

LVMH Moët Hennessy Louis Vuitton SE

CORE HOLDING*

Recommended since 10.01.23

31.07.2024



Country FR	Market capitalization (bn) EUR 326,3	Perf. since reco. (%)
Sector Personal & Household Goods	Free float 50,7% LVMH Moët Hennessy Louis Vuitton	-13,7
Factset MC-FR	Closing price EUR 652,40	Sector 0,8
ISIN FR0000121014	ESG Risk score* 13,9 Low risk	

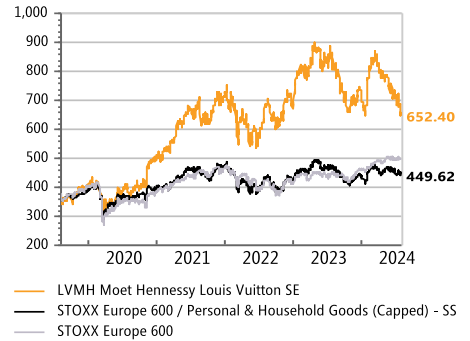
*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Created by the 1987 merger of 2 companies, Moët Hennessy and Louis Vuitton, the LVMH group today comprises 75 exceptional Maisons, making it the world leader in the Luxury Goods industry, present in 5 major categories: Fashion & Leather Goods (50% of sales), Wines & Spirits (7%), Perfumes & Cosmetics (10%), Watches & Jewelry (12%) and Selective Retailing (21%). It has more than 213,000 employees worldwide.

Market - competition - positions - barriers to entry

LVMH is the world leader in Luxury Goods in Fashion & Leather (Louis Vuitton, Christian Dior, Fendi, Celine, Loewe, Givenchy...), Wines & Spirits (Dom Perignon, Hennessy, Moët & Chandon...), Perfumes (Christian Dior, Guerlain, Givenchy...), Watches & Jewelry (Tag Heuer, Hublot, Bulgari, Chaumet, Tiffany...), and Selective Retailing. LVMH has a strong presence in the US, Europe and Asia and is a consolidator in the sector with strong M&A capabilities.



Source: Factset

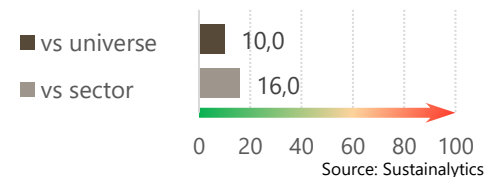
Investment case

- The luxury goods industry has seen exceptional growth in recent years, with sales rising by 12%/year between 2019 and 2023. The use of savings accumulated during the pandemic (temporary effect) explains only part of this performance. The sector is benefiting from long-term trends, including the emergence of new middle classes in emerging markets ; the "premiumization" in mature regions ; expansion into "secondary" cities in the United States (Chicago, Atlanta, Phoenix...) ; and the rise of the new generations (Gen Z and Gen Alpha), whose consumption of luxury goods begins three to five years earlier than their elders, with a larger budget allocated. After these "supercycle" years, we're witnessing a phase of slowdown as we move towards a normalization of growth rates, which should settle at around 8% from 2025-26 onwards. This global slowdown is accentuated by a particularly difficult environment in China, impacted by the property crisis and high unemployment (especially among young people).
- LVMH has emerged stronger from this period, with market share gains in Fashion & Leather Goods, whether for its two most sought-after brands, Vuitton and Dior, or for its rising stars (Celine, Fendi Loewe), as well as in Selective Retailing (Sephora). In addition, the development of the jewelry business, and in particular the repositioning and international expansion of Tiffany (acquired in 2020), represents a long-term opportunity for the Group.
- While LVMH is not immune to the slowdown, notably due to its more cyclical Wines & Spirits and Watches & Jewelry divisions, the lesser sensitivity of leather goods and the strong desirability of Vuitton and Dior, which account for c. 70% of the Group's EBIT, make for greater business resilience. Over the 1st half, sales rose by 2% on an organic basis, while EBIT fell by 3% at constant exchange rates. We remain cautious in the short term, given the lack of visibility. But the trend should gradually improve, helped initially by a more favorable basis of comparison in the 2nd half.

ESG - risks and key points

- Thanks to its moderate exposure and sound management of the relevant issues, the company is at low risk of suffering material financial impacts linked to ESG factors.
- High level of controversy: transparency of the supply chain (human rights associated with leather producers), impact of its products on the environment (raw materials) and on consumer health (spirits).

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation in EUR**

Current price	Value Bordier Scenario
652	811

Our scenario assumes European 10-year interest rates at 2.5% ; sales growth averaging 8% p.a. ; and an EBIT margin rising to 31.5% by the end of the period.

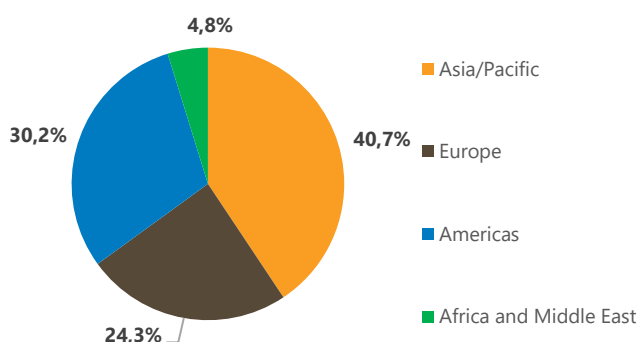
**) The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of EUR	2022	2023	2024e	2025e	2026e
Sales revenue	79 184	86 153	87 015	95 716	104 330
Sales growth %	23,0%	9,0%	1,0%	10,0%	9,0%
<i>o/w organic</i>	17,0%	13,0%	3,0%	10,0%	9,0%
EBIT adjusted	21 055	22 802	22 189	25 173	28 691
% of sales	26,6%	26,5%	25,5%	26,3%	27,5%
Net income	14 098	15 353	15 155	17 354	19 976
Adjusted EPS	28,1	30,7	30,3	34,7	39,9
Adjusted EPS growth	17,5%	9,4%	-1,3%	14,5%	15,1%
Capex/Sales	9,7%	12,0%	8,0%	8,0%	8,0%
Free cash-flow	10 113	8 104	15 025	16 048	18 684
FCF/Sales	12,8%	9,4%	17,3%	16,8%	17,9%
Dividend per share	12,0	13,0	14,5	15,7	16,7
Dividend yield	1,8%	1,8%	2,2%	2,4%	2,6%
ROCE - WACC	14,3%	14,5%	14,0%	15,7%	17,7%
ROE (%)	25,6%	25,2%	22,0%	22,1%	22,2%
Net debt/Ebitda	102,3%	103,1%	78,6%	44,8%	11,8%

Source: Factset, Bordier estimates

Sales breakdown - 12/2023



Ratios

LVMH Moët Hennessy Louis Vuitton SE	Stoxx Europe 600	
	Sector	Market
PE (x)***)	Pers. & Household Goods	Stoxx 600
2023	23,9	14,5
2024e	21,5	14,2
2025e	18,8	12,8
P/B (x)***)		
2023	6,0	2,0
2024e	4,7	1,9
2025e	4,2	1,8
Beta (2Y, daily) vs market:		1,12

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 1989 - Bernard Arnault - Chairman and CEO

Key shareholders (if any):

The Arnault Family Group holds 48.6% of the capital and 64.33% of the voting rights.

Agenda

October 2024 : Q3 Sales / January 2025 : 2024 Annual Results

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

Following the Shareholders' Meeting of April 10, 2014, LVMH was transformed from a Société Anonyme (SA) into a European Company (SE).

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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