Equity Research Report

LVMH

LVMH equity research: Price collapse, drivers, and recommendation.

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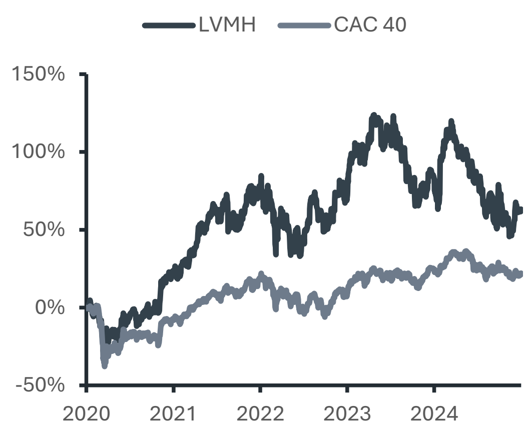
Date: 22/11/2025
HQ: 22 Avenue Montaigne Paris, France

Ticker: LVMH.PA
Current Price: €621,58

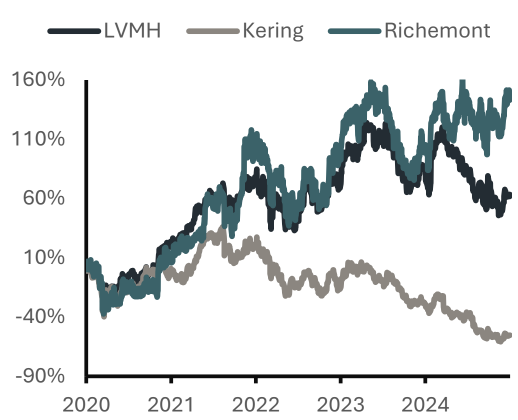
Target Price: €745 - €782
Recommendation: BUY

Figure 1: Stock performance: LVMH vs CAC40



Source: Yahoo Finance

Figure 2: Stock performance: LVMH, Kering, Richemont



Source: Yahoo Finance

Executive Summary

LVMH Moët Hennessy Louis Vuitton is the global leader in the luxury sector, with a current market capitalization of €309,362 billion. The company's shares are highly liquid and included in major equity indices, supported by a free float of approximately 49,67%. Its shareholder base is well diversified, comprising major international institutional investors, most notably BlackRock and The Vanguard Group, as well as the Arnault family, historically the company's principal reference shareholder.

Business description

LVMH is the global leader in luxury goods, managing a portfolio of over 75 prestigious brands across five primary segments: Fashion & Leather Goods, Wines & Spirits, Perfumes & Cosmetics, Watches & Jewelry, and Selective Retailing. The Group operates in more than 70 countries, leveraging its iconic brands, including Louis Vuitton, Dior, Fendi, Moët, Hennessy, and Sephora, to drive sustained growth.
LVMH's business model is anchored in creative excellence, continuous product innovation, and disciplined expansion of its retail and digital network. Ongoing investments in talent, craftsmanship, sustainability, and customer experience underpin the Group's long-term resilience and leadership in the luxury sector.

Share price collapse: context and drivers

LVMH stock price reached an all-time high in April 2023 at more than €900 and by June 2025 it was worth less than €450, losing more than half of its value, while over the same period the CAC40 index, which tracks the 40 largest market capitalizations of the French stock market and includes LVMH, slightly increased. This sharp divergence mainly reflects a repricing of the luxury sector driven by overly high expectations after years of double-digit growth, elevated valuations with rich P/E and EV/Sales multiples, and growing macro and geopolitical risks such as higher interest rates, rising costs, weaker Chinese demand and increasing geopolitical tensions, which all weighed on earnings prospects and led investors to reassess LVMH's future cash flows.

Porter's Five forces

LVMH operates in a global luxury market where strong brands, scale, and control of the value chain give it substantial competitive power on most of Porter's Five Forces, with the main pressure coming from intense rivalry among top luxury groups.

<u>Threat of new entrants</u>

Barriers to entry in the luxury industry are very high because new players would need huge capital, iconic branding, prime retail locations, and access to rare craftsmanship and materials to compete at LVMH's level. LVMH's portfolio of 75 Maisons with long histories and global recognition creates brand equity and customer loyalty that are extremely difficult for new entrants to replicate.

<u>Bargaining power of suppliers</u>

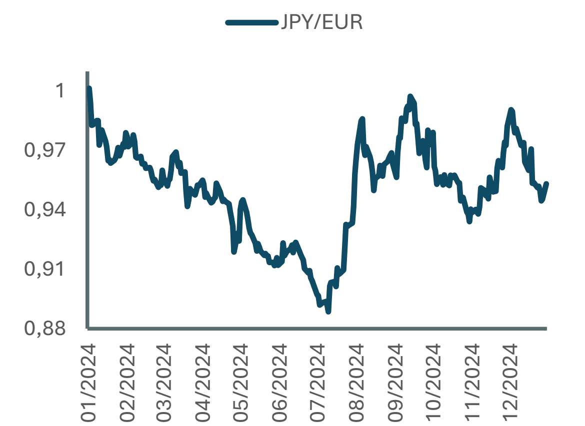
Most suppliers (artisans, small workshops, raw-material providers) are relatively small compared to LVMH, which limits their ability to dictate terms. However, for key inputs such as high-grade leather, fine wines, and

Figure 3: Change in revenue by business group

(EUR millions and percentage)	Published	Organic
Wines and Spirits	-11%	-8%
Fashion and Leather Goods	-3%	-1%
Perfumes and Cosmetics	2%	4%
Watches and Jewelry	-3%	-2%
Selective Retailing	2%	6%
Total	**-2%**	**1%**

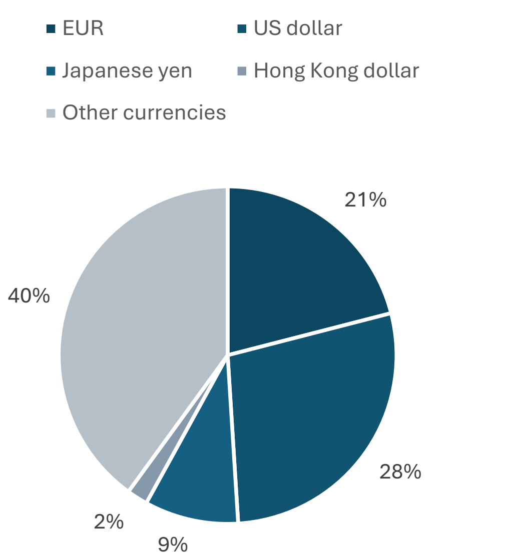
Source: LVMH universal registration document

Figure 4: JPY/EUR exchange rate



Source: Yahoo Finance

Figure 5: Revenue by invoicing currency



Source: LVMH universal registration document

precious stones, scarcity of expertise and resources can give certain suppliers higher power; LVMH mitigates this via long-term partnerships, vertical integration (e.g., vineyards), and supplier codes of conduct.

<u>Bargaining power of buyers</u>

Final consumers are numerous and fragmented worldwide, which keeps individual bargaining power low despite their high expectations. Nevertheless, luxury buyers have strong preferences and access to information, so LVMH must continuously invest in product quality, brand heritage, and elevated in-store and digital experiences to maintain pricing power and loyalty.

<u>Threat of substitutes</u>

Substitutes come mainly from other forms of status spending, such as premium non-luxury goods, technology, travel, and experiences competing for the same discretionary budget. LVMH counters this by emphasizing exclusivity, craftsmanship, storytelling, and heritage, making its products harder to replace with cheaper or non-luxury alternatives.

<u>Industry rivalry</u>

Competitive rivalry is high, with strong global competitors (other luxury conglomerates and powerful independent brands) fighting for market share, talent, and prime locations. LVMH's scale, diversified brand portfolio (fashion & leather goods, wines & spirits, perfumes & cosmetics, watches & jewelry, selective retailing), and financial strength allow heavy investment in innovation, marketing, and retail, which helps sustain its leadership despite the intense competition.

Investment summary

LVMH's valuation still reflects macro and sector uncertainty, FX pressure, uneven Chinese demand, and margin normalization, yet the stock continues to trade at a discount to its closest peers. A comparison with Kering, Richemont and Hermes which we will from now on call the "Big 3" shows that the gap is only partly explained by fundamentals, despite Richemont's stronger resilience driven by its higher exposure to hard luxury.
The valuation disconnect is most visible versus Richemont: despite LVMH's broader diversification, solid cash generation, and stronger long-term returns, it trades at lower EV/EBITDA and P/FCF multiples. Aligning with peer averages supports a €745 target on EV/EBITDA (16,2x ~20% upside) and €782 on P/FCF (20,44x ~26% upside), without assuming any Hermès-like premium.
LVMH continues to deliver scale-driven resilience and best-in-class cash-flow strength, making its current discount, roughly half the sector's P/FCF, overly conservative relative to its quality profile.
Recommendation: BUY. The case rests on relative-value dislocation and long-term earnings power, though it remains sensitive to Chinese demand and Fashion & Leather margin trends.

Navigating Currency Shifts and Asian Market Dynamics

In 2024, LVMH reported consolidated revenue of €84,683 billion, marking a 1,7% decrease compared to the previous year, when the Group achieved €86,153 billion in sales. This shift stands in contrast to the strong 8,8% growth experienced in 2023, closing a sequence of record-breaking years and signaling the beginning of a slowdown phase.

<u>Reported vs. Constant Currency Performance</u>

LVMH posted a -2% decline in reported revenues (€84,7 billion) while achieving +1% growth at constant exchange rates. This indicates that, excluding FX effects, demand for LVMH products remained stable or slightly positive; the decline is almost entirely attributable to adverse currency movements, particularly the depreciation of the Japanese Yen against the Euro until late September 2024. (figure 4)
The divisions most negatively impacted were Fashion & Leather Goods (-3% reported) and Wines & Spirits (-11% reported), with FX headwinds contributing significantly to the downturn. (figure 3)

<u>Consumer Purchasing Behavior</u>

Figure 6: Revenue by invoicing currency

Cost Category	2023 (€M)	2024 (€M)	Δ (€M)
COGS	26.876	27.918	1.042
Marketing & Selling	30.768	31.002	234
General & Administrative	5.714	6.220	506
Other Operating Expenses	242	664	422
Financial Costs	809	~952	143
TOTAL COST INCREASE	**—**	**—**	**+ 2347**

Source: LVMH universal registration document

Figure 7: Revenue by invoicing currency

Cost Category	2023 (% of Revenue)	2024 (% of Revenue)	Δ (percentage points)
Cost of Sales (COGS)	31,2%	33,0%	+1,8pp
Marketing & Selling	35,7%	36,6%	+0,9pp
General & Administrative	6,6%	7,3%	+0,7pp
Other Operating Expenses	0,28%	0,78%	+0,50pp
TOTAL OPERATING COSTS	**73,8%**	**77,7%**	**+3,9pp**

Source: LVMH universal registration document

In 2024, spending by Chinese customers increased markedly in Europe and Japan, while domestic demand in China slowed. This resulted in:

- Higher purchases by Chinese tourists abroad, particularly in Japan, driven by tax-free shopping policies, superior retail service, and the desire for status-enhancing consumption.
- Reduced domestic demand in China, weighed down by a softer macroeconomic backdrop, slower growth, heightened uncertainty, potential trade tensions, and travel restrictions.

<u>Performance in the Japanese Market</u>

Japan delivered double-digit revenue growth (+10%) in 2024, supported by robust local demand and increased spending by Chinese customers. The weak yen made Japan an attractive destination for luxury shopping among foreign tourists, especially Chinese travelers.
Despite strong in-store performance, the translation of Japanese revenues into euros was negatively impacted by the yen/euro exchange rate. For international customers, luxury prices in Japan were more accessible compared with Europe and China, sustaining high sales volumes.

<u>Pricing Strategy and Demand Normalization</u>

LVMH, in line with many luxury groups, has pursued a strategy of price increases across its collections in recent years. While this supported margins, it also contributed to a softening of demand, particularly among Chinese consumers, who are highly sensitive to the value-for-money proposition and increasingly perceived that rising prices were no longer fully justified by the offered value.
Additionally, following three consecutive years of record growth, 2024 marked a normalization phase, especially within the Wines & Spirits division. The slowdown reflects weaker demand in key markets and lower Champagne harvest volumes, partly due to adverse weather conditions.

<u>Costs Analysis: macro backdrop</u>

2024 brought slower luxury demand, with normalization after the post-Covid boom, pressure on aspirational consumers, and macro uncertainty (rates, inflation) (figure 6). LVMH's reported revenue fell ~2%, and the group highlighted an "unfavorable global economic environment" with uneven regional growth. They also emphasized that exchange-rate fluctuations had a "substantial negative impact" on profit, notably in Fashion & Leather Goods and Wines & Spirits.

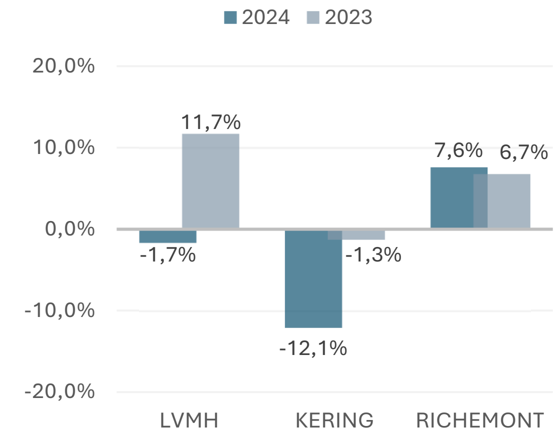
<u>Cost of Sales (COGS): inflation + rigidity of production</u>

As we can observe in figure 7, COGS increased 3,9% while revenue declined 2%, pushing cost of sales from 31,2% to 33,0% of revenue and compressing gross margin. This reflects inflation in raw materials (leather, metals, textiles), energy, transport, shipping, and production labor in Europe and the US, with multiple luxury companies in 2024 citing margin pressure from inflation not fully passed through to prices.
LVMH's high-end, Europe-based production model adds fixed factory and workshop costs and makes scaling down difficult, so when volumes soften, unit cost rises.
FX also weighed on margins: producing in EUR while selling in weaker currencies (e.g., yen) means EUR-translated revenue falls faster than EUR-denominated costs, reinforcing gross-margin pressure. The group explicitly reported a "substantial negative impact on profit" from FX in 2024.

<u>Marketing & Selling: Olympics + brand push in a slow year</u>

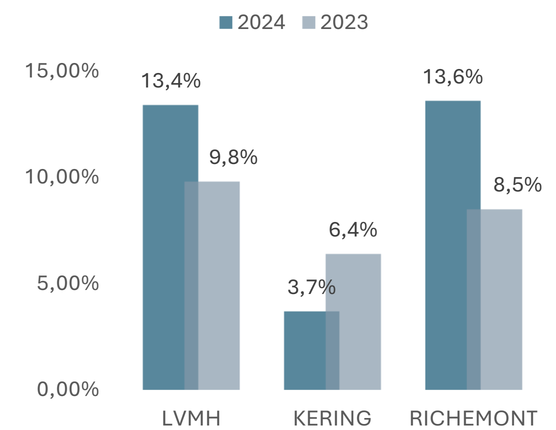
Marketing & selling expenses rose slightly in absolute terms (+0,9%) but increased from 35,7% to 36,6% of revenue (figure 7).
The Paris 2024 Olympic & Paralympic Games were a major driver: LVMH was a Premium Partner with a widely estimated €150 million sponsorship, accompanied by design and production work for ceremonies, activations, hospitality, campaigns, PR, and other marketing outlays. These were intentionally elevated despite slower sales.
LVMH also continued heavy investment in communications and store evolution, flagship refurbishments, new boutiques, higher rents and utilities, more staff, in-store events, and visual merchandising, which the company itself notes, particularly for Watches & Jewelry where profits declined partly due to store renovations and communication spending.

Figure 8: Revenue growth



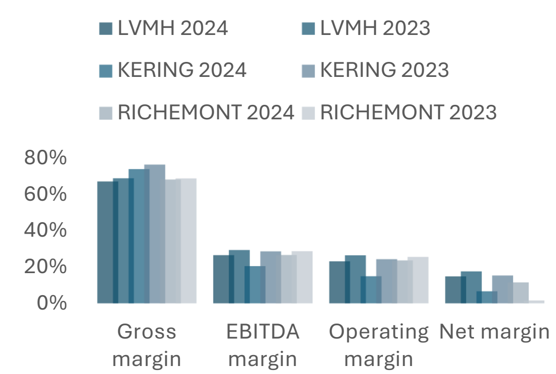
Source: LVMH universal registration document, self-calculated ratios

Figure 9: Cash generation



Source: LVMH universal registration document, self-calculated ratios

Figure 10: Profitability ratios and KPIs



Source: LVMH universal registration document, self-calculated ratios

<u>G&A and Overheads: inflation, complexity, scale</u>

General & administrative expenses increased by 0,7%, moving from 6,6% to 7,3% of revenue. Drivers include wage inflation for top talent across luxury, data, tech, and retail management; higher salaries and bonuses for corporate and regional HQ teams; and continued investment in e-commerce, omnichannel, clienteling, CRM, cybersecurity, AI, data infrastructure, sustainability, and ESG reporting.
Managing 75+ Maisons, integrated supply chains, and global operations adds structural overhead, while tightening regulation (ESG, supply-chain transparency, data protection) lifts compliance and legal costs. With revenue slightly down in 2024, these fixed costs became more visible.

<u>Other Operating Expenses: impairments, FX and restructuring</u>

Other operating income/expenses deteriorated from about €242m to -€664m (almost 3×). Potential contributors include store or asset impairments in slower segments such as Wines & Spirits, reassessments of boutiques, leases, or goodwill components, and FX-related items tied to the "substantial negative impact" LVMH reported for 2024 (hedging costs, ineffective portions, valuation movements). Exceptional expenditures from reorganizations, environmental projects, or brand repositioning may also be included.

Benchmarking LVMH vs. Kering vs. Richemont with annual report insights

<u>Growth</u>

LVMH (-1,7% in 2024 vs 11,7% in 2023): Management framed 2024 as normalization after exceptional post-Covid years and high comps. The drag came from Fashion & Leather Goods (aspirational demand cooling), mixed sell through in Perfumes & Cosmetics by channel, and regional softness: Asia declined notably while Europe, the U.S., and Japan held up; Sephora delivered strong momentum but not enough to offset group headwinds. Q4 showed a slight acceleration versus Q3, aided by Asia, the U.S., and Europe, signaling stabilization rather than a full rebound (LVMH, 2025).

Kering (-12,1% vs -1,3%): The group's revenue decline is consistent with its strategic reset, especially at Gucci: tighter wholesale, SKU rationalization, repositioned pricing, and brand elevation. Management emphasized short term revenue costs from distribution clean up and creative transitions, with the objective of strengthening desirability and execution for the long term (Kering, 2025a; Kering, 2025b).

Richemont (7,6% vs 6,7%): Growth was led by Jewelry Maisons (Cartier, Van Cleef & Arpels), supported by resilient high net worth demand and lower exposure to aspirational consumers. FX headwinds masked part of the underlying momentum. Watchmakers were more mixed, with targeted inventory discipline and selective wholesale (Richemont, 2024; Richemont, 2024b).

Takeaway: Category exposure matters. Fashion led portfolios underperformed; hard luxury (jewelry and watches) held up.

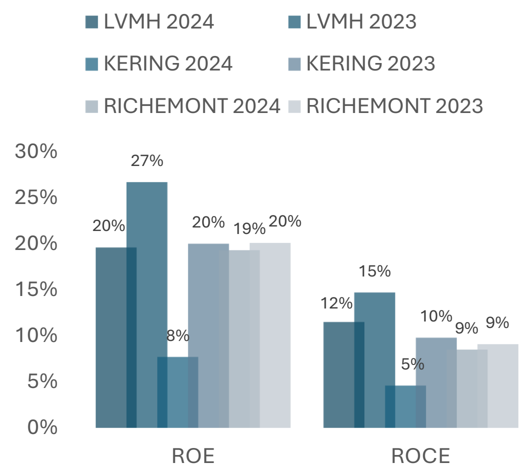
<u>Profitability</u>

LVMH (margins down but still strong):

- Gross margin 67,0% (down): Mix shifted toward beauty and selective retail; disciplined fashion promotions; FX and input costs weighed (LVMH, 2025).
- EBITDA 26,5%, Operating 23,1%, Net 14,8% (all down): Management pointed to sustained brand investment (marketing), store capex, labor/logistics costs; Fashion & Leather Goods remained the margin anchor, while beauty and watches diluted when growth slowed. Operating margin still exceeded pre-Covid levels (LVMH, 2025).

Kering (margin compression): Despite structurally high gross margins, operating and net margins fell sharply due to volume declines, negative operating leverage, heavier brand investment during the turnaround, and

Figure 11: Return ratios



Source: LVMH universal registration document, self-calculated ratios

Figure 12: Total debt to equity

Total debt to equity	2024	2023
LVMH	60%	62%
KERING	128%	111%
RICHEMONT	79%	83%

Source: LVMH universal registration document, self-calculated ratios

Figure 13: Debt horizon

Debt horizon	2024	2023
LVMH	1,61	1,38
KERING	4,33	2,71
RICHEMONT	2,62	2,43

Source: LVMH universal registration document, self-calculated ratios

wholesale rationalization. Recurring operating income dropped 46% year on year (Kering, 2025a; Kering, 2025b).

Richemont (stable to slightly lower): Operating margin resilience reflected pricing power in Jewelry Maisons, partially offset by FX and watch destocking in some channels. Net margin recovered from an unusually low prior year due to fewer non-recurring charges and cleaner below the line items (Richemont, 2024; Richemont, 2024b).

Takeaway: LVMH retains operational efficiency despite investment headwinds; Kering's reset drives near term margin pain; Richemont benefits from category economics and disciplined cost control.

Cash generation

LVMH (FCF/revenue 13,4% vs 9,8%): Strong working capital discipline (inventory normalization), moderated capex, and Sephora's cash conversion drove FCF rebound despite softer EBIT. Management highlighted robust free cash flow and a Q4 acceleration in sales (LVMH, 2025).

Kering (3,7% vs 6,4%): Lower operating cash flow from earnings decline and continued investment in brand elevation and retail refurbishments compressed FCF. The group underscored liquidity buffers and continued dividend distribution, reflecting confidence in the reset path (Kering, 2025a; Kering, 2025b).

Richemont (13,6% vs 8,5%): Improved operating cash flow from jewelry growth and tighter watch inventories lifted FCF; capex remained focused and contained. Management repeatedly emphasized rigorous inventory governance and selective wholesale exposure (Richemont, 2024; Richemont, 2024b).

LVMH and Richemont show robust cash generation even in a slower year; Kering's transformation weighed on cash conversion.

Return metrics

LVMH (ROE 19,6%, ROCE 11,5% down): Lower operating profit and a larger capital base (store investments, brand support, historical M&A) reduced near term returns. Management reiterated prioritizing brand equity durability over short term margin maximization (LVMH, 2025).

Kering (ROE 7,7%, ROCE 4,6%): Returns fell with earnings compression and restructuring dynamics; management framed the trough as transitory, expecting payback as creative/product cycles mature and distribution quality improves (Kering, 2025a).

Richemont (ROE ~19,3%, ROCE 8.5%): Strong ROE from jewelry profitability; ROCE lower due to capital intensity (manufacture, inventory in watches) and FX effects on invested capital (Richemont, 2024; Richemont, 2024b).

LVMH's normalized returns remain best-in-class; Richemont's ROE benefits from jewelry economics; Kering's returns reflect the trough of a brand reset.

Capital structure and coverage

LVMH (Net debt/equity 40,0%; Interest coverage 16,5x; debt horizon ~1,6 years): Conservative leverage and high coverage supported by diversified earnings and strong cash flow; maturities are well laddered, providing flexibility (LVMH, 2025).

Kering (Net debt/equity 105,7%; Coverage 4,24x; horizon ~4,3 years): Elevated leverage amid earnings pressure and continued shareholder distributions; coverage materially tighter but supported by liquidity buffers and committed facilities (Kering, 2025a; Kering, 2025b).

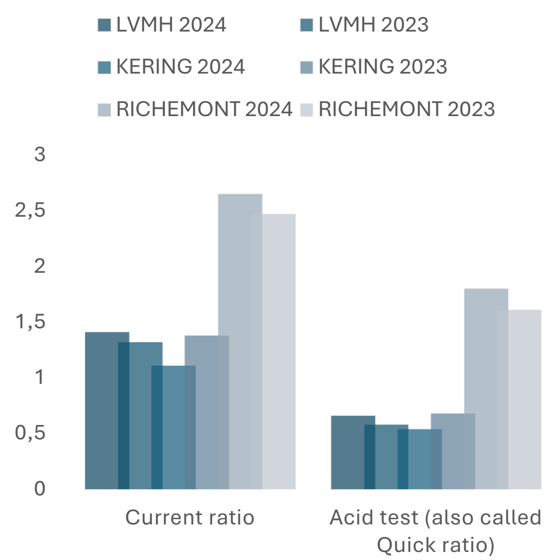
Richemont (Net debt NA; Total debt/equity ~79%; Coverage 10,95x; horizon ~2,6 years): Historically conservative net leverage with comfortable

Figure 14: Interest coverage

INTEREST COVERAGE	2024	2023
LVMH	16,51	23,41
KERING	4,24	13,15
RICHEMONT	10,95	16,79

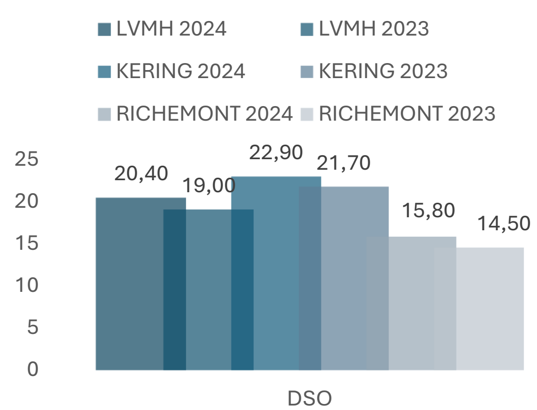
Source: LVMH universal registration document, self-calculated ratios

Figure 15: Liquidity ratios



Source: LVMH universal registration document, self-calculated ratios

Figure 16: DSO



Source: LVMH universal registration document, self-calculated ratios

coverage, underpinned by high margin jewelry and prudent treasury (Richemont, 2024).

However, LVMH's balance sheet offers strategic flexibility; Kering's higher leverage raises the cost of patience; Richemont sits prudently between.

<u>Liquidity</u>

LVMH (Current 1,41; Quick 0,66): Healthy liquidity on disciplined receivables and manageable inventories; quick ratio below 1 is typical in retail-heavy models and offset by strong cash generation and undrawn lines (LVMH, 2025).

Kering (Current 1,11; Quick 0,54): Tight liquidity mirrors earnings pressure and sustained brand investment; not alarming but leaves less room for shocks without external funding (Kering, 2025a).

Richemont (Current 2,65; Quick 1,8): Exceptional buffer consistent with hard luxury inventory structure and conservative treasury policy (Richemont, 2024).

Implication: LVMH is comfortably liquid, Richemont is over liquid (a strength), Kering is tighter while pivoting.

Working capital management

LVMH (DSO 20,4; DIO 305,6): Efficient retail cash collection and structurally high but stable inventory days typical of luxury production cycles; stability indicates control (LVMH, 2025).

Kering (DSO 22,9; DIO 346,4): Longer DSO reflects wholesale/selective retail dynamics; elevated DIO tied to slower turns during brand reset and channel rationalization (Kering, 2025a).

Richemont (DSO 15,8; DIO 419,2): Very low DSO from strong retail collection; very high DIO is structural in watches and high jewelry due to manufacturing lead times and assortment breadth (Richemont, 2024).

LVMH's WC discipline anchors cash conversion; Richemont's WC reflects category realities; Kering's WC shows transition frictions.

<u>Overall benchmark verdict</u>

Best overall profile (2024): LVMH, leading profitability, returns, leverage, and coverage; solid liquidity and WC; mid-pack growth.
Liquidity and FCF leader: Richemont, strongest buffers and cash efficiency; margins/ROCE below LVMH; structurally high inventories.
Underperformer under reset: Kering, weakest growth, margins, returns, coverage, and WC efficiency; dependent on successful brand turnaround.

Financial valuation

<u>Current Baseline for LVMH</u>

- Market Cap: €309,362M
- Share Count: 497,7M
- Current Share Price: €621,58

<u>EV / EBITDA Valuation</u>

EV/(EV/EBITDA) = 337,905 / 13,05 = 25,893M€

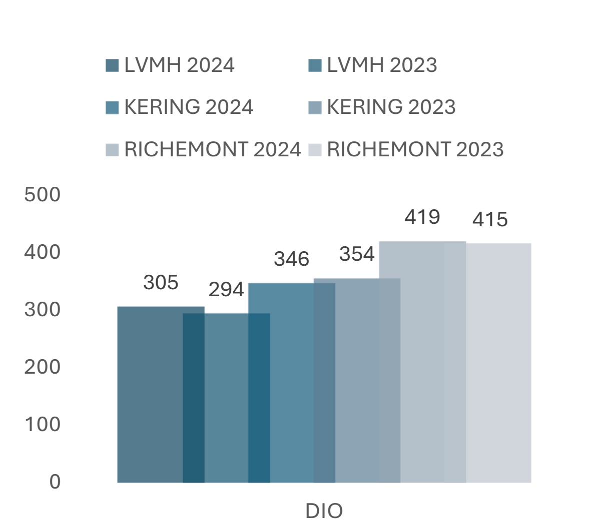
- Peer Average EV/EBITDA: 18,19x
- Implied Enterprise Value: 25,893 x 18,19 = 470,993M€
- Implied Equity Value: 470,993 - 28,543 = 442,450M€
- Implied Share Price: 442,450/497,7 = 888,99€

This leads to an implied share price of €889, well above the current €621,58, suggesting a potential upside based solely on EV/EBITDA comparables.

<u>B. P/E Valuation</u>

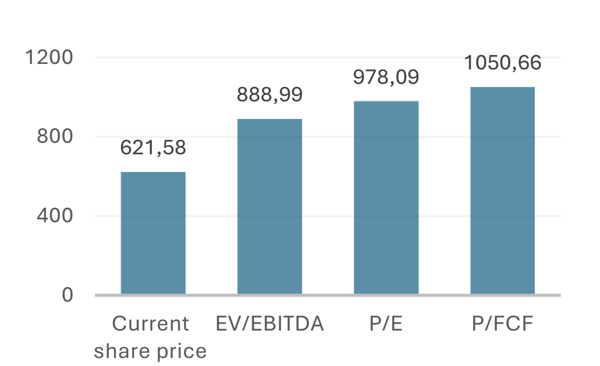
Implied Earnings:

Figure 17: DIO



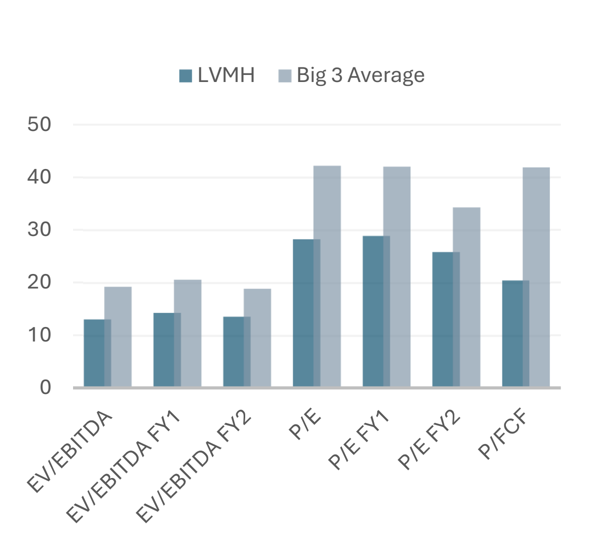
Source: LVMH universal registration document, self-calculated ratios

Figure 18: LVMH theoretical price range



Source: Bloomberg

Figure 19: LVMH valuation multiples vs sector Average (full peer set)



Source: Bloomberg

- Earnings = 309,362 / 28,24 = 10,954M€
- Peer Average P/E: 44,44x
- Implied Equity Value: 10,954 x 44,44 = 486,795M
- Implied Share Price: 486,795 / 497,7 = 978,09€

This would imply a share price of €978 per share, compared to the current €621. The result suggests a theoretical upside of more than +57% based solely on the P/E valuation framework.

P/FCF Valuation

Implied FCF:

- FCF = 309,362 / 20,44 = 15,135M€
- Peer Average P/FCF: 34,55x
- Implied Equity Value: 15,135 x 34,55 = 522,914M €
- Implied Share Price: 522,914 / 497,7 = 1050,66€

This gives an implied share price of €1050,66 per share. Compared to the current €621,58, the P/FCF method indicates a potential upside of around +69%, the highest of the three valuation approaches.

Based on the wide set of comparable multiples, LVMH initially appears undervalued. With a current share price around €621, ranging to a price of up to €1050 depending on the metric used. **On paper**, this suggests a potential strong upside. However, this conclusion becomes more nuanced once we look at how the peer averages are constructed.

A large part of the calculated "undervaluation" comes from **extreme outliers** that distort the averages. Swatch and Titan, for example, trade at abnormally high multiples (P/E above 140 for Swatch and above 80 for Titan, with Titan also showing an EV/EBITDA above 50). These inflated ratios are not a sign of superior business performance, but rather mechanical effects of temporarily depressed earnings or structural factors unrelated to LVMH. Including such companies, which are not perfect competitors of LVMH, artificially raises the average multiples and mechanically inflates LVMH's implied valuation.

When we restrict the comparison to genuinely relevant peers (Richemont, Kering, and, more cautiously, Hermès) the picture changes. Within this refined peer set, LVMH no longer appears deeply undervalued but rather fairly valued relative to comparable European luxury groups.

Hence our alternative methodology:
LVMH's valuation against its true rivals, which we will call the Big 3.

The "Average" Valuation (Mathematically Correct, but Skewed)

If we simply apply the average multiples of this elite group (which includes the ultra-expensive Hermès) to LVMH, the stock looks undervalued.

Current Price: €621,58

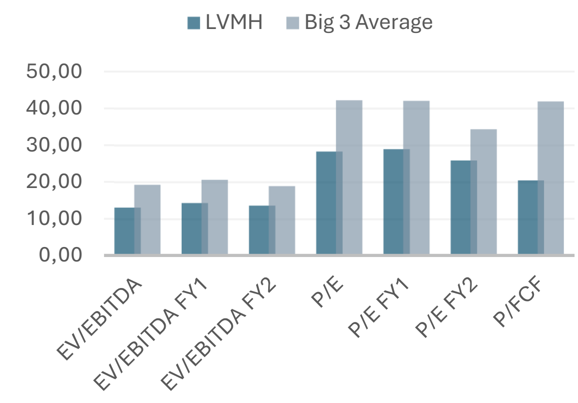
- Based on Avg EV/EBITDA (19,22x): Implied Price €941,80 (+51%) Calculation: [(€25,893M EBITDA x 19,22 Multiple) - €28,543M Net Debt] ÷ 497,7M Shares
- Based on Avg P/E (42,17x): Implied Price €928,26 (+49%) Calculation: (€10,955M Earnings x 42,17 Multiple) ÷ 497,7M Shares
- Based on Avg P/FCF (41,85x): Implied Price €1272,56 (+104%) Calculation: (€15,135M FCF x 41,85 Multiple) ÷ 497,7M Shares

However, there's a trap: The "Average" is pulled up aggressively by Hermès (trading at 29x EBITDA and 50x P/E). It is unrealistic to expect LVMH, a massive conglomerate, to trade at the scarcity premium of Hermès.

The "Relative Value" Anomaly (The Real Insight)

The most important signal in this spreadsheet is not the average, it is the comparison between LVMH and Richemont (CFR).
LVMH is the market leader, more diversified, and yields more.
Richemont is smaller and more focused on hard luxury (jewelry/watches) which proved to be more macro resilient.

Figure 20: LVMH Valuation Multiples vs Sector Average (Big 3)



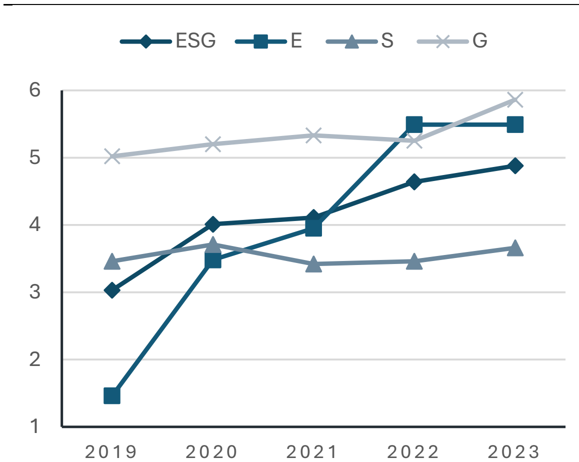
Source: Bloomberg

Figure 21: LVMH VS Richemont multiples comparables

Metric	LVMH	Richemont (The Peer)	Comparison
EV / EBITDA	13,05x	16,20x	LVMH is **19% cheaper**
P / E	28,24x	26,85x	Roughly Equal
P / FCF	20,44x	25,68x	LVMH is **20% cheaper**
Yield	2,09%	1,84%	LVMH pays **more**

Source: Bloomberg

Figure 22: ESG trend



Source: Bloomberg

Our Investment Thesis:

A re-rating towards Richemont's 16,2× EV/EBITDA and 25,68× P/FCF multiple would imply upside for the stock.

The "Richemont Parity" Target

25,893 M (LVMH EBITDA) x 16,20 (Richemont Multiple) = €419,466 M (Target Enterprise Value) Less Net Debt (around €28,543 M) = €390,923 M (Implied Equity Value)
Divided by 497,7 M Shares
Implied Share Price: €785,47 (+26% Upside)

The "Cash Flow King" Argument

The most glaring number in our entire spreadsheet (Appendix 2) is (P/FCF).

- LVMH P/FCF: 20,44x
- Peer Average: 41,85x
- Kering: 47,05x
- Hermès: 52,81x
- Richemont 25,68x

LVMH is generating healthy amounts of free cash flow relative to its price. It is trading at discounted Free Cash Flow multiple of its peers.

1. This usually suggests that either LVMH is drastically undervalued, OR the market fears its cash flow is about to drop significantly (more so than peers).
2. Given that Kering (the struggle stock) is trading at 47x FCF, LVMH at 20x looks like a value opportunity.

Final Verdict: The "Buy" Case

With this clean insight, the picture is very clear. We don't need LVMH to become Hermès for this trade to work. We just need it to catch up to Richemont.

1. Current Price: €621
2. Conservative Target Richemont Parity EV/EBITDA: €745 (16,2x 20%)
3. Richemont Parity P/FCF: €785 (26%)
4. Aggressive Target (Group Avg): €941 (51%)
5. Safety: We are paid the highest dividend yield in the group (2,09%) while we wait.

ESG Analysis

FY2024 Bloomberg ESG read (peer set: Apparel/Footwear/Accessories Design). Overall ESG score 4.92 ("Leading"), up +0,28 over 3Y. Pillars: E 5,49 (Leading), S 3,72 (Leading), G 5,91 (Above median). Third-party view broadly aligns: MSCI A, Sustainalytics risk 12,2 (low), but RepRisk CCC signals sensitivity to controversies. Net: ESG is a valuation support, not a standalone bull driver.

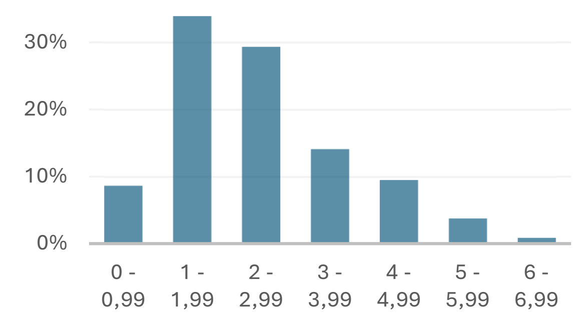
Environmental

Systems and disclosure are strong (GHG management 10/10, full coverage), but reported intensities deteriorated sharply YoY, creating headline risk. Total GHG/EVIC 30,92 Mt CO_2e per €m EVIC (+68,7% YoY, peer "leading"); Carbon footprint/EVIC also +68,7%; GHG intensity 131,4 Mt CO_2e per €m sales (+51,9% YoY, "above median"). Likely denominator/Scope-3 boundary effects, but still a narrative vulnerability. Efficiency metrics improve but remain mixed: non-renewable energy share 29% (-22,6% YoY, leading); energy intensity 20,77 MWh/€m sales (-7,7% YoY, below-median vs peers). Hazardous waste 10,79k MT (+49,1% YoY, peer "lagging") is the clearest operational red flag.

Climate transition credibility

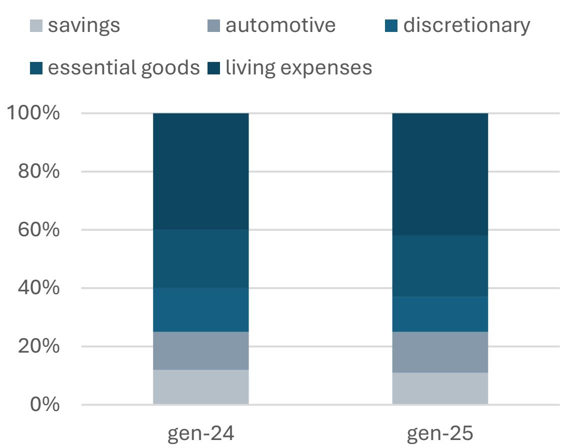
Bloomberg score 5,0/10 ("Transition Follower"). Company has net-zero + SBTi targets, board oversight, scenario analysis, supplier engagement, TCFD reporting, and transition capex in 2024. However, "latest GHG behind target." Capex shows intent but small scale: total capex $435m (-1.4% YoY) with renewables capex $5m (+150% YoY, ~1% of capex). NGFS/BNEF

Figure 23: Peer distribution



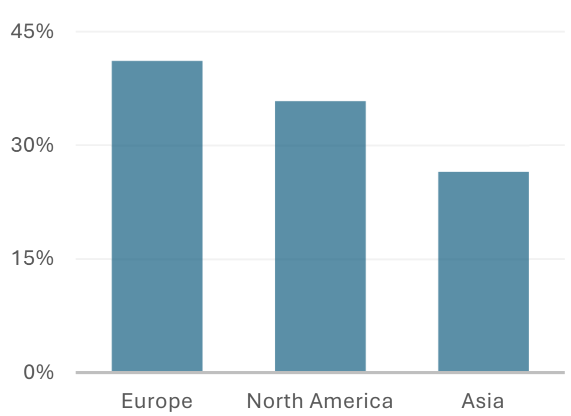
Source: Bloomberg

Figure 24: Share of monthly household income spend in the United States in 2024 and 2025, by category



Source: Statista

Figure 25: Luxury consumers who buy second-hand or rent goods worldwide as of the 3rd quarter of 2025, by region



Source: Statista

scenarios indicate positive revenue sensitivity across pathways (e.g., +7% by 2030, +19-21% by 2040, +33-35% by 2050), so macro-transition risk is low; execution risk is the issue.

Social

Strong supplier/labor posture and inclusion metrics: no UNGC violations, compliance policy 90%, gender pay gap -1,7% (leading), board gender diversity 50% female (leading). Under-disclosed areas: data privacy score 3,0 with 0% disclosure, potential low-probability/high-impact brand risk.

Governance/Nature

Independent directors 56,3%, avg board tenure 9,7y, CEO compensation €7,9m. Board composition below median; shareholder rights lagging → structural minority-rights discount typical for luxury. Nature flags: deforestation-linked commodities exposure and 22% of assets in extremely high water-stress zones.

Investment take: LVMH is firmly positioned as an ESG leader in global luxury: its composite ESG ratings and pillar scores are consistently at or above peers, and management has embedded sustainability, traceability and social responsibility into brand strategy and capex rather than treating them as peripheral CSR. While some environmental metrics (emissions intensity, hazardous waste) have temporarily moved the wrong way, the overall trajectory versus stated targets remains positive, and we expect further progress and supportive ESG news-flow over the medium term.
For equity holders, this matters in three ways. First, a structurally strong ESG profile broadens the investor base (ESG-mandated and generalist funds) and helps justify at least peer-level, if not premium, valuation multiples. Second, in a bearish or risk-off environment, better governance and sustainability credentials can act as downside protection, reducing the risk of exclusion from ESG indices or sudden de-rating on non-financial grounds. Third, if LVMH demonstrably closes the current environmental gaps, we see room for incremental re-rating as ESG scores improve and controversy risk declines. Conversely, a major environmental or social incident (especially around waste, supply chain impacts or data/privacy) would be a clear catalyst for multiple compression and brand damage, and is therefore a key non-financial risk to monitor.

Macro Analysis

Market Overview

As stated in the J.P. Morgan Global Research 2025 report on the luxury market, the sector has encountered persistent challenges this year, such as inflation and a decrease in discretionary spending (figure 24), leading many consumers to prioritize second-hand luxury goods and resale platforms (figure 25). Despite this backdrop, LVMH reported favorable third-quarter earnings, benefiting from effective creative leadership and robust brand momentum. These results suggest LVMH's continued sector leadership and resilience against broader headwinds (J.P. Morgan Global Research, 2025).

Regional Dynamics

In the United States, consumer demand for luxury goods has held firm, supported by equity market gains and broad-based wealth creation. Nonetheless, data from Chase credit cards reveals a deceleration in retail spending from +7% during summer to +4% for September, indicating emerging caution amid inflation concerns. The imposition of tariffs continues to pose a risk for future consumer sentiment and pricing power, although price elasticity has been limited thus far (J.P. Morgan Global Research, 2025).
Europe has traditionally served as a destination for luxury shopping, especially for American and Chinese tourists. Current data shows a drop in tourist spending, largely due to foreign exchange (FX) fluctuations and a weaker U.S. dollar. LVMH noted FX-driven declines in third-quarter tourist revenue, which impacts the appeal of European markets for cross-border shopping (J.P. Morgan Global Research, 2025).
China's luxury market is evolving as high-net-worth individuals gravitate toward understated brands and "quiet luxury" styles. On a broader level, younger aspirational consumers are focusing more on experiences and

emotional-value purchases, driven by economic uncertainty and high unemployment. Flattish growth is expected for 2026, as these cyclical trends may become structural (J.P. Morgan Global Research, 2025).
Japan has seen luxury department store sales stabilize, reporting growth of approximately +4,2% in September, consistent with August performance. Duty-free retail has shown a mild rebound, supported by investment-oriented purchases and strong performance in cosmetics (J.P. Morgan Global Research, 2025).

Macro Risks and Investor Sentiment

LVMH's outlook remains mixed, balancing upside from creative reinvigoration with headwinds including tariffs, FX volatility, and fragile consumer sentiment, particularly in China. While investors are reassessing sector opportunities due to LVMH's positive quarterly results, they are advised to closely monitor future exit rates and the sustainability of recent momentum (J.P. Morgan Global Research, 2025).

Macro conclusion and impact on the stock

The macro backdrop for luxury is slower but not broken. After the post-Covid boom, 2024-25 brought normalization: inflation pressure on aspirational consumers, a shift toward second-hand, softer domestic China, and FX headwinds hurting reported figures and tourist flows to Europe. At the same time, high-net-worth demand in the US and Japan remains resilient, with LVMH still gaining share thanks to strong brands and creative momentum.
For LVMH's equity story, this environment is balanced: macro risk caps near-term growth, but resilience in core customers, category breadth (Sephora, beauty, hard luxury) and global diversification limit downside versus weaker peers. In a soft-landing or mild-recovery scenario, we see room for a multiple catch-up as investors rotate back into sector leaders once visibility on US consumption, Chinese demand and FX stabilizes. Conversely, a deeper or longer consumer slowdown (particularly in China and among aspirational buyers) would likely delay re-rating and keep LVMH trading at a discount to its historical and peer multiples despite its fundamental strength.

Key risks to the investment case

Prolonged slowdown in luxury demand

- Mechanism: Weak macro / confidence in China and among aspirational buyers leads to slower like-for-like growth, lower volume, and heavier promo spending in Fashion & Leather Goods.
- Indicators to watch: LVMH quarterly organic growth by region (especially Asia ex-Japan, Europe), DFS trends, mid-range brand performance, Chinese luxury data, management tone on "aspirational" vs core clients.
- Impact on earnings/multiples: Lower top-line growth and negative mix (less high-margin fashion, more entry products) compress EBIT margins and EPS CAGR; market keeps LVMH at a discount to its historical EV/EBITDA and to Richemont.

How it could invalidate the BUY: If LVMH repeatedly guides down / misses on organic growth and margins, showing structurally lower growth than peers, the re-rating to Richemont-parity or peer averages does not materialize; the stock could be fairly or over-valued at current levels.

Margin pressure from cost inflation and mix shift

- Mechanism: Persistent cost inflation (rents, wages, marketing, events like Olympics) plus greater reliance on lower-margin businesses (e.g. Sephora, selective retailing) erode group operating margin.
- Indicators to watch: Group and segment EBIT margin, SG&A and marketing as % of sales, staff costs, mix of profit from F&LG vs selective retailing, commentary on cost discipline.
- Impact on earnings/multiples: Even with decent revenue growth, margin compression caps EPS growth and free cash flow, limiting upside to our implied EBITDA and FCF-based valuations.

How it could invalidate the BUY: If margins trend structurally down (not just one-off), the market will likely cut target multiples; our €785 TP based on Richemont parity would be too high because the "quality premium" argument no longer holds.

ESG / regulatory / reputational shock

- Mechanism: A major controversy (environmental footprint, supply chain practices, data/privacy) triggers regulatory scrutiny, NGO campaigns or consumer backlash, forcing higher compliance costs and hurting brand equity.
- Indicators to watch: ESG ratings and controversies (RepRisk, MSCI, Sustainalytics), trends in emissions/waste vs targets, any investigations, boycotts or negative viral events involving key maisons.
- Impact on earnings/multiples: Short-term: higher opex and capex to fix issues; medium-term: slower growth in affected brands and ESG-driven de-rating (loss of ESG mandates, wider risk premium).

How it could invalidate the BUY: A severe or repeated ESG incident would undermine our thesis that ESG acts as a support for the multiple and downside protection, and could justify a structural discount versus peers rather than convergence, making our BUY thesis and target price too optimistic.

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***AI Disclosure**
For the preparation of this report, various artificial intelligence models were used to support the summarization, organization, and clarity of the content. The use of AI tools was solely intended to improve efficiency and coherence in writing, without impacting the underlying data, financial analyses, or investment recommendations. All information, valuations, and recommendations presented in this report reflect the independent analysis of the authors and are based on publicly available data and reliable market sources.

Appendix I: Full Peer Set Valuation Benchmarks

This table provides the market capitalization, enterprise value (EV), and trailing valuation multiples (EV/EBITDA, P/E, P/FCF) for LVMH against a comprehensive set of twelve global luxury and apparel peers. The data is used to calculate the sector-wide average multiples against which LVMH initially appears deeply undervalued. It includes major players (Kering, Hermès, Richemont) as well as aspirational/specialist firms (Nike, Adidas, Tapestry, Swatch, Titan).

Ticker	Name	Mkt Cap (EUR)	EV	EV/EBITDA
MC FP Equity	LVMH MOET HENNESSY LOUIS VUI	309.362.201.904,00 €	337.905.201.904,00 €	13,05
LVMH Shares	497,7 Million			
	Average	87.067.945.523,96 €	62.144.415.424,16 €	20,03
KER FP Equity	KERING	36.662.142.104,90 €	53.145.142.104,90 €	12,27
RMS FP Equity	HERMES INTERNATIONAL	224.018.292.264,00 €	215.774.292.264,00 €	29,18
DECK US Equity	DECKERS OUTDOOR CORP	10.501.436.674,60 €	9.596.608.254,02 €	8,37
TPR US Equity	TAPESTRY INC	18.467.784.101,48 €	21.423.484.430,87 €	15,17
ADS GR Equity	ADIDAS AG	27.342.000.000,00 €	31.470.000.000,00 €	9,94
NKE US Equity	NIKE INC -CL B	79.875.844.129,73 €	82.000.268.766,88 €	22,47
UHR SW Equity	SWATCH GROUP AG/THE-BR	9.470.400.177,54 €	8.199.408.272,37 €	12,90
CFR SW Equity	CIE FINANCIERE RICHEMO-A REG	103.459.826.889,74 €	101.666.350.162,43 €	16,20
TTAN IN Equity	TITAN CO LTD	33.622.351.963,51 €	36.024.184.561,95 €	53,74

Ticker	EV/EBITDA FY1	EV/EBITDA FY2	P/E	P/E FY1	P/E FY2	P/FCF	Dividend Yield
MC FP Equity	14,29	13,58	28,24	28,88	25,82	20,44	2,09%
LVMH Shares							
	20,13	17,27	48,62	40,28	29,50	40,51	1,67%
KER FP Equity	14,65	13,30	50,02	47,45	33,91	47,05	2,02%
RMS FP Equity	30,15	27,84	49,64	49,84	43,72	52,81	1,23%
DECK US Equity	8,97	8,54	12,23	12,94	12,11	12,84	N/A
TPR US Equity	14,55	13,44	17,54	18,51	16,76	20,45	1,40%
ADS GR Equity	9,86	7,95	22,40	20,35	14,23	94,14	1,32%
NKE US Equity	25,24	18,42	31,86	37,00	24,74	30,57	2,58%
UHR SW Equity	11,99	9,61	143,00	74,75	35,31	N/A	2,69%
CFR SW Equity	16,97	15,42	26,85	28,72	25,22	25,68	1,84%
TTAN IN Equity	48,80	40,94	84,01	72,94	59,47	N/A	0,28%

Appendix II: "The Big 3" - Core European Luxury Comparison

This table refines the peer set to focus only on LVMH and its two largest and most direct European luxury conglomerate rivals: Hermès (RMS FP) and Richemont (CFR SW). This focused comparison is crucial for deriving the most conservative and actionable valuation thesis the Richemont Parity Target (€785) by excluding smaller, potentially distortive stocks. The group average is significantly lower than the full peer set average.

The "Big 3"					
Ticker	Name	**Mkt Cap (EUR)**	**EV**	**EV/EBITDA**	**EV/EBITDA FY1**
MC FP Equity	LVMH MOET HENNESSY LOUIS VUI	309.362.201.904,00 €	337.905.201.904,00 €	13,05	14,29
LVMH Shares	497,7 Million				
	Average	121.380.087.086,21 €	123.528.594.843,78 €	19,22	20,59
KER FP Equity	KERING	36.662.142.104,90 €	53.145.142.104,90 €	12,27	14,65
RMS FP Equity	HERMES INTERNATIONAL	224.018.292.264,00 €	215.774.292.264,00 €	29,18	30,15
CFR SW Equity	CIE FINANCIERE RICHEMO-A REG	103.459.826.889,74 €	101.666.350.162,43 €	16,20	16,97

Ticker	**EV/EBITDA FY2**	**P/E**	**P/E FY1**	**P/E FY2**	**P/FCF**	**Dividend Yield**
MC FP Equity	13,58	28,24	28,88	25,82	20,44	2,09%
LVMH Shares						
	18,85	42,17	42,00	34,29	41,85	1,70%
KER FP Equity	13,30	50,02	47,45	33,91	47,05	2,02%
RMS FP Equity	27,84	49,64	49,84	43,72	52,81	1,23%
CFR SW Equity	15,42	26,85	28,72	25,22	25,68	1,84%