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STUART C. GILSON
SARAH L. ABBOTT

The Wolf in Cashmere: LVMH's Bid to Acquire Tiffany

What I've found does the most good is just to get into a taxi and go to Tiffany's. It calms me down right away, the quietness and the proud look of it; nothing very bad could happen to you there, not with those kind men in their nice suits, and that lovely smell of silver and alligator wallets. If I could find a real-life place that made me feel like Tiffany's, then I'd buy some furniture and give the cat a name.

– Holly Golightly, *Breakfast at Tiffany's*[1]

In November 2019, after only a six-week courtship, the iconic U.S. jeweler, Tiffany & Co., agreed to be acquired by the luxury goods conglomerate, LVMH Moët Hennessy–Louis Vuitton SE (LVMH). The all-cash transaction, which valued Tiffany at $16.6 billion, was scheduled to close in mid-2020. Bernard Arnault, LVMH's founder and chairman, commented on the deal, "We have an immense respect and admiration for Tiffany and intend to develop this jewel with the same dedication and commitment that we have applied to each and every one of our *maisons* … We will be proud to have Tiffany sit alongside our iconic brands and look forward to ensuring that Tiffany continues to thrive for centuries to come."[2]

However, in the months that followed, the global COVID-19 pandemic took a toll on the luxury goods sector. Sector sales were projected to decline by more than 20% in 2020.[3] For the first half of fiscal-year 2020, Tiffany's sales declined by 37% and it reported a net loss of $32.7 million (compared to a profit of $261.5 million in the first half of 2019).[4]

In light of the challenging market conditions, in September 2020 LVMH announced that it was backing out of the deal. Tiffany's chairman, Roger Farah, argued that under the terms of their deal LVMH did not have this option, and Tiffany filed suit against LVMH. LVMH countersued, arguing that the unprecedented global pandemic triggered a material adverse effect (MAE) clause included in the merger agreement.

The Luxury Goods Market

The global luxury goods and services market generated total sales of approximately $1.52 trillion in 2019. One of the market's largest segments was personal luxury goods, which included jewelry, clothes, shoes, leather goods, and watches. In 2019 this segment generated total sales of $315 billion globally.

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According to a study by Bain & Co., sales of personal luxury goods were projected to grow by 3% to 5% a year through 2025. Shoes and jewelry were the fastest growing product categories, with 9% sales growth in 2019. Increased demand by younger customers (e.g., "millennials" born between 1980 and 1995) and growth of the middle class in Asia (particularly in China) were expected to be particularly important drivers of growth in the market for all luxury goods.[5] In 2019, Chinese customers accounted for 35% of global sales, and for 90% of growth in sales. (See **Exhibit 1** for a breakdown the global luxury goods market by product category and geographic region.)

In recent years there had been significant M&A activity in the luxury goods sector. Part of this activity had been driven by private equity firms, which found the economics of this business to be highly attractive, and in recent years had invested in or acquired a number of well-known luxury brands, including Versace, Roberto Cavalli, Escada, Golden Goose, and Trussardi. Acquisitions were also led by large luxury goods companies that sought to build multi-brand portfolios, including LVMH and Kering. (See **Exhibit 2** for a list of the largest personal luxury goods companies.)

Luxury goods firms were severely impacted by Covid-19. The second quarter of 2020 was the worst on record for the industry, with full-year sales and operating profits projected to fall by 23% and 60%, respectively, relative to 2019.[6] But on the positive side, online sales as a percentage of total sales were projected to almost double, from 12% to 23%. And analysts were predicting an industry recovery in 2021 as economies reopened, with projected sales growth of 10 to 20%.[7]

Tiffany & Co.

In 1837, Charles Lewis Tiffany and a friend borrowed $1,000 from Charles' father and opened a stationery and goods store on Broadway in New York. The store became a "go-to emporium for fashionable ladies in search of jewels and timepieces with a clean American style that represented a distinct departure from the opulence associated with the Victorian era."[8] Abraham Lincoln was a customer. In 1845, Tiffany launched the *Blue Book*, an annual catalog that featured Tiffany's jewelry collection. This blue color was then used for Tiffany's boxes, which quickly became iconic. In 1867, Tiffany won the prize for silver craftsmanship at the World's Fair in Paris, and acquired a 128.5 carat canary diamond that came to be known as the "Tiffany Diamond" (later worn by Audrey Hepburn when promoting the 1961 film *Breakfast at Tiffany's*).

Over the next 150 years Tiffany faced numerous challenges on the path to becoming one of the world's top luxury goods brands. During the Great Depression the company was pushed to the brink of bankruptcy. But it recovered, and in 1940 opened its flagship Fifth Avenue store in New York City (**Exhibit 3**). A decade later the company was struggling again, and, to avoid being taken over, sold 51% of its stock to Walter Hoving, owner of the Bonwit Teller luxury department stores. Hoving upgraded the quality of the company's merchandise, which he believed had become cheap and gaudy, and hired noted jewelry designers Elsa Peretti, Jean Schlumberger, and Paloma Picasso, telling them, "Design what you think is beautiful … and don't worry about selling it. That's our job."[9] He also opened stores in Los Angeles, Chicago, Atlanta, San Francisco, and Houston, and took Tiffany public. During his 25-year tenure, sales increased from $7 million to $100 million.

In 1979, Tiffany was acquired by Avon Products, the direct seller of mass market beauty and personal care products.[10] Avon made significant investments in the business, but these efforts yielded mixed results, and profit margins fell dramatically, as lower-quality merchandise came to account for an increasing share of sales.[11]

In 1984, Avon sold Tiffany to an investor group that included CEO William Chaney.[12] Under Chaney, the company expanded internationally, increased the number of stores by over ten times, and went public again.[13] However, during the 1990s, Tiffany's sales again shifted towards lower-quality merchandise, which risked damaging the brand and alienating Tiffany's traditional customers.[14]

In 1999, Chaney was succeeded by Michael Kowalski. One of his first decisions was to raise prices, which initially hurt profits, but higher-margin products eventually accounted for a higher percentage of sales. Kowalski also increased the number of stores to 137.[15]

In 2015, Frederic Cumenal became Tiffany's next CEO. Cumenal was previously CEO of the champagne house Moet & Chandon, which was owned by LVMH.[16] He sought to upgrade Tiffany's image, hiring Vogue magazine's creative director to design a new advertising campaign featuring celebrities. However, Tiffany's sales and profits continued to decline. Analysts noted that most of Tiffany's sales were driven by older, less expensive product lines. There was a growing sense that Tiffany had lost its air of exclusivity.[17]

On February 3, 2017, the hedge fund JANA Partners LLC informed Tiffany's board that it had acquired a 4.9% equity stake and wanted to discuss the company's future.[18] On February 5 – Superbowl Sunday, and the day Tiffany was to launch an advertising campaign starring Lady Gaga – Cumenal stepped down as CEO after a disappointing earnings report. Chairman and former-CEO Michael Kowalski was appointed interim CEO.[19] Two weeks later, Tiffany announced it had reached an agreement with Jana to appoint three new directors to the board, including Francesco Trapani, former CEO of Bulgari.[20] In July, following an extensive CEO search, Alessandro Bogliolo was named Tiffany's new CEO.[21] Prior to joining Tiffany, Bogliolo had variously served as COO of Bulgari and led Sephora's North American operations.[22]

Jewelry accounted for 92% of Tiffany's total sales. The jewelry business was organized around three segments: jewelry collections (representing approximately 55% of total sales), engagement jewelry (26%), and designer jewelry (12%).[23] Most of Tiffany's jewelry was crafted from precious metals and often contained diamonds and other gemstones. Watches, home accessories, and fragrances accounted for an additional 6% of total sales.[24]

Tiffany's business was vertically integrated. It manufactured 60% of its products in New York, Rhode Island and Kentucky.[25] It also polished and assembled jewelry at a facility in the Dominican Republic. It obtained most its supply of rough diamonds from producers in Botswana, Canada, Namibia, Russia and South Africa under various supply agreements. It also purchased rough diamonds on the secondary market, sometimes under long-term contracts paying market prices.[26]

In 2017, then-CEO Frederic Cumenal explained the benefits of this model: "When I consider our competitive advantages at Tiffany, vertical integration stands out for two reasons: a deeply held business belief that great houses of luxury should craft their own designs, and an equally strong conviction that traceability is the best means of ensuring social and environmental responsibility."[27]

Tiffany did business through its stores, the company website, and business-to-business and wholesale distribution in selected markets. In 2019 it operated 320 stores around the world, including 124 in the Americas, 91 in Asia-Pacific (excluding Japan), 58 in Japan, and 47 in Europe. These geographic markets accounted for, respectively, 43%, 28%, 15%, and 11% of total company sales.[28] Tiffany's flagship store in New York alone accounted for roughly 10% of total sales.[29] (See **Exhibit 4** for summary financial information, and **Exhibit 5** for Tiffany's long-run stock performance.)

LVMH Moët Hennessy–Louis Vuitton SE

LVMH was formed in 1987 when Louis Vuitton, the French fashion house and luxury goods company, merged with Moët Hennessy, itself the product of an earlier merger between the champagne producer Moët & Chandon and the cognac producer Hennessy. The following year, French businessman and investor Bernard Arnault accumulated a 44% equity stake in LVMH. In January 1989, he became chairman and CEO of the company, displacing Henry Recamier (who was married to a descendant of company founder Louis Vuitton).[30]

Born in 1949 in Roubaix, France, Arnault began his business career working for his family's construction company, eventually becoming chairman. In 1984 he acquired the French luxury goods company Financière Agache, and thereafter the financially troubled textile and retail company Boussac Saint-Frères – paying just one franc, in exchange for promising the French government he would keep the workforce in place. Boussac Saint-Frères' best-known properties included the French fashion house Christian Dior and the Paris department store Le Bon Marché. He subsequently sold off most of Boussac Saint-Frères' other properties, and within two years laid off laid off more than 8,000 employees, earning himself the nickname "The Terminator."[31]

Arnault's ambition was to grow the company through the acquisition of additional luxury brands. He recalled: "I told my team we will build the first luxury group in the world."[32] His strategy was to create a centralized corporate structure that offered financial support and benefits of scale to the individual brands, while allowing them to remain largely autonomous.

Pursuing this strategy, LVMH acquired Celine in 1996, the French cosmetics retailer Sephora in 1997, and Fendi in 2001.[33] In 2011, LVMH acquired the luxury brand Bulgari for $5.2 billion, paying a 60% premium over Bulgari's then-current stock price.[34] Bulgari's CEO at the time, Francesco Trapani, would later join Tiffany's board of directors. Following the acquisition, LVMH made significant investments in the brand, adding more stores, spending more on marketing, and refocusing the product line on higher-end merchandise.[35] Under LVMH ownership, Bulgari's sales doubled and its profits increased fivefold.[36]

Not all of LVMH's investments were as successful, however. In October 2010, LVMH acquired a 17% stake in Hermès. Hermès' controlling family owners were extremely unhappy with this development, despite LVMH's assurances it was purely a financial investment. As one LVMH executive noted, "It would be folly on our part to hamper the success of this great brand. LVMH has no intention of aggressively taking control of Hermès."[37] French regulators launched a formal investigation, and Hermès restructured its holding company to make any hostile takeover more difficult. In 2011, LVMH increased its stake to 22.6%. In 2012, Hermès filed criminal charges against LVMH, accusing it of stock manipulation and insider trading; LVMH accused Hermès of "blackmail, slander and unfair competition."[38] Later, French regulators found LVMH to have engaged in "wrongdoing" and concluded that the acquisition was not just a financial investment. LVMH was fined $10.4 million and eventually divested most of its Hermès stake.[39]

In 2019, the Arnault family held 47.5% of LVMH stock (representing a 63.4% voting interest). Four of Arnault's five children worked at LVMH. His daughter Daphne was a director and executive vice president at the company. An estimated 65% of companies in France were family owned. Family ownership was particularly prevalent in French luxury goods companies.[a]

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[a] One study by a French asset manager found that family companies outperformed public companies: "We believe families are better aligned with corporate interests than external shareholders … When your own money is involved, you are careful about

Arnault was estimated to be worth $150 billion, making him the world's third-richest person.[40] He had a reputation for being ruthless in his business dealings, earning him the nickname "the wolf in the cashmere coat."[41] But others lauded him as a visionary executive. He was also an avid supporter of the arts, sponsoring the LVMH Young Designer Prize, and funding construction of the *Fondation Louis Vuitton*, a 126,000-square-foot art museum and performance space in Paris that housed LVMH's extensive art collection and was open to the public.[42]

LVMH's 75 brands, or what it referred to as "*maisons*," were organized into six groups: wines & spirits; fashion & leather goods; perfumes & cosmetics; watches & jewelry; selective retailing; and hotels and other activities. (See **Exhibit 6** for a full list of LVMH's brands.)

LVMH's operating model was based on six key priorities: decentralization (with each *maison* operating with a high degree of autonomy); vertical integration; sustaining "savoir faire" (promoting the long-term health of the brand through initiatives to pass on design knowledge and skills to younger workers); organic growth; creating synergies; and ensuring the organization was balanced across business lines and geographies. LVMH was credited with broadening the market for luxury goods by offering a wide range of price points. The company generated €53.7 billion of revenue in 2019. 37% of the company's revenue came from Asia, 29% from Europe, and 24% from the United States. In recent years, it had generated double-digit growth in revenues and profits, driving strong share performance. (See **Exhibit 7** for summary financial information, **Exhibit 8** for LVMH's business and geographic segments, and **Exhibit 9** for LVMH's long-run stock performance.)

A Whirlwind Courtship

On October 15, 2019, Toni Belloni, LVMH's group managing director, and Tiffany CEO Bogliolo met at the Clocktower restaurant in New York City. Belloni presented Bogliolo with an unsolicited offer to acquire Tiffany for $120 per share and outlined a plan for revitalizing the Tiffany brand.[43] The all-cash offer represented a 30% premium to Tiffany's share price at the time. However, it was below Tiffany's highest closing price of $139.50 in July 2018.[44]

On October 28, Tiffany confirmed publicly that it had received a $120 per share cash offer from LVMH. In a press release it noted: "Tiffany's Board of Directors, consistent with its fiduciary responsibilities, is carefully reviewing the proposal, with the assistance of independent financial and legal advisors, to determine the course of action it believes is in the best interests of the Company and its shareholders."[45] The board hired the investment banks Goldman Sachs (Goldman) and Centerview Partners (Centerview) to assist it in reviewing LVMH's offer.[46]

At the end of the day the offer was first announced, Tiffany's stock price closed at $129.72, up 32% from the previous day's close of $98.55. LVMH's stock price ended the day at €382.10, down by -0.5% from the previous day's close of 383.95.[47]

On November 4, Bogliolo rejected LVMH's offer. LVMH responded by increasing its offer price to $125 per share on November 6, and again to $130 per share on November 11.[48] On November 19, the parties signed a confidentiality agreement, Tiffany granted LVMH access to certain non-public financial information, and LVMH commenced its due diligence investigation. The confidentiality

the way you make returns. Family companies also use debt cautiously: they prefer to self-finance their growth or strengthen their capital." Zoe Wood, "In France, making billions is often a family business, The Guardian, March 23, 2011, https://www.theguardian.com/world/2011/mar/23/new-europe-france-family-businesses-pernod-lvmh-dior, accessed May 2021.

agreement included a "standstill provision" under which LVMH was prohibited from buying Tiffany shares on the open market while the merger negotiations took place.[49]

Just five days later, on November 20, LVMH sent Tiffany a draft merger proposal and raised its offer price to $135.[50] The revised all-cash bid valued Tiffany at $16.2 billion ($16.6 billion including net debt to be assumed by LVMH).[51]

On November 24, the two companies signed a merger agreement.[b] A joint press release read:

> For more than 180 years, Tiffany has been synonymous with elegance, innovative design, fine craftsmanship and creative excellence. Since 1886, when it established the eponymous diamond ring as an enduring symbol of commitment, Tiffany has stood for love. Its extraordinary diamonds are cherished for generations and its legendary jewelry designs are the ultimate reference in the global jewelry world. Even the Tiffany Blue Box is recognized worldwide as an icon of refinement and desirability … The acquisition of Tiffany will strengthen LVMH's position in jewelry and further increase its presence in the United States. The addition of Tiffany will transform LVMH's Watches & Jewelry division and complement LVMH's 75 distinguished Houses.[52]

The merger was subject to obtaining the approval Tiffany's shareholders and clearance by antitrust regulators in multiple countries and jurisdictions. The agreement required that both parties "cooperate with each other and use … their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary or advisable on its part under this agreement and applicable Laws to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable after the date of this Agreement."[53]

The merger agreement specified a "drop dead" completion date of August 24, 2020. If regulatory approvals were not received by that date, the merger agreement would be voided, although either party could unilaterally extend the date by three months, to November 24, 2020.[54] In practice, drop dead provisions were relatively uncommon in merger agreements.

The agreement allowed Tiffany to back out of the deal at any point, subject to paying LVMH a $575 million termination fee. However, absent a material adverse effect, LVMH did not have the option to back out of the deal.[55] The agreement contained no financing contingencies (i.e., if LVMH was unable to finance the deal, it would not be relieved of its obligations under the agreement). And if a court found LVMH to be liable for having violated the agreement, Tiffany was entitled to the remedy of "specific performance": the court could *compel* LVMH to honor its commitments under the agreement (as opposed to awarding Tiffany financial compensation).[56]

Finally, the agreement included a material adverse effect (MAE) clause (see **Exhibit 10**). Such clauses were standard in merger agreements and outlined circumstances under which one party could walk away from a proposed transaction, prior to closing, without penalty.[c] An MAE generally included

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[b] Effective with the signing, Tiffany director Francesco Trapani resigned from the board; he had also previously recused himself from the merger negotiations, given his long association with LVMH and Bernard Arnault. (Prior to joining Tiffany's board in 2017, he had variously served as CEO of LVMH's Watches and Jewelry Division, as an LVMH director, and as an advisor to Arnault.) Source: Court Of Chancery Of The State Of Delaware, "Tiffany & Co. V.Lvmh Moët Hennessy-Louis Vuitton Se; Breakfast Holdings Acquisition Corp. And Breakfast Acquisition Corp., September 9, 2020, https://www.courthousenews.com/wp-content/uploads/2020/09/Tiffany-LVMH-suit.pdf, accessed March 2021

[c] In contrast to an MAE clause, which allows a party to walk away from a transaction between signing and closing if certain material adverse events occur, a *force majeure* clause excuses a party to a signed commercial contract from performing its continuing obligations under the contract if certain material adverse events occur. "Material adverse events" are generally events

"any event, development or condition occurring that has had, or would be reasonably expected to have, a material adverse effect on the business, financial condition or results of operations of the company and its subsidiaries." It generally excluded events such as terrorist attacks, economic downturns, and "acts of God" (e.g., floods and earthquakes). However, it was also standard to lay out circumstances in which such exclusions were void—usually if the one of the companies had been "disproportionately adversely affected … compared to others in the same industry."[57]

Strategic Rationale

Buying Tiffany followed LVMH's strategy of expanding its brand portfolio through acquisitions. It would give LVMH the number one market position in branded jewelry, more than doubling its current market share to 18.4%. It would also increase LVMH's footprint in the U.S. market and in the bridal and diamond categories. And as one analyst noted, alternative acquisition opportunities were limited: "There (are) lots of small companies you can buy, but there (are) no real big companies. Everybody would like to buy Rolex or Patek Philippe, but they're officially not for sale. So this is the only big one."[58] As Arnault commented: "Tiffany is an American icon … For a long time it was on our list of potential names that could fit well in our portfolio of luxury brands ... It's the only real American luxury house with a very long history."[59]

Tiffany was also expected to benefit from the deal by gaining direct access to LVMH's deep pockets and business acumen. Analysts argued that the transaction would better enable Tiffany to compete with Cartier and Van Cleef, which were owned by Compagnie Financière Richemont SA (Richemont), the market leader in jewelry and watches. "Tiffany would become a better company and stronger competitor under the ownership of LVMH," commented one analyst.[60]

Many observers pointed to the success that LVMH had had with Bulgari. "We expect to bring Tiffany time and capital, which are two things that aren't easy to get when you're quarterly reporting to the stock market," commented Jean-Jacques Guiony, LVMH's CFO.[61] John Armitage, chief investment officer of Egerton Capital, which held 3.9% stake in Tiffany, commented: "LVMH is the best luxury goods company in the world and has had huge success with Bulgari … as Tiffany shareholders, we would like the value of a great brand and company maximized."[62]

Management did not publicly disclose any information about expected deal synergies. But an analyst at RBC estimated that the merger could increase Tiffany's operating profit margin to 23% by 2025 and increase annual sales by 7%.[63] Tiffany's current (2019 fiscal-year) operating margin of 16.6% lagged behind that of its peers (for example, Cartier's operating margin was estimated to be in the high 20%/low 30% range).[64] A merger with LVMH could help Tiffany close this gap by facilitating greater product innovation, improved access to the Chinese market, and increased luxury watch sales (which had relatively high margins). Tiffany's sales would benefit from gaining access to LVMH's sizable platform and marketing experience in China.

Fairness Opinion

Goldman and Centerview conducted market and valuation analyses to assess whether LVMH's offer treated Tiffany shareholders fairly. Goldman compared the offer premium and valuation multiple under LVMH's offer to those paid in other recently announced transactions (**Exhibit 11**). LVMH's $135 offer price represented a 15.4% premium to Tiffany's 52-week high share price, and a 16.9x multiple to its projected fiscal-year 2019 EBITDA (earnings before interest, taxes, depreciation, and amortization).

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that are outside the control of the contracting parties (e.g., war, economic recession, terrorism, extreme weather events). The merger agreement between Tiffany and LVMH did not include a *force majeure* clause.

Goldman and Centerview also assessed LVMH's offer relative to recent public company valuations of luxury goods firms (**Exhibit 12**) and multiples paid in acquisitions of luxury goods firms (**Exhibit 13**).

In addition to the foregoing analysis, the banks estimated Tiffany's market value using a discounted cash flow (DCF) analysis, based on financial projections provided by Tiffany's management (**Exhibit 14**). These projections were for Tiffany considered on a stand-alone basis, assuming it remained an independent publicly traded company. In its analysis, Goldman used discount rates of 6.5% to 7.5% and estimated a terminal value by applying a 12.0x to 15.0x multiple to Tiffany's terminal-year (fiscal-year 2014) EBITDA. Centerview conducted a similar analysis but used discount rates of 7.5% to 8.5% and estimated the terminal value using an EBITDA multiple of 13.0x to 18.0x.[65]

Some analysts questioned the strategic rationale of the deal from LVMH's perspective arguing that Tiffany was heavily dependent on mall-based locations in the United States with mall traffic having declined significantly in recent years and expected to decline further. Additionally, bridal jewelry was a key piece of Tiffany's sales, and marriage rates were at historic lows. On the other hand, others questioned Tiffany's willingness to accept a $135 offer, below its all time high share price of $139.50. One analyst argued that LVMH could afford to pay $160 per share for Tiffany driven by "a host of potential revenue and expense synergies that can be created."[66]

As for whether LVMH's offer might be dominated by any other offers, Tiffany disclosed that it had not had any "meaningful discussions" with any other potential acquirors in the two years prior to receiving LVMH's bid. Indeed, in January 2017, Tiffany's board had sought advice from outside counsel on how it could "defend [itself] against unsolicited bids and activist campaigns."[67] Once LVMH's interest in Tiffany became public, however, it was rumored that the company had received a number of offers from potential acquirers. Two possible acquirers mentioned in the press were the French luxury goods companies Kering and Richemont.[68] However, these initial approaches were not viewed as attractively as the LVMH offer, and Tiffany did not pursue them.[69] At one point, Tiffany approached Warren Buffet about a potential transaction. During the 2008 global financial crisis Buffet had bailed out Tiffany by purchasing $250 million of its bonds.[70] But he was not interested in making an investment at this time.[71]

Getting to the Finish Line

Shareholder Vote

Tiffany filed its final merger proxy statement on January 6, 2020. On February 4, at a special stockholder meeting, 99.3% of Tiffany shareholders who voted (representing 71% of all shareholders) approved the merger. In a press release issued later that day, LVMH commented:

> This approval is a significant milestone as we move closer to completing our acquisition of Tiffany, an iconic company with a rich heritage and unique positioning in the global luxury jewelry market. A globally recognized symbol of love, Tiffany will be an outstanding addition to our unique portfolio of luxury brands. We look forward to welcoming Tiffany into the LVMH family and helping the brand reach new heights as an LVMH *Maison*.[72]

The very next day LVMH raised €9.33 billion in financing for the deal through a public offering of euro- and sterling-denominated bonds. The offering was oversubscribed. ("What a Day!" said one of the lead bankers managing the offering.[73]) The financing was reported to be the largest corporate debt offering since 2016 – and was "cheaper than Bernard Arnault's wildest hopes," with some bonds bearing negative interest rates.[74] As one press account noted, "investors are paying single A-rated LVMH to borrow money."[75]

Antitrust Clearance

With Tiffany shareholders' approval in place, the key remaining hurdle to consummating the transaction was to obtain antitrust clearance for the deal. The merger agreement included a "hell-or-high-water" provision, under which LVMH had agreed to assume all antitrust risk in the deal. This meant it was obligated to make any divestitures and accept any concessions or restrictions demanded by antitrust regulators to secure their approval of the deal.

The antitrust clearance process differed by jurisdiction. In the U.S., the merging parties were required to file a "premerger" clearance notification with the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC), which included information about both parties and their industries. The case would be reviewed by one (but not both) of these agencies. There followed by a one-month waiting period in which the responsible agency could request more information. If by the end of the month no such request was made, the parties were free to close the deal.[d] Thus was LVMH cleared to acquire Tiffany on February 3, 2020 – one day before Tiffany shareholders voted.

In the European Union (EU), the process began with the filing of a "Case Team Allocation Request" (CTAR) with the European Commission (EC). This would be followed with the filing of a draft "Form CO" with the EC, notifying it about the merger, after which the parties and the EC would hold informal discussions. At the end of this "pre-notification process," the parties would file a final Form CO. During its review of the case, the EC could issue formal "requests for information" (RFIs) to the merging parties. If it had no antitrust concerns, the EC could clear the transaction within 25 business days. LVMH filed a CTAR on November 26, 2019 and a draft Form CO on March 4, 2020.[76]

LVMH Balks

As the deal process progressed, so, too, did the crisis around COVID-19. The first recorded COVID-19 death outside of Asia occurred on February 14, 2020 in France,[77] and the first such death in the U.S. was reported on February 29.[78] On March 13, President Trump enacted a ban on travel by non-U.S. citizens from Europe to the U.S.[79] Along with many retailers, Tiffany and LVMH began to close many or all of their stores, starting in Europe and then in other countries affected by the virus.[80]

As the economic impact of COVID-19 became more widely felt, beginning around March 16, Tiffany's common stock began to trade below the $135 offer price – at one point falling to $104.[81] (See **Exhibit 15a f**or Tiffany's stock price history following LVMH's initial offer and **Exhibit 15b** for stock short-term stock price reactions to transaction developments) On March 17, LVMH asked Tiffany's board to consider waiving the standstill provision in the confidentiality agreement so that it could purchase Tiffany shares in the open market. However, after this request leaked to the press, LVMH issued a statement that it would stand by its commitment to not purchase Tiffany shares.[82]

[d] The antitrust agency reviewing the case could also terminate the waiting period before the full month elapsed, upon which the parties would also be free to close the deal. If the agency requested more information, the clearance process would be extended until the parties had "substantially complied" with the request and gone through a second waiting period. For cash tender offers and bankruptcies the waiting period was only 15 days, and mergers below a certain size were exempt from this process. The U.S. antitrust clearance process was governed by the Hart-Scott-Rodino Act. See "Premerger Notification and the Merger Review Process," Federal Trade Commission, https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/mergers/premerger-notification-merger-review, accessed November 10, 2021.

Although prior to the outbreak of COVID-19 LVMH had timely sought antitrust clearances for the merger, beginning in March, Tiffany became increasingly convinced that LVMH was deliberately attempting to delay the process to "evade … its obligations under the Merger Agreement and to force Tiffany to agree to a price cut."[83] For example, it noted that LVMH took far longer (ultimately, over three months) to respond to the EC's first request for information, when just a few weeks should have sufficed. LVMH blamed these delays on its organizational structure and disruption caused by COVID-19, and in April its CFO told investors that LVMH would "stick to the contract, full stop."[84]

But on June 2, details of a meeting of LVMH's board of directors that were leaked to the press suggested otherwise. As reported by *Women's Wear Daily:*

> According to sources, members of the board of LVMH Moët Hennessy Louis Vuitton called a meeting in Paris Tuesday night specifically to discuss the matter amid a deteriorating situation in the U.S. market, Tiffany's largest. It is understood board members of the luxury giant are concerned about the impact of not only the coronavirus pandemic, which has claimed more than 100,000 lives in America and wreaked widespread economic damage, but also the growing social unrest over the death of George Floyd at the hands of Minneapolis police. The outpouring of anger over racial injustice in America has prompted widespread demonstrations and also looting and property destruction in many cities, scuttling attempts to get the economy moving again. In addition, these sources said, LVMH board members voiced concerns about Tiffany's ability to cover all its debt covenants at the end of the transaction, which was expected to be concluded mid-year. While no firm decision was made at Tuesday's meeting, attendees sent a clear message that the acquisition should be reconsidered.[85]

One day after this article appeared, a Credit Suisse analyst wrote that there was a risk that the LVMH deal might fall through—and that if it did, he would likely reduce his price target for Tiffany stock from $135 to $75 a share.[86]

By mid-August, LVMH still had not obtained all necessary antitrust clearances for the merger. Tiffany would later argue that this failure was in part due to LVMH's repeated delays in responding to requests for information from various regulators. It also noted that LVMH had not yet obtained clearances in Japan and Mexico – and had not yet even formally applied for clearances in the EU and Taiwan. So, on August 14, and again on August 24, Tiffany notified LVMH that it was exercising its right to extend the drop dead date by three months. LVMH disputed Tiffany's right to do so, however.[87]

Then, on September 8, LVMH informed Tiffany that it had received a letter from the French foreign minister, Jean-Yves Le Drian, requesting that the transaction closing date be delayed until January 6, 2021. The stated reason for the request was to gain leverage for France in an ongoing dispute with the U.S. over import tariffs. As Le Drian wrote, "I am sure that you will understand the need to take part in our country's efforts to defend its national interests."[88] LVMH said that it considered the government's request to be legally binding. It also believed Tiffany had operated its business in a manner inconsistent with the terms of the merger agreement.

On September 9, LVMH announced that it was withdrawing its offer for Tiffany. LVMH CFO Guiony explained: "The deal cannot take place … We are prohibited from closing the transaction and we do not want to lengthen the lock-stop date so the deal cannot happen. It is as simple as that."[89] By mid-day, Tiffany's stock price had declined by more than 8% relative to the previous day's close.

See You in Court

Later that same day, Tiffany responded by filing a lawsuit against LVMH in the Delaware Court of Chancery. Tiffany's complaint stated:

> LVMH assumed all antitrust-clearance risk through a burdensome "hell-or-high-water" clause and assumed all financial risk related to adverse industry trends or economic conditions. Despite squarely assuming these risks in the Merger Agreement, LVMH now seeks to evade its obligations based precisely on these two points by (i) breaching its express contractual promise to "do or cause to be done all things, necessary or advisable" to secure antitrust clearances "as promptly as practicable," and (ii) wrongly asserting that recent pandemic-related effects on the global economy and social-justice protests in the United States give LVMH a right to avoid closing the transaction. The Merger Agreement forecloses both tactics.[90]

Tiffany also alleged that LVMH had dragged its feet in seeking the necessary antitrust clearances in a deliberate effort to avoid closing the deal. Tiffany asked the court to compel LVMH to close the deal, or, if specific performance was unavailable, to award it for damages for losses it had suffered due to LVMH's actions.

On September 10, the day after Tiffany filed its lawsuit, LVMH stated in a press release that the lawsuit was "totally unfounded," "misleading," and that it demonstrated "the dishonesty of Tiffany in its relations with LVMH."[91] The press release further stated:

> The LVMH Board … had the opportunity to examine the current economic situation of Tiffany and its management of the crisis. It noted that the first half results and its perspectives for 2020 are very disappointing, and significantly inferior to those of comparable brands of the LVMH Group during this period. LVMH will be therefore led to challenge the handling of the crisis by Tiffany's management and its Board of Directors. LVMH considers … that Tiffany did not follow an ordinary course of business, notably in distributing substantial dividends when the company was loss making.[92]

On September 11, *Bloomberg* reported that the letter to LVMH from French foreign minister Jean-Yves Le Drian had been prompted by Bernard Arnault, who had asked the French government "for help" in the matter. LVMH denied the claim.[93] But the following week, in testimony before the French parliament, Le Drian confirmed that his letter was in response to a query he had received from LVMH. *The Wall Street Journal* also cited a claim by senior French officials that LVMH had also approached the French finance minister, Bruno Le Maire, for help in getting out of the merger, prior to contacting Le Drian, although that request was turned down. LVMH denied this claim as well, calling it a "malicious and completely unfounded" accusation.[94, e]

On September 28, LVMH countersued Tiffany, contending that external events and Tiffany's own actions provided sufficient basis for nullifying the merger agreement. LVMH asserted that Tiffany had "breached its covenants to operate in the Ordinary Course of Business and to preserve its business organizations substantially intact. … Tiffany paid the highest possible dividends while the company

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[e] Shortly after Tiffany filed its lawsuit, representatives of the French government came out and stated that the letter from Le Drian was not binding in any way. Source: Matthew Dalton, "French Foreign Minister Says LVMH Query Led to Letter on Tiffany Deal; His remark calls into question earlier statements by the luxury conglomerate about backing out of the deal," Wall Street Journal, September 22, 2020, https://www.wsj.com/articles/french-foreign-minister-says-lvmh-query-led-to-letter-on-tiffany-deal-11600807877, accessed November 2021.

was burning cash and reporting losses. No other luxury company in the world did so during this crisis. There are many examples of mismanagement detailed in the filing, including slashing capital and marketing investments and taking on additional debt."[95] It also described Tiffany as a "mismanaged business that over the first half of 2020 hemorrhaged cash for the first time in a quarter century, with no end to its problems in sight."[96, f]

LVMH also asserted that the pandemic had "irrefutably caused" a Material Adverse Effect: "The notable absence of a pandemic carveout in the definition of a Material Adverse Effect in the Tiffany Merger Agreement is clear. It was common before COVID-19 for transactions to contain a pandemic carveout. In the course of the negotiation, Tiffany sought and received carveouts for highly specific events, such as 'cyberattacks,' the 'Yellow Vest' movement and the 'Hong-Kong Protests.' Yet Tiffany did not obtain a carveout for public health crises or pandemics."[97]

However, it was anything but certain that LVMH would prevail on this issue. Although MAE clauses were rarely adjudicated in court, in only one other case had Delaware courts upheld an MAE clause and permitted a company to walk away from a deal.[g] Legal experts held that poor financial performance *on its own* did not constitute an MAE; rather, it was necessary to show that a company had performed extremely poorly *relative to its industry peers*. And whether a particular event – such as a pandemic – constituted an MAE depended on whether that event had been specifically excluded from the merger agreement's definition of an MAE.[h] How the courts interpreted the language of an MAE provision could be critical in determining whether and how the provision was enforced.

Next Steps

On September 22, the Delaware court set a trial date of January 5, 2021. However, the costs and risks of a full trial could still be avoided if the parties could find common ground and agree to settle their dispute out of court. It was said that Arnault still believed in the merger's strategic value; his concern was about overpaying.[98] And just days ago, LVMH indicated it would be seeking formal antitrust clearance for the transaction from the EC.

Any negotiated settlement would take place in the shadow of the COVID-19 pandemic. In the last year, both companies had suffered significant losses of business (see **Exhibit 16**). In the first half of fiscal-year 2020, Tiffany's sales had declined by 37% relative to the previous year, and it reported a loss of $33 million (although in the second quarter it earned a $60 million profit on sales of $747 million).

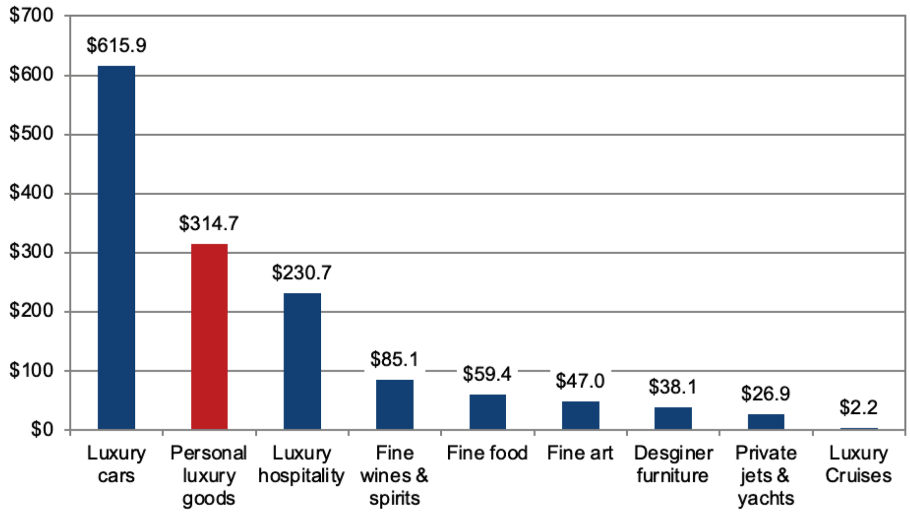
[f] Anticipating that LVMH could cite any adverse financial developments at Tiffany as grounds for walking away from the merger agreement, Tiffany had renegotiated terms with its lenders during the summer to ensure it would not breach any debt covenants.

[g] In this 2018 case *(Akorn v. Fresenius)*, the court found that Akorn, a U.S. pharmaceutical company, had committed significant worker safety violations at its manufacturing plants after it had agreed to sell itself to a German pharmaceutical company. The court found that poor compliance and oversight at Akorn constituted additional grounds for terminating the deal. In arriving at its ruling, the court focused on whether there had been "an adverse change in the target's business that is consequential to the company's long-term earnings power," assuming the perspective of a "reasonable" long-term investor. In the months immediately following the deal signing, Akorn's EBITDA had declined by 86%, and analysts' stock price targets had declined from $32 to $5-12.

[h] Some MAE clauses specifically excluded pandemics, health emergencies, and other "Acts of God" as material adverse events, or excluded them if they did not have a "disproportionate effect" on the company. A 2020 merger agreement between Morgan Stanley and E*TRADE specifically excluded "the COVID-19 pandemic" as an MAE. See Gail Weinstein, Warren de Wied, and Steward Kagan, "COVID-19 as a Material Adverse Effect (MAC) Under M&A and Financing Agreements," Harvard Law School Forum on Corporate Governance, November 12, 2021, https://corpgov.law.harvard.edu, accessed November 2021.

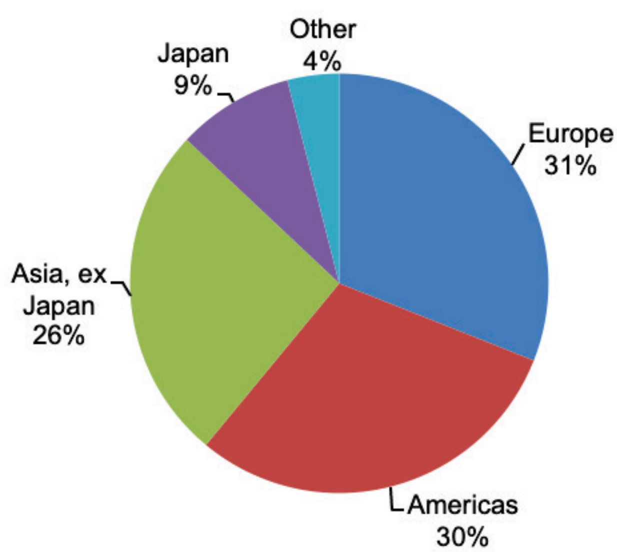
One analyst also noted that during the pandemic Tiffany had outperformed Bulgari, based on online traffic and social media data.[99]

Exhibit 1a The Global Luxury Goods and Services Market by Product Category ($ in billions)



Source: Casewriter adapted from Claudia D'Arpizio, Federica Levato, Filippo Prete, and Joëlle de Montgolfier, "Eight Themes That Are Rewriting the Future of Luxury Goods," Bain & Company, February 5, 2020, https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/, accessed March 2021.

Exhibit 1b The Global Luxury Goods and Services Market by Region



Source: Casewriter adapted from Claudia D'Arpizio, Federica Levato, Filippo Prete, and Joëlle de Montgolfier, "Eight Themes That Are Rewriting the Future of Luxury Goods," Bain & Company, February 5, 2020, https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/, accessed March 2021.

Exhibit 2 Leading Luxury Goods Companies ($ in millions)

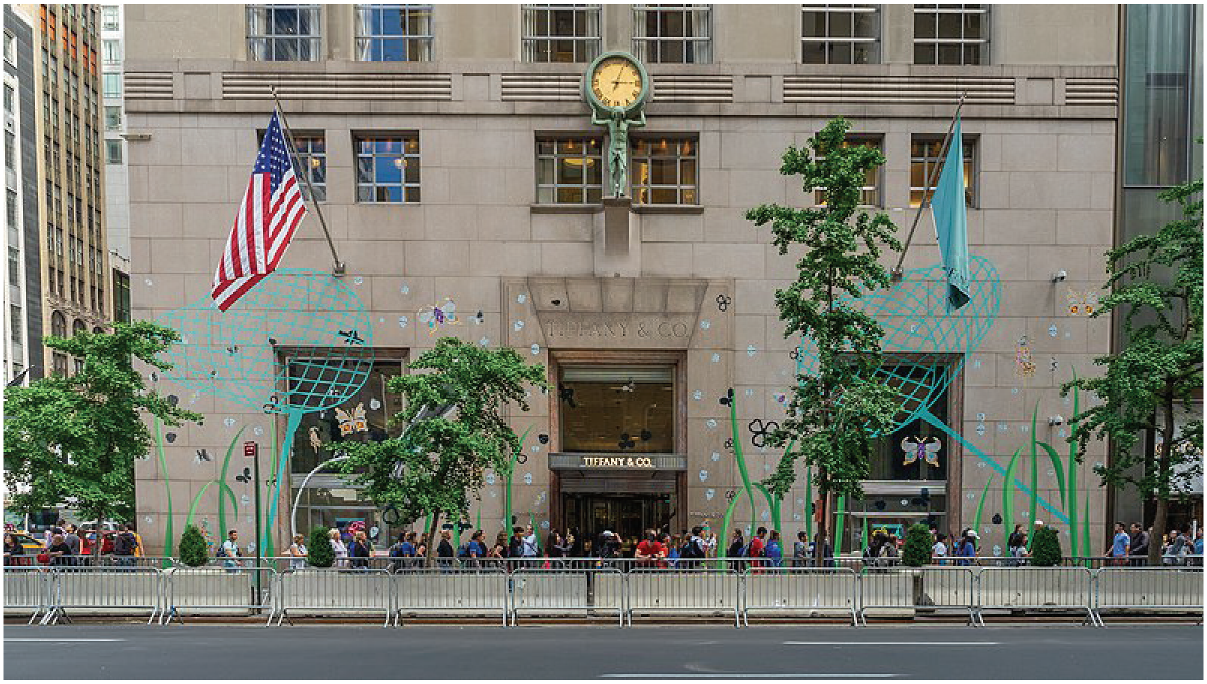
Company	Country	2019 Sales	2019 Earnings
LVMH	France	$60,109	$8,031
Kering SA	France	$17,789	$3,597
Compagnie Financière Richemont	Switzerland	$15,667	$3,121
The Estee Lauder Companies	USA	$14,863	$1,785
L'Oréal	France	$33,457	$4,879
Chanel Limited	UK	$12,273	$2,410
EssilorLuxottica Group	Italy	$19,476	$2,170
Chow Tai Fook Jewellery Group	Hong Kong	$7,241	$370
PVH Group	USA	$9,400	$415
The Swatch Group	Switzerland	$8,206	$745

Selected Brands:

- **LVMH:** Louis Vuitton, Dom Pérignon, Hennessy, Moët & Chandon, Givenchy, Marc Jacobs, Sephora, Fendi, Bulgari, Christian Dior
- **Kering:** Gucci, Yves Saint Laurent, Bottega Veneta, Alexander McQueen
- **Compagnie Financière Richemont:** A. Lange & Söhne, Azzedine Alaïa, Baume & Mercier, Cartier, Chloé, Montblanc, Piaget, Van Cleef & Arpels
- **The Estee Lauder Companies:** Estée Lauder, Clinique, Origins, M·A·C. La Mer, Jo Malone London, Bobbi Brown, Aveda, AERIN, Aramis
- **L'Oréal Luxe:** L'Oreal, Garnier, Maybeline New York
- **Chanel Limited:** Chanel
- **EssilorLuxottica Group:** Ray-Ban, Oakley, Persol, Oliver Peoples
- **Chow Tai Fook Jewelry Group:** Chao Tai Fook, ENZO, Hearts on Fire, Monologue
- **PVH Group:** Calvin Klein, Tommy Hilfiger, Van Heusen, IZOZ, Geoffrey Beene
- **The Swatch Group:** Swatch, Certina, Endura, Eterna, Hamilton

Source: Case writer compiled from Deloitte, "Global Powers of Luxury Goods 2020," https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/at-global-powers-luxury-goods-2020.pdf, accessed April 2021. Dominic-Madori Davis, "LVMH Chairman Bernard Arnault is worth $113 billion. Here are 17 of his luxury conglomerate's iconic brands," Business Insider, Dec 16, 2020, https://www.businessinsider.com/lvmh-brands-iconic-luxury-goods-bernard-arnault-2019-10. LVMH, "Record Results for LVMH in 2019," January 28, 2020, https://www.lvmh.com/news-documents/press-releases/record-results-for-lvmh-in-2019/. Kering website, https://www.kering.com/en/houses/. Businesswire, "Kering: 2019 Full-year Results," February 12, 2020, https://www.businesswire.com/news/home/20200211006173/en/Kering-2019-Full-year-Results. Richemont, "RICHEMONT ANNOUNCES ITS AUDITED CONSOLIDATED RESULTS AND PROPOSED DIVIDEND FOR THE YEAR ENDED 31 MARCH 2019," May 17, 2019, https://www.richemont.com/en/home/investors/results-reports-presentations/.The Estée Lauder Companies Inc, "Form 10-K," (New York, NY, 2020,) https://media.elcompanies.com/files/e/estee-lauder-companies/universal/investors/investor-resources/toolkit/form-10k-200820-a.pdf. Loreal, "2019 Annual Report," https://www.loreal-finance.com/en/annual-report-2019/loreal-figures-2-2-0/. Chanel Limited, "CHANEL LIMITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019," June 18, 2020, https://services.chanel.com/media/files/chanel_limited_financial_results_for_the_year_ended_31_december_2019.pdf. EssilorLuxottica Group, "Full year 2019 results. Uplift in Sales and Net Profit growth. Strong foundation to accelerate synergy delivery," March 6, 2020, https://www.essilorluxottica.com/sites/default/files/documents/2020-03/FY%202019%20Results%20PR%20FINAL%20VERSION_0.pdf. PVH Group, "FY2020 Summary," https://www.pvh.com/-/media/Files/pvh/investor-relations/FY20-Earnings-One-Pager.pdf. The Swatch Group, "Ammual Report 2020," https://www.swatchgroup.com/sites/default/files/media-files/swatchgroup_rdg20_gb_complete.pdf.

Exhibit 3 Tiffany's Flagship Fifth Avenue Store, New York



Source: "Tiffany and Co Flagship" by Ajay Shuresh is licensed under CC BY 4.0, accessed March 2021.

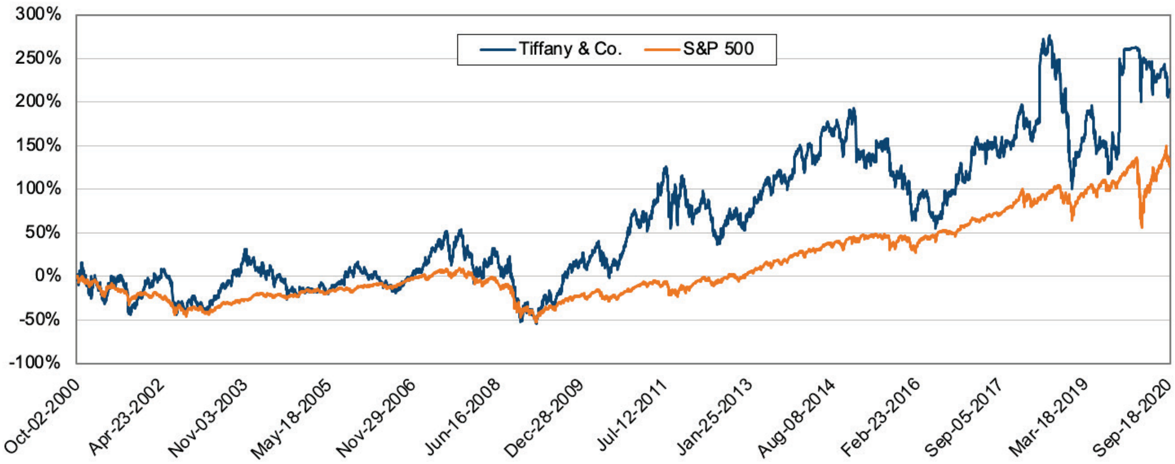
Exhibit 4 Tiffany & Co.: Summary Financials and Key Ratios, 2015-2019 ($ in millions, except per share data)

	2019	2018	2017	2016	2015
EARNINGS DATA					
Net sales	$4,424	$4,442	$4,170	$4,002	$4,105
Gross profit	$2,762	$2,811	$2,611	$2,499	$2,505
Selling, general & administrative expenses	$2,029	$2,021	$1,801	$1,753	$1,706
Earnings from operations	$733	$790	$809	$746	$799
Net earnings	$541	$586	$370	$446	$464
BALANCE SHEET & CASH FLOW DATA					
Short-term borrowings and long-term debt	$1,032	$997	$1,004	$1,107	$1,096
Stockholders' equity	$3,335	$3,131	$3,248	$3,028	$2,930
Working capital	$2,905	$3,041	$3,259	$2,941	$2,779
Cash flows from operating activities	$671	$532	$932	$706	$817
Capital expenditures	$321	$282	$239	$223	$253
Stockholders' equity per share	$27.53	$25.77	$26.1	$24.33	$23.10
Cash dividends paid per share	$2.29	$2.15	$1.95	$1.75	$1.58
Gross profit (% of sales)	62.4	63.3	62.6	62.4	61.0
SG&A (% of sales)	45.9	45.5	43.2	43.8	41.6
Earnings from operations (% of sales)	16.6	17.8	19.4	18.7	19.5
Net earnings (% of sales)	12.2	13.2	8.9	11.1	11.3
Capital expenditures (% of sales)	7.2	6.4	5.7	5.6	6.2
Return on average assets (%)	9.0	10.9	7.0	8.7	9.0
Return on avg. stockholders' equity (%)	16.7	18.4	11.8	15.0	16.1
Total debt-to-equity ratio (%)	30.9	31.8	30.9	36.6	37.4
Dividends (% of net earnings)	51.1	45.0	65.5	49.0	43.8
Company-operated stores	326	321	315	313	307
Number of employees	14,100	14,200	13,100	11,900	12,200

Source: Tiffany & Co, January 31, 2020 10-K, (New York: Tiffany & Co, 2021), p. k-51, https://sec.report/Document/0000098246-20-000042/#sE2EE98071A2259FB8EE22C2916F8DF5B, accessed March 2021. Tiffany & Co, January 31, 2018 10-K, (New York: Tiffany & Co, 2021), p. k-33, https://sec.report/Document/0000098246-18-000133/#s995E71AD4F3D534DA707116B68772012, accessed March 2021.

Note: Tiffany's 2019 fiscal year ends January 31, 2020.

Exhibit 5 Tiffany 20-Year Share Price Performance (Relative to S&P 500, Oct 2 2000 – Sep 30 2020)



Source: Capital IQ, accessed November 2021.

Exhibit 6 LVMH's Brands (*Maisons*)

OUR MAISONS

LVMH COMPRISES 75 PRESTIGIOUS MAISONS ORGANIZED INTO SIX BUSINESS GROUPS. EACH MAISON STEADFASTLY PRESERVES AND PERFECTS A LONG TRADITION OF EXPERTISE AND OFFERS EXCEPTIONAL PRODUCTS.

14TH CENTURY 1365 LE CLOS DES LAMBRAYS **16TH CENTURY** 1593 CHÂTEAU D'YQUEM **18TH CENTURY** 1729 RUINART 1743 MOËT & CHANDON 1765 HENNESSY 1772 VEUVE CLICQUOT 1780 CHAUMET **19TH CENTURY** 1815 ARDBEG 1817 COVA 1828 GUERLAIN 1832 CHÂTEAU CHEVAL BLANC 1837 TIFFANY & CO. 1843 KRUG 1843 GLENMORANGIE 1846 LOEWE 1849 ROYAL VAN LENT 1852 LE BON MARCHÉ 1854 LOUIS VUITTON 1858 MERCIER 1860 TAG HEUER 1860 JARDIN D'ACCLIMATATION 1865 ZENITH 1870 LA SAMARITAINE 1884 BVLGARI 1895 BERLUTI 1898 RIMOWA **20TH CENTURY** 1908 LES ECHOS 1914 PATOU 1916 ACQUA DI PARMA 1923 LA GRANDE ÉPICERIE DE PARIS 1924 LORO PIANA 1925 FENDI 1936 DOM PÉRIGNON 1936 FRED 1944 LE PARISIEN-AUJOURD'HUI EN FRANCE 1945 CELINE 1946 CHRISTIAN DIOR COUTURE 1947 PARFUMS CHRISTIAN DIOR 1947 EMILIO PUCCI 1952 GIVENCHY 1952 CONNAISSANCE DES ARTS 1955 CHÂTEAU DU GALOUPET 1957 PARFUMS GIVENCHY 1958 STARBOARD CRUISE SERVICES 1959 CHANDON 1960 DFS 1969 SEPHORA 1970 KENZO 1970 CAPE MENTELLE 1972 PARFUMS LOEWE 1974 INVESTIR-LE JOURNAL DES FINANCES 1975 OLE HENRIKSEN 1976 BELMOND 1976 BENEFIT COSMETICS 1977 NEWTON 1980 HUBLOT 1983 RADIO CLASSIQUE 1984 MARC JACOBS 1984 MAKE UP FOR EVER 1985 CLOUDY BAY 1988 KENZO PARFUMS 1991 FRESH 1992 COLGIN CELLARS 1993 BELVEDERE 1998 BODEGA NUMANTHIA 1999 TERRAZAS DE LOS ANDES 1999 CHEVAL DES ANDES **21ST CENTURY** 2006 MAISONS CHEVAL BLANC 2006 CHÂTEAU D'ESCLANS 2008 KVD VEGAN BEAUTY 2009 MAISON FRANCIS KURKDJIAN 2010 WOODINVILLE 2013 MARC JACOBS BEAUTY 2013 AO YUN 2016 CHA LING 2017 FENTY BEAUTY BY RIHANNA 2017 VOLCÁN DE MI TIERRA 2020 EMINENTE

Source: LVMH, 2020 Annual Report, https://r.lvmh-static.com/uploads/2021/03/lvmh_rapport-annuel-2020-va.pdf, accessed March 2021.

Exhibit 7 LVMH : Summary Financials and Key Ratios, 2015-2019 (€ in millions, except per share data)

	2019	2018	2017	2016	2015
EARNINGS DATA					
Net sales	€ 53,670	€ 46,826	€ 42,636	€ 37,600	€ 35,664
Gross profit	€ 35,547	€ 31,201	€ 27,853	€ 24,561	€ 23,111
Selling, general & administrative expenses	€ 24,043	€ 21,198	€ 19,560	€ 17,535	€ 16,506
Earnings from operations	€ 11,504	€ 10,003	€ 8,293	€ 7,026	€ 6,605
Net earnings	€ 7,782	€ 6,990	€ 5,840	€ 4,543	€ 4,706
BALANCE SHEET & CASH FLOW DATA					
Short-term borrowings and long-term debt	€ 12,711	€ 11,032	€ 11,576	€ 7,379	€ 8,280
Stockholders' equity	€ 38,365	€ 33,957	€ 30,377	€ 27,903	€ 25,799
Working capital	€ 3,887	€ 6,718	€ 6,072	€ 6,588	€ 6,251
Cash flows from operating activities	€ 11,648	€ 8,490	€ 6,972	€ 6,239	€ 5,634
Capital expenditures	€ 3,294	€ 3,038	€ 2,276	€ 2,265	€ 1,955
Stockholders' equity per share	€ 76	€ 67	€ 60	€ 55	€ 51
Cash dividends paid per share	€ 4.80	€ 6.00	€ 5.00	€ 4.00	€ 3.55
Gross profit (% of sales)	66%	67%	65%	65%	65%
SG&A (% of sales)	45%	45%	46%	47%	46%
Earnings from operations (% of sales)	21%	21%	19%	19%	19%
Net earnings (% of sales)	14.5%	14.9%	13.7%	12.1%	13.2%
Capital expenditures (% of sales)	6.1%	6.5%	5.3%	6.0%	5.5%
Return on average assets (%)	8.1%	9.4%	8.4%	7.6%	8.2%
Return on avg. stockholders' equity (%)	20.3%	20.6%	19.2%	16.3%	18.2%
Total debt-to-equity ratio (%)	33.1%	32.5%	38.1%	26.4%	32.1%
Dividends (% of net earnings)	33.7%	47.6%	47.0%	50.7%	50.1%
Company-operated stores	4,915	4,592	4,374	3,948	3,860
Number of employees	163,309	156,088	145,247	134,476	125,346

Source: Casewriter. Adapted from LVMH, 2019 Annual Report, https://r.lvmh-static.com/uploads/2020/04/lvmh_rapport-annuel-2019_gb.pdf. LVMH, 2017 Annual Report, https://r.lvmh-static.com/uploads/2018/03/lvmh_ra_2017-va.pdf. LVMH, Translation Of The French Financial Documents Fiscal Year Ended December 31, 2017, https://r.lvmh-static.com/uploads/2017/11/2017-financial-documents.pdf. LVMH, December 31, 2019 Financial Statements, https://r.lvmh-static.com/uploads/2020/02/comptes-consolides-lvmh-2019-va.pdf. Accessed November 2021.

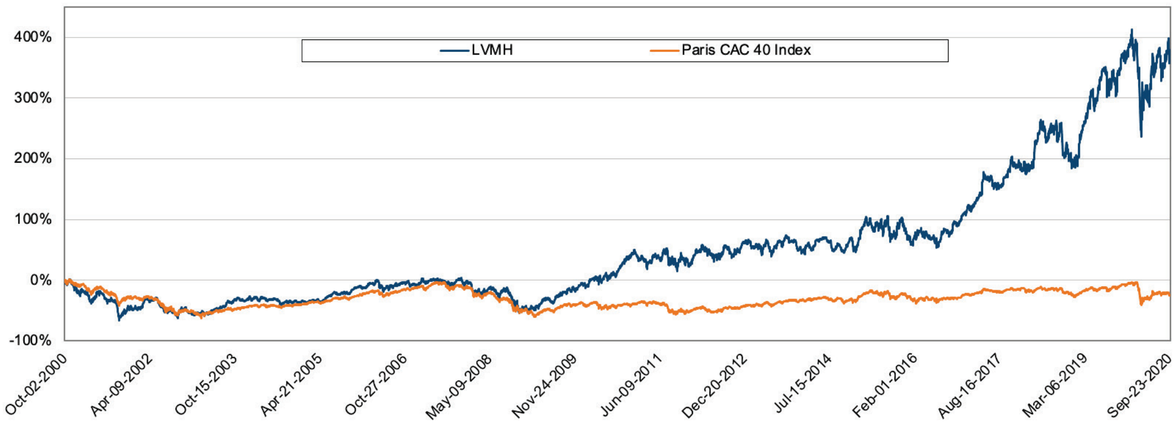
Exhibit 8 LVMH's Business and Geographic Segments—2019

	Revenue	Operating Profit
Wines & Spirits	€ 5,576	€ 1,729
Fashion & Leather Goods	€ 22,237	€ 7,344
Perfumes & Cosmetics	€ 6,835	€ 683
Watches & Jewelry	€ 4,405	€ 736
Selective Retailing	€ 14,791	€ 1,395
Other activities and eliminations	-€ 174	-€ 383
TOTAL LVMH	**€ 53,670**	**€ 11,504**

	Revenue
France	€ 4,725
Europe (ex France)	€ 10,203
United States	€ 12,613
Japan	€ 3,878
Asia (ex. Japan)	€ 16,189
Other Countries	€ 6,062
Revenue	€ 53,670

Source: LVMH, 2019 Annual Report, https://r.lvmh-static.com/uploads/2020/04/lvmh_rapport-annuel-2019_gb.pdf, accessed May 2021.

Exhibit 9 LVMH 20-Year Share Price Performance (Relative to CAC40, Oct 2 2000 – Sep 30 2020)



Source: Capital IQ, accessed November 2021.

Exhibit 10 Material Adverse Effect Clause

"Material Adverse Effect" means any Effect that, individually or in the aggregate with all other Effects, (a) has had or would be reasonably expected to have a material adverse effect on the business, condition (financial or otherwise), properties, assets, liabilities (contingent or otherwise), business operations or results of operations of the Company and its Subsidiaries, taken as a whole or (b) would or would reasonably be expected to prevent, materially delay or materially impair the ability of the Company to consummate the Merger or to perform any of its obligations under this Agreement by the Outside Date; provided, however, in the case of clause (a) no Effect arising out of or resulting from any of the following shall be deemed either alone or in combination to constitute a Material Adverse Effect:

(i) changes or conditions generally affecting the industries in which the Company and any of its Subsidiaries operate,

(ii) general economic or political conditions (including U.S.-China relations), commodity pricing or securities, credit, financial or other capital markets conditions, in each case in the United States or any foreign jurisdiction in which the Company or any of its Subsidiaries operate,

(iii) any failure, in and of itself, by the Company to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts or occurrences giving rise to or contributing to such failure may be deemed to constitute, or be taken into account in determining whether there has been, or is reasonably expected to be, a Material Adverse Effect, to the extent permitted by this definition),

(iv) consequences resulting from the execution and delivery of this Agreement or the public announcement or pendency of the transactions contemplated hereby, including the impact thereof on the relationships, contractual or otherwise, of the Company or any of its Subsidiaries with employees, labor unions, customers, suppliers, designers, landlords or partners,

(v) any change, in and of itself, in the market price or trading volume of the Company's securities or in its credit ratings (it being understood that the facts or occurrences giving rise to or contributing to such change may be deemed to constitute, or be taken into account in determining whether there has been, or is reasonably expected to be, a Material Adverse Effect, to the extent permitted by this definition),

(vi) any change in Law applicable to the Company's business or GAAP (or authoritative interpretation thereof),

(vii) geopolitical conditions, the outbreak or escalation of hostilities (including the Hong Kong protests and the "Yellow Vest" movement), any acts of war (whether or not declared), sabotage (including cyberattacks) or terrorism, or any escalation or worsening of any such acts of hostilities, war, sabotage or terrorism threatened or underway as of the date of this Agreement

(viii) any hurricane, tornado, flood, earthquake or other natural disaster or

(ix) any actions required to be taken or not taken by the Company or any of its Subsidiaries (other than the Company's obligations under the first sentence of Section 7.1(a)) pursuant to this Agreement or, with Parent's prior written consent, except, in the case of clauses (i), (ii), (vi), (vii) and (viii) to the extent such Effect has a materially disproportionate adverse effect on the Company and its Subsidiaries, taken as a whole, relative to others in the industries and geographical regions in which affected businesses of the Company and its Subsidiaries operate in respect of the business conducted in such industries and applicable geographical regions.

Source: Agreement And Plan Of Merger By And Among Tiffany & Co., LVMH Moët Hennessy-Louis Vuitton Se, Breakfast Holdings Acquisition Corp. And Breakfast Acquisition Corp., November 24, 2019, https://www.sec.gov/Archives/edgar/data/98246/000119312519299997/d840067dex21.htm, accessed May 2021.

Exhibit 11a Implied Premium Represented by the Merger Consideration of $135 Per Share (Goldman Sachs Analysis)

Reference Price Per Share:	Premium
November 20 Share Price of $123.33	9.50%
Pre-Publication Share Price of $98.55	37.0%
Pre-InitialOffer Share Price of $90.26	49.6%
104-Week High of $139.50	-3.2%
52-Week High of $117.03	15.4%

Implied Enterprise Value as a Multiple of:	Multiples
FY2019E EBITDA (Management Projections)	16.9x
FY2020E EBITDA (Management Projections)	16.5x
FY2019E EBITDA (IBES Estimates)	16.3x
FY2020E EBITDA (IBES Estimates)	15.1x

Implied Price as a Multiple of:	Multiples
FY2020E EPS (Management Projections)	29.0x
FY2021E EPS (Management Projections)	26.3x
FY2020E EPS (IBES Estimates)	25.8x
FY2021E EPS (IBES Estimates)	23.7x

Source: Tiffany & Co, SCHEDULE 14A, (New York: Tiffany & Co),January 6, 2020, https://sec.report/Document/0001193125-20-001590/, accessed May 2021.

Note: As of October 31, 2019, Tiffany & Co had $89.9 million in short term debt, $883.8 million in long term debt, and $529.6 million in cash and cash equivalents. The company had 119,943,050 shares outstanding. (Source: Tiffany & Co 10-Q, (New York: Tiffany & Co),December 5, 2019, https://sec.report/Document/0000098246-19-000145/, accessed May 2021.

Exhibit 11b Market Premiums (Goldman Sachs Analysis)

	Premium to Undisturbed Price	Premium to 52-Week High	Premium to 104-Week High
Entire Period			
Average	35.0%	6.0%	-1.0%
Median	29.0%	5.0%	1.0%
Calendar Years (Average)			
2014	33.0%	13.5%	5.6%
2015	35.6%	5.0%	1.5%
2016	44.9%	1.9%	-6.3%
2017	31.6%	10.0%	0.5%
2018	27.8%	3.8%	0.8%
2019 YTD	34.0%	1.4%	-6.0%

Source: Tiffany & Co, SCHEDULE 14A, (New York: Tiffany & Co),January 6, 2020, https://sec.report/Document/0001193125-20-001590/, accessed May 2021.

Note: These premiums are from the Dealogic database based on the premia paid in acquisitions of publicly traded U.S. companies between 2019 and 2019. It includes all deals in which the target had an implied enterprise value of $1 billion or more.

Exhibit 12a Publicly Traded Companies Analysis (Goldman Sachs Analysis)

Company	EV / FY2019E EBITDA	Price / FY2020E EPS
Luxury Conglomerates		
LVMH Moët Hennessy-Louis Vuitton, SE	15.7x	24.4x
Kering SA	12.9x	19.0x
Compagnie Financiere Richemont AG	12.1x	21.4x
Median	12.9x	21.4x
Luxury Brand Companies		
Hermès International SCA	24.1x	40.6x
Ferrari N.V.	22.4x	35.9x
Brunello Cucinelli S.p.A.	19.7x	36.8x
Prada S.P.A	14.8x	33.9x
Salvatore Ferragamo SPA	13.5x	27.7x
Burberry Group plc	13.5x	21.4x
The Swatch Group AG	8.5x	15.7x
Median	14.8x	33.9x
U.S. Premium Brand Companies		
Ralph Lauren Corporation	7.4x	12.8x
Capri Holdings Limited	7.0x	6.7x
Tapestry, Inc.	6.8x	9.8x
Median	7.0x	9.8x

Source: Tiffany & Co, SCHEDULE 14A, (New York: Tiffany & Co), January 6, 2020, https://sec.report/Document/0001193125-20-001590/, accessed May 2021.

Note: Goldman Sachs used estimates of EBITDA for the 12-month period ended January 31, 2020 and of EPS for the 12-month period ended January 31, 2021 provided by IBES.

Exhibit 12b Publicly Traded Companies Analysis (Centerview Analysis)

	2020E EV/EBITDA	2020E P/E
Hermès International S.A.	21.7x	40.8x
Ferrari N.V.	20.1x	36.8x
Brunello Cucinelli S.p.A.	17.0x	36.9x
LVMH Moët Hennessy-Louis Vuitton SE	14.5x	24.4x
Prada S.p.A.	13.5x	34.6x
Salvatore Ferragamo S.p.A.	12.6x	28.9x
Burberry Group plc	12.4x	21.5x
Kering S.A.	12.2x	19.2x
Compagnie Financière Richemont S.A.	11.7x	21.9x
The Swatch Group Ltd.	8.0x	15.4x
Ralph Lauren Corporation	7.0x	12.8x
Tapestry, Inc.	6.7x	9.9x
Capri Holdings Limited	6.6x	6.7x
Median (Luxury Conglomerates) [a]	**12.2x**	**21.9x**
Median (Luxury Brands) [b]	**13.5x**	**34.6x**
Median (Premium Brands) [c]	**6.7x**	**9.9x**

Source: Tiffany & Co, SCHEDULE 14A, (New York: Tiffany & Co), January 6, 2020, https://sec.report/Document/0001193125-20-001590/, accessed May 2021.

[a] Includes Kering S.A., LVMH Moët Hennessy-Louis Vuitton SE and Compagnie Financière Richemont S.A.

[b] Includes Brunello Cucinelli S.p.A., Burberry Group plc, Hermès International S.A., Salvatore Ferragamo S.p.A., Ferrari N.V., Prada S.p.A. and The Swatch Group Ltd.

[c] Includes Capri Holdings Limited, Ralph Lauren Corporation and Tapestry, Inc.

Note: These multiples were applied to management's projected EBITDA for calendar year 2020 of $1,023 million and projected 2020 calendar year EPS of $4.66.

Exhibit 13a Precedent Transaction Analysis (Goldman Sachs Analysis)

Announced	Acquiror	Target	EV / EBITDA`
11-Mar	LVMH	Bulgari S.p.A.	25.8x
13-Mar	The Swatch Group AG	Harry Winston, Inc.	24.4x
13-Jul	LVMH	Loro Piana S.p.A.	21.0x
15-Mar	Compagnie Financiere Richemont AG	YOOX Net-A-Porter Group S.p.A.	15.9x
16-Aug	Samsonite International S.A.	Tumi Holdings, Inc.	13.6x
17-Apr	LVMH	Christian Dior SE	15.6x
17-May	Coach, Inc.	Kate Spade & Company	10.4x
17-Jul	Michael Kors Holdings Limited	Jimmy Choo Group Plc	17.5x
18-Sep	Michael Kors Holdings Limited	Gianni Versace S.p.A.	22.0x
18-Dec	LVMH	Belmond Ltd.	22.9x
		Mean (All Targets)	**18.9x**
		Mean (US Targets)	**12.0x**
		Mean (Non-US Targets)	**20.6x**

Exhibit 13b Precedent Transaction Analysis (Centerview Analysis)

Announced	Acquiror	Target	EV / EBITDA
Mar-11	LVMH	Bulgari S.p.A.	25.8x
Mar-13	The Swatch Group Ltd.	Harry Winston Inc.	24.4x
Jul-13	LVMH	Loro Piana S.p.A.	21.0x
Feb-14	Signet Jewelers Ltd.	Zale Corporation	15.6x
Apr-16	Shandong Ruyi Tech Group Co., Ltd.	SMCP S.A.	12.4x
Apr-17	LVMH	Christian Dior S.E.	15.6x
May-17	Coach, Inc.	Kate Spade & Company	10.4x
Jul-17	Michael Kors Holdings Limited	Jimmy Choo PLC	17.5x
Sep-18	Michael Kors Holdings Limited	Gianni Versace S.r.l.	22.0x
Median			**17.5x**

Source: Tiffany & Co, SCHEDULE 14A, (New York: Tiffany & Co), January 6, 2020, https://sec.report/Document/0001193125-20-001590/, accessed May 2021.

Note: These multiples were applied to Tiffany's LTM EBITDA of $982 million for the 12-month period ended Oct 31, 2019.

Exhibit 14 Tiffany & Co: Management Projections ($ in millions except per-share amounts)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue	$4,405	$4,554	$4,836	$5,209	$5,615	$6,042
EBITDA (a)	1,002	1,023	1,100	1,227	1,359	1,503
Unlevered Free Cash Flow (b)	379	309	386	528	613	711
EPS	4.55	4.66	5.14	5.81	6.62	7.51

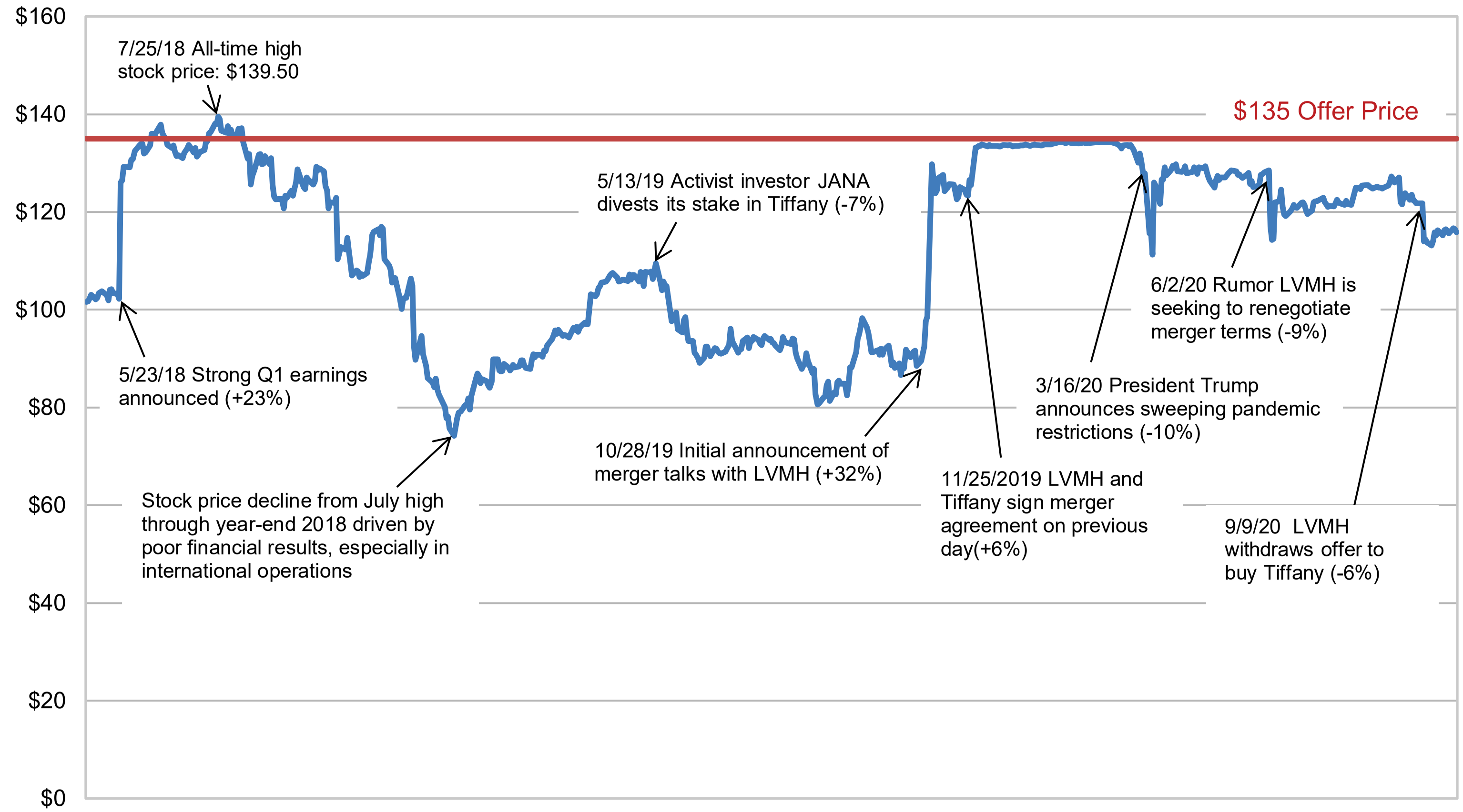
Source: Tiffany & Co, SCHEDULE 14A, (New York: Tiffany & Co), January 6, 2020, https://sec.report/Document/0001193125-20-001590/, accessed May 2021.

(a) Earnings before interest, taxes, depreciation and amortization.

(b) Calculated as net operating profit after tax less capital expenditures and investment in working capital plus depreciation and amortization.

Note: These projections are for Tiffany considered on a *stand-alone* basis (i.e., before giving effect to the merger).

Exhibit 15a Tiffany & Co. Stock Price: May 1 2018 – Sep 30 2020 (One-day Stock Price Change Shown in Parentheses)



Source: Casewriter from Capital IQ, accessed November 2021.

Exhibit 15b Tiffany & Co. and LVMH: Short-term Stock Price Movements

News		3 Day Price Change Tiffany	3 Day Price Change LVMH
Oct 28 2019	LVMH and Tiffany confirm merger talks	25.7%	0.1%
Nov 24 2019	LVMH and Tiffany sign merger agreement	6.4%	3.1%
Mar 16 2020	U.S. announces sweeping pandemic restrictions	-13.1%	-8.6%
Jun 2 2020	News leaks that LVMH is seeking to renegotiate terms	-10.9%	5.0%
Sep 9 2020	LVMH announces that it is withdrawing its offer	-6.6%	3.0%

Source: Casewriter from Capital IQ, accessed November 2021.

Exhibit 16 Tiffany & LVMH First-Half Fiscal 2020 Financial Results (in millions of dollars and euros)

	Tiffany Six Months Ended: 07/31/20	Tiffany Six Months Ended: 07/31/19	LVMH Six Months Ended: 6/30/20	LVMH Six Months Ended: 6/30/19
Net Sales	$1,303	$2,052	€11,391	€16,635
Cost of Sales	(532)	(775)	(7,002)	(8,447)
Gross Profit	771	1,277	11,391	16,635
SG&A	(816)	(932)	(9,699)	11,352)
Other Operating Income/(Loss)	0	0	(175)	(42)
Earnings From Operations	(46)	345	1,517	5,241
Interest Expense, Net	(21)	(20)	(462)	(205)
Other Income, Net	(26)	(2)	0	0
Taxes	(8)	65	(511)	(1,431)
Net Earnings	(33)	262	544	3,605

Note: Tiffany's fiscal year ends on January 31; LVMH's fiscal year ends on December 31. LVMH's Net Earnings are before deduction of minority interests (€22 million in 2020 and €337 million in 2019).

Source: Casewriter compiled from Tiffany & Co., "Tiffany Reports Significant Improvement in Sales Trajectory and Profitability," *Businesswire*, August 27, 2020, https://www.businesswire.com/news/home/20200827005390/en/Tiffany-Reports-Significant-Improvement-in-Sales-Trajectory-and-Profitability, accessed on November 12, 2021; LVMH, Interim Financial Report, Six-Month Period Ended June 30, 2020, https://r.lvmh-static.com/uploads/2020/06/lvmh-rapport-financier-semestriel-2020-va.pdf, accessed on November 12, 2021.

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