

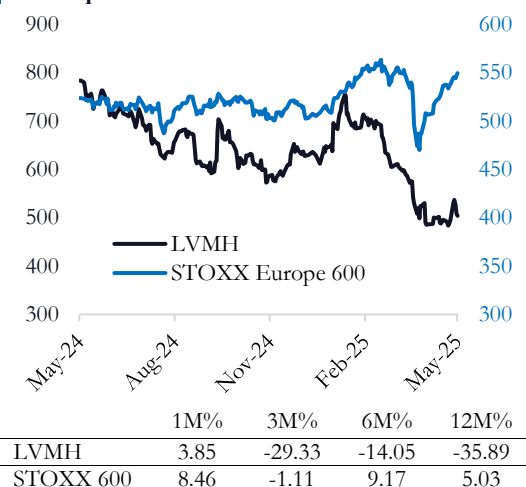
A turbulent year ahead for the luxury leader, but built to persevere

LVMH, widely regarded as the leader in luxury goods, has struggled with the ongoing macro uncertainty as evidenced by their most recent earnings. As trade deals become finalized and predictability returns to the global economy, LVMH should return to being the star example of high fashion from a performance perspective. However, Q1 highlighted the continued weakness in China while the US and Europe remained largely stable. The strength of the US consumer has continued to be one of the largest debates among economists, and for now, this segment has kept LVMH earning afloat with the negative US growth largely explained by Cognac and Sephora rather than systemic demand softening across Fashion & Leather Goods and Watches & Jewelry. Albeit the soft demand for Fashion & Leather Goods in the quarter, the diversification effect of product divisions continues to be a strong feature with other product groups largely flat compared to Q1 of last year. Coming off a three-year supercycle, LVHM has shown some weakness over the last quarters but its size and scale have continued to provide advantages. Where other fashion and luxury goods competitors have seen rapid deterioration in their performance, LVHM has shown a strong ability to remain resilient in the face of a weakening and uncertain macro environment. With the company's current positioning and a high probability of predictability returning to the global economy; I recommend a buy with a price target of €600.00.

Key Q1 Findings

- Q1 revenue missed estimates across all divisions with total revenue coming in -2% YoY and -3% cFX at €20,311.
- W&S led the way in losses in the quarter at -9% cFX, largely due to continued soft demand for Cognac which came in at -17%.
- F&LG was second among losses with -5% cFX growth showing continued softening while W&J and SR came in at 0% and -1% cFX respectively.
- F&LG softening was largely attributable to continued weakness in demand from China, slowing but still positive US demand, and a high comparison basis in Japan where growth was strong in the year past.
- Geographically, the revenue breakdown changed slightly with -3% Asia ex Japan representation YoY and other regions growing +1% in revenue sharing.
- Revenue growth varied greatly across regions with the US coming in at -3%, Japan at -1%, Asia ex Japan at -11% and Europe at +2%.
- The US remained largely stable with the negative print mainly attributed to weakness in Cognac and Sephora rather than widespread demand softening.
- Japan normalization was due to high comparison basis from last quarters where demand was strong from Chinese purchasing in Japan.
- Weakness in the Chinese cluster has continued from the end of last year.
- Selling expenses increasing given economic conditions and we can infer that margin should compress YoY.
- Pricing is a lever which can still be pulled in the midst of tariff uncertainty.
- Room for growth across brands and a strong innovation pipeline.

Price performance



Key Stats

Ticker	MC-FR
52 Week Range	471.25 - 790.60
Market Cap (M)	242,898.4
Enterprise Value (M)	253,254.4
P/E (LTM)	19.32x
EV/EBITDA (LTM)	9.69x
Beta (3Y Adj)	1.33
Dividend Yield	2.98%

Revenue by Business Unit

As of FY 2024		
(EUR millions)	Revenue	% Rev
Fashion & Leather Goods	41,060	48.5
Selective Retailing	18,262	21.6
Watches & Jewelry	10,577	12.5
Perfume & Cosmetics	8,418	9.9
Wine & Spirits	5,862	6.9
Other & Hold Cos.	504	0.6

Revenue by Geography

As of FY 2024		
(EUR millions)	Revenue	% Rev
Asia ex Japan	23,711	28.0
United States	21,171	25.0
Europe ex France	14,396	17.0
Other markets	11,009	13.0
Japan	7,621	9.0
France	6,775	8.0

Investment Thesis

LVMH, albeit the leader and largest name in the space, was not immune to the turbulent 2024 and continued weakness into 2025. Coming off three years of tremendous growth in 21-23, LVMH had much to prove in the last quarters with investors looking for more of the same. Volatile macroeconomic conditions and its effects on consumers has slowed even the leader which produced negative top line growth in 2024 as result. While other luxury good and fashion competitors have seen substantial softening in financial results, LVMH has remained resilient through the past quarters in the face of unprecedented market shifts. The company is well diversified, operating in several product categories with each brand among the most desirable in each sector. However, as the leader in luxury goods, LVMH could not completely avoid the effects of demand normalization and consumer sentiment. The negative headlines have weighed on the stock, but the following lead me to believe the company is oversold and undervalued today:

Macroeconomic Stability

LVMH stock value started its steep drop in March 2025 when President Trump first started talking about tariffs. These tariffs were inevitably put into place in late May and have since been updated countless times. Tariffs have been the main driver of uncertainty in market with countries looking to deal with US to solidify trade relations. For global companies such as LVMH, tariffs represent an added cost along with other knock-on effects. Margins have contracted slightly for the company, but its high margin nature and pricing power provides LVMH with safety and levers to pull to mitigate the effect of tariffs. As countries begin to make deals with the US and predictability returns to global markets, LVMH is well positioned to once again grow margins and accelerate its global business free of uncertainty.

Reignition of Demand

After three years of tremendous growth, LVMH had a high bar to beat. With the uncertain conditions weakening the global consumer, it was clear that normalization in demand would occur in 2024 and continue into 2025. However, this story is being oversold in the goods space and I believe the bulk of this demand normalization is now behind LVMH. In recent quarters, demand has softened but has remained slightly negative or flat. Coming off three years of growth has led to high comparison basis across divisions and geographies. For example, Japan in Q1 came in at -1% whereas in the year before revenue growth in this market was 32%. The last three quarters have shown weaker demand but the underlying numbers still remain strong given the external factors weighing on the consumer. As macro conditions begin to normalize and consumers sentiment returns, LVMH is poised to take advantage of this reignition of demand with both pent-up demand and a return to growth accelerating top line revenue.

Diversification

LVMH is comprised of 75 different brands, each boasting a long tradition of expertise and high-quality products. This diversified approach has improved LVMH over the years which was over-represented by Fashion & Leather Goods with brands such as Louis Vuitton and Dior. Over the years, LVMH has sought to grow the business in its key areas of focus with leading edge brands across the maturity spectrum. Recent acquisitions such as Tiffany and Sephora have yet to fit full stride under the LVMH umbrella and other areas of the portfolio have not lived up to expectations. This diversified approach, however, allows for the nurturing of these brands with other houses filling the needs of consumers within product categories. As LVMH brings recent acquisitions to the end of the tunnel and demand turns, the company is extremely well positioned to capture flows in any area within luxury goods.

Risks and Mitigations

Key risks to the upside:

- Faster than expected recovery of the consumer across geographies.
- Lower than expected impact from demand normalization and demand reigniting sooner than expected.
- Tiffany and other recent acquisitions integrating faster than expected.
- Consumers gravitating to top brands.
- Faster transition to macroeconomic stability.

Key risks to the downside:

- Prolonged trade conflicts and tariffs.
- Sticky tariffs effecting costs.
- Global consumer deterioration and slower than expected organic sales growth recovery.
- Geopolitical conflicts slowing travel and travel spending as a result.
- Failure to create value from recent acquisitions such as Tiffany.
- Slowing brands fail to recover.

Mitigations to downside risks:

- Sizable pricing power to alleviate tariff impacts and LVMH is currently considering changes as said in their Q1 call.
- Louis Vuitton, LVMH's largest brand, currently produces 1/3 of their items in the US which will mitigate a large bulk of tariffs for Fashion & Leather Goods.
- Tiffany is almost completely produced in the US and is a focus Jewelry company for LVMH given its recent acquisition.
- Consumer demand has continued to be resilient among uncertain conditions and sentiment is beginning to turn with deals in the pipeline.
- High comparison bases are behind the company following the previous years of stellar growth across product segments and geographies.

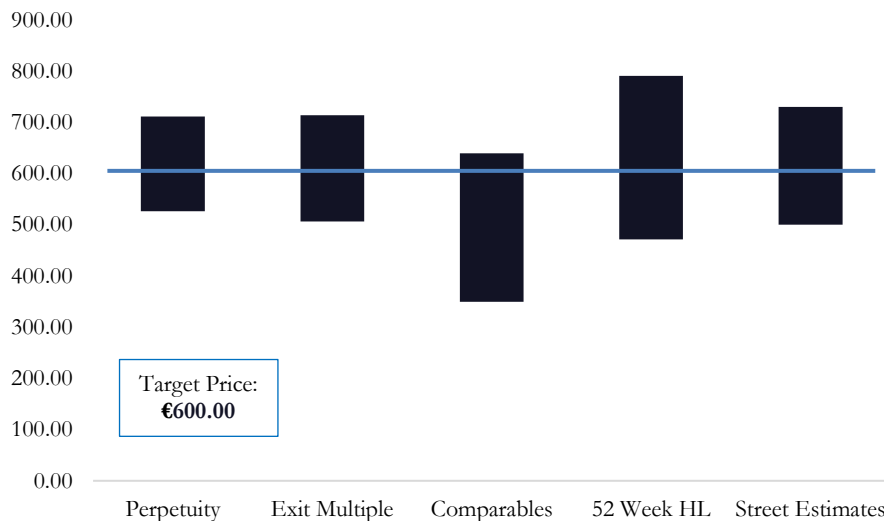
Company Profile

LVMH Moët Hennessy Louis Vuitton is the world leader in luxury goods. It operates in the following segments: Wine and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. LVMH is comprised of 75 brands some of which include Louis Vuitton, Christian Dior, Hennessy, Moët & Chandon, Tiffany, Bulgari, TAG Heuer and Sephora. The company operates over 6,000 stores in over 80 countries and is currently valued at approximately €252 billion. The company was founded in 1987 by Bernard Arnault and is headquartered in France.

Valuation

My valuation centres around a weak 2025 with organic growth reigniting in 2026 and stabilizing over time. The Q1 miss further displayed a weaker consumer discretionary environment as a result of the early stages of a global trade war and a reversal of the wealth effect which deters spending from the middle- and lower-class consumers. I believe the demand normalization is largely behind LVMH and demand in 2025 will start to turn positive closer to the end of the year. Tariffs will also continue to weigh on the company amid all the uncertainty and the expectation is that margins compress within the year while growing once again in 2026. My price target is calculated with the assumptions noted above along with other inputs which follow the trends I have set for LVMH. Using a DCF, I have modelled both the perpetuity approach and exit multiple approach to find a target price. Using the perpetuity approach with a WACC of 8.56% and a long-term growth rate of 2.50%, I arrive at a target price of approximately €606.00 representing an upside of 20% to the current price. Using the exit multiple approach with a WACC of 8.56% and an exit multiple of 10.16x, I arrive at a target price of €600.00 representing an upside of 19% to the current price.

Valuation Football Field



LVMH – Summary Model (EUR millions)

Income Statement	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	84,683	83,836	87,190	92,421	97,966	103,844
<i>Revenue Growth</i>	-1.7%	-1.0%	4.0%	6.0%	6.0%	6.0%
Gross Profit	56,765	55,751	58,417	61,922	66,127	70,095
<i>Gross Profit Margin</i>	67%	66.5%	67.0%	67.0%	67.5%	67.5%
Net Income	12,550	11,853	13,521	14,591	16,435	17,673
EBITDA	26,120	25,759	28,222	29,870	32,604	34,527
<i>EBITDA Margin</i>	30.8%	30.7%	32.4%	32.3%	33.3%	33.2%
EPS	25.13	23.71	27.04	29.18	32.87	35.35
Balance Sheet	2024A	2025E	2026E	2027E	2028E	2029E
Current Assets	47,471	46,065	45,039	49,053	55,076	63,212
Non-current Assets	101,719	104,561	110,917	112,822	115,606	118,897
Total Assets	149,190	150,626	155,957	161,875	170,682	182,109
Current Liabilities	33,696	30,117	28,013	26,256	25,581	26,989
Non-current Liabilities	46,207	46,622	45,433	44,218	43,105	42,089
Total Liabilities	79,903	76,739	73,447	70,474	68,686	69,078
Total Equity	69,287	73,887	82,510	91,401	101,996	113,031
Total Liabilities & Equity	149,190	150,626	155,957	161,875	170,682	182,109
Cash Flow Statement	2024A	2025E	2026E	2027E	2028E	2029E
Cash Flow from Operations	18,924	20,817	21,520	24,850	27,023	28,331
Operating Investments	(5,531)	(5,579)	(6,241)	(6,621)	(7,023)	(7,449)
Cash Flow from Investing	(6,539)	(6,507)	(7,169)	(7,549)	(7,951)	(8,377)
Cash Flow from Financing	(10,716)	(14,455)	(15,132)	(15,495)	(15,387)	(14,293)
Ending Cash	9,269	9,174	8,442	10,298	14,034	19,745
Free Cash Flow	14,218	14,863	14,999	18,077	19,981	20,995

LVMH – DCF Output Summary

Perpetuity Approach	
FCF in Last	20,995
FCF t+1	21,415
Long term growth rate	2.50%
Terminal Value	354,885
PV of Terminal Value	255,415
PV of UFCF	74,739
Enterprise Value	330,153

Exit Multiple Approach	
Terminal Year EBITDA	34,527
Exit EBITDA Multiple	10.16x
Terminal Value	350,722
PV of Terminal Value	252,419
PV of UFCF	74,739
Enterprise Value	327,158
WACC	8.56%

	Perpetuity	Exit Multiple
Enterprise Value	330,153	327,158
Less: Net Debt	27,136	27,136
Equity Value	303,017	300,022
Diluted Shares	500.0	500.0
Equity Value per Share	€ 606.03	€ 600.04
<i>Premium/ (Discount)</i>	20.27%	19.08%

LVMH – Comparables Table (EUR)

Name	Ticker	Share Price	Mkt Cap (M)	EV (M)	P/E	EV/EBITDA LTM	EV/EBITDA 2025E
Hermes International	RMS-FR	22,287.00	239,985.6	228,303.6	52.06x	32.60x	30.17x
EssilorLuxottica	EL-FR	247.30	114,385.5	122,699.5	47.59x	18.67x	16.50x
Christian Dior	CDI-FR	444.40	80,174.5	130,573.5	15.39x	5.01x	-
Kering	KER-FR	164.48	20,213.7	29,892.7	17.80x	6.41x	7.12x
Compagnie Financiere Richemont	CFR-CH	147.09	86,876.5	80,249.5	65.82x	13.59x	13.49x
Tapestry	TPR-US	56.07	12,087.1	13,690.6	17.60x	9.26x	10.11x
Burberry	BRBY-GB	7.63	2,748.0	3,088.7	61.02x	4.66x	6.98x
Prada	1913-HK	5.31	13,574.6	12,985.9	16.18x	6.37x	5.80x
Estee Lauder A	EL-US	47.99	17,587.8	22,120.9	-	11.61x	13.39x
Ralph Lauren A	RL-US	181.93	11,526.0	10,554.8	17.94x	9.82x	9.97x

LVMH Moët Hennessy Louis Vuitton	MC-FR	485.60	242,898.4	253,254.4	19.32x	9.69x	10.21x
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Comparables Analysis			
	Bottom Quartile	Median	Top Quartile
EBITDA 2025E	25,759	25,759	25,759
EV/EBITDA 2025E	7.84x	10.16x	13.46x
Enterprise Value	201,848	261,656	346,792
Less: Net Debt	27,136	27,136	27,136
Equity Value	174,712	234,520	319,656
Diluted Shares	500	500	500
Equity Value per Share	€ 349.42	€ 469.04	€ 639.31
<i>Premium/ (Discount)</i>	(30.66%)	(6.92%)	26.87%