

### Analysts

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### Basic Information

Last Closed Price	€403.00
12M Target Price	€481.26
+/- Potential	+19.4%
Bloomberg Ticker	MC
GICS Sector	Consumer Discretionary
GICS Sub-Industry	Apparel & Luxury Goods

### 1Y Price v Relative Index



### Company Description

LVMH is a family-run group, with a diverse portfolio of 75 houses, ranging across 6 segments from fashion and leather houses to hospitality companies. The company also spans across 70 countries with a total of 4,600 stores.

### Key Financials

Market Cap	204.194B
Basic Shares O/S	505.43M
Free Float	49.89%
52-Wk High-Low	€242.30 - €404.55
Fiscal Year End	31-Dec-2019

(€ M)	FY18A	FY19 E	FY20 E	FY21E
Revenue	46,826	53,228	59,003	65,901
Gr Rate (%)	9.8	13.7	10.8	11.7
NI	6,472	7,448	8,288	9,286
Margin (%)	13.57	13.99	14.05	14.09
ROE	21.41	19.32	19.00	18.84
ROA	9.79	9.46	9.74	9.94
ROIC	17.56	18.01	19.32	20.89

### Key Executives

**Bernard Arnault** Chief Executive Officer  
Chairman of LVMH since 1989

**Antonio Belloni** Group Managing Director

We are initiating coverage of Moet Hennessy Louis Vuitton with a BUY rating and a €481.26 12M price target.

### 1H19 Earnings Highlights

- Recorded revenue of €25.1B with organic growth of 15%, on track to surpass 2018 figures with 1H2018 revenue growth of 13.9%, operating profit up 14% from 2018
- Fashion and Leather Goods remain their strongest revenue driver, with organic revenue growth of 18% due to continued strength in the Chinese Market and success following acquisition of Christian Dior Couture with strong growth particularly in France to bounce Q2 2019 revenue by 15%
- Application of IFRS16 resulted in an increase of net debt from €7359M to €8684M, partly due to Belmond Hotels acquisition
- LVMH maintains a 25% gearing ratio up from last year's 23% after IFRS16 implementation despite increased debt, due to strong and sustainable cash flows from growing business segments, with operating free cash flow at €1.7B

### Investment Thesis

- Strong track record of strategic acquisitions** to increase market share and diversify risk in luxury goods market strengthens LVMH's portfolio creating deep economic moats against competitors
- Steady expansion of business in China** to capitalise on the continual growth in China's consumer spending in the luxury goods market following the luxury boom via the Wines and Spirits segment and controlled digital expansion
- Consistent earnings without an overextended balance sheet** despite business growth allow LVMH to maintain consistently high margins without excessive debt levels ahead of competitors

### Catalysts

- Ongoing discussions regarding an all-cash acquisition of Tiffany & Co. to strengthen foothold in Jewellery market and build synergy amongst existing brands
- Policy easing in China through the Chinese commercial bank's cut in medium-term loan rates and forecasted easing of monetary policy will increase liquidity to the Chinese economy and encourage increased spending, thus allowing LVMH to capitalise on their increasingly large Chinese market

### Valuations

Our 12M price target from date of coverage is **€481.26**. Valuation was derived through weighted price blend obtained from a Discounted Cash Flow model, and a Comparable Company Analysis.

### Investment Risks

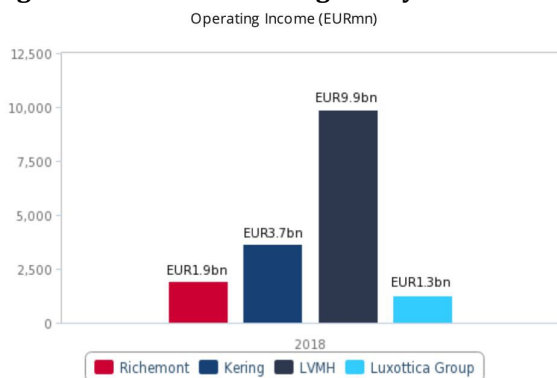
- Rise of ESG-aware consumers** who are aware of the environmental impact of the fashion industry may alter demand patterns due to increased popularity in the resale market
- QE in Eurozone may not translate into increased consumer spending** due to a decrease in consumer confidence in Europe, with a negative interest rate
- Reliance on Chinese consumers:** Increasing reliance leaves the company exposed to change of spending preferences amidst US-China trade war and mark-ups compared to European goods

**Figure 1. LVMH Company Structure**



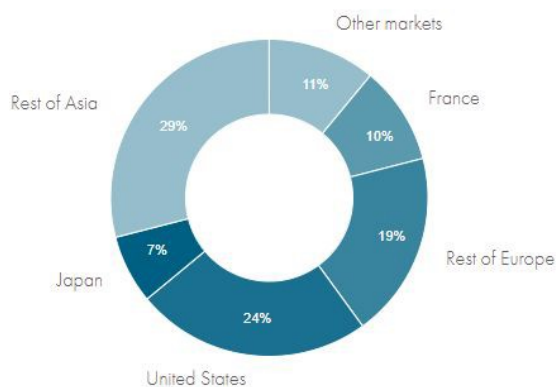
Source: LVMH Business Groups

**Figure 2. LVMH as a leading luxury Maison**



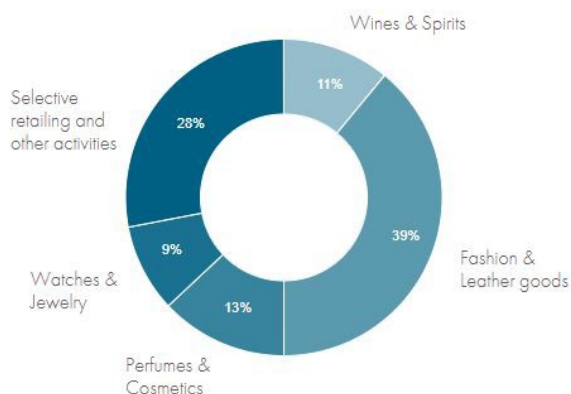
Source: FitchSolutions

**Figure 3. Revenue by Region (2018)**



Source: LVMH Annual Report

**Figure 4. Revenue by Segment (2018)**



Source: LVMH Annual Report

## Company Overview

LVMH is the largest luxury Maison in the world with the highest revenue at €9.9bn in 2018 as compared to its competitors in the same industry; such as Kering with an income of €3.7bn. LVMH is owned by the Arnault family within which, comprises of 75 different luxury houses that belong 6 segments; Wines and Spirits, Fashion and Leather Goods, Perfume and Cosmetics, Watches and Jewellery, Selective Retailing, and Other Activities. Other activities include journalism and preservation of culture through the acquisition of buildings such as the La Samaritaine.

LVMH provides a diversified offering of goods and services, not only in the fashion market but also in the luxury hotel market. In Q2 FY19, the company acquired Belmond with the purchase of \$25 per Class A shares in an all-cash acquisition.. The total equity value amounted to \$2.6 billion with the enterprise value at \$3.2 billion. As such, this adds luxury hotels to the company's diversified portfolio, on top of its current product offerings with Belmond operating 46 properties globally.

In Q2 FY17, LVMH acquired Christian Dior Couture with €12.1 billion. The latter has been established as a strong fashion brand with €2.5 billion in net profits in FY18, a 13.9% growth from FY17. This acquisition increases the synergies between Christian Dior and LVMH for a greater growth potential. The result of which was an LVMH share increase of 4.9% post-acquisition.

## 3Q19 Earnings Review

- Year to date revenue grew 16% compared to 2018, reaching €38.4 billion
- Organic revenue growth up 11% compared to the same period in 2018 reflecting continuing trends of strength in Chinese consumers despite economic uncertainty
- Growth largely attributed to outstanding performance in Fashion and Leather Goods with 18% organic growth in 1st 9 months including a 4% positive currency impact
- 6% revenue growth in selective retailing segment; DFS stores recently opened in Hong Kong curbed by protests, but was bolstered by strong response by Sephora's online sales and inaugural store opening in Auckland
- On track to produce good results in Q4, Hong Kong riots to represented a less than significant impact

## Industry Outlook

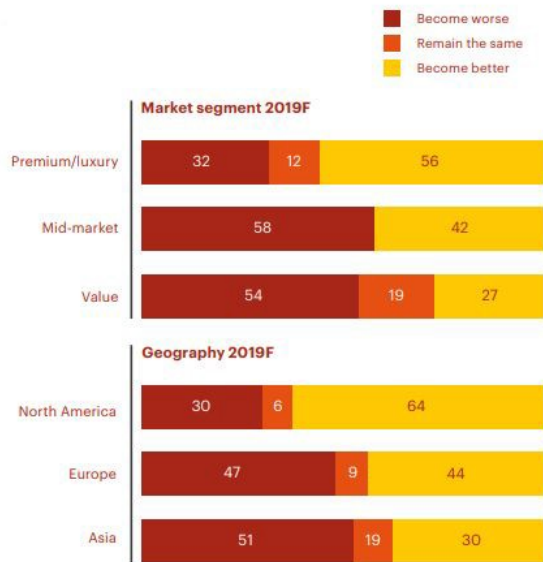
### Luxury in fashion remains a strong sector of growth amid fluctuations

Recent pessimism arising from the US-China trade war and tariffs of fashion products has caused uncertainty in the market. Additionally, the increasing presence of eCommerce as a disruptor to the industry has forced smaller players out, while larger players have circumvented this challenge by adopting an omni-channel sales approach. However, challenges have shown to be more significant in the mid-market sector as they appeal to middle-income groups, who are more price sensitive. However, larger luxury players like LVMH have the size and versatility to "self-disrupt" and continue to target a market which is less price-sensitive. (add details)

### China remains as a strong growth driver for luxury goods

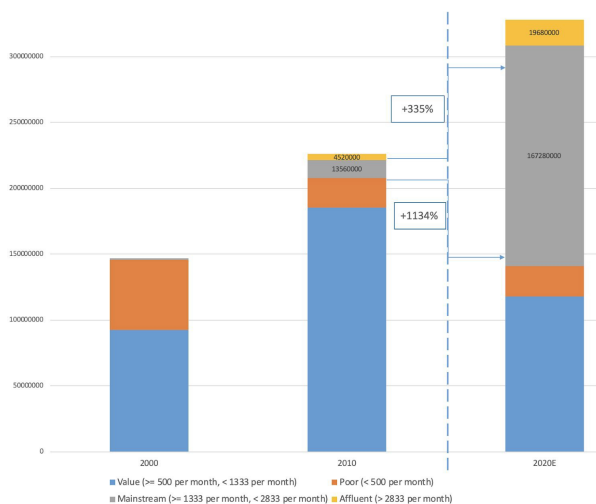
China's luxury spending has played an increasingly large role in the global luxury market in the last 5 years. Consumers of this demographic have been increasing in relation to the proportion of other worldwide consumers, from making up 19% of the total luxury market in 2012 to 31% in 2018.

**Figure 5. Fashion Market Segments and Geographic Outlook**



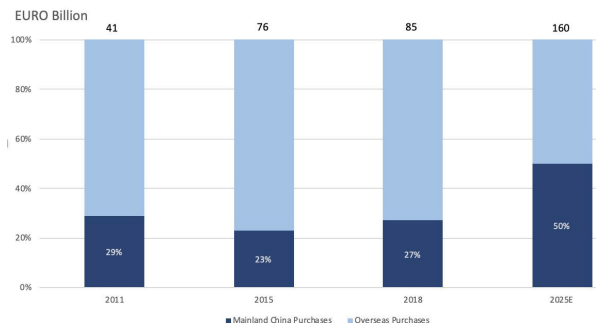
Source: McKinsey 'State of Fashion'

**Figure 6. Growth in China's Upper-Middle class households**



Source: McKinsey report

**Figure 7. Channel breakdown for luxury spending in China**



Source: Bain & Company report

### Growth in spending among upper-middle class household

The total Chinese luxury spending is forecasted to increase by 1.6x in 2025, to RMB 1,227 billion, constituting 40% of the global luxury market. This is associated to the drastic increase the upper-middle class households with a growth of an estimated 28% on an annual basis and 350 million people in China earning between \$2,600 and \$3,500 per month by 2025.

In Asia, the burgeoning middle-class households have greatly contributed to the growth of the luxury market. It is forecasted that the total participation in the market (inclusive of second and third tier countries) will increase to 400 million by 2020.

### Shift in Chinese luxury demographic:

#### 1. Post 80's

China's post 80's generation is a key player in the country's luxury goods market, fueling the consumption of luxury products. This 'Generation Y' makes up more than half of the total expenditure on luxury in 2018, amounting to 10.2 million luxury consumers and RMB415 million spent, with an average per-capita expenditure of RMB41,000 per year.

#### 2. Post 90's

China's post 90's generation is currently following in the footsteps of its earlier generation in its luxury consumption behaviour. With luxury products such as streetwear targeting this generation, they spend RMB25,000 per year on luxury products; As upper-middle class parents support their children luxurious spendings with a constant top of at least RMB 4,000 per month.

The proportion of Generation Z spenders make up 6.7 million spenders that total up to RMB 170 billion in 2018.

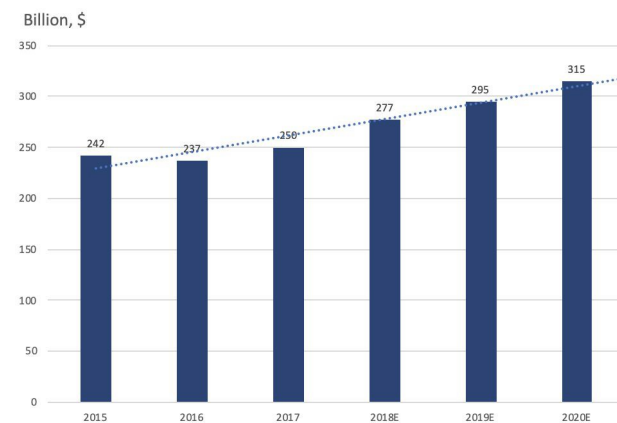
### Chinese consumer market repatriation

In 2018, domestic Chinese expenditure represented 27% of Chinese luxury goods spending, with remaining purchases conducted abroad to avoid an average 35% markup in China. Chinese government is clamping down on travellers returning with luxury products. According to the McKinsey report, 70% of the upper-middle class households who splurge on luxury products, often purchase their items from abroad. Sales in Korea's Duty-free shops were primarily attributed to Chinese tourists, where the same group was the key driver for the growth of the country's duty-free shops to an all-time high of \$13.6 billion. The government aims to prevent *daigou*; small time arbitrage for luxury goods purchases abroad with new laws in 2019 which fine such acts have been put in place across eCommerce platforms (Taobao & WeChat) as a step up to keep the spending within the country. The clampdown will affect the global luxury market, decreasing luxury company shares. On October 10 2018, LVMH and Kering shares fell by 7.7% and 9.7%, respectively, As such, a Bain & Co. report projects that by 2025, domestic spending will rise to 50% of the Chinese luxury goods expenditure, leaving greater opportunity and incentive for luxury brands to tailor their products and price range to capture as much of the Chinese market.

However, even with the implementation of laws against *daigou*, the Chinese domestic market for luxury goods will continue to grow and absorb the difference as there remains a strong demand for top brands as "luxury staples". In China, top luxury brands like Louis Vuitton, Givenchy and Chanel remain a strong form of social currency especially with new entrants middle-upper income class. Similarly, demand for luxury items as a symbol of status amongst the affluent is not expected to be diminished by these laws, as fashion-forward

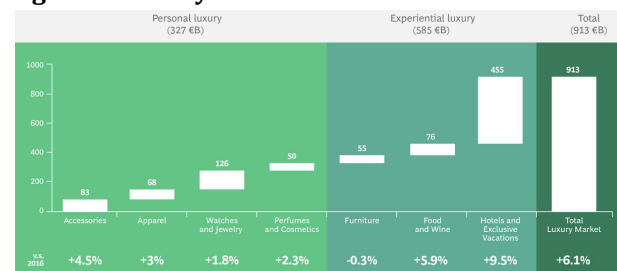


**Figure 8. Expenditure of outbound tourists from 2015 to 2020**



Source: McKinsey report

**Figure 9. Luxury model in 2017**



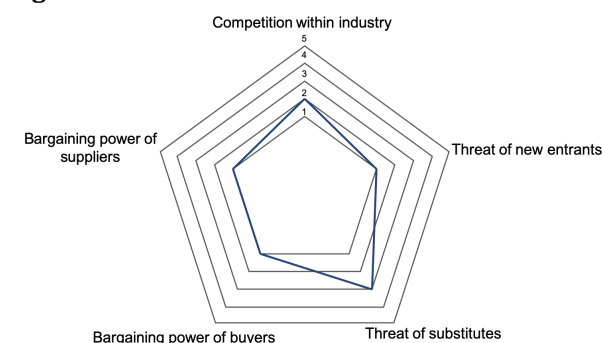
Source: Boston Consulting Group

**Figure 10. Emerging trends in the luxury market**



Source: CBInsights

**Figure 11. Porters' Five Forces**



Source: NUS Investment Society estimates

pieces at a higher price point will stand as the differentiating factor between the affluent and upper-middle income.

## Shifting of Luxury Consumption Patterns

### Increased Millennial Expenditure

In 2025, millennial (born 1978 to 1992) expenditure is projected to constitute 50% of the global luxury market in 2025, up from 32% today. In addition, the Generation Z (born in 1993 to 2001) is expected to have a great influence on the changes that will occur in the luxury market. While they only make up 4% of the market, they are estimated to increase to 8% by 2020.

### Shifting of luxury consumption pattern

With millennials taking an increasingly larger percentage of fashion retail consumption, it has brought rise to the 'sophisticated' consumer. Sustainable sourcing has become an increasingly popularised concept when it comes to the purchase of a luxury good. A study showed that 73% of surveyed millennials were more willing to spend more on products that promote sustainability and social responsibility.

### Luxury vs Technology

Consumers are increasingly demand for a 'phygital' experience when purchasing luxury goods. Luxury brands are also attempting to use CGI or AR to attract the tech-savvy Generation Z shoppers. For example, Balmain used CGI models to show off its 2019 pre-fall collections as a means to incorporate into shoppers' experience to create a memorable experience and immerse consumers into the brands' evolving stories.

### Experience Over Material

With the growth experienced by the market, luxury experience is also on the rise with the growth of luxury hospitality, gourmet food and fine dining, and luxury cruises at 5%, 6% and 7%, respectively. As more millennials start to opt for the luxury experiences, the experiential segment is estimated to account for 1/3 of the global luxury market by 2022.

### Shift in fashion trends

As Generation Z or millennials make up an increasing proportion of consumers in the luxury market, luxury streetwear is gaining popularity where brands such as Supreme and Stussy have developed a cult-like following. In addition, luxury brands such as Gucci and Louis Vuitton are adopting and embracing characteristics from streetwear to cater to the preferences of Generation Z and millennials. As such, the former's total sales doubled in 2018, of which 55% was attributed to consumers under the age of 35.

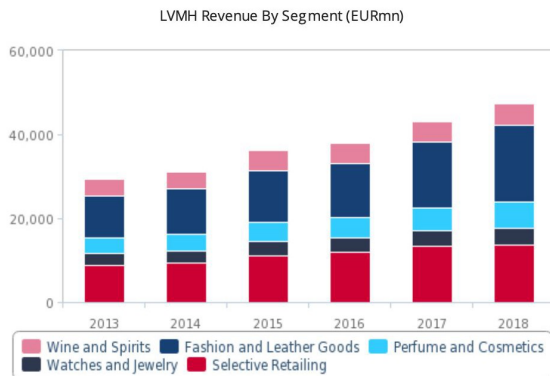
## Porter's Five Forces

Considering the industrial tailwinds stated above, we analysed LVMH's unique position as a well-diversified conglomerate via Porter's Five Forces diagram. It is observed that the expected competition within the industry will be low as LVMH has a market share far greater than its competitors. Due to the high barriers to entry for this market, it is unlikely that there will be new entrants to the market in the near future. We also see a trend in consumers that they demand for higher quality products, sustainably-produced products in an omni-channel platform, which in turn will increase the expectations of a higher-priced product from LVMH.

### Competition within industry - Low

LVMH remains the world's largest luxury conglomerate ahead of peers Richemont Group and Kering Group by market capitalisation. €200 billion against €40.8 billion and €65.7 billion. LVMH is also the only luxury conglomerate to include the 5 business segments, with

**Figure 12. Total Income contribution by Segments from 2013 to 2018**



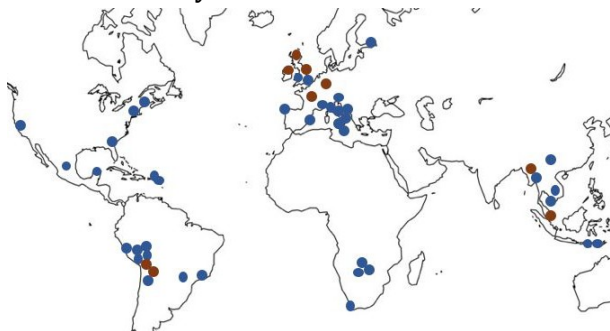
Source: FitchSolutions

**Figure 13. TIF net income growth in Q4 2019 as compared to industry growth**

Net Income Growth	Company	Industry
<a href="#">Y / Y Growth</a>	382.9 %	9.86 %
<a href="#">Q / Q Growth</a>	215.49 %	247.2 %
<a href="#">5 Year Avg. Growth</a>	7.1 %	1.01 %

Source: CSIMarket

**Figure 14. Belmond's global footprint in the tourism industry**



Source: sec.gov

**Figure 15. Global Market share of brands or conglomerates in Luxury Jewellery space**



Source: Bloomberg

Kering in only 3. As LVMH continues to build its track record of strategic acquisitions, we expect them to continually capture greater market share with relative ease, while reducing their competitor's share in the overall luxury market.

#### Threat of new entrants - Low

Renowned luxury brands often involve a rich history and high brand equity built by years of quality and a pristine reputation. Hence, it is unlikely that there are any new entrants to the market which will develop with enough speed to rival LVMH as a whole, in the near future.

#### Threat of substitutes - Moderate

There is a threat of substitutes with the saturation of the luxury market. However, LVMH brands have strong brand equity hence customer loyalty, common in the luxury market. Customer loyalty also decreases the power of substitute threats, with 86% of luxury consumers being part of at least one loyalty program, resulting in better retention rates. However, their retention rates are also a factor of their brands being able to spot and set fashion trends ahead of peers. This can be difficult compared to the fast-fashion market as trends flow from luxury couture brands downward, with a delay in market feedback.

#### Bargaining power of buyers - Low

LVMH consumers range from middle to high income classes who are able to afford the product offerings. In addition, brands under LVMH are luxury companies that produce quality products. This will reduce bargaining power as they will become less price sensitive as they focus more on quality than price.

#### Bargaining power of suppliers - Low

The supplies LVMH needed are fairly standardised for the production of its products. This means that switching costs will be low and suppliers have relatively low bargaining power over the company as it is easy for LVMH to switch its suppliers. Furthermore, some of the company's suppliers such as ArteCad were acquired by LVMH. This causes bargaining power of suppliers to be of a much weaker force because the inputs are now directly owned by the company.

### Investment Thesis

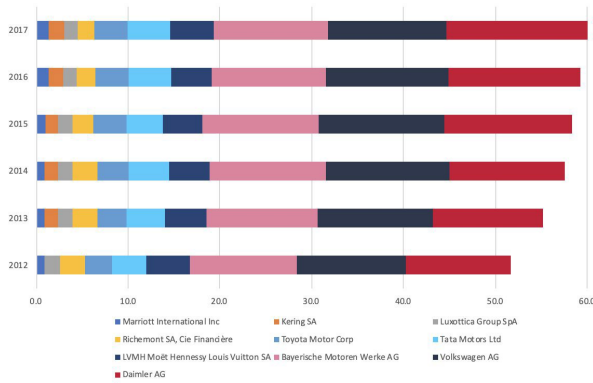
#### 1. Strong track record of acquisitions to boost market share

LVMH is financially well-positioned to execute strategic mergers and acquisitions of key players within business segments, which has resulted in a diverse and balanced portfolio. The outcome today is 75 luxury brands within 5 segments, where organic growth due to the success of their luxury brands are complemented by pipeline acquisitions to capture a greater market share in lacking segments. The following examples aim to exemplify the company's ability to shadow competitors by sheer size and financial ability, thereby increasing their lead as the largest name in luxury.

#### Tiffany & Co. Acquisition Discussions

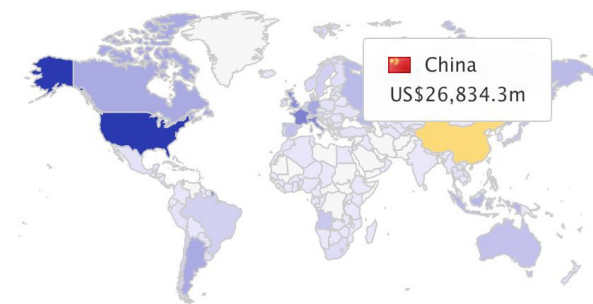
LVMH is currently undergoing discussions for an acquisition of Jeweller, Tiffany & Co. Since Tiffany & Co. has been profitable and FCF positive for the last 10 years and has a manageable D/E of 31%, the acquisition would directly add to revenue streams from the Watches and Jewellery segment. An acquisition will also allow LVMH to enter the Watches and Jewellery space at a different price point from their existing range under the Bulgari name, at the very high end. As the target demographic shifts towards a younger crowd, Tiffany & Co. will be able to build marketing synergies with LVMH's existing expansive network outside of US, and effective marketing strategies. Tiffany & Co. has remained a home-grown brand of US, a geography

**Figure 16. Growth in LVMH company share from 2012 to 2017, Top 10 luxury companies**



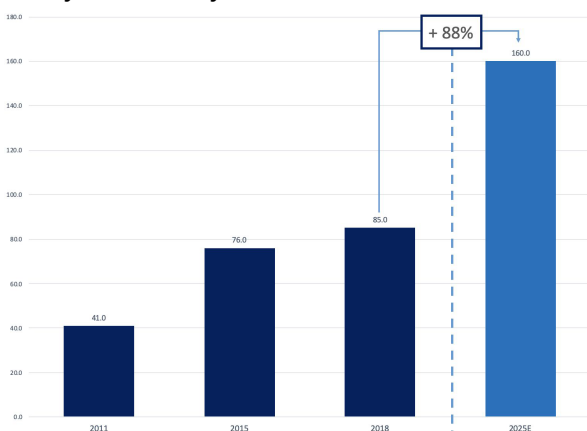
Source: Euromonitor

**Figure 17. Global comparison China's wine market volume with China as third highest wine revenue in 2019**



Source: Statista

**Figure 18. Steady increase in Mainland China's luxury market beyond 2018**



Source: Bain & Company report

which LVMH is intending in pushing growth in. Thus, it will add significant diversification as one of the largest jewellery companies in the world in the relatively small portfolio of LVMH's watches and jewellery segment.

This is apt as it allows LVMH to increase segment revenue in a segment which saw percentage of revenue decreasing (9.2% to 8.7%). With LVMH's consolidated market share for Jewellery standing at 10.8% compared with its biggest rival, Richemont, at 14.8%, the successful acquisition of Tiffany & Co would position LVMH as market leader, with a combined market share of 18.4%. LVMH would be able to regain a stronger footing in the US market, currently representing 25% of revenue, through Tiffany & Co.'s established network.

This props LVMH into being the market leader for another one of its segments, and elucidates how LVMH continuously attempts to boost its market share and solidify its moats going forward. LVMH possesses the ability to acquire and expand Tiffany & Co, unlike competitors who may stand to benefit from acquiring the company themselves, but are currently unable to. Apart from regaining strength the US domestic market, and acquiring strategic retail real estate that Tiffany & Co sits on in New York, LVMH will also be able to utilise their networks to drive aggressive expansion in China to combat new Chinese laws regarding consumer repatriation; an area they currently have expertise in.

#### Belmond Ltd Acquisition to penetrate luxury hotel and leisure market

In April FY19, LVMH acquired Belmond which operates luxury hotels, luxury train services, and river cruises in two dozen countries for \$2.6b all-cash. Properties under this include Hotel Cipriani in Venice and locations like Portofino, and Rio de Janeiro. Activities following the acquisition will be reported in Q419 and it is expected that this adds significantly to LVMH's extensive portfolio via expansion in the luxury leisure segment. This is in line with clear trends in the luxury industry towards experiential rather than material purchases.

Such an expansion in the luxury hospitality sector further synergises their current portfolio, with luxury luggage brand Rimowa also under LVMH's belt. Belmond's heritage, its innovative services and excellence in execution resonates well with LVMH's values, while directly complementing their own Cheval Blanc maisons and the Bvlgari hotel activities. As such, Belmond will be able to take advantage of a wider range of experiential packages within the LVMH luxury hospitality range to further solidify the brand experience in a growing market of experiential luxury, ahead of material luxury. LVMH will gain an edge ahead of competitors in this sector, while diversifying its portfolio with new businesses and high-value real estate which Belmond's hotels sit on.

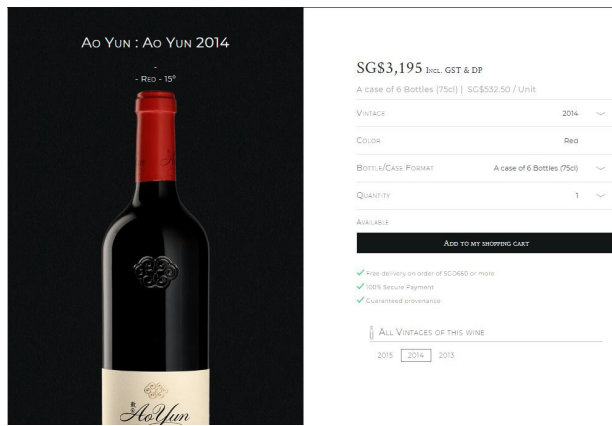
#### Geographical Diversification

LVMH's strategic acquisitions in creating a well-diversified portfolio in brand and business segment is further bolstered by a diversification of geographical risk. This ensures that cash receipts are received from different geographies and potentially serves as a natural hedge for LVMH - which in turns reduces margin fluctuations due to currency exchange fluctuations. This also aids LVMH in reducing exposure to trade war tariffs and retaliatory boycotts which enable LVMH to maintain market dominance over other revenue segments and geographies. As such, LVMH has not suffered any significant detrimental impact as a result of the trade war tariffs, and is able to benefit from the expenditure in both regions.

Hence, this helps stabilize operating cash flow as net income fluctuations in the forex market has a limited effect

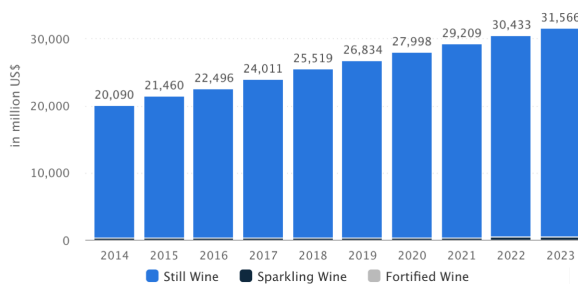


**Figure 19. Ao Yun Wine**



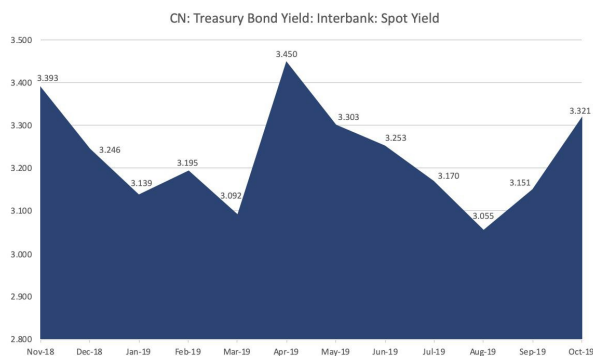
Source: Millesima.sg

**Figure 20. Forecast of China's wine revenue until 2023**



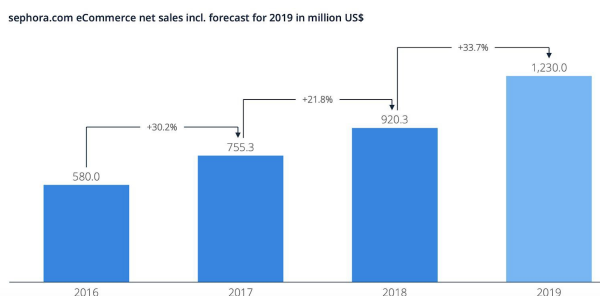
Source: Statista

**Figure 21. SHIBOR interbank rate**



Source: National Interbank Funding Center

**Figure 22. Net sales growth on Sephora.com from 2016 to 2019**



Source: Statista

## 2. Steady expansion of business in China

China currently represents 29% of LVMH's revenue, followed by 24% in the USA. With forecasts of a burgeoning middle class in China, increased consumer expenditure on luxury goods and a large population, China's market represents significant opportunity for LVMH.

### China Wine

LVMH is in the process of penetrating the Chinese luxury wine market with Ao-Yun, hand-grown in Shangri-La city and sold as an high-end wine with Vineyards in China, with bottles retailing at USD\$500 and above. Following its first 2013 vintage, the release of the 2015 vintage in fine-dining restaurants, luxury hotels and high-end wine shops will come in Q419, coinciding with China's alcohol market's shift in preference. The market had once been stiff, but the post-80s and post-90s generation are significantly more open to trying new brands of alcohol than the baby-boomer generation. Hence, growth is expected to be derived from China's new wave of affluent class, in line with their desire and willingness to spend on experiential luxury. Furthermore, Ao Yun appeals to the increasing number of high-net-worth individuals while elevating the status of home-grown luxury, a piece of nationalistic pride for Chinese consumers LVMH may attempt similar projects to capture this portion of the Chinese alcoholic beverage market for other ranges of products, and hence further expand their market share in the Chinese market.

In 2018, the 20% of production for AoYun was sold in China with the other 80% sold worldwide, however, China's demand plays a key role in building AoYun's brand. As the wine originated from vineyards that spanned across Adong, Xidang, Sinong and Shuori, the local product will be able to easily gain the support of Chinese through national pride. While there are many regions suitable for vineyards, much of it is either exported or used by China-domiciled wineries. The largest competitor in Changyu which owns majority of the Chinese red wine market share.

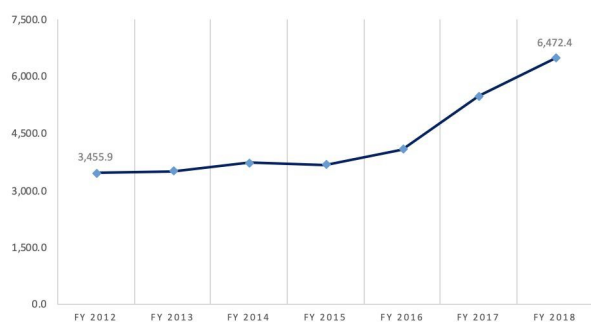
However, with the changing tastes in the rising middle-upper class and Generation Z Chinese, and with AoYun targeting a niche market, LVMH is set to penetrate the Chinese market with a unique approach. Furthermore, the increasing proportion of domestic spending in China will help to promote the sales growth for AoYun. In addition, LVMH's historic expertise in the wine and distillery process will enable AoYun to succeed at a higher rate over existing competitors.

### Controlled Digital Expansion in China

In June 2019, Louis Vuitton launched a Mini Programme on WeChat; a sub-app within the WeChat application. The Mini Programme served as an editorial and promotional programme targeted to create a more personal relationship with real-time customer service, and build brand awareness. Currently, WeChat captures 79% of the Chinese instant messaging market, boasting 1.1B Monthly Active Users, of which more than 80% are Millennials.

To capture the growth of millennial luxury expenditure amidst the eCommerce trend, a promotion was run to garner new subscribers, reflected potential for growth, gaining LVMH 35,000 page views within a month. Instead of creating its own eCommerce chain, LVMH's mini programme entails specific functions - editorial content, retail store information and customer service to complement and complete ecosystem. With the added information gained from the customers when subscribing, they are also able to analyse their demographic and any changing preferences, allowing LVMH to further customise their products to suit interests.

**Figure 23. Historical Net Income from 2012 to 2018**



Source: NUS Investment Society Estimates

**Figure 24. Historical bar chart of LVMH's revenue by segment since 1990s**



Source: Bloomberg

**Figure 25. Projected Net Income**



Source: NUS Investment Society Estimates

Known to take a cautionary approach in digital expansion to avoid brand deterioration, this move by LVMH displays their aggressive expansion into the Chinese market to create a strong foothold. Currently, the Chinese luxury market is status-driven, which LVMH is trying to shift away from as trends point towards a more sophisticated future consumer. We expect to see more LVMH brands adopt similar strategies following this pilot programme, considering its relatively low cost compared to a standalone application, and the ease of accessibility for China's existing WeChat users. Meanwhile, the mini-programme remains new and we are expecting to see a steady increase in usage and exposure on the one-billion-user platform in the next year.

Overall, with added industry tailwinds such as China's policy easing and decreases in taxes to aid consumer repatriation, we view digital expansion as a strong means of attracting and boosting sales within China. The adoption of an omni-channel strategy will facilitate newer consumers entering the luxury market, and retain sales within China.

### 3. Increasing net income and free cash flow without overextending their balance sheet

Over the past 10 years, LVMH has been steadily increasing their net income at a rate of 15% CAGR while also increasing cash flows. Gross and operating margins have also remained steady at 65% and 20% respectively while gearing has not increased significantly (hovering between 25 - 35% for the past 10 years). LVMH has achieved all this in the face of continuous acquisitions throughout the past decade, mainly through all-cash acquisitions of companies which hold significant market share and brand equity. LVMH's long track record of gradually accreting to their total equity without taking on excessive debt is indicative of stellar management and inherent structural advantages in their decision-making culture. We believe LVMH will be able to continue doing so, with ROIC projected to grow from 17.56% to 20.89% indicating better use of future investments into the business.

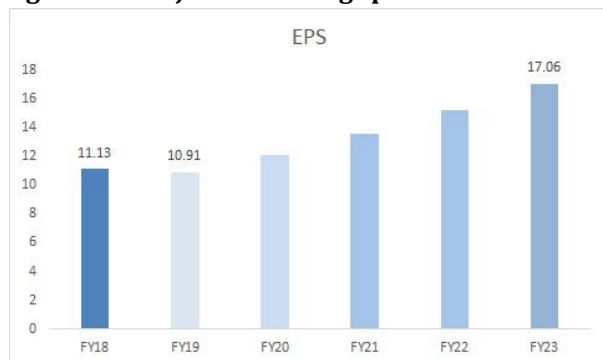
Compared with other competitors like, Richemont, whose net income has fluctuated significantly over the past 10 years (including a 30% decrease in net income from 2013 to 2017), LVMH also boasts consistent increases in its net income as mentioned above. LVMH is projected to continue doing so, with net income projected to increase at slightly over 10% CAGR for the next 5 years. LVMH also regularly conducts share buybacks and has been increasing annual dividends by 14% YoY for the past 5 years. This ensures LVMH's future net income growth will be translated into EPS growth. As a result, while FY18 EPS stands at 11.13, and 1HFY EPS at 11.41, we expect this to grow in the next 12M. Since stock price increases generally from an increase in EPS, and in turn, net income, we strongly believe LVMH's stability compared with competition and its potential to increase net income and cash flows will be a fundamental tailwind thrusting the company in the near future.

### Catalysts

- **Plans to acquire Tiffany and Co.** in an all-cash acquisition of \$14.5bn will strengthen LVMH's position in its Watches & Jewellery segment. This acquisition will allow the company to have an established brand in the sector to compete with other established and well-known brands such as Cartier. In addition, Tiffany has the potential for a growth of 11% and 15% of its total revenue for Asia and Japan.



**Figure 26. Projected Earnings per Share**



Source: NUS Investment Society Estimates

**Figure 27. WACC Calculation**

**Weighted Average Cost of Capital**

Targeted Capital Structure (D/E ratio)	38.3%
Tax Rate	33.00%
Adj Beta	1.144
Risk Free Rate	1.50%
Market Risk Premium	6.65%
Country Risk Premium	0.69%
<b>Cost of Equity</b>	<b>9.90%</b>
Credit Spread	0.63%
<b>Pre-Tax Cost of Debt</b>	<b>2.13%</b>
Debt / Value	27.7%
Equity / Value	72.3%
<b>WACC</b>	<b>7.55%</b>

Source: NUS Investment Society Estimates

**Figure 28. Gordon Growth Method**

Gordon Growth Method	
Terminal Growth Rate	2.69%
Terminal Value	331,709.42
PV of Terminal Value	230,503.70
PV of FCFF	49,126.54
Implied Enterprise Value	279,630.24
Less: Debt	-7,046.00
Add: Cash	4,610.00
<b>Implied Equity Value</b>	<b>277,194.24</b>
Share Count	503.92
Equity Value/Share	550.08

Source: NUS Investment Society Estimates

A large part of this is owed to the “repatriation consumption” by the Chinese government and a subsequent lowering of domestic sales tax. Thus securing higher revenues in Watches & Jewellery segment while expanding market share against competitors.

- **China’s plans to increase policy easing** in the next few quarters by is likely to improve chinese consumer sentiment and bolster languishing economic growth in China. Chinese commercial bank cut medium-term loan rate for the first time since 2016. State council also signalled that authorities will ease monetary policy with targeted cuts to the reserve requirement ratio (RRR) for banks to increase liquidity to the chinese economy. All these can lead to increased consumer spending on leisure and consumer products, all of which LVMH is poised to capture from their increasing exposure in China.

## Financial Analysis

Financial Ratios	Historical	Forecasted				
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
EBITDA	12,238	13,038	14,427.43	16,067.40	17,884.46	19,969.67
Operating Margin	21.04%	19.57%	19.60%	19.62%	19.64%	19.66%
Net Margin	15.53%	13.99%	14.05%	14.09%	14.12%	14.15%
ROE	21.41%	19.32%	19.00%	18.84%	18.69%	18.63%
ROA	9.79%	9.46%	9.74%	9.94%	10.07%	10.14%
NOPAT	7,092	7,501	8,325	9,309.05	10,398.01	11,653.78
Invested Capital	40,379	41,651	43,088	44,563.15	46,207.92	47,975.79
ROIC	17.56%	18.01%	19.32%	20.89%	22.50%	24.29%

### Overview:

LVMH remains in a financially strong position which is governed by discipline, and aided by a large margins as a consequence of the nature of their luxury products. Most indicators yield a positive trend and support our overall BUY recommendation.

### Liquidity Supported by Cash

LVMH is also expected to remain cash flow positive, with operating cash flow growing at 13% CAGR, and free cash flow growing at 14% CAGR. This ties in well with their growing CAPEX while expanding their businesses by geography and new sectors like luxury hospitality.

LVMH’s strong position in cash further aids in its liquidity, having a stable current ratio of 1.4 in FY18 and 1.15 in 1H19, the lowest achieved in the last 10 years. In comparison, it’s competitor, Richemont has a current ratio of 2.56 in 1H19. Considering LVMH’s liabilities of €16.8b, this ratio is reasonable, considerably so, when taking into account its cash buffer.

### Low Credit Spread

LVMH manages to maintain a very low credit spread of 0.63%. This is attributed to the issuance of debt at near-0% coupon rates. Gearing currently stands at 16.2%, allowing a large degree of flexibility to pursue further acquisitions to expand and diversify revenue streams. We expect LVMH to maintain levels of debt that are safe while providing them an extended reach.

### Wider Margins and Return on Assets

The company also boasts a high ROA of 9.79% attributed by a growing net income margin of 13.57%. LVMH’s tight discipline on prices which are almost never discounted, and their product’s added ability to demand higher prices will add to their ability to grow consistently. Operating margin in FY18 was 21%, and we expect this upward trend to continue especially with a further expansion into the digital retail space which would add to their stable in-store retail sector.

**Figure 29. Projected Return on Assets**



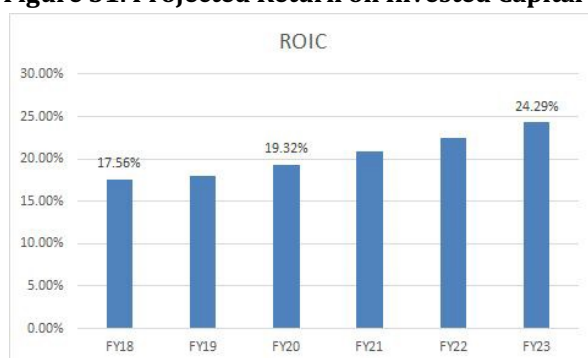
Source: NUS Investment Society Estimates

**Figure 30. Projected Operating Margin**



Source: NUS Investment Society Estimates

**Figure 31. Projected Return on Invested Capital**



Source: NUS Investment Society Estimates

**Figure 32. LVMH Long Term Growth Rate**

Country	Long Term Growth Rate	Weightage by Revenue	Terminal Growth Rate
China	6.30	29.85%	2.69
Europe	1.40	19.23%	
USA	1.90	23.81%	
France	0.50	9.49%	
Japan	0.50	7.33%	

Source: NUS Investment Society Estimates

## Valuation

Valuation Price Target: €481.26 (+19.4%)

### DCF Model

A Discounted Cash Flow Model was used to estimate the intrinsic value of LVMH's share. The model adopts a 5-year forecast period, given the limitation in projecting China's growth within the luxury market, while taking into consideration the extent of impact on LVMH's revenue. We also use a 5-year forecast as the likelihood of LVMH making further acquisitions is high, and would significantly impact the projected value of the company.

### Relative Valuation

A comparable company analysis was conducted as a sensibility check against our DCF Model. LVMH was compared with other competitors in the market which were considered luxury conglomerates, and contest LVMH for market dominance in similar business segments. Our primary comparable metrics were a +1 FY P/E ratio and a +1 FY EV/EBITDA ratio.

### Revenue Growth

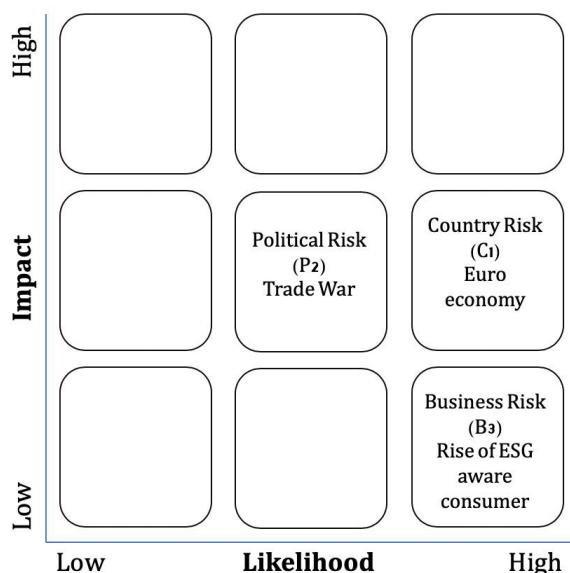
Revenue growth for LVMH is supported by 1 key driver: accelerated growth in the Asian market.

We foresee LVMH's increase in revenue to be driven by the company's supply and demand dynamics supported by their position as a well-diversified luxury conglomerate. On the demand side, we believed that LVMH will enjoy continued economic mobility within Asia leading to the increased percentage of the middle income and middle-upper income, and consequently higher revenue growth in the near future.

With LVMH being a global conglomerate, the revenue model was first split by geography to account for different rates of growth in different countries. After which, they were divided into the respective product segment. In the Wines and Spirits segment, future revenue was projected based on estimated bottle volume sales in both the Champagne and Cognac market. For other segments, such as selective retailing and perfumes and cosmetics, revenue growth was based on an estimated increase in the number of brick and mortar stores. As online sales statistics is still not published by LVMH, we associate recent revenue in stores to be associated with their digital expansion. This is especially since LVMH still maintain a large number of stores in their selective retailing segment. We expect revenue to experience the most robust growth in the Fashion and Leather Goods segment due to continual strong demand from the Chinese market. Consequently, we have estimated that Asia (excluding Japan) will still maintain a larger percentage of the market share, ahead of Europe and France where any significant increase in market share is less likely.

On the supply side, LVMH benefits from their strong in-store retail demand and will continue to adhere to demand trends by opening new stores in Asia. This will also be supported by growth in their online digital presence, which will maintain synergies between their in-store retail branches. Such services will serve to update the in-store experience of the new-age sophisticated consumer. LVMH's manufacturing plants are largely based in Europe, and will continue to see growing cost increments proportional to their sales growth, without any alarming shifts as a result of being insulated by recent trade tariffs when shipping from Europe to the rest of the world. The recent opening of another factory in Texas will also allow them to avoid any import tariffs to help boost their production and sales within the US, thus keeping costs stabilised in a growing luxury market.

**Figure 33. Investment Risk Matrix**



Source: NUS Investment Society Estimates

**Figure 34. 10 Year Eurozone rates**



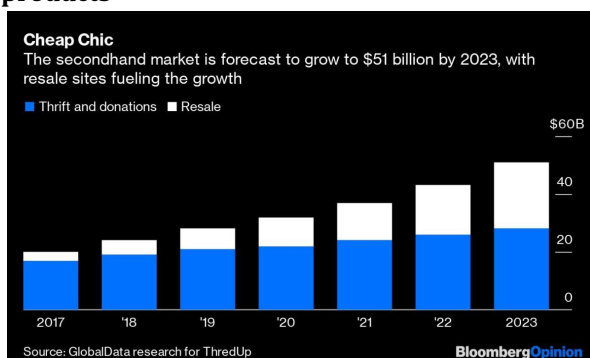
Source: Euromonitor

**Figure 35. Declining consumer confidence index in Eurozone**



Source: Tradingeconomics.com

**Figure 36. Growing market on used luxury products**



Source: Bloomberg

Due to the strength of these drivers, we project consistent growth over the forecast period despite economic uncertainty and a reduced CCI among developed economies. It is worth noting that expectations for China's accelerated growth were shown in a growth premium which was compared against a relatively stable geography (Europe excluding France). This resulted in higher revenue across all segments and hence higher product revenue, but remains in line with current projected trends in the market.

### Terminal Growth

In our DCF model, a blended long-term growth rate of 2.69% was used. The long term growth rates are weighted by LVMH revenue mix by region. The long term growth rate by regions was derived from the weighted GDP growth rate of the respective regions. While LVMH is a global brand, its revenue is largely based in China, and is on a charted path for growth. Thus, this makes LVMH's terminal growth rate more sensitive to any changes in the long-term growth rate of China.

### Weighted Average Cost of Capital

To calculate Beta, linear regression of LVMH's stock prices were ran against the CAC index for a period of 2 Years on a weekly basis then averaged and adjusted. CAPM was used to estimate the Cost of Equity, while a risk-free rate and the weighted average interest rate of LVMH was used in calculation of the Cost of Debt. Tax shield was taken into account as LVMH pays income tax for their operations.

### Investment Risks

#### Country Risk (C1)

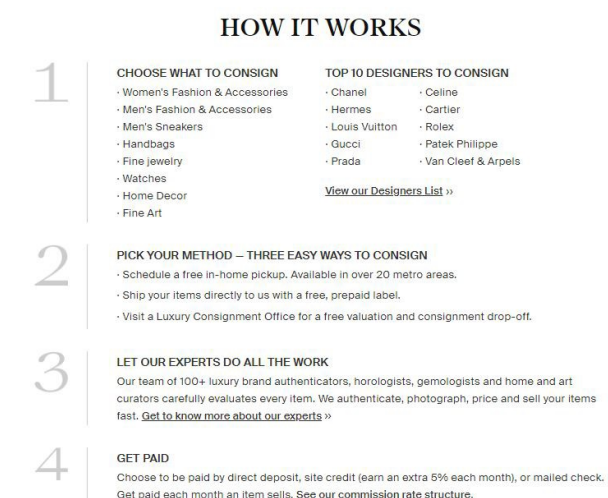
**QE in Eurozone may not translate into increased consumer spending:** The European Central Bank announced its plans to change its quantitative easing by pushing interest rates into negative territory and cutting its bank deposit rates to -0.5%. To allow the ECB to purchase €20 billion worth of bonds to increase the banks' reserves at a low interest rate. In addition, the ECB also reduced forecasted inflation rates to 1.2% and 1% in 2019 and 2020, respectively. While this programme is used to increase consumer spending with a decrease in inflation and an increase in banks' excess reserves to promote money lending, the QE is not effective increasing consumer spending. This is because negative interest rates will lead to a much lower bond yield, which consumers may not feel safe holding due to the much lesser returns they can obtain (especially for pension funds). Furthermore, with the weakening GDP from 2.4% to 2%, consumer confidence among Europeans has been decreasing to an index of -7.4 in Oct 2019. While it is estimated to increase to -3.4 in 2020, the index still falls within the negative range. Hence, indicating that consumers in Eurozone have less certainty about their financial prospects and will most likely save rather than spend.

#### Political Risk (P2)

**Reliance on Chinese consumers:** LVMH revenue in Asia market is mostly reliant on Chinese consumers, of which most are from the upper-middle class. 70% of the class are outbound Chinese who travel overseas to purchase luxury products. However, the recent clampdown on the purchase of overseas products to avoid import taxes has reduced the number of Chinese consumers who purchased their luxury goods internationally, but increased domestic spending. In addition, with the recent US-China trade war, prediction was made in August 2019 that US will impose a 25% tariff on US 300 billion worth of China imports. Therefore, possibly causing a 0.4% decrease in China's GDP. Furthermore, 79% of respondents for a survey by Chinese Central Bank said that they would rather save, indicating a lack of consumer confidence.



**Figure 37. The RealReal Website**



Source: [therealreal.com/consign](https://therealreal.com/consign)

Despite so, this risk can be maintained as demand for LVMH product remains stable with Chinese consumers still willing to purchase products from the French company; continually leading consumption for luxury products from both home and abroad. Consequently, this over-reliance on the Chinese to generate revenue exposes the company to a country risk as a decrease in luxury consumption or demand among the Chinese, may lead to a drastic change in LVMH revenue.

### Business Risk (B3)

**Rise of ESG-aware consumers** are growing as environmental awareness becomes more widespread amongst developed countries.

According to an 2019 EU fashion report, recent demands reflecting purchase spikes during seasonal releases has driven fast-fashion brands such as Zara to release 24 collections per annum, up from 2 collections per annum on average in 2000. With the fashion industry's emission expected to rise by 63% by 2030, trends show a shift towards a circular economy; enhanced popularity for used-goods conducted via growing resale platforms.

Resale eCommerce platforms like 'The RealReal' allow second hand luxury products to retain their value amidst the rise in popularity for landmark designer pieces known as "grail pieces". This may reduce the sales for new releases by LVMH's fashion houses and impact revenue as consumer awareness continues to rise. Nonetheless, the impact of this phenomenon may be limited to mid-tier fashion houses and fast fashion, as purchases of current products from high-end luxury brands are also subject to speculation of future price appreciation on the resale market as long as LVMH brands retain their brand equity and status. Furthermore, the target market for luxury goods may not view the novelty of used-goods in the same light as other income groups, and their contribution to resale market may be limited.

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## Pro-Forma Financial Statements

### LOUIS VUITTON MOET HENNESSY

#### Financial Projections

	Historical	Forecasted				
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Income Statement</b>						
Revenues	46,826.00	53,228.10	59,003.26	65,901.51	73,533.82	82,335.35
COGS	15,625.00	18,225.12	20,202.52	22,564.45	25,177.73	28,191.34
Less: Depreciation & Amortization	1,958.00	2,620.26	2,865.17	3,138.17	3,442.78	3,783.86
Gross Profit	31,201.00	35,002.98	38,800.74	43,337.06	48,356.09	54,144.01
Less: OPEX	-21,347.00	-24,585.14	-27,238.49	-30,407.82	-33,914.42	-37,958.19
Operating Income	9,854.00	10,417.83	11,562.26	12,929.24	14,441.68	16,185.81
Interest Expense	80.13	72.92	50.97	32.70	20.33	0.00
Pretax Income	9,773.87	10,344.91	11,511.29	12,896.53	14,421.35	16,185.81
Income tax expense	2,499.00	2,896.58	3,223.16	3,611.03	4,037.98	4,532.03
Net Income	7,274.87	7,448.34	8,288.13	9,285.50	10,383.37	11,653.78
<b>Balance Sheet</b>						
<b>Total Assets</b>						
Cash & Equivalents	4,610.00	4,076.86	5,398.34	7,937.26	11,301.99	15,831.06
Accounts receivable	3,222.00	3,626.41	4,019.86	4,489.84	5,009.83	5,609.47
Inventory	12,485.00	14,242.12	15,787.36	17,633.11	19,675.27	22,030.28
Other ST Assets	3,234.00	3,606.56	4,022.03	4,485.37	5,002.08	5,578.33
Total Current Assets	23,551.00	25,551.94	29,227.60	34,545.59	40,989.17	49,049.13
PPE, net	15,112.00	16,198.24	17,377.31	18,683.52	20,128.19	21,741.30
PPE	26,323.00	29,110.31	32,200.04	35,651.00	39,501.63	43,813.16
Accumulated Depreciation	11,211.00	12,912.07	14,822.73	16,967.48	19,373.44	22,071.86
LT Investments	1,100.00	1,258.95	1,400.89	1,569.47	1,755.04	1,969.77
Other LT Assets	34,537.00	35,738.72	37,082.85	38,583.45	40,253.77	42,122.89
Total Noncurrent Assets	50,749.00	53,195.91	55,861.05	58,836.43	62,137.00	65,833.96
Total Assets	74,300.00	78,747.84	85,088.65	93,382.02	103,126.18	114,883.09
<b>Liabilities &amp; Shareholder's Equity</b>						
Revolver Facility/ST Debt	5,027.00	470.46	0.00	0.00	0.00	0.00
Account payables and accruals	8,310.00	9,294.78	10,303.25	11,507.84	12,840.61	14,377.54
Other ST Liabilities	3,496.00	3,826.65	4,241.83	4,737.76	5,286.45	5,919.21
Current Liabilities	16,833.00	13,591.89	14,545.08	16,245.59	18,127.06	20,296.75
LT Debt	6,005.00	6,712.00	4,862.00	3,227.00	1,963.00	1,263.00
Other LT Liabilities	17,505.00	19,898.30	22,057.23	24,636.01	27,489.21	30,779.49
Noncurrent Liabilities	23,510.00	26,610.30	26,919.23	27,863.01	29,452.21	32,042.49
Total Liabilities	40,343.00	40,202.19	41,464.32	44,108.61	47,579.27	52,339.24
Share Capital	4,748.00	4,748.00	4,748.00	4,748.00	4,748.00	4,748.00
Common stock	369.00	369.00	369.00	369.00	369.00	369.00
Retained Earnings	28,840.00	33,428.66	38,507.33	44,156.41	50,429.91	57,426.85
Total Equity	33,957.00	38,545.66	43,624.33	49,273.41	55,546.91	62,543.85
Total Liabilities & Equity	74,300.00	78,747.84	85,088.65	93,382.02	103,126.18	114,883.09

## Cashflow Statement

### Cash from operating activities

Net Income		7,448.34	8,288.13	9,285.50	10,383.37	11,653.78
Changes in accounts receivable		-404.41	-393.46	-469.97	-519.99	-599.64
Changes in accounts payable		984.78	1,008.47	1,204.59	1,332.77	1,536.94
Changes in Inventory		-1,757.12	-1,545.25	-1,845.75	-2,042.16	-2,355.00
Changes in other Assets		-372.56	-415.48	-463.34	-516.71	-576.24
Changes in other ST Liabilities		330.65	415.18	495.93	548.70	632.75
Add: Depreciation		1,701.07	1,910.66	2,144.75	2,405.95	2,698.42

**Cash provided by operating activities** **8,508.00** **7,930.76** **9,268.26** **10,351.70** **11,591.93** **12,991.01**

Change in LT Investments		-158.95	-141.95	-168.58	-185.57	-214.73
Change in other LT Assets		-1,201.72	-1,344.12	-1,500.60	-1,670.33	-1,869.12
CAPEX	-2,604.00	-2,787.31	-3,089.73	-3,450.96	-3,850.63	-4,311.53

**Cash from investing activities** **-3,457.00** **-4,147.98** **-4,575.80** **-5,120.14** **-5,706.52** **-6,395.38**

Dividends Paid		-2,859.68	-3,209.45	-3,636.42	-4,109.87	-4,656.85
LT Debt Additions (Repayment)		707.00	-1,850.00	-1,635.00	-1,264.00	-700.00
Other LT Liabilities		2,393.30	2,158.93	2,578.78	2,853.19	3,290.28
Issuance of common stock		0.00	0.00	0.00	0.00	0.00
Revolver proceeds / (payments)		-4,556.54	-470.46	0.00	0.00	0.00
<b>Cash from financing activities</b>		<b>-4,315.92</b>	<b>-3,370.98</b>	<b>-2,692.64</b>	<b>-2,520.68</b>	<b>-2,066.56</b>

**Net Change in Cash** **-533.14** **1,321.49** **2,538.92** **3,364.73** **4,529.07**

### Cash needed from the revolver

Cash available at beginning of period(BOP)		4,610.00	4,076.86	5,398.34	7,937.26	11,301.99
Minimum cash desired		7,984.21	8,850.49	9,885.23	11,030.07	12,350.30
Cash generated during the current year		7,930.76	9,268.26	10,351.70	11,591.93	12,991.01
<b>Cash surplus / (deficit)</b>		<b>4,556.54</b>	<b>4,494.63</b>	<b>5,864.82</b>	<b>8,499.12</b>	<b>11,942.70</b>

## Revenue

			Historical			Forecasted					
	Source	Units	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Year						Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Revenue Build											
Geography-Based Revenue											
Asia (Excluding Japan)	Annual Report	Euro '000,000s	9,922.00	11,938.96	13,579.54	15,887.56	17,662.99	19,784.64	22,135.09	24,847.43	27,918.31
United States	Annual Report	Euro '000,000s	10,004.00	10,658.12	11,238.24	12,672.53	13,883.16	15,304.29	16,866.95	18,649.37	20,649.55
Europe (Excluding France)	Annual Report	Euro '000,000s	6,825.00	8,100.84	8,896.94	10,237.17	11,426.61	12,864.31	14,459.74	16,312.15	18,417.24
Rest of the World	Annual Report	Euro '000,000s	4,408.00	4,689.96	5,150.86	5,477.99	6,037.33	6,699.28	7,430.08	8,268.36	9,213.34
France	Annual Report	Euro '000,000s	3,745.00	4,263.60	4,682.60	5,051.02	5,594.24	6,239.47	6,952.91	7,773.19	8,699.47
Japan	Annual Report	Euro '000,000s	2,696.00	2,984.52	3,277.82	3,901.82	4,398.94	5,009.52	5,689.05	6,484.86	7,394.09
Total Revenue	Calculation	Euro '000,000s	37,600.00	42,636.00	46,826.00	53,228.10	59,003.26	65,901.51	73,533.82	82,335.35	92,292.00
Annualised Growth	Calculation	%		13.4%	9.8%	13.7%	10.8%	11.7%	11.6%	12.0%	12.1%



# Segment-Based Revenue

## Wines And Spirits

Asia (Excluding Japan)	Annual Report/Calculation	Euro '000,000s	1,112.05	1,169.32	1,182.89	1,227.54	1,273.87	1,321.95	1,371.85	1,423.63	1,477.36
% rev	Assumption / Calculation	%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
United States	Annual Report/Calculation	Euro '000,000s	1,547.20	1,626.88	1,645.76	1,707.88	1,772.34	1,839.24	1,908.66	1,980.70	2,055.46
% rev	Assumption / Calculation	%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Europe (Excluding France)	Annual Report/Calculation	Euro '000,000s	1,112.05	1,169.32	1,182.89	1,227.54	1,273.87	1,321.95	1,371.85	1,423.63	1,477.36
% rev	Assumption / Calculation	%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Rest of the World	Annual Report/Calculation	Euro '000,000s	676.90	711.76	720.02	747.20	775.40	804.67	835.04	866.56	899.26
% rev	Assumption / Calculation	%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
France	Annual Report/Calculation	Euro '000,000s	290.10	305.04	308.58	320.23	332.31	344.86	357.87	371.38	385.40
% rev	Assumption / Calculation	%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Japan	Annual Report/Calculation	Euro '000,000s	290.10	305.04	308.58	320.23	332.31	344.86	357.87	371.38	385.40
% rev	Assumption / Calculation	%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
<b>Total Revenue</b>	Calculation	Euro '000,000s	4,835.00	5,084.00	5,143.00	5,337.12	5,538.56	5,747.61	5,964.55	6,189.68	6,423.30
Average Price of Bottle			32.89	32.49	32.51	34.46	36.53	38.72	41.04	43.51	46.12
Sales Volumes	Annual Report / Calculation	Euro '000,000s	147.00	156.50	158.20	164.17	170.37	176.80	183.47	190.40	197.58
% y/y	Assumption / Calculation	%		6.5%	1.1%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Champange	Annual Report	Millions of Bottles	63.20	65.60	64.90						
Cognac	Annual Report	Millions of Bottles	83.80	90.90	93.30						

## Fashion & Leather Goods

Asia (Excluding Japan)	Annual Report/Calculation	Euro '000,000s	3,577.00	4,486.88	5,721.05	6,801.74	7,869.31	9,230.12	10,752.54	12,569.01	14,667.25
% rev	Assumption / Calculation	%	28.0%	29.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
United States	Annual Report/Calculation	Euro '000,000s	2,682.75	2,939.68	3,321.90	3,949.40	4,569.28	5,359.42	6,243.41	7,298.14	8,516.47
% rev	Assumption / Calculation	%	21.0%	19.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Europe (Excluding France)	Annual Report/Calculation	Euro '000,000s	2,938.25	3,713.28	4,244.65	5,046.45	5,838.52	6,848.15	7,977.69	9,325.39	10,882.15
% rev	Assumption / Calculation	%	23.0%	24.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Rest of the World	Annual Report/Calculation	Euro '000,000s	1,022.00	1,237.76	1,476.40	1,755.29	2,030.79	2,381.97	2,774.85	3,243.62	3,785.10
% rev	Assumption / Calculation	%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
France	Annual Report/Calculation	Euro '000,000s	1,022.00	1,392.48	1,660.95	1,974.70	2,284.64	2,679.71	3,121.71	3,649.07	4,258.23
% rev	Assumption / Calculation	%	8.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Japan	Annual Report/Calculation	Euro '000,000s	1,533.00	1,701.92	2,030.05	2,413.52	2,792.34	3,275.20	3,815.42	4,459.97	5,204.51
% rev	Assumption / Calculation	%	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
<b>Total Revenue</b>			12,775.00	15,472.00	18,455.00	21,941.08	25,384.87	29,774.58	34,685.63	40,545.19	47,313.70
% y/y				21%	19%	19%	16%	17%	16%	17%	17%
Number of Stores	Annual Report / Assumption	#	1,508.00	1,769.00	1,852.00	1,983.30	2,100.13	2,236.42	2,374.87	2,525.44	2,683.66
% y/y	Assumption / Calculation	%		17.3%	4.7%	7.1%	5.9%	6.5%	6.2%	6.3%	6.3%
F&LG Growth Ratio	Calculation	%		1.22	4.11	2.66	2.66	2.66	2.66	2.66	2.66

## Perfumes & Cosmetics

Asia (Excluding Japan)	Annual Report/Calculation	Euro '000,000s	1,386.84	1,668.00	2,132.20	2,343.12	2,586.84	2,849.33	3,142.08	3,462.90	3,817.59
% rev	Assumption / Calculation	%	28.0%	30.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
United States	Annual Report/Calculation	Euro '000,000s	891.54	945.20	974.72	1,071.14	1,182.56	1,302.55	1,436.38	1,583.04	1,745.19
% rev	Assumption / Calculation	%	18.0%	17.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Europe (Excluding France)	Annual Report/Calculation	Euro '000,000s	891.54	945.20	974.72	1,071.14	1,182.56	1,302.55	1,436.38	1,583.04	1,745.19
% rev	Assumption / Calculation	%	18.0%	17.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Rest of the World	Annual Report/Calculation	Euro '000,000s	594.36	722.80	670.12	736.41	813.01	895.50	987.51	1,088.34	1,199.82
% rev	Assumption / Calculation	%	12.0%	13.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
France	Annual Report/Calculation	Euro '000,000s	594.36	611.60	670.12	736.41	813.01	895.50	987.51	1,088.34	1,199.82
% rev	Assumption / Calculation	%	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Japan	Annual Report/Calculation	Euro '000,000s	247.65	278.00	304.60	334.73	369.55	407.05	448.87	494.70	545.37
% rev	Assumption / Calculation	%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Total Revenue</b>			4,953.00	5,560.00	6,092.00	6,694.62	7,390.98	8,140.94	8,977.37	9,894.01	10,907.41
% y/y				12%	10%	10%	10%	10%	10%	10%	10%
Number of Stores	Annual Report / Assumption	#		302.00	354.00	409.26	476.43	552.72	642.33	745.82	866.36
% y/y	Assumption / Calculation	%		14.0%	17.2%	15.6%	16.4%	16.0%	16.2%	16.1%	16.2%
Perfume Growth Ratio	Calculation	%			63%	0.63	0.63	0.63	0.63	0.63	0.63

## Watches and Jewellery

Asia (Excluding Japan)	Annual Report/Calculation	Euro '000,000s	971.04	1,179.55	1,443.05	1,580.48	1,731.01	1,895.87	2,076.42	2,274.18	2,490.77
% rev	Assumption / Calculation	%	28.0%	31.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
United States	Annual Report/Calculation	Euro '000,000s	346.80	342.45	371.07	406.41	445.12	487.51	533.94	584.79	640.48
% rev	Assumption / Calculation	%	10.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Europe (Excluding France)	Annual Report/Calculation	Euro '000,000s	901.68	1,179.55	1,443.05	1,580.48	1,731.01	1,895.87	2,076.42	2,274.18	2,490.77
% rev	Assumption / Calculation	%	26.0%	31.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Rest of the World	Annual Report/Calculation	Euro '000,000s	901.68	951.25	948.29	1,038.60	1,137.52	1,245.85	1,364.51	1,494.46	1,636.79
% rev	Assumption / Calculation	%	26.0%	25.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
France	Annual Report/Calculation	Euro '000,000s	173.40	228.30	247.38	270.94	296.74	325.01	355.96	389.86	426.99
% rev	Assumption / Calculation	%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Japan	Annual Report/Calculation	Euro '000,000s	485.52	494.65	494.76	541.88	593.49	650.01	711.92	779.72	853.98
% rev	Assumption / Calculation	%	14.0%	13.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
<b>Total Revenue</b>			3,468.00	3,805.00	4,123.00	4,515.67	4,945.73	5,416.76	5,932.64	6,497.66	7,116.48
% y/y				10%	8%	10%	10%	10%	10%	10%	10%
Number of Stores	Annual Report / Assumption	#		269.00	303.00	343.36	389.09	440.92	499.65	566.20	641.62
% y/y	Assumption / Calculation	%		14.0%	12.6%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
Watches and Jewellery Growth Ratio	Calculation	%			0.72	0.72	0.72	0.72	0.72	0.72	0.72

## Selective Retailing

Asia (Excluding Japan)	Annual Report/Calculation	Euro '000,000s	3,232.71	3,671.08	3,684.42	3,934.69	4,201.96	4,487.38	4,792.19	5,117.71	5,465.34
% rev	Assumption / Calculation	%	27.0%	28.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
United States	Annual Report/Calculation	Euro '000,000s	4,908.93	5,113.29	5,185.48	5,537.71	5,913.87	6,315.57	6,744.57	7,202.70	7,691.95
% rev	Assumption / Calculation	%	41.0%	39.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
Europe (Excluding France)	Annual Report/Calculation	Euro '000,000s	957.84	1,048.88	1,228.14	1,311.56	1,400.65	1,495.79	1,597.40	1,705.90	1,821.78
% rev	Assumption / Calculation	%	8.0%	8.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Rest of the World	Annual Report/Calculation	Euro '000,000s	1,317.03	1,573.32	1,637.52	1,748.75	1,867.54	1,994.39	2,129.86	2,274.54	2,429.04
% rev	Assumption / Calculation	%	11.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
France	Annual Report/Calculation	Euro '000,000s	1,436.76	1,573.32	1,637.52	1,748.75	1,867.54	1,994.39	2,129.86	2,274.54	2,429.04
% rev	Assumption / Calculation	%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Japan	Annual Report/Calculation	Euro '000,000s	119.73	131.11	272.92	291.46	311.26	332.40	354.98	379.09	404.84
% rev	Assumption / Calculation	%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Total Revenue</b>			11,973.00	13,111.00	13,646.00	14,572.92	15,562.81	16,619.93	17,748.86	18,954.48	20,241.98
% y/y				9.5%	4.1%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Number of Stores	Annual Report / Assumption	#	1,778.00	1,880.00	1,940.00	2,026.60	2,117.07	2,211.58	2,310.31	2,413.45	2,521.19
% y/y	Assumption / Calculation	%		5.7%	3.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Selective Retailing Growth Ratio	Calculation	%			1.52	1.52	1.52	1.52	1.52	1.52	1.52

# Financial Projections

## LOUIS VUITTON MOET HENNESSY

### Financial Projections

	Units	Historical			Forecasted				
		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	Euro '000,000s	37,600.00	42,636.00	46,826.00	53,228.10	59,003.26	65,901.51	73,533.82	82,335.35
Net Income	Euro '000,000s	3,981.00	5,365.00	7,274.87	7,448.34	8,288.13	9,285.50	10,383.37	11,653.78
Dividends Paid Out	Euro '000,000s	1,810.00	2,110.00	2,715.00	2,859.68	3,209.45	3,636.42	4,109.87	4,656.85
% of Net Income	%	45.47%	39.33%	42.73%	42.51%	42.51%	42.51%	42.51%	42.51%
Pretax Income	Euro '000,000s	6,472.00	8,054.00	9,489.00	10,344.91	11,511.29	12,896.53	14,421.35	16,185.81
Income Tax Expense	Euro '000,000s	2,109.00	2,214.00	2,499.00	2,896.58	3,223.16	3,611.03	4,037.98	4,532.03
% Tax Rate	%	32.6%	27.5%	26.3%	28.00%	28.00%	28.00%	28.00%	28.00%
LT Investments	Euro '000,000s	744	789	1,100.00	1,258.95	1,400.89	1,569.47	1,755.04	1,969.77
% of Net Income	%	18.7%	14.7%	17.3%	16.90%	16.90%	16.90%	16.90%	16.90%

### Cost Build

COGS	Euro '000,000s	13,039.00	14,783.00	15,625.00	18,225.12	20,202.52	22,564.45	25,177.73	28,191.34
COGS as % of revenue	%	34.68%	34.67%	33.37%	34.24%	34.24%	34.24%	34.24%	34.24%
SG&A	Euro '000,000s	17,538.00	19,557.00	21,221.00	24,455.14	27,108.49	30,277.82	33,784.42	37,828.19
SG&A as % of revenue	%	46.64%	45.87%	45.32%	45.94%	45.94%	45.94%	45.94%	45.94%

### Net Working Capital

Accounts Payable	Euro '000,000s	4,184.00	4,539.00	5,314.00	5,880.77	6,518.82	7,280.96	8,124.19	9,096.61
Accrued Taxes	Euro '000,000s	2,331.00	2,927.00	2,891.00	3,414.02	3,784.43	4,226.88	4,716.41	5,280.93
Inventory	Euro '000,000s	10,546.00	10,888.00	12,485.00	14,242.12	15,787.36	17,633.11	19,675.27	22,030.28
Other ST Liabilities	Euro '000,000s	2745	2892	3496	3,826.65	4,241.83	4,737.76	5,286.45	5,919.21
Accounts payable as % of COGS	%	32.09%	30.70%	34.01%	32.27%	32.27%	32.27%	32.27%	32.27%
Accrued taxes as % of SG&A	%	13.29%	14.97%	13.62%	13.96%	13.96%	13.96%	13.96%	13.96%
Inventory as % of COGS	%	80.88%	73.65%	79.90%	78.15%	78.15%	78.15%	78.15%	78.15%
As % of COGS	%	21.05%	19.56%	22.37%	21.00%	21.00%	21.00%	21.00%	21.00%
Accounts receivable as % of revenue	%	7.14%	6.42%	6.88%	6.81%	6.81%	6.81%	6.81%	6.81%
Net Working Capital	Euro '000,000s	6,588.00	6,072.00	6,718.00	10,287.69	12,229.08	14,810.33	18,307.79	22,897.98
Change in Net Working Capital	Euro '000,000s		-516.00	646.00	3,569.69	1,941.38	2,581.25	3,497.46	4,590.19
Minority Interest	Euro '000,000s	1,510.00	1,408.00	1,664.00	1,950.37	2,178.03	2,435.99	2,727.53	3,057.86
Minority Interest as % of Equity	%	5.72%	4.86%	5.15%	5.24%	5.24%	5.24%	5.24%	5.24%

### PPE Build

Depreciation Schedule									
Projected Capex	Euro '000,000s				2,787.31	3,089.73	3,450.96	3,850.63	4,311.53
Capex as % of revenue	%	5.72%	4.43%	5.56%	5.24%	5.24%	5.24%	5.24%	5.24%
Acquisitions									
Vineyard and land producing vineyard	Euro '000,000s	3.00	9.00	25.00	14.64	16.23	18.13	20.23	22.65
Buildings	Euro '000,000s	214.00	150.00	473.00	335.02	371.37	414.79	462.83	518.22
Investment Property	Euro '000,000s	285.00	0.00	70.00	148.14	164.21	183.41	204.65	229.14
Leasehold Equipment, machinery and equipment	Euro '000,000s	723.00	798.00	848.00	1,007.50	1,116.81	1,247.38	1,391.85	1,558.44
Assets in Progress	Euro '000,000s	768.00	800.00	1,074.00	1,108.57	1,228.84	1,372.51	1,531.47	1,714.77
Other PPE	Euro '000,000s	157.00	132.00	114.00	173.45	192.26	214.74	239.61	268.29
Total Acquisitions Annual / CAPEX	Euro '000,000s	2,150.00	1,889.00	2,604.00	2,787.31	3,089.73	3,450.96	3,850.63	4,311.53
CAPEX Historical Ratio									
Vineyard and land producing vineyard	%	0.14%	0.48%	0.96%	0.53%	0.53%	0.53%	0.53%	0.53%
Buildings	%	9.95%	7.94%	18.16%	12.02%	12.02%	12.02%	12.02%	12.02%
Investment Property	%	13.26%	0.00%	2.69%	5.31%	5.31%	5.31%	5.31%	5.31%
Leasehold Equipment, machinery and equipment	%	33.63%	42.24%	32.57%	36.15%	36.15%	36.15%	36.15%	36.15%
Assets in Progress	%	35.72%	42.35%	41.24%	39.77%	39.77%	39.77%	39.77%	39.77%
Other PPE	%	7.30%	6.99%	4.38%	6.22%	6.22%	6.22%	6.22%	6.22%
Depreciation Expense					100.00%				
Vineyard and land producing vineyard	Euro '000,000s			6.00	6.68	7.44	8.28	9.22	10.27
Buildings	Euro '000,000s			192.00	201.57	212.18	224.03	237.26	252.06
Investment Property	Euro '000,000s			2.00	6.23	10.92	16.16	22.01	28.56
Leasehold Equipment, machinery and equipment	Euro '000,000s			1,245.00	1,412.92	1,599.05	1,806.95	2,038.92	2,298.66
Other PPE	Euro '000,000s			67.00	73.67	81.07	89.33	98.54	108.86
Yearly Depreciation Expense	Euro '000,000s			1,512.00	1,701.07	1,910.66	2,144.75	2,405.95	2,698.42



Yearly Amortization Expense	Euro '000,000s		885.00	876.00	919.18	954.51	993.42	1,036.83	1,085.44
Yearly Amortization Expense as % of intangible assets	%		5.22%	5.08%	5.15%	5.15%	5.15%	5.15%	5.15%
10 year AVG Historical Increase in other ST Assets	%				11.52%	11.52%	11.52%	11.52%	11.52%
Annual Expenditure on Intangible assets	Euro '000,000s				600.86	657.92	744.84	827.04	924.90
Expenditure on Intangibles as % of revenue	%		1.17%	1.07%	1.15%	1.13%	1.12%	1.12%	1.12%

## Debt Schedule

ISIN Code	Issue Date	Maturity	Currency	Issued Amount (in millions)	Coupon	Sum of Outstanding LT Debt		Weighted Interest
FR0013405339	28/2/2019	28/2/2021	EUR	300	0.00%	7400		0.000%
FR0013405347	28/2/2019	28/2/2023	EUR	700	0.13%			0.012%
FR0013260841	14/6/2017	14/6/2022	GBP	400	1.00%			0.054%
FR0013257623	26/5/2017	26/5/2024	EUR	1,200	0.75%			0.122%
FR0013257615	26/5/2017	26/5/2022	EUR	800	0.38%			0.041%
FR0013257607	26/5/2017	26/5/2020	EUR	1,250	0.00%			0.000%
FR0013113073	16/2/2016	16/2/2021	USD	750	0.00%			0.000%
FR0012348894	2/12/2014	2/12/2019	AUD	150	3.50%			0.071%
FR0012173706	24/9/2014	24/9/2021	EUR	650	1.00%			0.088%
FR0011625441	13/11/2013	13/11/2020	EUR	600	1.75%			0.142%
FR0011485051	2/5/2013	4/11/2019	EUR	600	1.25%			0.101%

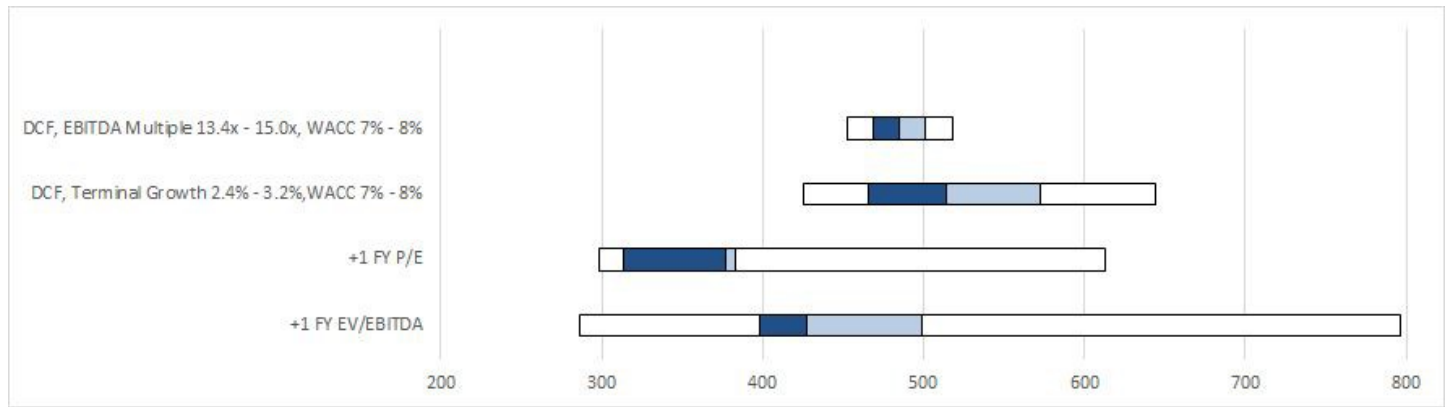
## ST and LT Debt

<b>Short Term Debt</b>									
Beginning balance	Euro '000,000s		4530	5,027.00	6,050.17	5,905.59	5,437.63	4,282.39	
Additions	Euro '000,000s			6,050.17	5,905.59	5,437.63	4,282.39	2,373.97	
Repayment	Euro '000,000s			-5,027.00	-6,050.17	-5,905.59	-5,437.63	-4,282.39	
Ending balance	Euro '000,000s		4530	5027	6,050.17	5,905.59	5,437.63	4,282.39	2,373.97
Interest rate on short term debt				2.00%	2.00%	2.00%	2.00%	2.00%	
Interest paid	Euro '000,000s			110.77	119.56	113.43	97.20	66.56	
<b>Long Term Debt</b>									
Beginning balance	Euro '000,000s		7046	6005	6712	4862	3227	1963	
Additions	Euro '000,000s			1400	0	0	0	0	
Repayment	Euro '000,000s			(693.00)	(1850.00)	(1635.00)	(1264.00)	(700.00)	
Ending balance	Euro '000,000s		6005	6712	4862	3227	1963	1263	
Interest rate on long term debt				0.630%	0.630%	0.630%	0.630%	0.630%	
Interest paid	Euro '000,000s			80.13	72.92	50.97	32.70	20.33	
<b>Cash</b>									
Cash	Euro '000,000s	3544	3738	4610					
Cash as % of revenue		9.43%	8.77%	9.84%					
Minimum target cash balance	Euro '000,000s				7,984.21	8,850.49	9,885.23	11,030.07	12,350.30
Minimum target cash balance (% of revenue)					15%	15%	15%	15%	15%
<b>Cash flow before short term debt</b>									
Net Cash provided by operating activities	Euro '000,000s		6,985.00	8,508.00	7,891.90	9,817.96	10,969.92	12,351.61	13,822.26
Net Cash used for investing activities	Euro '000,000s		-8,620.00	-3,457.00	-3,388.17	-3,747.65	-4,195.80	-4,677.67	-5,236.42
Net Cash used for financing activities	Euro '000,000s		2,158.00	-4,323.00	-1,129.51	-5,204.04	-5,739.38	-6,529.10	-7,265.61
Beginning cash balance	Euro '000,000s	3,544.00	3,738.00	4,610.00	7,984.21	8,850.49	9,885.23	11,030.07	
Cash before short term borrowings	Euro '000,000s		4,067.00	4,466.00	6,961.04	8,995.07	10,353.19	12,185.31	14,258.72
Minimum target cash balance	Euro '000,000s				7,984.21	8,850.49	9,885.23	11,030.07	12,350.30
Difference between cash before short term debt and target	Euro '000,000s				-1,023.17	144.58	467.96	1,155.24	1,908.42



## Valuation

### Football Field



## Discounted Cash Flow Analysis

### Weighted Average Cost of Capital

Targeted Capital Structure (D/E ratio)	38.3%
Tax Rate	33.00%
Adj Beta	1.144
Risk Free Rate	1.50%
Market Risk Premium	6.65%
Country Risk Premium	0.69%
<b>Cost of Equity</b>	<b>9.90%</b>
Credit Spread	0.63%
<b>Pre-Tax Cost of Debt</b>	<b>2.13%</b>
Debt / Value	27.7%
Equity / Value	72.3%
<b>WACC</b>	<b>7.55%</b>

### Weighted Average GDP Growth

Country	2019 GDP Growth (%)	Weightage	Gordon's Growth
China	6.30	29.85%	2.69
Europe	1.40	19.23%	
USA	1.90	23.81%	
France	0.50	9.49%	
Japan	0.50	7.33%	

## DCF Analysis

	Forecasted				
	FY2019	FY2020	FY2021	FY2022	FY2023
	Year 1	Year 2	Year 3	Year 4	Year 5
EBITDA	13,038.09	14,427.43	16,067.40	17,884.46	19,969.67
EBIT	10,417.83	11,562.26	12,929.24	14,441.68	16,185.81
Tax Rate	28.00%	28.00%	28.00%	28.00%	28.00%
EBIAT	7,500.84	8,324.83	9,309.05	10,398.01	11,653.78
Less: Capex	-2,787.31	-3,089.73	-3,450.96	-3,850.63	-4,311.53
Add: D&A	2,620.26	2,865.17	3,138.17	3,442.78	3,783.86
Changes in Net Working Capital	3,569.69	1,941.38	2,581.25	3,497.46	4,590.19
FCFF	10,903.48	10,041.65	11,577.51	13,487.62	15,716.31
Discount Period	1	2	3	4	5
Discount Factor	0.930	0.865	0.804	0.747	0.695
FCFF to be Discounted	10,903.48	10,041.65	11,577.51	13,487.62	15,716.31
Present Value of FCFF	10,137.93	8,681.07	9,306.09	10,080.25	10,921.21

Gordon Growth Method	
Terminal Growth Rate	2.69%
Terminal Value	331,709.42
PV of Terminal Value	230,503.70
PV of FCFF	49,126.54
Implied Enterprise Value	279,630.24
Less: Debt	-7,046.00
Add: Cash	4,610.00
Implied Equity Value	277,194.24

Exit Multiple Method	
Median EBITDA Multiple of Peers	13.57
Terminal Value	270,988.43
PV of Terminal Value	188,308.89
PV of FCFF	49,126.54
Implied Enterprise Value	237,435.43
Less: Debt	-7,046.00
Add: Cash	4,610.00
Implied Equity Value	234,999.43

Share Count	503.92	503.92
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Equity Value/Share

550.08

466.34

Implied Equity Value with Terminal growth Rate and WACC Sensitivities

		WACC (7.0% - 9.75%)											
		7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.75%
Gordon Growth Model Terminal Growth Rate (2.4% - 3.4%)	2.40%	535.60	503.82	475.15	449.16	425.49	403.84	383.97	365.66	348.74	333.05	318.47	304.89
	2.50%	547.06	514.02	484.27	457.36	432.90	410.57	390.09	371.25	353.87	337.77	322.82	308.90
	2.60%	559.05	524.66	493.78	465.89	440.59	417.53	396.42	377.03	359.15	342.62	327.29	313.03
	2.70%	571.59	535.77	503.68	474.76	448.57	424.75	402.97	383.00	364.61	347.63	331.89	317.27
	2.80%	584.73	547.38	514.00	483.99	456.86	432.23	409.76	389.17	370.24	352.79	336.63	321.64
	2.90%	598.52	559.53	524.77	493.60	465.48	439.99	416.78	395.55	376.06	358.11	341.51	326.13
	3.00%	613.00	572.25	536.02	503.61	474.44	448.05	424.06	402.16	382.08	363.60	346.55	330.76
	3.10%	628.22	585.58	547.79	514.06	483.77	456.43	431.61	409.00	388.29	369.28	351.74	335.53
	3.20%	644.24	599.57	560.10	524.97	493.49	465.13	439.45	416.08	394.73	375.14	357.10	340.45
	3.30%	661.13	614.28	573.00	536.37	503.63	474.19	447.59	423.43	401.39	381.20	362.64	345.51
	3.40%	678.96	629.75	586.54	548.29	514.20	483.63	456.05	431.05	408.29	387.47	368.35	350.74

Implied Equity Value with Terminal growth Rate and WACC Sensitivities

		WACC (7.5% - 10.25%)											
		7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.75%
Terminal Multiple Method EBITDA Multiple (13.0x - 15.0x)	13.00	461.52	456.55	451.65	446.81	442.04	437.34	432.69	428.11	423.59	419.13	414.73	410.38
	13.20	467.17	462.13	457.17	452.27	447.44	442.67	437.96	433.32	428.74	424.22	419.76	415.36
	13.40	472.82	467.72	462.69	457.73	452.83	448.00	443.23	438.53	433.89	429.31	424.80	420.34
	13.60	478.47	473.30	468.21	463.18	458.22	453.33	448.50	443.74	439.04	434.41	429.83	425.32
	13.80	484.12	478.89	473.73	468.64	463.62	458.66	453.78	448.95	444.19	439.50	434.87	430.29
	14.00	489.77	484.47	479.25	474.10	469.01	464.00	459.05	454.16	449.35	444.59	439.90	435.27
	14.20	495.42	490.06	484.77	479.55	474.41	469.33	464.32	459.37	454.50	449.68	444.93	440.25
	14.40	501.07	495.65	490.29	485.01	479.80	474.66	469.59	464.59	459.65	454.78	449.97	445.23
	14.60	506.72	501.23	495.81	490.47	485.19	479.99	474.86	469.80	464.80	459.87	455.00	450.20
	14.80	512.37	506.82	501.33	495.92	490.59	485.32	480.13	475.01	469.95	464.96	460.04	455.18
	15.00	518.03	512.40	506.85	501.38	495.98	490.66	485.40	480.22	475.10	470.05	465.07	460.16

## Comparable Company Analysis

### LOUIS VUITTON MOET HENNESSY

#### Comparable Company Analysis

Company Name	MC	EV	EV/EBITDA			P/E		
	USDb	USDb	2019	2020	2021	2019	2020	2021
Louis Vuitton Moet Hennessy	204.22	227.58	16.01	15.79	14.46	30.72	27.71	24.96
Christian Dior SE	84.84	125.74	8.84	9.14	8.4	31.53	28.18	25.67
Kering	68.42	74.54	14.24	13.57	12.42	33.31	21.96	18.97
Hermes International	69.25	66.84	24.69	25.12	22.95	47.04	45.1	40.51
Richemont	39.16	40.93	14.04	12.63	11.95	27.52	23.1	20.7
sum	465.89							

Screening Criteria:	+1FY EV/EBITDA			+1FY P/E		
	Min	25th Percentile	Median	75th Percentile	Max	
Luxury Conglomerate	8.84	14.04	14.24	16.01	24.69	
	9.14	12.63	13.57	15.79	25.12	
	8.40	11.95	12.42	14.46	22.95	
	27.52	30.72	31.53	33.31	47.04	
	21.96	23.10	27.71	28.18	45.1	
	18.97	20.70	24.96	25.67	40.51	

Relative Valuation (EV/EBITDA)	
75th Percentile 2020 EV / EBITDA	15.79
2020 EBITDA	16,067.40
Implied Enterprise Value	253,704.29
Less: Debt	-7,046.00
Add: Cash	4,610.00
<b>Implied Equity Value</b>	<b>251,268.29</b>
Share Count	503.92
<b>Implied Share Value</b>	<b>498.63</b>

Relative Valuation (P/E)	
75th Percentile 2020 P/E	28.18
2020 EPS	13.59
<b>Implied Share Value</b>	<b>383.04</b>