

# LVMH



**SORA CAPITAL**  
STUDENT-LED INVESTMENT FUND

Louis Vuitton (EPA: LVMH )

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# Company Overview

## Company Highlights

- History:** It is a family-run company led by Bernard Arnault. It was founded in 1987 by the merger of Moët Hennessy and Louis Vuitton and has been publicly listed since its initial public offering in 1990. It is currently traded on the Paris stock exchange under ticker PA: MC.
- Strategy:** The success of LVMH's business is based on its decentralized structure, allowing its 75 subsidiaries to operate autonomously under the guiding principles of the group.
- Ownership:** LVMH's largest shareholder is mainly chairman and CEO Bernard Arnault and his family, who own 48.4% of the company. However, thanks to double voting rights, they hold 63.9% of all votes and fully control LVMH. The notable owner is also managing director Antonio Belloni with 0.1% ownership.

Industry Data	Average
<b>Fashion &amp; Leather Goods</b>	
EV/EBITDA	15x
EV/Revenue	2x
P/E	18,5x
<b>Watches and Jewellery</b>	
EV/EBITDA	4,3x
EV/Revenue	0,7x
P/E	14x

Revenue Mix	%	Gross (\$mm)
Wines and Spirits	7,7%	6,6 B €
Fashion and Leather Goods	49,0%	42,17 B €
Perfumes and Cosmetics	9,6%	8,27 B €
Watches and Jewelry	12,7%	10,9 B €
Selective Retailing	20,8%	17,88 B €
Other	0,4%	3,58 B €

## Valuation & Share Performance

### Key Valuation Statistics (\$mm)

Enterprise Value	438.140€	EBITDA	22.795€
Market Cap	410.530€	EBITDA Margin	29,3%
P/E*	26,51x	Debt / EV	6,87%
EV/EBITDA*	16,22x	Total Debt	30.092,3 €
Cash	7,774.0 €		

Share Price      Current:      High/Low: € / €



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# Business Model

## Industry Value Chain

### Arnault's Luxury Empire

LVMH's most notable acquisitions since inception 35 years ago.  
Revenue is up ~24x since 1989. This chart was created by @Quar\_App



- **Powerful Brands:** LVMH owns a collection of highly recognizable luxury brands with rich heritage. These brands are difficult to replicate and command a premium price
- **Unique Products & Expertise:** LVMH has a strong focus on craftsmanship and differentiation, creating irreplaceable products with high value
- **Scalable Business Model:** The LVMH model allows for growth without sacrificing profitability, enabling them to expand their reach while maintaining exclusivity

**Wines & Spirits:** Mature segment, production and distribution of iconic brands like Moët Chandon, Hennessy... 5% growth, 30% margins. Diageo and Pernod Ricard are comparable but with lower growth rates

**Fashion & Leather Goods:** Leather goods and textiles produced through brands like LV, CD, Celine, Fendi... 16% growth, 40% margins. Hermès is its main comparable

**Perfumes & Cosmetics:** Fragrances/cosmetics from some of its iconic brands. 6% growth and 10% margins (L'Oreal, Kering Eyewear, Estée Lauder are some competitors)

**Watches & Jewelry:** Includes brands like Tag Heuer, Tiffany's, Bulgari... 22% growth and 18% margins. Growth accelerated by the addition of Tiffany's to the group.

**Selective Retailing:** Sephora is the main asset, retailers of perfumes/cosmetics. Sells own brands and those of other groups. 5% growth and depressed margins due to covid

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# Operating Forecast

## Business Model

LVMH thrives on decentralized autonomy for its 75 brands, fostering customer connection and agility. Organic growth is prioritized, with acquisitions a secondary focus. Vertical integration ensures quality control and cost efficiency. Innovation flourishes through resource sharing and craftsmanship. Product and geographic diversification mitigate risk and drive balanced growth. The pandemic fueled LVMH's e-commerce leadership, offsetting store closures. With a strong financial base and global presence, the group is well-positioned for long-term success

- The company relies on a network of trusted suppliers for raw materials, fragrances, and essential oils
- Additionally, they operate their own Maison (craft production centers) for complete control over quality and potentially higher profits
- The company prioritizes a high-touch experience by operating its **own** retail stores in prime locations across major cities like New York and Paris

## Revenue & EBITDA Forecast

(In millions of US. Dollars)	2021a	2022a	2023a	2024e	2025e	2026e	2027e	2028e
<b>Revenues</b>	64,215	79,184	86,153	103,384	118,891	133,158	143,811	153,158
% YoY Growth		+ 23.3%	+ 8.8%	+ 20.0%	+ 15.0%	+ 12.0%	+ 8.0%	+ 6.5%
<b>EBITDA</b>	21,880	26,260	28,316	34,238	39,671	44,764	48,345	51,487
% Margin	34.1%	33.2%	32.9%	33.1%	33.4%	33.6%	33.6%	33.6%
Margin Expansion (bps)		(91)	(30)	+ 25	+ 25	+ 25	+ 0	+ 0
<b>Cash Taxes (on NOPAT)</b>				(6,750)	(7,837)	(8,861)	(9,570)	(10,192)
<b>Capex</b>	(2,675)	(4,397)	(6,807)	(7,147)	(7,505)	(7,880)	(8,077)	(8,279)
% of Sales	4.2%	5.6%	7.9%	5.0%	5.0%	5.0%	2.5%	2.5%
<b>Change in NWC</b>				(3,726)	(3,726)	(4,471)	(4,829)	(5,224)
<b>Unlevered Free Cash Flow</b>				16,614	20,603	23,552	25,869	27,793

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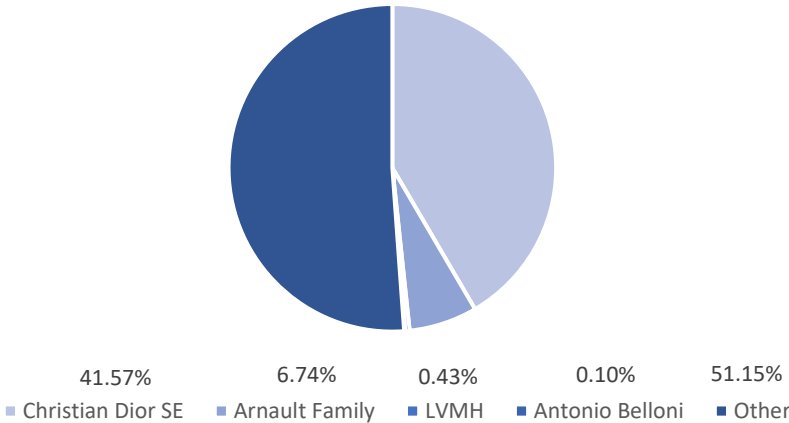
# Shareholder Ownership

## Ownership Analysis

- The Arnault family owns Financière Agache, which holds 97.5% of the shares of Christian Dior and 7% of LVMH. Dior owns 41,57% of the shares of LVMH. The Arnault family holds 48.3% of the shares in circulation and 57% of the votes, thus they control the company.
- LVMH's largest shareholder is mainly chairman and CEO Bernard Arnault and his family, who own 48.4% of the company. However, thanks to double voting rights, they hold 63.9% of all votes and fully control LVMH. The notable owner is also managing director Antonio Belloni with 0.1% ownership.

 <b>CHRISTIAN DIOR SE</b>	41.57 %
<b>Arnault Family</b>	6.744 %
 Amundi Asset Management SA (Investment Management)	1.728 %
 Crédit Mutuel Asset Management SA	0.7303 %
 <b>LVMH</b>	0.4349 %
 Groupe des Assurances du Crédit Mutuel SA	0.4115 %
 Générali Investments Europe SpA SGR (France)	0.3963 %
 Predica Prévoyance Dialogue du Crédit Agricole SA (Invst Port)	0.3931 %
 Lyxor International Asset Management SAS	0.3703 %
 La Mondiale SAM (Investment Portfolio)	0.3282 %

Shareholder Ownership



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# Competitive Landscape

Company	EV/ LTM Sales	EV/ LTM EBITDA	Strategy	Structure
<b>CHANEL</b>	Privately Owned	Privately Owned	<ul style="list-style-type: none"> <li>Increased classic model pricing, introduced purchase quotas to boost exclusivity, maintaining an image of ultra-luxury</li> </ul>	<ul style="list-style-type: none"> <li>Operates in high-end fashion, beauty, and jewelry. Predominantly known for fashion, with significant revenue also from fragrances and accessories</li> </ul>
	17.98x	42.74x	<ul style="list-style-type: none"> <li>Price stability focus, selectively adjusted in high-demand areas, upholding exclusivity through scarcity</li> </ul>	<ul style="list-style-type: none"> <li>Specializes in luxury goods across leather, lifestyle accessories, home furnishings, and ready-to-wear. Notably high revenue from leather goods and silk products</li> </ul>
	2.96x	12.21x	<ul style="list-style-type: none"> <li>Prioritizes sustainability, digital innovation, targeting youth with modern designs</li> </ul>	<ul style="list-style-type: none"> <li>Overarches several luxury fashion and accessory brands. Significant revenue streams from Gucci and Yves Saint Laurent among other fashion houses</li> </ul>
	3.96x	15.52x	<ul style="list-style-type: none"> <li>Emphasizes digital expansion, client experience to grow in high-luxury markets</li> </ul>	<ul style="list-style-type: none"> <li>Focuses on jewelry, watches, and writing instruments. Cartier and Van Cleef &amp; Arpels as key revenue drivers within their high jewelry vertical</li> </ul>
	3.97x	14.92x	<ul style="list-style-type: none"> <li>Integrates modern aesthetics with digital initiatives, enhancing customer engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Luxury fashion, leather goods, and footwear form its core business. Ready-to-wear and leather goods significantly contribute to its revenue split</li> </ul>
	1.7x	8.3x	<ul style="list-style-type: none"> <li>Fuses British heritage with digital modernity, sustainability, and innovative outreach</li> </ul>	<ul style="list-style-type: none"> <li>British luxury fashion including ready-to-wear, accessories, fragrances, and cosmetics. Notable for outerwear; accessories and ready-to-wear clothing are main revenue segments</li> </ul>

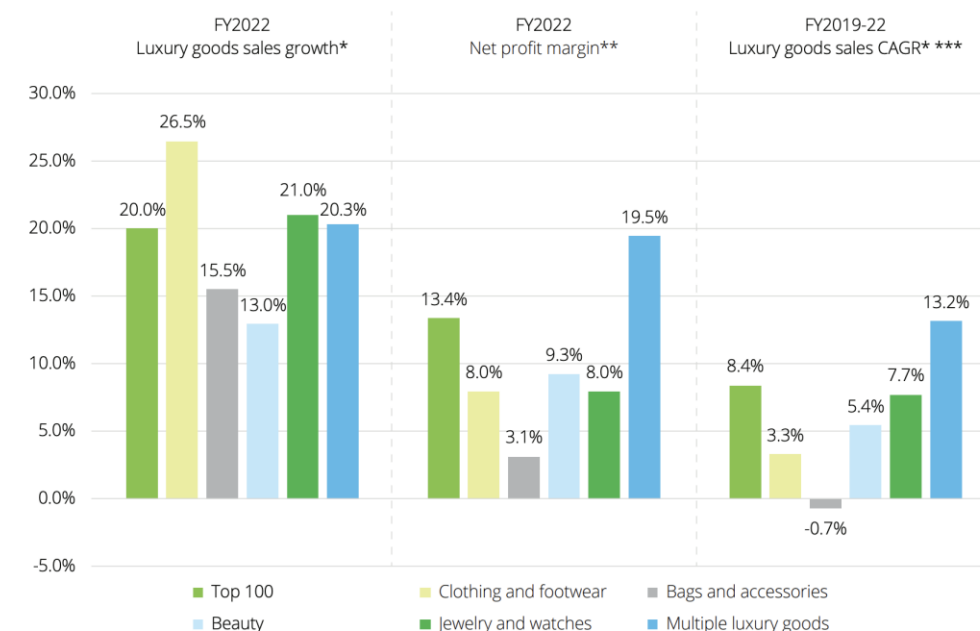


# Industry Trends

## Industry Breakdown

Industry Overview (USD)	
Key Industry Averages	
Total Debt/EBITDA	0.33 – 4.74
EBITDA margin	3% - 30%+
EV/EBITDA	7 – 45
P/E Ratio	10 – 250
Market share of top 5 players	~40%
Global Industry	
Total revenues	~27 Trillion
Forecasted 5-year revenue growth	~47 Trillion

Performance by product sector, FY2022



\* Sales-weighted, currency-adjusted composites

\*\* Sales-weighted composites

\*\*\* Compound annual growth rate

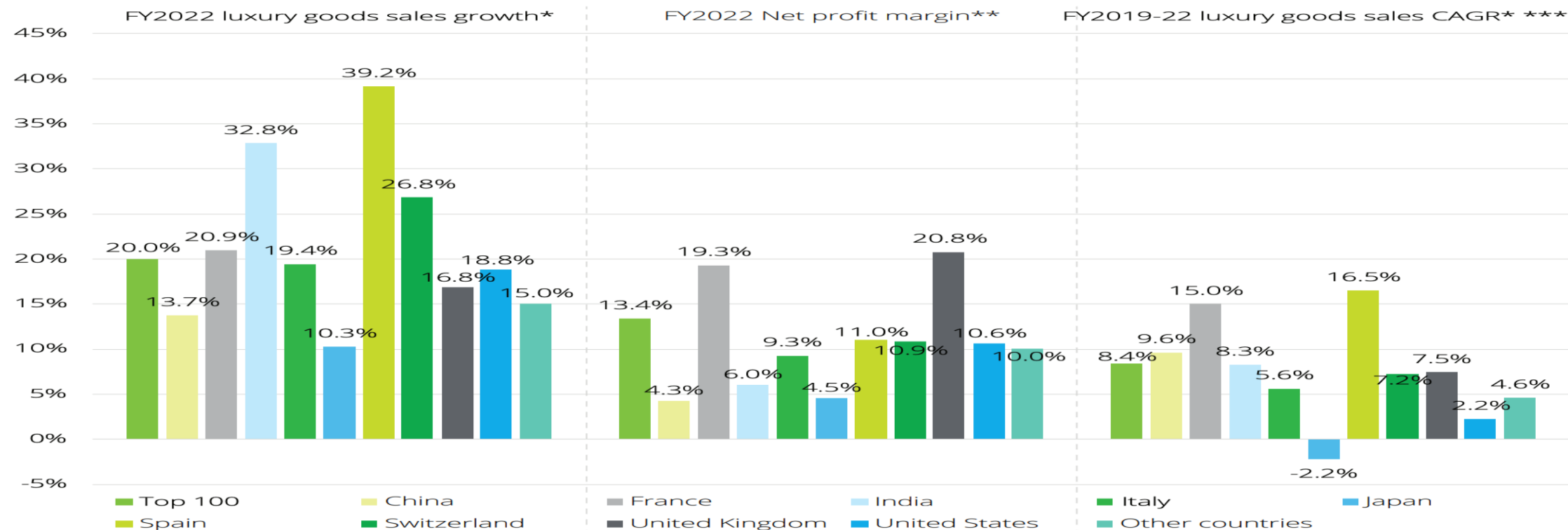
Source: Deloitte Touche Tohmatsu Limited, Global Powers of Luxury Goods 2023. Analysis of financial performance and operations for financial years ending within the 12 months from 1 January to 31 December 2022 using company annual reports, industry estimates, and other sources.



# Industry Trends

## Industry Breakdown

### Performance by country, FY2022



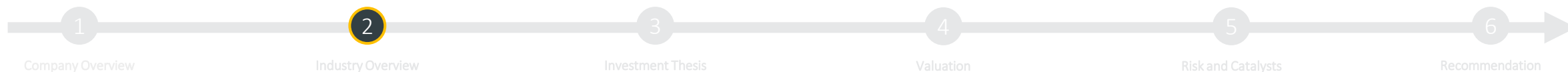
\* Sales-weighted, currency-adjusted composites

\*\* Sales-weighted composites

\*\*\* Compound annual growth rate

Switzerland: Net profit margin based on data from two companies

Source: Deloitte Touche Tohmatsu Limited, Global Powers of Luxury Goods 2023. Analysis of financial performance and operations for financial years ending within the 12 months from 1 January to 31 December 2022 using company annual reports, industry estimates, and other sources.



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# Rationale

## 1 Diverse Luxury Portfolio

- LVMH boasts over 75 iconic brands, providing strong risk diversification and a competitive advantage anchored in its rich brand heritage.

## 3 Agile Business Model

- Its decentralized structure fosters innovation and a swift response to market trends, bolstered by significant digital investments.

## 5 Global Expansion

- The company's strategic forays into emerging markets drive its global presence and help balance market risks.

## 2 Leadership and Resilience

- Under Bernard Arnault's vision, LVMH has adeptly navigated market changes and grown through strategic acquisitions.

## 4 Financial Stability

- LVMH's consistent financial performance and growth in profitable segments lay a solid groundwork for future success.

## 6 Commitment to Sustainability

- LVMH's commitment to sustainability and ethical practices aligns with modern values and enhances its luxury leadership stance.

## Conclusion

- The combination of LVMH's remarkable brand diversity, strategic leadership, innovative model, and financial health, along with its commitment to ethical practices, makes it an attractive investment in the luxury sector, positioned for sustained value creation.



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# Historical Share Performance

## Key Events & Share Price Drivers



- **Nov 2019** – LVMH reaches agreement to purchase Tiffany & Co.
- **Mar 2020** – Coronavirus outbreak hits the globe, causing a sharp downturn in the vast majority of stocks
- **Jan 2021** – LVMH releases full year results for 2020
- **Jul 2021** – LVMH releases results for first half of 2021
- **Jan 2022** – LVMH releases full year results for 2021
- **Jul 2022** – LVMH releases results for first half of 2022
- **Jan 2023** – LVMH releases full year results for 2022
- **Jul 2023** – LVMH releases results for first half of 2023
- **Jan 2024** – LVMH releases full year results for 2023

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# Comparables Analysis

## Comparable Company Rationale

- We have chosen the main competitors that LVMH Moët Hennessy has. Since it is a conglomerate we have chosen companies that represent the different segments that the company has.
- All the chosen companies are luxury brands as it is the primary sector in which our company operates.
- Regarding competition, the group is one of the strongest with a well-defined target market and a highly differentiated strategy.

Company Name	SYMBOL	STOCK PRICE	MARKET CAP	EV	EV/REVENUE			EV/EBITDA			PRICE/EARNINGS		
					2021	2022	2023	2021	2022	2023	2021	2022	2023
Kering SA	KER.PA	364,9	44730	57970	3,29x	2,85x	2,96x	11,55x	10,37x	12,21x	14,08x	12,38x	14,99x
Christian Dior SE	CDI.PA	767,5	138470	166090	2,59x	2,10x	1,93x	9,71x	7,91x	7,37x	28,00x	23,89x	21,97x
Compagnie Financière Richemont SA	CFR.SW	137,47	80730	78970	6,01x	4,72x	3,96x	53,18x	20,87x	15,52x	62,05x	38,92x	257,92x
Hermès International Société en commandite par actions	RMS.PA	2387	250000	241430	26,88x	20,81x	17,98x	68,39x	50,09x	42,74x	102,21x	74,25x	57,99x
The Swatch Group AG	UHR.SW	207,88	10650	8510	1,14x	1,11x	1,06x	8,16x	7,20x	7,00x	13,65x	12,94x	12,01x
Burberry Group plc	BRBY.L	1422,59	5100	6140	2,25x	1,86x	1,70x	10,10x	10,06x	8,30x	11,64x	11,04x	8,92x
Hugo Boss AG	BOSS.DE	54	3730	4350	1,56x	1,19x	1,04x	18,95x	12,33x	10,70x	27,17x	17,80x	14,43x
Moncler S.p.A.	MONC.MI	68	18380	18770	9,17x	7,21x	6,29x	32,21x	24,23x	21,00x	46,71x	30,30x	30,04x
L'Oréal S.A.	OR.PA	433,95	232040	236410	7,32x	6,18x	5,74x	38,44x	31,73x	29,04x	50,48x	40,66x	37,52x
Pandora A/S	PNDORA.CO	152,94	12480	13790	4,39x	3,89x	3,65x	17,78x	15,25x	14,61x	22,37x	18,50x	19,63x
<b>LVMH Moët Hennessy - Louis Vuitton, Société Européenne</b>	<b>MC.PA</b>	<b>821,8</b>	<b>410530</b>	<b>438140</b>	<b>6,82x</b>	<b>5,53x</b>	<b>5,09x</b>	<b>25,57x</b>	<b>20,85x</b>	<b>19,22x</b>	<b>27,05x</b>	<b>29,15x</b>	<b>34,11x</b>

HIGH	26,88x	20,81x	17,98x	68,39x	50,09x	42,74x	102,21x	74,25x	257,92x
MEDIAN	4,39x	3,89x	3,65x	18,95x	15,25x	14,61x	27,17x	23,89x	21,97x
MEAN	6,49x	5,22x	4,67x	26,73x	19,17x	17,07x	36,85x	28,17x	46,32x
LOW	1,14x	1,11x	1,04x	8,16x	7,20x	7,00x	11,64x	11,04x	8,92x





# Discounted Cashflow Analysis

## Valuation Summary

**Cumulative PV of Free Cash Flow** **88,353**

### Terminal Value

Terminal Cash Flow 27,793

Perpetual Growth Rate 2.5%

Cost of Capital 8.5%

**Terminal Value in 2028** **461.688**

Implied EV / EBITDA (x) 9x

Terminal EBITDA (2028) 51,487

LVMH Exit EV / EBITDA (x) 13x

**Terminal Value in 2028** **669,337**

### Blended terminal value

Perpetual growth rate 50%

Exit multiple 50%

**Blended TV 28** **586,422**

**PV of Terminal Value** **389,639**

**Enterprise Value** **477,991**

Bridge (11,288.0)

**Equity Value** **466,703**

Fully Diluted Shares Outstanding 499.5

**SC. Price** **906.5€**

Current Price 798.1€

*Expected Return* *13.6%*

## Sensitivity Analysis

Perpetual Growth	WACC					
	906.5	12.0%	10.0%	+ 8.5%	8.0%	7.0%
	1.5%	\$ 668.54	\$ 766.31	\$ 862.38	\$ 904.20	\$ 1000.52
	2.0%	\$ 676.05	\$ 779.01	\$ 882.54	\$ 928.48	\$ 1036.59
	+ 2.5%	\$ 684.36	\$ 793.41	<b>\$ 906.05</b>	\$ 957.16	\$ 1080.67
	3.0%	\$ 693.60	\$ 809.86	\$ 933.80	\$ 991.59	\$ 1135.76
	3.5%	\$ 703.91	\$ 828.84	\$ 967.09	\$ 1033.67	\$ 1206.61

Exit Multiple %	Exit Multiple					
	906.5	10x	12x	13x	15x	17x
	30.0%	\$ 789.62	\$ 830.72	\$ 851.26	\$ 892.35	\$ 933.44
	40.0%	\$ 796.70	\$ 851.49	\$ 878.88	\$ 933.67	\$ 988.46
	+ 50.0%	\$ 803.77	\$ 872.26	<b>\$ 906.50</b>	\$ 974.99	\$ 1043.48
	60.0%	\$ 810.85	\$ 893.03	\$ 934.12	\$ 1016.31	\$ 1098.49
	70.0%	\$ 817.92	\$ 913.80	\$ 961.74	\$ 1057.63	\$ 1153.51

Discount Rate: **8.5%**

Perp. Growth Rate: **2.5 %**

FDSO: **499.5 million**

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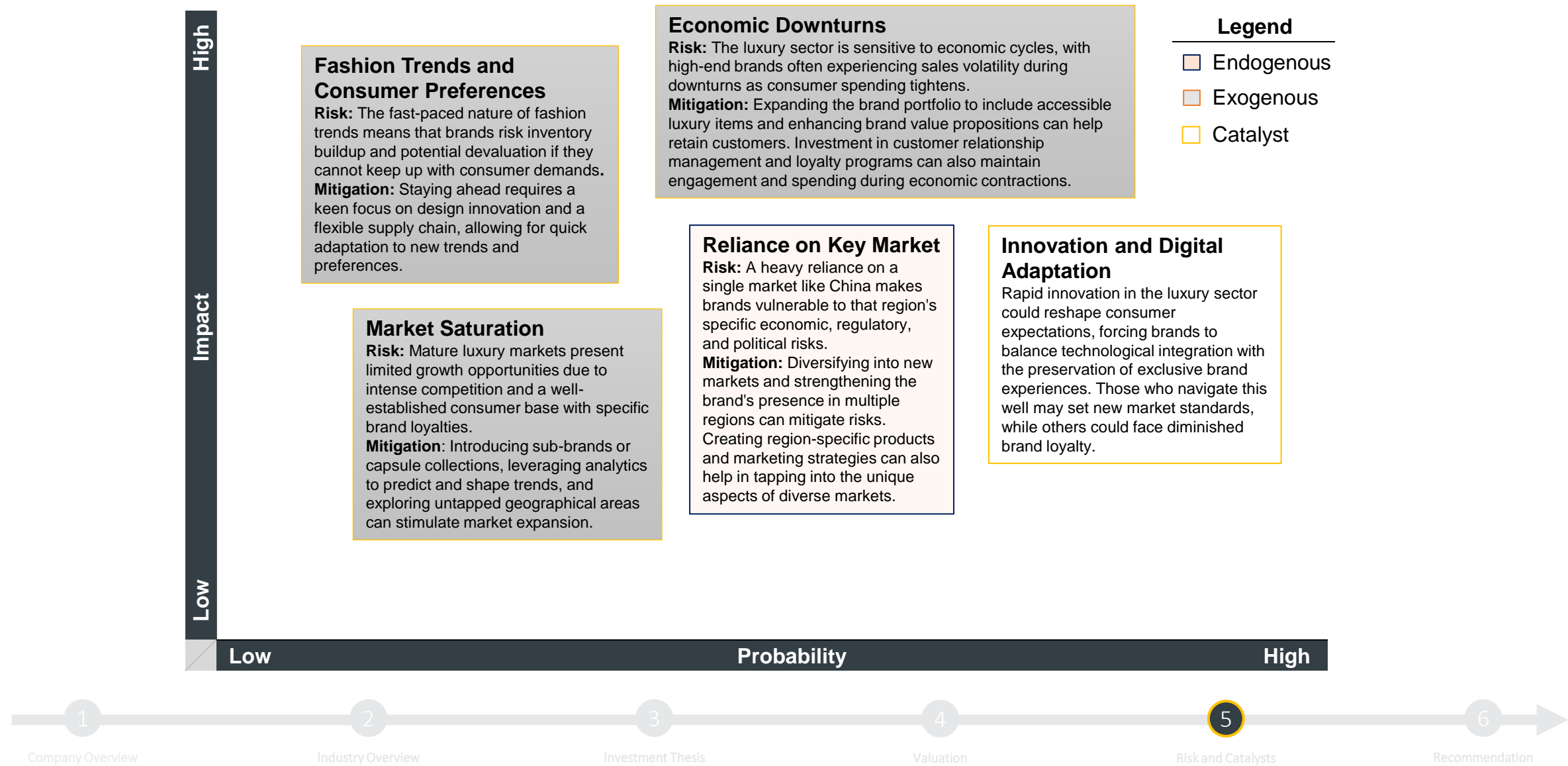
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# Risk Considerations and Potential Catalysts



# The Four W's

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## What do we like?

- Diverse Portfolio: wide range of iconic luxury brands offers significant market diversification and resilience against sector-specific downturns.
- Strategic Leadership: The proven leadership of Bernard Arnault and strategic long-term vision have driven consistent growth and innovation.
- Financial Performance: strong track record of robust financial health, supported by high-margin segments and a solid global footprint.
- Commitment to Sustainability: LVMH's focus on sustainability and ethical practices aligns with consumer trends and mitigates regulatory risks.

2

## What do we not like?

- Market Saturation: The luxury market, particularly in mature regions, faces risks of saturation, which could slow down growth.
- Dependency on Key Markets: significant reliance on the Chinese market introduces geopolitical and economic risks.
- Digital Disruption: The accelerating pace of digital innovation in retail presents continuous adaptation challenges.

3

## What needs to happen?

- Market Expansion: Continued expansion into emerging markets and further development of e-commerce capabilities are crucial for sustaining growth.
- Innovation: Ongoing investment in digital transformation and product innovation to stay ahead of consumer trends and competitive pressures.

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## What do we need to learn more about?

- Future Growth Drivers: Further analysis is needed on potential new growth drivers, including emerging market trends and the impact of digital technologies on consumer behavior in the luxury sector.

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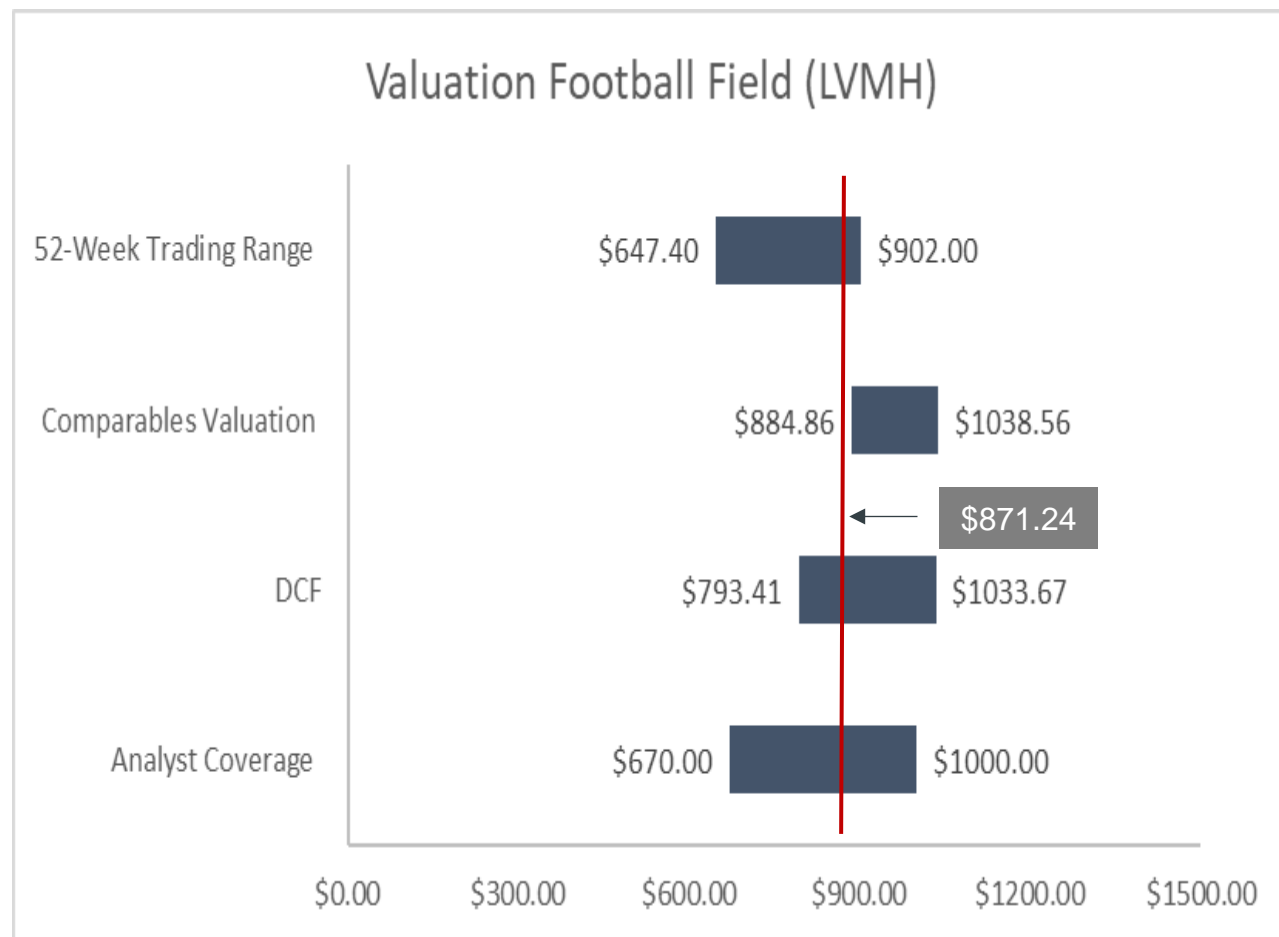
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# Buy With a Price of \$.....



## Price Target

**Equity Value** + 452,810.0

Fully Diluted Shares Outstanding 499.5

**SC. Price** 906.5€

Current Price 798.1€

Expected Return 13.6%

Our target stock price is **906.5€**. Since the stock is trading below **800€**, we would recommend to **buy**

