LVMH and Kering : Comparing 2020 financial statements for International Accounting

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1. Introduction :

This report contains a comparison of two CAC40 companies that are mainly, but not exclusively, active in luxury goods: LVMH and Kering. We discuss the financial statements, income statements and the consolidated balance sheets of both companies, as well as their notes, for the year 2020.

1.1 Brief presentation of LVMH

Louis Vuitton Moët Hennessy, also known as LVMH, was created in 1987 by the merger of Louis Vuitton and Moët Hennessy. In 1989, Bernard Arnault became the main shareholder and CEO of the French multinational group, which owns 75 brands around the globe spread over 6 sectors of activity :

- <u>Watches & Jewellery</u> : the group operates in high-end watchmaking and fine jewellery (Bulgari, TAG Heuer Fred, Hublot …).
- <u>Wines & Spirits</u> : LVMH's Wines and spirits activities are divided between Champagne, Wines and Spirits with high-end businesses of the market (Moët & Chandon, Dom Perignon, Mercier, Veuve Clicquot, Hennessy …).
- <u>Perfumes & Cosmetics</u> : brings globally established and young brands with a promising future driven by the same values : creativity and innovation with excellence (Christian Dior, Acqua di Parma, Guerlain, Make Up For Ever …)
- <u>Fashion & Leather Goods</u> : LVMH regroups Haute Couture brands all over the world and is the sector which generates the most turnover for the group (~47%). Louis Vuitton Givenchy, Fendi, Marc Jacobs are part of the brands that the group owns.
- <u>Selective retailing</u> : Sephora, DFS group and many other luxury shopping centers in Paris (Samaritaine, Bon Marché…).
- <u>Other activities.</u>

LVMH became the world‘s largest luxury brand through acquisition and its development strategy. It has had a strong growth since its creation and products are marketed through a network of more than 5000 shops all over the world by the end of 2020. The geographical breakdown of turnover is as follows : Asia (34.4%), USA (23.8%), France (7.5%), Japan (7.1%) and others (10.8%).

1.2 Brief presentation of Kering SA

Kering is a global luxury French group that brings together and grows a group of iconic fashion, leather goods, jewellery and watchmaking companies : Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Boucheron etc.

Founded by François Pinault around the wood and building materials businesses, the Group positioned itself in the retail sector from the 1990s, rapidly becoming one of the leading European players in this field. The acquisition of a controlling interest in Gucci Group in 1999 marked a new stage in the Group's development with the creation of a coherent and complementary group of major luxury brands. Since 2018 and the distribution of 70% of the PUMA shares, Kering is a fully-fledged Luxury Goods group.

By placing creation at the heart of its strategy, Kering enables its Houses to push back their limits in terms of creative expression, while at the same time creative expression, while shaping sustainable and responsible Luxury Goods. This is the meaning of its signature: Empowering & Imagination.

In 2020, Kering had 38,553 employees and generated sales of EUR 13.1 billion.
At the end of 2020, the Group had a network of 1,433 directly-operated shops. The geographical breakdown of sales is as follows : Western Europe (27.9%), Asia-Pacific (38%), North America (20.9%), Japan (7.1%) and others (6.1%).

1.3 LVMH and Kering vs other competitors

Kering and LVMH dominate the worldwide luxury goods market. The power of luxury brands and the uniqueness of their businesses propel their performance on the CAC 40 since the beginning of 2020.
Unlike their most powerful foreign competitors (the British Chanel, the Italian Prada, the American Ralph Lauren...), LVMH and Kering are unique: they both own prestigious brands and are present in fashion and leather goods, watches and jewellery and other activities.
This diversification is accompanied by the globalization of sales outlets and a lead in digital marketing and online sales. The two have the best sales growths over the last three years and are in the top 5 for profitability. Kering and LVMH are therefore gradually increasing their lead over their main rivals.

As soon as the rivalry between Pinault and Arnault was declared, we noticed that the aim of the companies was maximizing profitability, minimizing risk and optimizing synergies.
LVMH bought lots of companies until strengthening itself as the largest luxury group and one of the largest in fashion in the world. But while LVMH buys, Kering sells, leaving its entire sports division.
But to properly compare both of these two companies, let’s deep into their financial statements, balance sheets and cash flow statements.

2. Comparing financial statements : a rivalry that has become a success factor

<table>
<tr><th>KERING</th><th>LVMH</th></tr>
<tr><td colspan="2">I. Income Statement</td></tr>
<tr><td>Sales revenue : KERING revenues during the year 2020 amount to 13100 M€, a decrease of 17,5% compared to the previous year.
COGS : €3590 M is the amount of cost of goods sold, it represents 27% of KERING revenues. COGS amount decreased by 12,60% to the previous year.
Gross profit : €9509,6M in 2020, a decrease of 19,23% to the previous year.</td><td>Sales revenue : LVMH revenues during the year 2020 amount to €44651 M, a decrease of 16,80% compared to the previous year.
COGS : €15871 M is the amount of cost of goods sold, it represents 35% of LVMH revenues. COGS amount decreased by 12,43% to the previous year.
Gross profit : €28.790 M in 2020, a decrease of 19,04% to the previous year.</td></tr>
<tr><td colspan="2">We can note that both companies have been impacted in the same way because of the closing of their stores.</td></tr>
<tr><td colspan="2">A) Operating Income, Depreciation, Net Income, Net margin</td></tr>
<tr><td>EBITDA : €4574 million (35% of the turnover)
Current Operating Income : €3135 million a drop of 34.4%. Once again, the result was very mixed between the two halves of the year, with a -57.7% drop in the first half</td><td>EBITDA : €14 335 million (32% of turnover)
Current Operating Income : €8305 million, a drop of 29%. Current operating profitability for the year was 18.6%.</td></tr>
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<td>and a limited drop of -13.5% in the second half. Current operating profitability for the year was 23.9%.
Depreciation : Impairment losses amounted to €446.6 million, whose business was particularly affected by the pandemic. Other impairment losses on fixed assets recognized in 2020 include in particular the impairment of goodwill relating to industrial companies to the Group's leather goods activities and watch brands, as well as a right of use on a lease contract.
Selling brand : €705 million. Kering continued to sell its shares of PUMA.
Operating Income : €3298 million
Total extraordinary items : 9.8 million of discontinued activities
Net Income After taxes : €2179,9 million and €29.5 million of minority interest (dividends and sales options)
2150.4 million for the group
Net margin : 16.4%</td>
<td>Depreciation : €235 million relate mainly to brands and goodwill (Tiffany & Co)
The other expenses mainly include a donation to the Fondation des Hôpitaux de Paris for Hôpitaux de Paris.
Operating Income : €7972 million
Net income after taxes : €4955 million and €253 million of minority interest (Minority interests consist mainly of the 34% held by Diageo in Moët Hennessy and the 39% held by Mari-Cha Group Ltd in DFS, dividends of Diageo)
€4702 million for the group
Net margin : 10.5%</td>
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<td>The costs associated with sanitary measures (purchase of hydro alcoholic gels and masks, exceptional measures for regular disinfection of premises, etc.) are considered to be current operating expenses.</td>
<td>In fiscal year 2020, due to the Covid-19 pandemic, the reduced prospects for inventory sales led to a non-recurring impairment charge of approximately €190 million.</td>
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<td colspan="2">The pandemic situation had a very heavy impact on the performance in the second quarter and to some extent on that of the first quarter, despite a very good start to the year for both companies. In the second half of the year, the decline was more limited, despite further store restrictions and closures in the fourth quarter. In the Kering annual report, we can note that many statements are related to Covid financial measures, whereas it is not crystal clear for LVMH. However, we notice that both companies used depreciation for their purchase of Covid-related goods.
Regarding the Operating Income and Net Income of both companies, we noticed that Kering has recovered from the crisis better than LVMH. We can see that the returns are greater in percentage terms. As we explained in the introduction, LVMH buys and Kering sells. Indeed, it is partly thanks to the sale of PUMA that Kering is performing better than LVMH in 2020.</td>
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<td colspan="2">B) Balance sheet</td>
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<td colspan="2">Non current financial assets : We can notice that non current financial assets decreased by -45% for LVMH and increased by +311% for Kering, but current financial assets increased for both groups. If we look in more detail, it is the derivatives which changed a lot for both companies, but not in the same directions. Kering and LVMH negotiate financial derivatives in order not to be too exposed to currency risk and to protect themselves against a sudden rise in interest rates for a certain period. As LVMH has increased its short term debt by +180% between 2020 and 2019, during an uncertain period, they decided to protect against an interest rate change with interest rate derivatives. However the amount of their currency derivatives decreased by -24% between 2020 and 2019. In the same way that LVMH, Kering decided to protect them better against currency risk, currency derivatives increased by 300%. But where does this big difference between LVMH and Kering come from? Kering was a shareholder of Puma company, but in 2020 they decided to sell a part of their shares for a global amount of 656 million €. However Kering always owns 9,87% of Puma capital's, the retained securities have been reclassified to the balance sheet line "Non Currents Assets".

Receivables for both companies decreased between 2020 and 2019 but if we look at the trade account receivables, depreciation for impairment increased by +40% for LVMH and by +44% for Kering. These changes are not good, but according to them, both groups are not dependent on these customers. 2020 was a tough year for the majority of companies, it could explain the rise of the receivables of impairment.</td>
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If we look at investments in joint ventures and associates for both companies, the amounts have evolved in the opposite directions. For Kering, this amount decreased suddenly by -96%. As the firm sold a big part of their Puma securities, it's logical that Puma's participation it's not the same in 2020 that in 2019 and the value of shares which had been retained in "Non Currents Financial Assets". For the LVMH side, the amount of investments in joint ventures and associates decreased a little bit by -7% due to changes in the scope of consolidations and translation adjustments.

For both groups, inventories are stated at cost for both companies and also by the First-in First-Out (FIFO) method for LVMH. Wine and Spirits is a one of core business for LVMH, and this unit requires the use of the FIFO method. Note that stocks of spirits and wine need to be aged for at least one year. LVMH Inventories decreased by -5%. In fiscal year 2020, due to the Covid-19 pandemic, the reduced prospects for LVMH inventories sales led to a non-recurring impairment charge of approximately a non-recurring impairment charge of approximately EUR 190 million. Impairments are recognised mainly in businesses other than Wines and Spirits. They are most often established due to the obsolescence of the products concerned, such as an end of season or collection, or an approaching use-by date. Kering decreased by -3% and impairments increased by +1,70%. Kering may have to recognise an impairment on inventories if they are damaged, partially partially or completely obsolete.

For both groups, their change in cash increased - mainly for the LVMH group (+300% for LVMH vs +50% for Kering) - but not for the same reasons. LVMH increased their liabilities - short and long term debt - in order to buy a competitor - Tiffany & Co - for €10,7 billions at the beginning of the year 2021, and they financed this acquisition with bonds issues. Kering had also increased its liabilities with new bonds issuance and bank loan but much less than Kering which prefered this year to invest on e-commerce, logistic and technological infrastructures.

C) Cash flow statement

Cash from operations before changes in working capital decreased to €4.280 billion, compared to the €5.936 billion at the end of 2019. This decrease is of course due to the Covid-19 health crisis. After tax and changes in the working capital, net cash received from operating activities amounted to €2.888 billion, an increase of €0.5 billion, compared to the previous year, mainly thanks to the cession of their shares of PUMA.

Net cash used in financing activities was €1.623 billion. Kering paid dividends to its shareholders of €1 billion. In May 2020, Kering carried out two fixed-rate bond issues for a total amount of €1.2 billion. During the year, Kering repaid the $150 million bond issued in 2015 and the €360 million bond issued in 2013.

Cash and cash equivalent totaled €3 billion as of the end of 2020.

Cash from operations before changes in working capital decreased by €2.108 billion to €13.997 billion in the year 2020. After tax and interest paid, the net cash from operating activities is down to €10.897 billion, a slight decrease compared to the previous year. We can notice that the change in working capital was divided by 3 compared to 2019, thanks to the decrease in inventories. Moreover, tax paid decreased by 19% as a result of the decrease of the group's earnings.

Net cash from financing activities was €7.4 billion, compared to -€4.7 billion in 2019 due to a huge amount of proceeds from borrowings (€17.5 billion). LVMH paid dividends for an amount of €2.8 billion.

Cash and cash equivalent totaled €19,806 million as of the end of 2020, mainly justified by the financing of the acquisition of Tiffany & Co., for an amount of 16.1 billion US dollars.

The application of IFRS 16 is reflected in the cash flow statement in the net cash flow received from operating activities as the payment of rents, rents charges and rents from short-term leases, and in the net cash received from investing activities as the repayment of lease liabilities for an amount of €787 million for Kering.

We clearly see that LVMH holds more cash than Kering, thanks to the acquisition of Tiffany & Co. But as it has been acquired in 2021, cash will be deducted in the cash flow statement of 2021. Hence, comparing the size of both companies, we can say that Kering holds a lot of cash, due to the cession of PUMA. As we said in our introduction, LVMH continues to buy while Kering sells. We can then make a conclusion that Kering is accumulating cash to acquire a new company in the near future, or to reward shareholders more.

3. IFRS

<table>
<tr><th>Kering</th><th>LVMH</th></tr>
<tr><td colspan="2"><u>Group accounting - Goodwill (IFRS 3) </u>: IFRS 3 applies when a business is acquired by another business by taking control of it (more than 50% of ownership) using the acquisition method. This consists in several steps :
- Identify the acquier
- Determining the date of acquisition
- Recognise and measure the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree
- Recognise and measure goodwill or profit from a bargain purchase.
When the group takes control of a business, the assets and liabilities are estimated at market value. The difference between the cost of taking control and the share of the market value of the Group is called goodwill.</td></tr>
<tr><td>Kering's goodwill is estimated at €2,452 million (9% of the total assets of the consolidated balance sheet) and €6,402 million (23%) for brands. We can observe that Kering, in its annual report (note 35.2.3), took time to explain how group accounting is computed regarding the IFRS 3. It is for us, the users of the financial statement, easier to understand.</td><td>Goodwill for LVMH is estimated at €16,042 million (14% of the total assets of the consolidated balance sheet) and €17,012 million for brands (15%) for the year 2020. It mainly comes from consolidated investments and purchase commitments for minority interest's shares (Loro Piana & Rimowa). In the notes of the financial statement, it says that "the impact on goodwill of the revaluation of purchase commitments for minority interest was positive".</td></tr>
<tr><td colspan="2">For our report, we have chosen two large CAC40 companies in the luxury sector. It goes without saying that these two groups own dozens of brands, which is why goodwill and brands make up a large part of their total assets.</td></tr>
<tr><td colspan="2"><u>Property, Plant & Equipment PPE (IAS 16) </u>: Information for people using the financial statements to distinguish information between an entity's investment in its PPE and changes in that investment. This amendment simplifies the analysis to be performed by lessees and allows, under certain conditions, to recognize the effect of these adjustments immediately in the income statement in the form of negative variable rents.</td></tr>
<tr><td>PPE was up to 1.9% compared to the year 2019, up to €2,670 million (10% of assets). The net value of lands is estimated at €685 million and €1,620 million for machinery and facilities (Note 17).</td><td>PPE was down to 0.3 billions, compared to 2019 to €18,224 million (16% of assets).
As LVMH owns lots of plants in the wineyard, note 1.14 tells us that plants are estimated at the market value at the balance sheet date, based on recent transactions in the same regions. The other properties are valued at acquisition cost. In the note corresponding,, we can see that LVMH lands and machinery are the biggest investment with around €4 billions in net value each (depreciation included). Both correspond to half of the total of PPE.
We learned that purchases correspond to the investment of the group's brands in retail networks (Sephora, Christian Dior), and production equipment (Hennessy and Louis Vuitton).</td></tr>
<tr><td colspan="2">We noticed that Kering owns less properties than LVMH, as it is not present in the wine sector. Thus we noticed a big difference in the percentage of assets for PPE between the two companies.
Both groups have been able to adapt to the new standards introduced, in particular the amendment to IFRS 16 relating to the accounting for lease adjustments granted by lessors in connection with the Covid-19 pandemic issued by the</td></tr>
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<tr><td colspan="2">IASB and was applied by them in 2020.

Furthermore, PPE are depreciated, for both groups, on a straight-line basis over their estimated useful lives. However, the two groups don't have the same estimated useful lives. For example, buildings in LVMH are depreciating between 40 to 100 years and 10 to 40 for Kering.</td></tr>
<tr><td colspan="2"><u>Intangible assets (IAS 38) :</u> Intangible assets are non monetary assets, without physical substance. They can be separated from the entity and sold, transferred, leased or exchanged. An intangible asset shall be recognised if, and only if it is probable that the future economic benefits attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably.
An intangible asset shall be measured initially at cost.</td></tr>
<tr><td>Kering intangible assets were down by €74 million compared to 2019, to €6.985 billions (25% of assets). Brands correspond to 91% of this amount.

Brands and other intangible assets acquired in business combinations, which are controlled by the Group and are separable or arise from legal or contractual rights, are recognised separately from goodwill.

Computer software acquired as part of ongoing operations is generally amortised over a period not exceeding 12 months.</td><td>LVMH intangible assets were also down by €0.2 billions compared to 2019, to €33.05 billions (30% of assets), including goodwill and brands (it is clearly said that to measure the intangible assets, the groups used hypotheses and estimates).
Same as PPE, intangible assets are stated at acquisition cost and are amortized over different periods, for example software and websites over 1 to 5 years.

As of December 31, 2020, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. at a unit price of 131.5 US dollars.</td></tr>
<tr><td colspan="2">Intangible assets represent the major part of both companies. As we said previously, Kering and LVMH own several brands, and the "names" of these brands are computed in the intangible asset numbers. For the two companies, it represents more than 25% of their total assets. Going deeper in the notes, we noticed that the companies don't use the same amortization for their assets. We wrote about computer softwares but it goes the same for the other intangible assets. In fact, each IA is subject to depreciation tests.</td></tr>
<tr><td colspan="2"><u>Leases (IFRS 16) :</u> It requires listed companies to include in their balance sheets all leases with a duration of more than one year or under 5000 USD. A lessee is required to recognise a right-of-use asset representing its right to use the leased asset and a lease liability representing its obligation to pay.</td></tr>
<tr><td>Kering right of use is estimated at €3.956 billions (14% of assets), including stores (74%) and offices, decreasing by €0.3 billions compared to 2019.

Lease liabilities represent in total €4.083 billions, including changes in the scope of consolidation, new leases, repayments, and ended or canceled contracts.

The note shows that the group has chosen to apply the incremental borrowing rate to all of its leases, which is the interest rate that the group would have to pay to borrow, for a similar term and security, the funds necessary to acquire an asset of similar value to the asset and in a similar economic environment, with an adjustment for the business segment.

The Group has chosen to use the simplification measure</td><td>Right-of-use assets represent €12.5 billions, including stores (83%) and offices (12%), decreasing by €5 billions compared to 2019.
Lease liabilities represent in total €12.829 billions, including changes in the scope of consolidation, new leases, repayments, and ended or canceled contracts. When entering into a lease, a liability is recognized in the balance sheet, measured at the discounted present value of future payments of the fixed portion of lease payments and offset against a right-of-use asset depreciated over the lease term.
LVMH also stated in its note 1.15 that the application of IFRS 16 has a significant impact on the cash flow statement given the importance of fixed lease payments to the Group's activities.

Furthermore, in all LVMH financial statements is a note :</td></tr>
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<tr><td>that allows tenants to choose to account for negotiated rent adjustments due to the health crisis as negative variable rent (i.e. immediately in the income statement).</td><td>« The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. ».
The expenses for variable lease payments reflects the €548 million impact of the rent concessions from lessors.</td></tr>
<tr><td colspan="2">Leases for both companies are significant. Reading the notes made us understand the complexity of leases with liabilities, right-of-use, breakdown, changes during fiscal year, impact on the cash flow statement etc. We will not develop this part more because it could take us many more pages.
Here again, Kering is explaining in detail (note 35.13) the impact on the income statement on the application of IFRS 16 and the estimation of the duration of lease contracts (corresponding to the non-cancellable period during which the lessee has the right to use the underlying asset, with adjustments depending on stores or buildings).
Finally, both saw a decrease in their statement, and leases impact the balance sheet and the cash flow statement.</td></tr>
<tr><td colspan="2"><u>Inventory (IAS 2) :</u> Assets held for sale in the ordinary course of business ; or in the process of being produced for such sale; or in the form of raw materials or supplies to be consumed in the production or service process. The cost of inventories shall include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.</td></tr>
<tr><td>With the negative impact of the closure of stores, Kering saw a decrease of 3.8% to €2.845 billions (10% of total assets). Like LVMH, Kering results with a high level of inventory impairment.</td><td>Inventories were down by €0.7 billions to €13.016 billions (9% of total assets).
Regarding wine plants, it is determined related to the market value price of equivalent grapes. Furthermore, the holding period for wine, champagne and spirit generally exceeds 12 months, these inventories are then classified as current assets.</td></tr>
<tr><td colspan="2">For both companies, notes stipulate that inventories are recorded at the lower of cost with the FIFO method or the weighted average cost for LVMH, and with the retail method or weighted average cost for Kering, depending on the sector. The decline in the leather goods category is generally in line with market trends, despite very high comparison bases and in a context where brands have favoured sound inventory management and have consequently been particularly vigilant about the number of references and products available in stores.</td></tr>
<tr><td colspan="2"><u>Provisions, contingent liabilities & contingent assets (IAS 37) :</u> The aim is to make sure that the recognition criteria and measurement bases applied to provisions, contingent liabilities and contingent assets are correct and that the notes provide sufficient information to understand the nature, timing and amount of such. IAS 37 applies to the recognition of provisions, contingent liabilities and contingent assets of all entities, except those arising from contracts not fully performed.</td></tr>
<tr><td colspan="2">The provisions are not clearly explained in both of our companies' financial statements. However, we noticed for both companies some statements regarding not fully performed entities or those who the contract did not go till the end (discontinued activities).</td></tr>
<tr><td colspan="2"><u>Revenue (IFRS 15) </u>: What useful information a company should provide about the nature, amount, timing and uncertainty of revenue and cash flows coming from a contract with a customer. There are fives steps for revenue recognition :
- Identification of the contract with the customer
- Identification of the separate performance obligations of the contract
- Determination of the transaction price
- Allocation of the transaction price to the different performance obligations
- Recognition of revenue when the performance obligations are met</td></tr>
</table>

For Kering, it is estimated at €13.1 billions. To this must be added expenses by nature (advertising and media campaigns, personnel costs, and R&D).	For LVMH the breakdown revenue is estimated at €44.6 billions. The share of total revenues generated at its own stores represents 70% in 2020. To this must be added expenses by nature (advertising and media campaigns, personnel costs, and R&D).
Revenue consists of royalties, income from investment property and revenue generated by brands. In the notes, we can have a full detail of personnel costs. What is present in Kering (and not in LVMH) is the number of employees in the different regions of the world, inside the note.	
Operating segments (IFRS 8) : The company shall provide information that enables users of its financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates (their operational sectors, their products and services, the geographical areas).	
Luxury, jewelry, watches Active consumers in their local market were able to increase their weight, at the expense of nationalities usually spending abroad. Thus, in 2020, Chinese saw their weight decrease by 5 percentage points compared to 2019, while American and European consumers gained respectively 3 and 1 percentage point.	Wines & spirits, luxury, jewelry, watches. The geographical breakdown of turnover is as follows : Asia (34.4%), USA (23.8%), France (7.5%), Japan (7.1%) and others (10.8%).
By nationality, the luxury market is characterised by the weight of Chinese and American consumers, who together represent more than half of the market in value. France is also well classified in the leaderboard. We already talked about this segment in our introduction. We will not develop more here.	
Related party disclosure (IAS 24) : The aim is to ensure that financial statements contain the information necessary to focus on the possibility that the financial position may have been affected by the existence of related parties.	
Kering is doing a report on every major brand that it owns : Gucci, Saint Laurent, Bottega Veneta, Alexander McQueen. They explain the strategies of each brand, the competition, the financial key figures etc.	
As we already said many times, LVMH and Kering are very big companies owning several brands. Hence, their financial positions are all affected by related parties.	

3. Conclusion

The Covid-19 pandemic and the measures taken by the various governments to combat it severely disrupted the operations of LVMH and Kering during the year, and significantly affected the financial statements. The closure of shops and production sites in most countries for several months, as well as the halt to international travel, explain the reduction in revenue and, as a result, the deterioration in profitability of all business groups. Gross margins were slightly down due to inventory write-downs, the one-off increase in unit production costs.

It can be seen that the two companies are similar in terms of the percentage of allocations in the various balance sheets, their clients and the geographical areas in which they operate. Obviously, LVMH is bigger and has more important net figures, but we notice that Kering has an important place in the list of LVMH's competitors, it is indeed its main competitor.

Obviously, both companies respected IFRS standards, but the means of calculation differ at certain points. The notes of the financial statements helped us to deepen our knowledge of international accounting and to better understand the required standards of IFRS.