LVMH Moet Hennessy Louis Vuitton SE

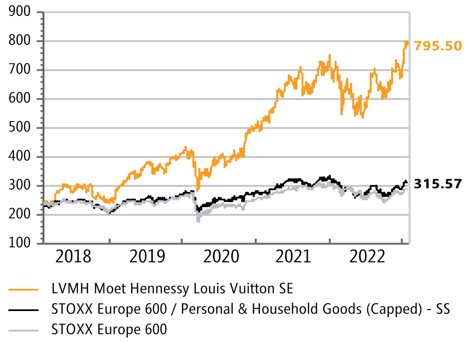
CORE HOLDING* Recommended since 10.01.23 **02.02.2023**

Country	FR	Market capitalization (bn)	EUR 399.4	Perf. since reco. (%)	
Sector	Personal & Household Goods	Free float	51.6%	LVMH Moet Hennessy Louis Vuitto	5.2
Factset	MC-FR	Closing price	EUR 795.50	Sector	2.4
ISIN	FR0000121014	ESG Risk score*	12.2 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, Wines & Spirits, Perfumes & Cosmetics, Watches & Jewelry and Selective Retailing. It has more than 175,000 employees worldwide. The Arnault family holds 48.4% of the capital.



Source: Factset

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, Moet & 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.

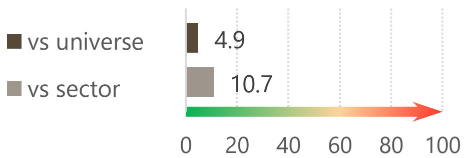
Investment case

- With the surge in demand for luxury goods in Asia and tourist flows, the industry has benefited in recent years from the increase in wealth, new middle classes in emerging markets and the move upmarket (premiumization) in mature regions. LVMH has come out of the pandemic period stronger (market share gains + Tifffany acquisition) with revenues rising ~ +50% between 2019 and 2022. Results for 2022 have reached record levels (sales/EBIT/margin/free cash flow), and management has supported its brands (increased marketing expenditure in H2) to prepare for 2023, and is confident about the future.
- In a 2023 scenario of slowing growth in Luxury Goods (US/Europe +0/5%) and reopenings in China (+15% with favorable base effect Covid 2022 + recovery in consumption and tourism), LVMH's exposure to Asia (44% of sales) will be an advantage. The group has a significant asset linked to its size in a sector where fixed costs predominate and its Fashion & Leather Goods division (48% of sales / 70% of EBIT) holds 2 of the most sought-after brands: Vuitton (50% of EBIT) and Dior (14%) alongside rising stars (Celine, Fendi, Loewe). While Vuitton and Dior will not be spared, their leadership position and high desirability means that they will be less penalized and able to raise prices while the other brands will not. LVMH's Fashion & Leather Goods sales jumped by +70% between 2019 and 2022: a remarkable performance because it is balanced between volumes, prices and mix, which illustrates the strength of the brands, innovation and the group's pricing power... reassuring for the future.
- In addition, the reopenings in China will boost the other divisions: Watches & Jewelry (2nd largest contributor to group sales & EBIT) with sustained demand for watches (the largest local share of the Luxury Goods portfolio) and the development of Tiffany; Wines & Spirits with Cognac exposed to the US (38%) and Asia (30%); Selective Retailing with the recovery of tourism in Asia (> 30%). Finally, LVMH's margins will benefit in 2023 from announced price increases, a positive effect of currency hedges ($) taken out in 2022 and lower incoming costs. Thanks to higher margins and controlled capex, LVMH can generate ~ €15-18bn of FCF over 2023-24 to reinvest behind its brands, afford an acquisition of the size of Tiffany and/or carry out a significant share buyback. Given the uncertainties of 2023, LVMH offers a lot of guarantees and a more moderate valuation (NTM PE of 24x vs 10-year average of 22.2x).

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
796	**872**

Our scenario takes into account 10-year interest rates in Europe at 2%, sales which, after the strong rebound in 2021 which continued inot 2022, are aiming to grow by 11% in 2026, and a margin that reaches 28.5% by that time and then normalizes over the long term.

***) 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.*

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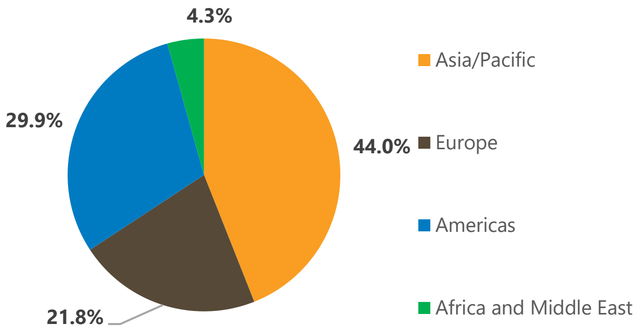
"Bordier Core Holding" indicators

In millions of EUR	2020	2021	2022e	2023e	2024e
Sales revenue	44'651	64'215	79'184	85'000	92'650
Sales growth %	**-16.8%**	**43.8%**	**23.3%**	**7.3%**	**9.0%**
o/w organic	*-16.0%*	*36.0%*	*17.0%*	*8.0%*	*6.0%*
o/w perimeter	*0.0%*	*10.0%*	*1.0%*	*0.0%*	*0.0%*
o/w forex	*-0.8%*	*-2.2%*	*4.5%*	*-0.5%*	*0.0%*
EBITDA	11'783	21'842	24'355	28'350	31'150
% of sales	**26.4%**	**34.0%**	**30.8%**	**33.4%**	**33.6%**
EBIT	8'305	17'151	21'055	23'400	25'750
% of sales	**18.6%**	**26.7%**	**26.6%**	**27.5%**	**27.8%**
Adjusted EPS	9.3	23.9	28.0	32.0	35.3
Adjusted EPS growth	**-33.0%**	**144.7%**	**17.4%**	**14.2%**	**10.2%**
FCF/Sales	13.7%	22.6%	11.9%	19.7%	20.4%
Dividend yield	**1.2%**	**1.4%**	**1.8%**	**1.6%**	**1.8%**
ROCE - WACC	8.5%	14.8%	17.0%	19.1%	19.3%
ROE (%)	13.2%	25.5%	25.6%	24.9%	23.7%
Net debt/Ebitda	40.2%	55.9%	51.1%	7.8%	-30.2%

Source: Factset, Bordier estimates

Sales breakdown - 12/2021



Ratios

	LVMH Moet Hennessy Louis Vuitton SE	Stoxx Europe 600 Sector	Market
PE (x)*)**		Pers. & Household Goods	Stoxx 600
2021	28.5	22.4	15.3
2022e	24.9	22.4	13.4
2023e	22.6	20.7	13.2
P/B (x)*)**			
2021	8.5	4.3	2.0
2022e	7.2	4.4	1.9
2023e	6.2	4.1	1.8
		Beta (2Y, daily) vs market:	1.02

****) 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 - B. Arnault chairs the Board and the Executive committee

Agenda

Shareholders meeting on 04/20/2023 and 1H results on 07/26/2023

Key shareholders (if any):

The two holding companies, the Arnault family and Christian Dior SE, hold 48.4% of the capital and nearly 70% of the voting rights.

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.