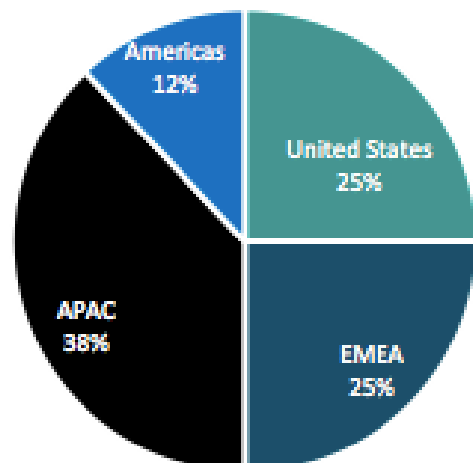
Other activities: LVMH also manages an exclusive selection of luxury hotel properties under the Cheval Blanc brand, known for timeless elegance and impeccable service. Finally, in the luxury yacht sector, LVMH owns the prestigious Royal Van Lent company, which operates under the Feadship brand. Feadship is a world leader in building custom super yachts, known for their impeccable craftsmanship and innovative design.

LVMH has a global presence, with significant operations in several key regions of the world. Among these, Asia is particularly important for the group, as it represents a rapidly growing market for luxury. At the same time, LVMH maintains a strong presence in Europe, North America and other regions of the world

Revenues by segment



Revenues Composition



Capital Allocation

In 2023, LVMH has taken a balanced approach to capital allocation, focusing on targeted acquisitions and buybacks to increase shareholder value.

Despite a Quick Ratio of 0.63, less than 1, the company has demonstrated that it can effectively manage short-term needs thanks to its strong market position and solid cash flows. With a plowback ratio of 0.36, LVMH maintained a solid dividend policy and continued to invest in growth opportunities. The lack of costs in research and development may be surprising but is attributable to the very nature of the luxury sector, where innovation is integrated into the creative processes rather than in a centralized unit. LVMH has invested 721 million euros in strategic acquisitions, including the Pedemonte Group, known for its artisanal skills with the aim of increasing vertical integration in the production processes of Bulgari and Tiffany, and Etanci, specialized in the production of high-quality garments, following the same philosophy and strengthening the company's portfolio. With a Return on Invested Capital of 19%, LVMH has demonstrated effective management of operations and long-term value creation strategies. Furthermore, buybacks totaling approximately €1,500 million in 2022 and 2023 have reduced the number of shares outstanding, increasing the value per share signaling confidence in future growth and financial strength, particularly in March 2023, the price is increased by 14.4% also in view of the April dividend, the highest recorded in recent years.

Background

LVMH's leadership stands out for its ability to maintain excellence and innovation in each of its maisons, while maintaining a unique identity for each of them. Bernard Arnault, CEO, studied engineering at the École Polytechnique and the École des Ponts et Chaussées. Arnault acquired his first luxury company in 1984, when he bought Boussac, a struggling industrial conglomerate that owned the Christian Dior fashion brand. He reorganized the company, focusing its activities on the luxury sector and selling the other divisions. Subsequently, Arnault began building his luxury empire through a series of strategic acquisitions. In 1988, he acquired a majority stake in LVMH and became its president and CEO.

Its aggressive acquisition strategy has helped consolidate LVMH's position as a global leader in the luxury sector. Arnault is known for his ability to recognize the growth potential of brands and enhance their heritage and unique identity within the group.

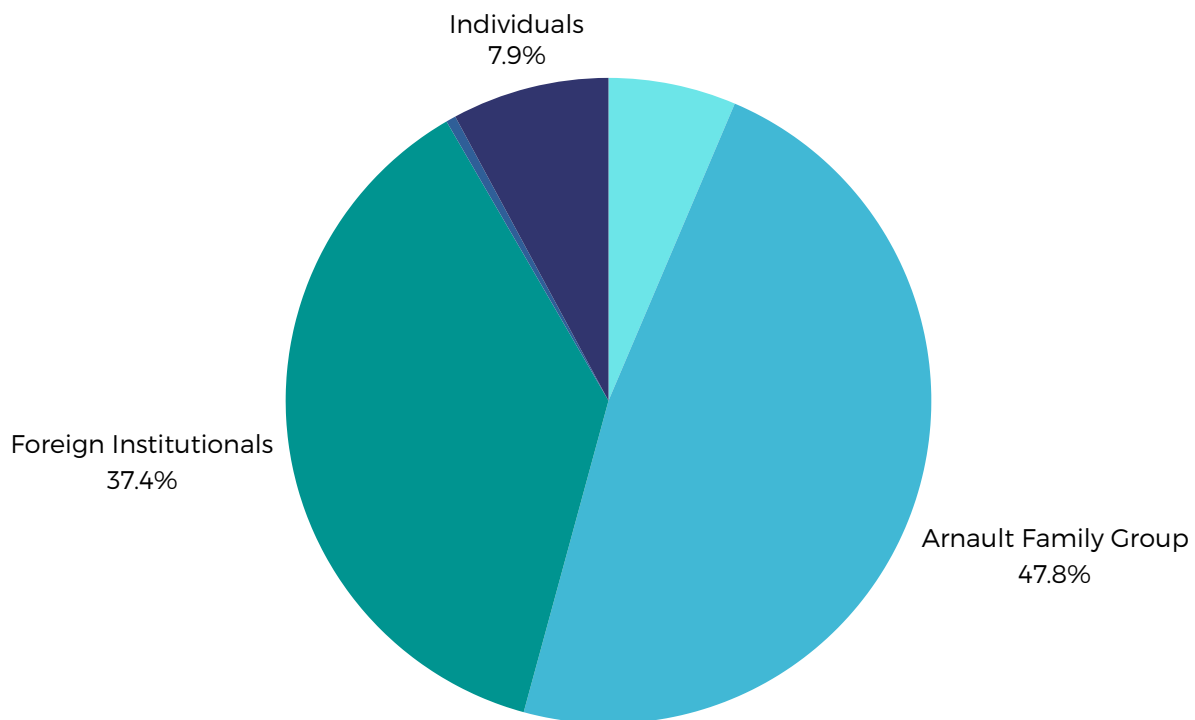
One of the distinctive features of Arnault's management was the choice to maintain LVMH as a family group. Arnault and his family hold a significant stake in the shares and maintain active control over the group. This approach has allowed him to maintain a long-term vision for the company and make strategic decisions that aim for sustainable growth over the long term.

Management

Compensation and share ownership

Compensation for LVMH executives is competitive with industry standards and is closely tied to company performance, aligning their interests with those of shareholders. Many LVMH executives, particularly CEO Bernard Arnault, hold significant equity stakes in the company, creating a strong alignment between management and shareholder interests. This approach pushes managers to make decisions that benefit the company in the long term. LVMH's compensation structure includes a combination of fixed and variable compensation based on the achievement of financial, strategic and ESG objectives, with a clear emphasis on sustainable and long-term performance.

LVMH share ownership is characterized by strong family control through the Arnault family, significant participation by institutional investors, and distribution among private investors and employees. LVMH has implemented several employee share ownership plans, including stock option plans and other incentive programs. Stock option plans offer employees the opportunity to purchase shares at a predefined price, incentivizing them to contribute to the growth of company value.



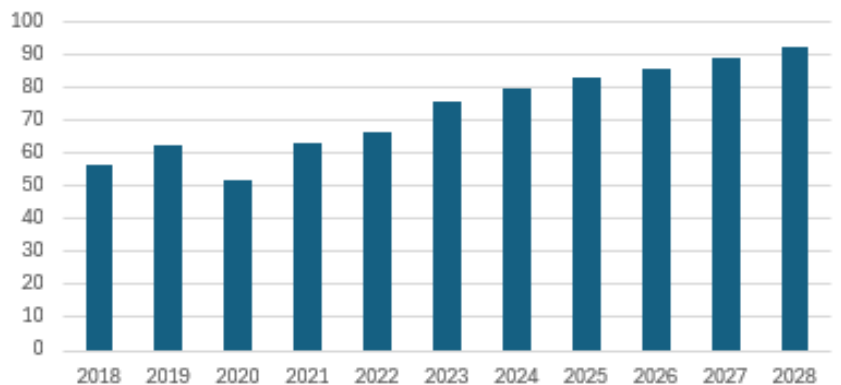
Sector

The luxury goods market, with particular regard to leather goods and the fashion sector, is characterized by constant growth. This growth is fueled by the continuous development of new brands and the democratization of the market, which aims to make leather products and high fashion garments accessible to an ever-increasing number of customers. A similar analysis can also be applied to the jewelery and watch sector, driven by strong demand in Italy and Switzerland thanks to the high manufacturing quality of local companies.

The compound annual growth rate (CAGR) for the period 2019-2028 for leather goods revenues is 3.87%, while that for Fashion goods is 3.25%, and 2.25% for watches and jewelry. This indicates a stable average annual growth of the market, suggesting a continued increase in demand and adoption of such goods in the global market.

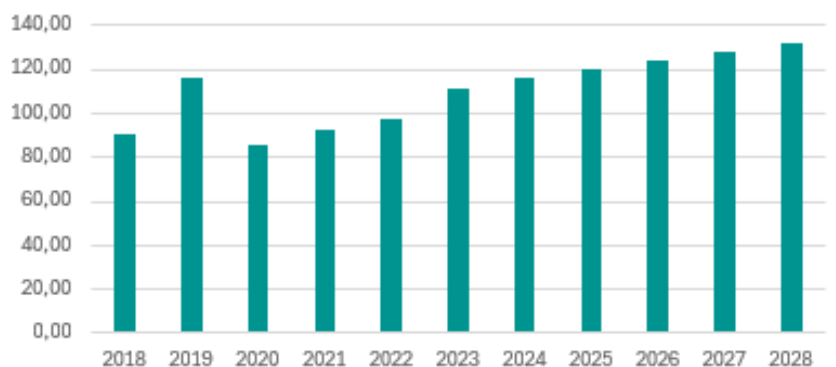
Given the oligopoly in this type of market, of which LVMH is the leader and LVMH's sustainable growth policy to expand its product portfolio, the continued growth in demand will have a positive impact on the absolute value of revenues.

Revenue in Luxury Leather goods Market Worldwide (in billion USD\$)



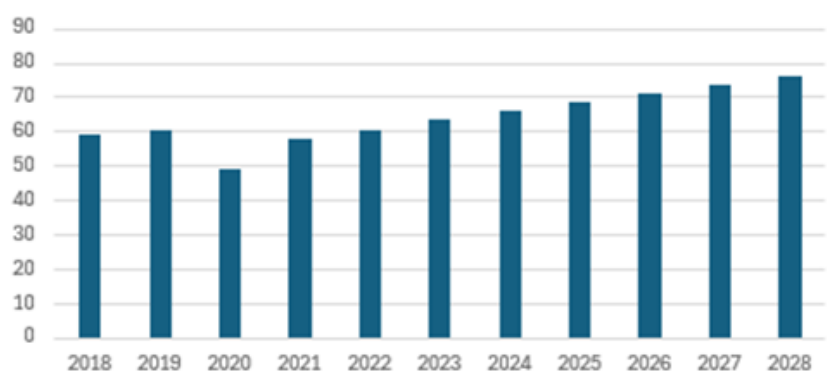
Source: Statista market Insights

Revenue of the Fashion Luxury Market Worldwide (in billion USD\$)



Source: Statista market Insights

Revenue of the Jewelry and Watches Market Worldwide (in billion USD\$)



Source: Statista market Insights

Market Shares

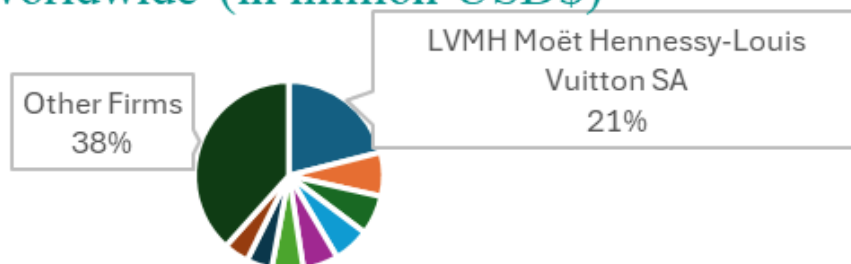
Over the years, LVMH has been able to build and consolidate its leading position in the luxury goods market through a strategy of targeted acquisitions, expanding into every branch of the sector. This approach has resulted in a highly diversified product portfolio. The segment that contributes most to total revenues is Fashion and Leather Goods, which represents 49% of the total.

In 2022, LVMH held a market share of 21%, a figure expected to grow further thanks to future acquisitions that the group plans to make in the coming years. Major competitors, such as Kering SA and the Richemont SA group, are significantly behind LVMH, with a gap of almost 7-8 percentage points.

A crucial element to consider is the strong customer loyalty in the luxury market, which makes this gap almost insurmountable for competitors and, indeed, tends to widen. LVMH's ability to maintain a loyal customer base is a determining factor in strengthening its dominant position.

Furthermore, LVMH's strategy is not just limited to acquisitions. The company constantly invests in innovation and improving the quality of its products, as well as maintaining a strong global presence through a well-established distribution network. These elements combined ensure that LVMH continues to grow and dominate the luxury goods market.

Sales of the Leading luxury goods Market Worldwide (in million USD\$)



- LVMH Moët Hennessy-Louis Vuitton SA
- Kering SA
- Compagnie Financiere Richemont SA
- The Estée Lauder Companies Inc.
- Chanel Limited
- L'Oréal Luxe
- Chow Tai Fook Jewellery Group Limited
- Hermès International SCA

Source: Statista, Deloitte

EXTERNAL ANALYSIS

Porter's Five Forces

1. Rivalry between Existing Competitors



The luxury industry is characterized by intense competition between the main players in the sector. LVMH, although one of the leaders, competes with other large global luxury companies. The challenge is to maintain its leadership position through innovation, creativity and effective management of the brand portfolio.

2. Threat of New Entrants



The luxury industry has a high barrier to entry, given the need for high capital to compete in the sector and the importance of the brand. LVMH, with its vast portfolio of luxury houses and its global presence, has a strong position that discourages new entrants.

3. Bargaining Power of Suppliers



LVMH has high bargaining power compared to suppliers. However, in some specific areas, such as the sourcing of rare or exclusive raw materials, suppliers may have greater bargaining power, hence the strategy of integrating very vertically.

4. Bargaining Power of Customers



Customers in the luxury industry may have limited bargaining power due to the expectation of high quality and intrinsic value of products. However, price sensitivity can influence customers' purchasing decisions. LVMH manages this dynamic through a targeted pricing strategy and the offering of unique shopping and brand experiences.

5. Threat of Substitute Products



Luxury goods can be influenced by the availability of luxury alternatives and consumer perceptions of the value of brands. However, LVMH has a leading position in the industry, with iconic brands and a global footprint that mitigates the threat of substitute products.

Competition

In the luxury sector, LVMH mainly targets high-profile customers with high purchasing power, which represents a notable strength compared to competitors such as Kering.

Kering, despite being extremely influential with high fashion brands such as Gucci and Saint Laurent, cannot boast the same stability of cash flows and global portfolio diversification that characterize LVMH. LVMH's vast range of brands, ranging from fashion to jewellery, perfumes and watches, as well as wines and spirits, gives the company a resilience and market power that is unique in the sector.

Regarding the fashion and accessories segment, LVMH offers complete integration in every aspect of production and distribution. This integrated ecosystem gives LVMH a significant competitive advantage over competitors who focus on specific sectors of the luxury market. Offering a highly integrated "all in one" service, LVMH establishes itself as the preferred choice for luxury consumers and businesses. A strong competitor of LVMH is Richemont, which stands out for its excellence in the high-end watch and jewellery sector with brands such as Cartier and Piaget.

However, Richemont has significant limitations compared to LVMH, as it does not offer the same breadth of luxury product portfolio and vertical integration.

Diversification options are more limited, which can be restrictive in terms of market penetration and financial stability. Furthermore, its marketing and distribution capabilities are not as extensive as those of LVMH, which has a global network of boutiques and integrated distribution channels. Ultimately, Richemont may not be able to compete with the strength of iconic brands like Louis Vuitton and Dior, where LVMH excels. In conclusion, the target market of the two companies is very different, despite Richemont's strong growth in the jewelry sector in recent years.

Caratteristiche	LVMH	Kering	Richemont	The Estèe Lauder	Hermès	Chanel	EssilorLuxottica
Customer experience	Eccellente	Eccellente	Buona	Eccellente	Eccellente	Eccellente	Buona
Creatività	Eccellente	Eccellente	Eccellente	Buona	Eccellente	Eccellente	Discreta
Qualità e artigianalità	Eccellente	Eccellente	Eccellente	Buona	Eccellente	Eccellente	Buona
Brand Awareness	Eccellente	Eccellente	Eccellente	Buona	Eccellente	Eccellente	Buona
Sostenibilità	Buona	Buona	Buona	Buona	Buona	Buona	Buona
Presenza globale	Eccellente	Buona	Buona	Eccellente	Buona	Eccellente	Eccellente

SWOT

Strengths

With a portfolio of iconic luxury houses, LVMH has a solid foundation on which to build its reputation for prestige in the luxury sector. The diversification of the portfolio, together with the global presence, gives LVMH a strong position in the market. The capacity for innovation and vertical control over the value chain are further strengths, allowing LVMH to maintain its leadership position by offering high-quality products and experiences. Furthermore, LVMH's financial strength allows it to sustain long-term investments and seize growth opportunities.

Weaknesses

LVMH is exposed to risks related to its dependence on emerging economies and the key brands in its portfolio. This dependence could increase economic instability and negatively affect the company's financial performance. Furthermore, exposure to currency risk could impact LVMH's revenue and margins, complicating the management of global operations. The complexity of managing such a diverse portfolio could be a further weakness, requiring constant attention to maintain efficiency and consistency across brands.

Opportunities

Asia represents a significant growth opportunity for LVMH, with growing demand for luxury goods, particularly in China. The expansion of emerging markets offers further opportunities to broaden the customer base and increase sales. Technological innovation can be leveraged to improve operational efficiency, customer experience and innovative product development, allowing LVMH to remain at the forefront of the luxury sector. Additionally, the trend toward sustainability offers the opportunity to develop new product lines and business practices that address the needs of environmentally conscious consumers.

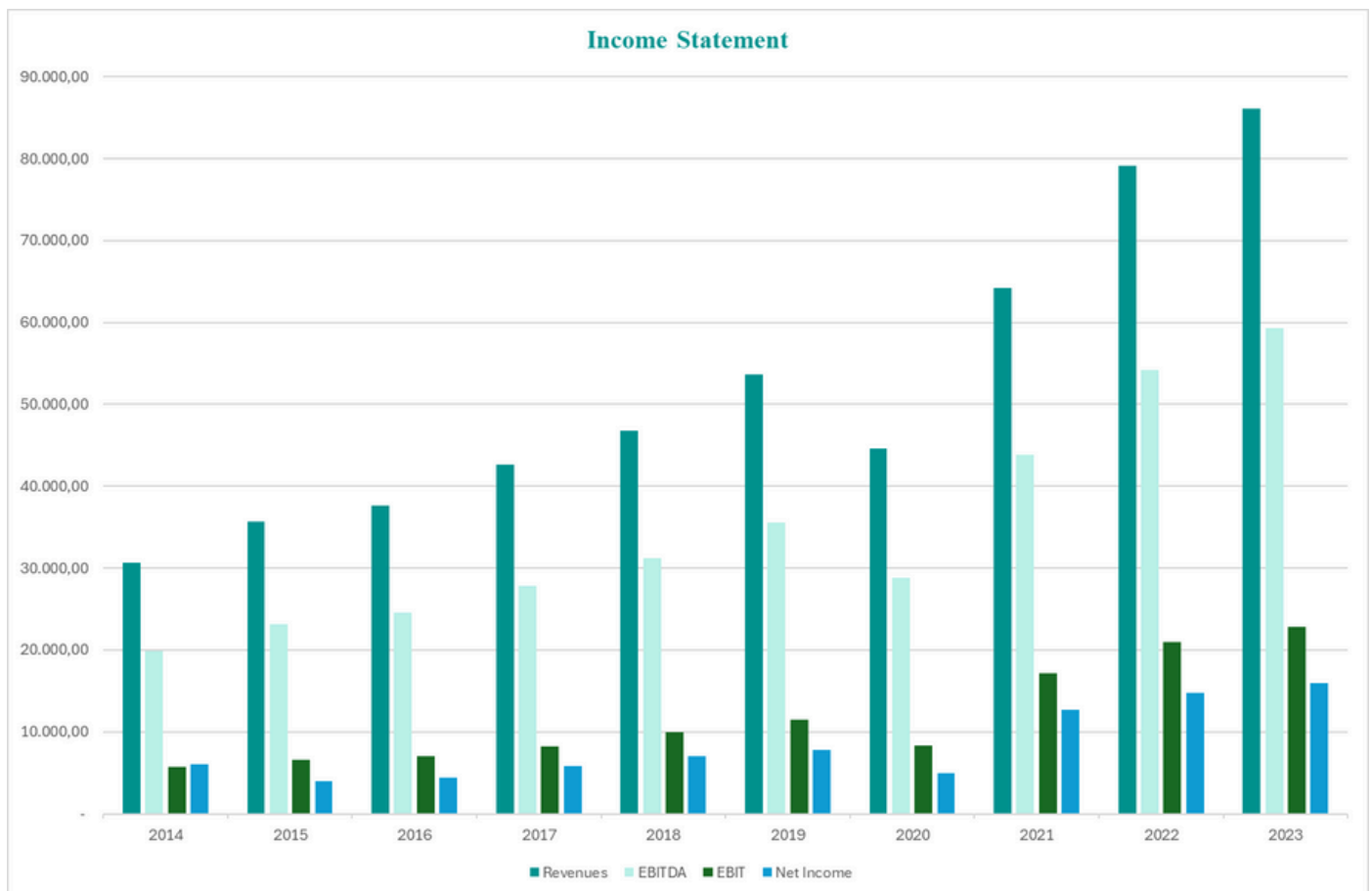
Threats

Despite the opportunities, LVMH faces threats such as intense competition from other luxury giants. Global economic fluctuations and the risk of smuggling and counterfeiting can adversely affect company performance. Furthermore, changing consumer preferences and the evolving digital landscape may pose significant threats to LVMH, requiring constant adaptation and innovation to remain competitive. Finally, geopolitical instability in some regions may affect demand for luxury goods and complicate global business operations.

FINANCIAL STATEMENT

Income Statement

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LTM
Income Statement											
Revenues	30.638	35.664	37.600	42.636	46.826	53.670	44.651	64.215	79.184	86.153	86.153
% YoY Growth		16.40%	5.43%	13.39%	9.83%	14.62%	-16.80%	43.82%	23.31%	8.80%	0.00%
COGS	(10.801)	(12.553)	(13.039)	(14.783)	(15.625)	(18.123)	(15.871)	(20.355)	(24.988)	(26.876)	(26.876)
Gross Profit	19.837	23.111	24.561	27.853	31.201	35.547	28.780	43.860	54.196	59.277	59.277
% YoY Growth		17%	6%	13%	12%	14%	-19%	52%	24%	9%	0%
Operating expenses	(14.151)	(16.513)	(17.562)	(19.584)	(21.238)	(24.071)	(20.433)	(26.722)	(33.178)	(36.482)	(36.482)
EBITDA	6.901	8.028	8.466	9.914	11.702	13.909	11.496	19.189	23.253	25.270	25.270
% YoY Growth		16%	5%	17%	18%	19%	-17%	67%	21%	9%	0%
Depreciation & Amortization	1215	1430	1467	1645	1739	4841	5721	4742	5242	5521	5521
EBIT	5.686	6.598	6.999	8.269	9.963	11.476	8.347	17.138	21.018	22.795	22.795
% YoY Growth		16%	6%	18%	20%	15%	-27%	105%	23%	8%	0%
Other Expenses/Income	3.231	1.493	1.775	2.982	3.697	3.793	1.927	7.284	8.340	8.528	8.528
Interest Expenses/Income	(144)	(111)	(158)	(169)	(158)	(446)	(366)	(242)	(382)	(973)	(973)
Income Tax Expense	(2.273)	(1.969)	(2.133)	(2.214)	(2.499)	(2.932)	(2.409)	(4.510)	(5.362)	(5.673)	(5.673)
Net Income	5.648	3.573	4.066	5.365	6.354	7.171	4.702	12.036	14.084	15.174	15.174
% YoY Growth		(37%)	14%	32%	18%	13%	(34%)	156%	17%	8%	0%
Supplementary Data											
Effective Tax Rate	(27%)	(33%)	(32%)	(27%)	(26%)	(27%)	(33%)	(26%)	(27%)	(26%)	(26%)
Diluted Shares Outstanding	504	505	505	504	504	504	504	504	502	500	500
EPS	11.21	7.08	8.06	10.64	12.61	14.23	9.33	23.89	28.03	30.33	30.33
% YoY Growth		(37%)	14%	32%	18%	13%	(34%)	156%	17%	8%	0%
Dividends per Share	3.20	3.55	4.00	5.00	6.00	4.80	6.00	10.00	12.00	13.00	13.00
Payout Ratio	29%	50%	50%	47%	48%	34%	64%	42%	43%	43%	43%
R&D Expense	79	97	111	130	130	140	139	0	0	0	0
Selling and Marketing Expense	11.744	13.830	14.607	16.395	17.755	20.207	16.792	22.308	28.151	30.768	30.768
EBT Incl. Unusual Items	8.378	5.970	6.586	8.054	9.489	10.714	7.364	17.208	20.113	21.625	21.625



Income Statement

The analysis of LVMH's income statement highlights a good sales capacity, growing quite steadily over the years, and excellent operational efficiency: the operating income is, in fact, around 26%. This operating income is constantly positive, a sign of an excellent company structure both from a sectoral point of view and from the point of view of operational efficiency: typical management generates cash in an abundant and stable manner.

Financial management has a very limited impact on company profitability, as evidenced by the minimal reduction in EBIT in the EBT calculation, for two main reasons: a financial leverage that is not particularly pronounced and an excellent relationship with the banks, also highlighted by the great solvency of the company and high sales flows.

Net profit has always been positive from 2014 to 2023, underlining the company's ability to create value. It should be underlined that this trend did not stop during the Covid years, as typically happened for companies operating in the luxury sector. There was a slight reduction, but it was completely absorbed in a short time, transmitting positivity also in managerial management.

From the shareholders' point of view, EPS has increased significantly over the years, going from a minimum of €7.08 to a maximum in 2023 of €30.33 per share. This is also linked to the stable payout ratio of around 40%. Two important implications emerge from this data: firstly, the company reinvests more than half of the income produced, a sign of foresight and confidence in a sector that is expanding more than ever before. Secondly, the company has managed to create significant added value for shareholders over the years without having to increase the share of profit that is distributed, underlining once again the high growth in profitability over time due only to the expansion in management characteristic and not to the dividend policy.

Another interesting fact is the strong spending on research and development, which has reached around 3.5 billion euros to date and which has constantly increased over time. The group is not satisfied with the status quo and aims to constantly evolve to keep up with the times, keeping investments in R&D in line with the growth of net income.

Balance Sheet

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LTM
Balance Sheet											
Cash and equivalents	4.091	3.594	3.544	3.738	4.610	5.673	19.963	8.021	7.300	7.774	7.774
Short Term Investments	253	385	374	515	666	732	752	2.543	3.550	3.490	3.490
Cash and short Term Investments	4.344	3.979	3.918	4.253	5.276	6.405	20.715	10.564	10.850	11.264	11.264
Total Receivables	3.512	4.062	4.102	4.825	5.021	5.500	4.677	6.112	7.110	7.944	7.944
Inventory	9.475	10.096	10.546	10.888	12.485	13.717	13.016	16.549	20.319	22.952	22.952
Prepaid Expenses	313	357	379	396	430	454	387	503	613	681	681
Other current Assets	424	442	435	690	327	422	1.145	542	814	846	846
Total Current Assets	18.110	18.950	19.397	21.061	23.551	26.510	39.973	34.301	39.740	43.710	43.710
Net PP&E	10.387	11.157	12.139	13.862	15.112	30.942	30.745	33.898	37.670	43.010	43.010
Long term Investments	1.160	1.360	1.567	1.461	1.761	2.009	1.786	2.451	2.175	2.356	2.356
Goodwill	8.810	10.122	10.401	13.837	13.727	16.034	16.042	25.904	24.782	24.022	24.022
Other intangibles	13.031	13.572	13.335	16.957	17.254	17.212	17.012	24.551	25.432	25.589	25.589
Other long-Term Assets	272	308	436	572	660	1.235	508	637	742	772	772
Total non-current Assets	35.252	38.651	40.219	48.694	50.749	69.997	68.698	91.010	94.906	99.984	99.984
Total Assets	53.362	57.601	59.616	69.755	74.300	96.507	108.671	125.311	134.646	143.694	143.694
Accounts Payable	3.606	3.960	4.184	4.539	5.314	5.814	5.098	7.086	8.788	9.049	9.049
Accrued Liabilities	1.645	1.915	2.010	2.269	2.465	2.669	2.478	3.588	3.992	4.398	4.398
Long-Term Debt due within one year	1.442	978	1.673	2.099	1.228	2.130	1.452	3.454	1.727	3.044	3.044
Current Portion of Capital Lease Ol	12	6	10	0	0	2.172	2.163	2.711	2.953	3.159	3.159
Other Current Liabilities	1.806	1.997	2.248	2.273	2.806	2.790	3.132	3.948	3.722	3.232	3.232
Total Current Liabilities	12.175	12.699	12.810	14.989	16.833	22.623	25.318	27.989	31.543	33.145	33.145
Long Term Debt	4.941	4.380	3.590	6.758	5.697	5.104	14.075	12.190	10.539	11.326	11.326
Other non-current Liabilities	8.095	9.275	10.141	11.721	11.857	13.732	13.519	16.717	15.610	15.091	15.091
Total non-current Liabilities	18.184	19.103	18.908	24.389	23.510	35.519	44.524	48.413	46.499	47.848	47.848
Total Liabilities	30.359	31.802	31.718	39.378	40.343	58.142	69.842	76.402	78.042	80.993	80.993
Common Stocks	152	152	152	152	152	152	152	152	151	151	151
Additional Paid in Capital	2.655	2.579	2.601	2.614	2.298	2.319	2.225	2.225	1.289	530	530
Retained Earnings	5.648	3.573	4.066	5.365	6.354	7.171	4.702	12.036	14.085	15.173	15.173
Treasury Stocks	(374)	(240)	(520)	(530)	(421)	(403)	(260)	(912)	(1.293)	(1.953)	(1.953)
Comprehensive Income and Other	13.682	18.275	20.089	21.368	23.910	27.347	30.593	33.618	40.879	47.116	47.116
Total Equity	23.003	25.799	27.898	30.377	33.957	38.365	38.829	48.909	56.604	62.701	62.701

LVMH shows a fairly streamlined balance sheet structure, maintaining balanced and not excessive financial leverage. The strong participation from venture capital demonstrates the financial solidity of the group. Cash is very abundant, a sign of good liquidity of the assets and a good working capital cycle. This figure is exacerbated precisely by the operating working capital: the average collection times are around 102 days and payment times are around 102. However, the strong impact of the warehouse weighs heavily, which takes on average just under 300 days to be completely renewed. The warehouse itself is constantly increasing over the years, a trend that highlights both the growth in value of the goods produced and the strong expansion of the group, which is preparing for an ever-increasing demand over time.

Also peculiar is the increase in the value of goodwill which grows following the numerous acquisitions made by the group from year to year.

Current assets always remain greater than current liabilities, giving credit and credibility to the production structure that manages to generate cash.

The value associated with non-current assets and liabilities remains low, a sign of the group's strong concentration on the core business, leaving little space for ancillary activities.

Finally, the NFP grows over time to finance business growth and expansion, financing the group's acquisitions.

Cash Flow Statement

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LTM
Cash Flow Statement											
D&A	1.215	1.430	1.467	1.645	1.739	4.841	5.721	4.742	5.242	5.521	5.521
Asset Writedown & Restructuring C	0	0	0	0	0	0	0	0	0	(15)	(15)
Change In Accounts Receivable	(22)	(49)	(122)	(134)	(179)	(121)	528	(613)	(394)	(695)	(695)
Change In Inventories	(928)	(569)	(819)	(1.006)	(1.722)	(1.604)	(562)	(1.567)	(4.169)	(4.230)	(4.230)
Change In Accounts Payable	176	93	235	257	715	463	(559)	1.576	1.532	434	434
Cash from Operations	4.607	5.634	6.176	6.972	8.490	11.648	10.897	18.648	17.833	18.400	18.400
Change in Net Working Capital	718	429	512	514	1.087	1.154	367	(426)	3.019	4.577	4.577
CAPEX	(1.770)	(1.974)	(2.261)	(2.299)	(2.590)	(2.860)	(1.983)	(2.675)	(4.397)	(6.807)	(6.807)
Cash Acquisition	(167)	(240)	0	(6.306)	(17)	(2.478)	(536)	(13.226)	(809)	(721)	(721)
Divestitures	0	0	310	0	0	0	0	0	0	0	0
Cash From Investing	(2.007)	(2.466)	(2.298)	(8.607)	(3.439)	(5.869)	(2.939)	(15.979)	(5.920)	(8.310)	(8.310)
Total Debt Issued	2.407	1.008	913	5.931	1.529	2.837	17.499	251	3.774	5.990	5.990
Total Debt Repaid	(2.100)	(2.443)	(2.181)	(1.760)	(2.174)	(3.997)	(7.326)	(8.866)	(6.642)	(6.786)	(6.786)
Issuance of Common Stock	60	36	64	53	49	21	0	0	0	0	0
Repurchase of Common Stock	0	0	(352)	(67)	(295)	(49)	(12)	(556)	(1.616)	(1.584)	(1.584)
Common & Preferred Stock Dividends	(1.619)	(1.671)	(1.859)	(2.110)	(2.715)	(3.119)	(2.317)	(3.527)	(6.024)	(6.251)	(6.251)
Cash from Financing	(1.760)	(3.528)	(3.985)	2.158	(4.323)	(4.734)	7.403	(15.156)	(12.685)	(9.397)	(9.397)
Net Change in Cash	867	(393)	(53)	281	795	1.084	14.309	(11.989)	(717)	420	420
% YoY		-145%	-87%	-630%	183%	36%	1220%	-184%	-94%	-159%	0
Free Cash Flow to the firm	2.870	3.449	3.426	4.828	5.401	9.162	8.987	15.139	13.241	10.952	10.952

“Cash from operations” has been growing significantly since 2014, reaching its peak in 2022 with 18.6 billion euros. This data is perfectly compatible with the strong expansion of the group in recent years. Indeed, it is even more strengthened by the cash flow from investment activities, which is growing strongly. Jointly, the two figures show how LVMH is investing many resources in the business and how these resources are leading to strong results in terms of the core business, which manages to generate ever greater cash.

Financial management highlights a growing trend regarding the outflow, symptomatic of the fact that the NFP has increased over the years. However, it can be noted that this value depends predominantly on the taking out and repayment of long-term mortgages.

Once again, the group focuses on the core business and leaves marginal importance to ancillary management, as evidenced by the poor cash flows coming from both investment management and financial management.

In addition to this, investment in new assets is growing rapidly, resulting in significant capex over time. LVMH always focuses on the future development of the various brands, leaving excellent forecasts for the years to come.

Note the growing amount of the dividend paid to shareholders, which shows how the group seeks to adequately remunerate risk capital in order to have ready liquidity in case of need in future expansions.

Profitability, Efficiency and Financial Solidity

Profitability

In recent years, LVMH has shown a significant evolution in its main profitability indicators. The Return on Assets (ROA) recorded notable growth until 2020, reaching around 8%, before stabilizing around 11% in 2023. This increase is due to the increasing returns of investments in past assets, which are starting to generate more than proportional returns.

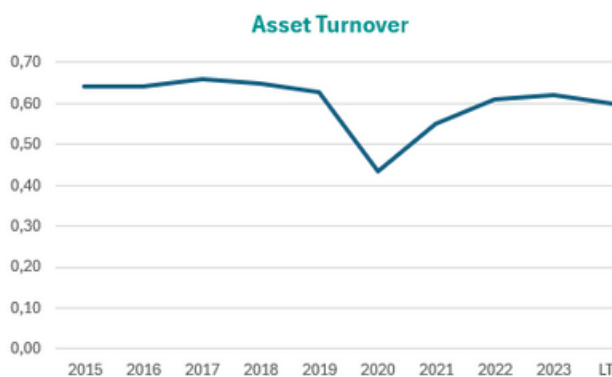
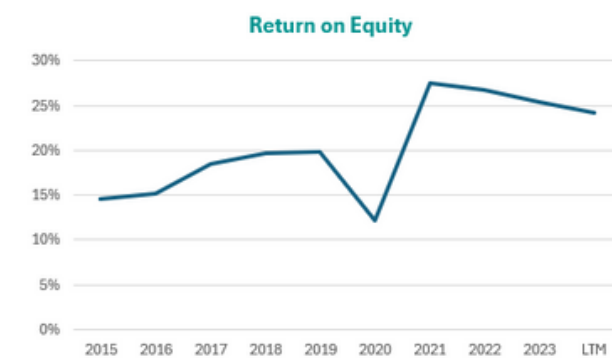
The Return on Invested Capital (ROIC) has always remained at excellent levels, fluctuating between 15% and 20%, a result that can be considered excellent.

Return on Equity (ROE) has grown substantially since 2015, with a significant surge due to equity stagnation in 2020 and 2021, while in other years it showed almost stable growth. This explains the jump observed in the graph.

It is important to note that all three of these indicators were affected by the year 2020, during which LVMH's revenues shrank due to the pandemic. However, LVMH's recovery has been excellent, as evidenced by the positive trend in profitability indicators.

Efficiency

LVMH's Asset Turnover graph shows a slight decrease from 2015 to 2023, going from approximately 0.65 to 0.60. This indicator measures the efficiency with which the company uses its assets to generate revenues. The slight reduction in Asset Turnover indicates that LVMH has become slightly less efficient in using its assets to produce revenue. However, the stabilization around 0.60 in recent years suggests that the company has achieved a good balance in asset use while still maintaining high operational efficiency.



Profitability, Efficiency and Financial Solidity

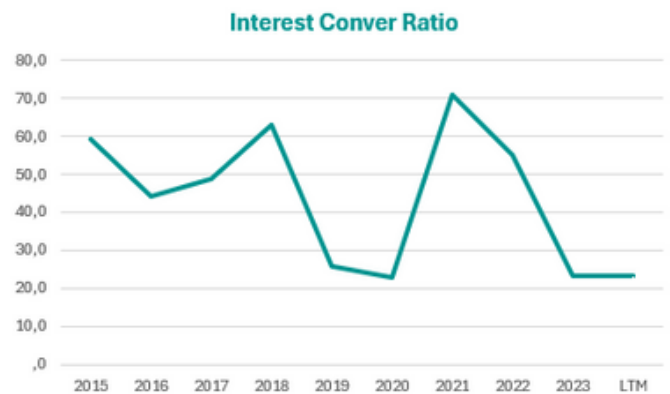
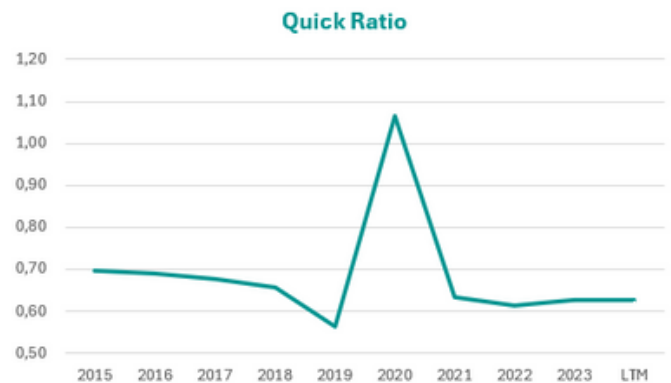
Financial Solidity

LVMH's Quick Ratio shows a decreasing trend from 2015 to 2020, falling from approximately 0.70 to 0.57. This ratio measures the company's ability to cover its short-term liabilities with liquid assets, excluding inventory. The decrease in the Quick Ratio could indicate a greater exposure to current liabilities or a more aggressive use of liquid resources but speaking of LVMH it represents an element of strength due to its ability to invest liquid resources in more strategic assets and still remain very financially solid.

The graph of LVMH's Interest Coverage Ratio shows a fluctuating trend, going from around 60 in 2015 to 45 in 2016, with a significant collapse in 2020 due to the reduction in EBIT growth and a simultaneous increase in interest expenses to cope at short-term costs. This indicator measures the company's ability to cover debt interest costs with its EBIT.

The graph indicates that LVMH has an adequate EBIT to support the payment of financial interests, despite the decrease in recent years due to the increase in financial interests, influenced by external factors.

The Debt to Asset Ratio, which measures the proportion of total debt to total assets, shows a slight upward trend from 2015 to 2020, then stabilizing around 0.55. This ratio indicates that approximately 55% of LVMH's assets are financed by debt. The stability of this ratio in recent years suggests that the company has maintained a prudent approach to debt management, avoiding excessive increases in leverage and ensuring a solid basis for financial operations.



Valuation

Multiples analysis

The detailed analysis of LVMH's multiples compared to its peers highlights both significant strengths and some weaknesses. On the strengths, LVMH's EV/Sales multiple (4.7x) is lower than both the simple average of competitors (6.3x) and the weighted averages suggesting that LVMH is valued relatively more attractively compared to the revenues generated. This is a positive sign of the company's ability to generate sales efficiently relative to its enterprise value. The same thing also happens for the EV/Ebit multiple, which shows that the company is valued less than its competitors.

Furthermore, LVMH's P/S multiple (4.4x) is also lower than the average of its peers (6.2x). This indicates that investors are paying less per unit of sales generated than competitors, which can be interpreted as a strength in the company's relative valuation. Another notable strength is the MC/FCF multiple (34.2x), which is lower than the average of its competitors (38x). This suggests that LVMH has better cash flow generation efficiency relative to its market capitalization, a sign of solid financial management.

LVMH's P/E multiple (24.8x) is lower than its peers' average (28.5x), suggesting that the market may have more moderate future growth expectations for LVMH than its peers.

Finally, analyzing the standard deviations of the competitors' multiples, we notice very high values, such as, for example, 3372% for P/TBV and 104% for P/S (where Hermès' anomalous values have an impact). These high standard deviation values indicate large variability and uncertainty in competitor multiples relative to the industry average, making it difficult to accurately evaluate based on these multiples alone.

In conclusion, although the multiples suggest that LVMH is undervalued based on the parameters analyzed, the high standard deviations indicate that there is significant uncertainty surrounding these valuations. Therefore, it is ineffective to rely only on the latter and therefore proceed with an Absolute analysis.

	EV	Market Cap	Ev/Sales	Ev/Ebitda	Ev/Ebit	P/S	P/E	P/BV	P/TBV	MC/FCF
Simple Average	122.663,62	108.763,88	6,3x	17,0x	19,3x	6,2x	28,5x	6,9x	-96,2x	38,0x
Weighted average - EV	-	-	8,4x	20,2x	22,9x	8,4x	33,8x	9,1x	-44,0x	45,3x
Weighted average - MC	-	-	9,4x	22,3x	25,2x	9,5x	36,3x	9,8x	-33,6x	49,9x
Median	95.686,51	98.983,88	4,3x	16,2x	18,2x	4,5x	23,5x	6,1x	4,8x	32,1x
Standard Deviation			5,90	10,62	12,04	6,41	15,47	4,87	232,72	24,10
(% Average)			93%	62%	62%	104%	54%		3372%	63%
High	445.492	413.470	16,6x	34,7x	39,4x	17,2x	53,8x	15,2x	33,0x	79,1x
Low	18.095	18.259	2,3x	7,8x	8,7x	1,5x	13,4x	2,6x	-512,2x	15,1x
Price based on multiples			1.170,05	517,99	920,25	1227,73	926.389054	972,724	NC	904,58

DCF

WACC

To calculate the average cost of capital, the 10-year American bond (US10Y) was selected as the risk-free rate, which appears to have a yield of 4.5% at the valuation date 06.11.2024. The country risk and market risk premium were calculated as a weighted average based on the turnover of the individual country risk premium and market risk premium of the country/geographical areas. The beta was calculated as a weighted average between the Bottom Up method (30%) and its direct correlation with the S&P 500 (70%). Finally, the cost of debt was calculated as the weighted average of the annual interest rate with the denominator being the arithmetic average of the debt between two consecutive years.

Capital Structure

Equity	88,67%
Debt	11,33%

Wacc Calculation

Cost of Equity	12,58%
Risk-free Rate	4,50%
Country Risk Premium	1,60%
Market Risk Premium	6,36%
Levered Beta	1,02
Net Cost of Debt	2,08%
Cost of Debt	2,77%
Tax Rate	25,00%
WACC	11,39%

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Term
Sales (% growth)		6,0%	5,8%	5,6%	5,4%	5,2%	5,0%	4,4%	3,8%	3,2%	2,6%	2,0%
Optimistic Scenario		7,00%	6,80%	6,60%	6,40%	6,20%	6,00%	5,30%	4,60%	3,90%	3,20%	2,50%
Base Scenario		6,00%	5,80%	5,60%	5,40%	5,20%	5,00%	4,40%	3,80%	3,20%	2,60%	2,00%
Pessimistic Scenario		5,00%	4,80%	4,60%	4,40%	4,20%	4,00%	3,50%	3,00%	2,50%	2,00%	1,50%
Gross Profit margin		69,0%	69,4%	69,9%	70,3%	70,8%	71,2%	71,7%	72,2%	72,6%	73,1%	73,5%
Optimistic Scenario		70,00%	70,45%	70,90%	71,35%	71,81%	72,27%	72,73%	73,20%	73,67%	74,14%	74,61%
Base Scenario		69,00%	69,44%	69,89%	70,33%	70,78%	71,24%	71,69%	72,15%	72,61%	73,08%	73,55%
Pessimistic Scenario		68,00%	68,44%	68,87%	69,31%	69,76%	70,20%	70,65%	71,11%	71,56%	72,02%	72,48%
Ebit Margin		26,0%	27,0%	28,1%	29,2%	30,4%	31,6%	32,3%	32,9%	33,6%	34,2%	34,9%
Optimistic Scenario		28,00%	29,12%	30,28%	31,50%	32,76%	34,07%	34,75%	35,44%	36,15%	36,87%	37,61%
Base Scenario		26,00%	27,04%	28,12%	29,25%	30,42%	31,63%	32,27%	32,91%	33,57%	34,24%	34,93%
Pessimistic Scenario		24,00%	24,96%	25,96%	27,00%	28,08%	29,20%	29,78%	30,38%	30,99%	31,61%	32,24%
Depreciation & Amortization (% sales)		6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Optimistic Scenario		7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%
Base Scenario		6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%
Pessimistic Scenario		5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%
Capital Expenditures (% of sales)		8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%
Optimistic Scenario		9,00%	9,00%	9,00%	9,00%	9,00%	9,00%	9,00%	9,00%	9,00%	9,00%	9,00%
Base Scenario		8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%
Pessimistic Scenario		7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%

Base case

In the base case, the main driver of cash flow growth is revenue. The estimate is that they will increase by approximately 6%, significantly below the historical average of revenue growth. However, the choice is due to a twofold reason. Firstly, the growth of past years is to be considered extraordinary due to the reopening of the market after the covid years and the strong expansion of the luxury market, which will inevitably slow down in the years to come. This is especially valid considering the period of economic uncertainty and political instability that has characterized recent years. Secondly, the size of the LVMH group has reached a considerable level, leaving a significant gap with its competitors. Therefore, it is not believed that the revenue growth rate in the future can be comparable with the past trend, but must necessarily be viewed downwards.

Regarding EBITDA, operational efficiency is estimated to be at a high level, therefore the estimate is that it remains constant. Above all, the challenge will be to maintain this efficiency over the years as revenues increase and markets expand slightly.

The estimate of depreciation and capital expenditure is constant because it follows the growth of revenues. Clearly, an increase in revenues will lead to greater investments and subsequently greater depreciation, but it is not expected that capex and D&A will occur in excess of revenue growth.

Optimistic case

In the optimistic scenario, we expect higher revenue growth, although they will not have the explosive growth in the past trend for the same reasons that have just been analyzed. Furthermore, in this scenario it is assumed that the working capital cycle is able to reach the best levels reached in the historical trend, imposing the best results as a long-term objective.

Pessimistic scenario

The pessimistic scenario considers that the critical mass of the group allows it to maintain a certain inertia for the future. Wrong choices and inefficiencies will undoubtedly impact management and economic results, but LVMH enjoys such a size that the pessimistic scenario, in addition to being unlikely, also has such an intrinsic value that allows it to survive in the short term in the event of a negative economic situation. The pessimistic scenario corresponds, at a value level, to maintaining the status quo, aligning slightly below the long-term growth due to the natural trend of the economic cycle (the benchmark used in this case is inflation).

DCF

Fair Value

LVMH is highly undervalued, probably due to the uncertainty of the stock market at the moment. Note that both the pessimistic and optimistic scenarios indicate the same result, giving the latter greater statistical significance.

	Worse	Base	Optimistic
Value	782,2785	952,9442	1147,6049
+/- %	2,59%	24,98%	50,51%

Final Outlook

Currently, comparing the valuations carried out, LVMH appears to be undervalued compared to its fundamentals. Although the multiple valuation is slightly higher than the current price, the real difference is made by the financial data and the fundamental value of the group, which suggest that the value can grow over time. It is concluded that the indication on the LVMH stock is of the BUY type.

Sensitivity Analysis

		Wacc					
		\$952,94	10,39%	10,89%	11,39%	11,89%	12,39%
Growth Rate	1,0%	952,96	941,09	930,36	920,62	911,73	
	1,5%	966,17	952,96	941,09	930,36	920,62	
	2,0%	980,96	966,17	952,96	941,09	930,36	
	2,5%	997,61	980,96	966,17	952,96	941,09	
	3,0%	1016,52	997,61	980,96	966,17	952,96	

		Wacc					
		\$952,94	9,39%	10,39%	11,39%	12,39%	13,39%
Ev/Ebitda	14,7x	997,37	961,81	933,82	911,21	892,58	
	15,2x	1006,95	971,38	943,39	920,79	902,15	
	15,7x	1016,52	980,96	952,96	930,36	911,73	
	16,2x	1026,10	990,53	962,54	939,94	921,30	
	16,7x	1035,67	1000,10	972,11	949,51	930,88	

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