Investment Decision among Intercontinental, Hilton and Louis Vuitton

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Abstract. Investment is very important for both individuals and the economy and society. A good investment can achieve wealth growth or create more social welfare. In this context, the main purpose of this article is to study how different investors invest in Hilton, Intercontinental, and Louis Vuitton to achieve their investment objectives. This article will first introduce three companies. In addition, this study collected indicator data on risk, profit margin, and market ratio from multiple perspectives, and after comprehensive calculations, formed the analytical basis for this study. On the basis of data, this article summarizes the asset selection of value investors, income investors, PEG investors, index investors, ROA investors, DCF investors, momentum investors, insider trading, and stock repurchases. The results show that there are significant differences in the preferences of different investors towards the three companies.

Keywords: Risk; profitability; invest.

1. Introduction

There are many reasons why an investor wants to invest, the first reason is just to invest, the investor uses data to calculate whether the company is suitable for the investor and spends a part of assets to invest in that company. Investors want to see the profit feedback from this company after a few years or ten more years. The profit feedback is the big earning, making money is the motivation to invest, and the second reason is to decrease the risk of cash, cash cannot make any profit, even though every single invest have their own risk, but if investor using data to calculate the risk the risk can be control also inflation is increasing every moment, investor spend their money on invest to fight with inflation. The market value of a company will rise with inflation, so inflation will not have a negative impact on stock prices. Using money to make money is the best decision, and investing is the best way to make money without using a lot of energy to make money [1-2].

Actually, numerous investigations have focused on investment. For example, Gomes examines the investment behavior when firms face costs in the access to external funds and argues that cash flow effects exist even in the absence of financial frictions [3]. Gilchrist and Himmelberg investigate the financial investments and suggest that fundamental factors show significant impacts on investment activities etc [4]. Reviewing the literature in this field, it is obvious that the research is still limited. For example, analyzing basic fundamental factors to make investment decisions deserve in-depth focus.

Thus, this paper collects data from the finance page and other papers for each investor's investment habit. The paper chooses three representative companies, two in the Hotel and one in the Luxury area. Through a careful study of risk and interest and Market Ratio, the paper determines how four types of investors will invest in these companies, ant the results show that different investors have different preferences.

2. Profile of the selected companies

Intercontinental group was founded in 1777, The characteristic of Intercontinental is providing an international life, allowing guests to enjoy comfortable service and charming local customs at the same time. In one place, the continent is on the seaside, and many countries operate and negotiate only to organize hotels, with more than 10,000 rooms, and the distribution between continents is even
more extensive, the group's biggest advantages is not in the luxury hotels, but in places such as large rural areas and national parks, it has more than 70 years of international hotel management experience, including Crowne Plaza, InterContinental, Holiday Inn and other popular hotel brands. Hilton Hotels was founded in 1919 in us. It only takes 60 more years to build the hotel from one to hundred and covering major cities on five continents of the world. Different Intercontinental, the service provides Hilton with luxurious hotel products, fantastic services, and high-end facilities and equipment. Hilton Worldwide operates 403 hotels, including 261 Hilton hotels. It already become one of the largest hotels brand in the world. These two hotels are both in the magazine “Hotel 2022” is the most powerful hotels in the world. These two companies purchased other luxury hotel companies to become the big hotel group. The Louis Vuitton label was founded by Vuitton in 1854 is the France luxury brand, Louis Vuitton is part of the LVMH Group and operates handbags, ready-to-wear, watches, fine jewelry and personal services. Louis Vuitton has become the top brand in the leather goods industry, luxury handbags and fine jewelry. Also, It is one of the most profitable brand in the world, with rate margins of more than 30%. Louis Vuitton is ranked 9th, and The Forbes 2022 Global Brand Value 100 has been released.

3. Financial indicators of the companies

The data for this paper are obtained from Yahoo Finance, in Yahoo Finance there is a page to show the details of the company's wealth, like the income statement, Cash flow and balance sheet. There already show some final data on the page, The final ratio and data analysis are calculated by a stock formula and the data are the basis on Yahoo analysis.

3.1. Risk

The performance of risk is unsure, it means that the final result of the risk may making loss and profit. These are risks in a broad sense, which means the risk can only show losses, and there is only a few possibility of profit from the risk. Table 1 shows the Beta, Market cap, and total debt ratio, which represent the risk. Beta coefficient measures the sensitivity of a single financial asset to fluctuations in the entire financial market. Market capitalization refers to the total market value from the company publish shares. Periodic debt ratio is a market ratio that measures how a company use the leverage on their asset. The debt ratio usually uses percentage decimals to express it is the ratio of total liabilities to total assets [5-6].

<table>
<thead>
<tr>
<th>Risk Indicator</th>
<th>Market Cap</th>
<th>Beta</th>
<th>Total Debt Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercontinental</td>
<td>12.31B</td>
<td>0.97</td>
<td>1.38</td>
</tr>
<tr>
<td>Hilton</td>
<td>40.32B</td>
<td>1.22</td>
<td>1.07</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>465.772B</td>
<td>1.03</td>
<td>1.72</td>
</tr>
</tbody>
</table>

The Beta for the three companies is Hilton (1.22) greater than Louis Vuitton (1.03) and Intercontinental (0.97). The total debt ratio shows that Louis Vuitton (465.772B) is higher than Hilton (40.32B) and higher than Intercontinental (12.31B). The Total Debt Ratio is respectively Louis Vuitton (1.72), Intercontinental (1.38) and Hilton (1.07).

3.2. Market Ratio

Market value ratios are essential for tracking a company's stock value, whether you're a business owner, financial manager, or investor. These ratios are crucial for making important decisions regarding money and resources. This study selected several specific indicators to reflect market ratios (See Table 2). The PE ratio is a way to calculate of a company's current price multiple or earnings multiple. It is also sometimes referred to as the ratio of share price to earnings per share. The PE ratio measures a company's market valuation compare to its book value. The dividend yield is the inverse
of the PE ratio, which is the earnings yield. Therefore, earnings yield formula is per share divided by 
the stock price, expressed as a percentage after calculate. The PEG ratio is used to determine a stock’s 
value it also taking into account a company's expected earnings growth as same time, and it is 
considered to provide a more accurate picture than the normal PE ratio. Gordon Growth is a formula 
used to determine that a stock's intrinsic value will grow at a constant rate based on a series of future 
dividends. Momentum investing is a strategy that seeks to exploit the continuation of existing trends 
in the market [7-8].

<table>
<thead>
<tr>
<th>Market Ratio</th>
<th>PE</th>
<th>PB</th>
<th>Dividend Yield</th>
<th>PEG</th>
<th>Gordon growth</th>
<th>Mom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercontinental</td>
<td>36.46</td>
<td>-48.77</td>
<td>2.24</td>
<td>17.7</td>
<td>0.62</td>
<td>1.31</td>
</tr>
<tr>
<td>Hilton</td>
<td>32.39</td>
<td>-37.51</td>
<td>0.60</td>
<td>6.8</td>
<td>1.07</td>
<td>1.51</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>29.42</td>
<td>8.42</td>
<td>2.60</td>
<td>4.67</td>
<td>0.77</td>
<td>2.86</td>
</tr>
</tbody>
</table>

The PE ratio is Intercontinental (36.46) greater than Hilton (32.39) and greater than Louis Vuitton 
(29.42), In the PB ratio the highest one is Louis Vuitton and then is Hilton then is Intercontinental, 
Intercontinental, and Louis Vuitton are both over than two in Dividend Yield, PEG ratio are 
respectively 17.7, 6.8, and 4.67 in three company, In Gordon Growth only Hilton over than one is 
1.07, the other two are Intercontinental (0.62) and Louis Vuitton (0.77). Momentum are both bigger 
than one there are Intercontinental (1.31), Hilton (1.51) and Louis Vuitton (2.86).

3.3. Profitability

Profitability is the ability of a company to spend its origin resources to making revenue in over of 
its cost. Profit margin is a measure of the profitability of a business, product or service. The higher 
the number, the more profit the business makes relative to its costs. The paper chooses these three 
ratios to show the profitability of the company (See Table 3). Return on assets refers to a market ratio 
that indicates a company's profitability compared to the company's total assets. ROE is mainly an 
indicator of a company's profitability and profitability efficiency. The people who manage the 
company have shares, rights and financing qualifications, and the higher the efficiency ratio of 
revenue and growth [9].

<table>
<thead>
<tr>
<th>Profitability</th>
<th>Profit Margin</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercontinental</td>
<td>0.1226</td>
<td>0.097</td>
<td>0.67</td>
</tr>
<tr>
<td>Hilton</td>
<td>0.3</td>
<td>0.174</td>
<td>2.45</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>0.1779</td>
<td>0.1011</td>
<td>0.2796</td>
</tr>
</tbody>
</table>

The Profit Margin shows that Hilton is bigger than Louis Vuitton bigger than Intercontinental 
which mean that Hilton has the best increase rate of the three company, Hilton has the highest ROA 
ratio mean Hilton can make the biggest profit, and ROE shows that Hilton has a greater than 
intercontinental greater than Louis Vuitton can make biggest profit in these three companies [10].

4. Results for asset selection

There are too many investors in the investment market, and the four types of investors are the most 
worth paying attention to. (1) Index investors tend to purchase assets included in the market index. 
Among the three assets examined in this study, Hilton and Intercontinental are constituent stocks of 
the S&P 500, so these two companies will be favored by index investors. (2) Momentum investment 
is a system of buying stocks or other securities with high returns over a period of time and then selling 
stocks or other securities with low returns over the same period. Generally speaking, momentum 
investors will choose assets with momentum greater than 1 for investment. The momentum of the 
three companies involved in this study is greater than 1 for Louis Vuitton (2.86), Hilton (1.51), and
Intercontinental (1.31), all of which are greater than 1. Therefore, all three companies are investment targets for momentum investors. (3) P/E investors will pay special attention to the P/E ratio indicator. Generally speaking, when the P/E ratio is low, investors believe that assets are undervalued, and buying assets will achieve better returns in the future. Through the analysis of the P/E ratios of the three companies, it can be seen that their PE values are all above 20, which may mean that P/E investors will not invest in any of the three companies. (4) PEG refers to the ratio of P/E to Growth, and PEG investors will pay special attention to this indicator. The PEG investment valuation return indicator is an investment strategy based on the growth rate of enterprise returns and P/E ratio. This indicator can help investors determine whether a company's stock is undervalued or overvalued. Generally speaking, PEG investors will only make asset purchases when the PEG indicator is below 1. Through the analysis of relevant indicators, the PEG indicators of the three companies involved in this study are all greater than 1, therefore, PEG investors do not invest in any company [11-12]. Details can be found in the following Table 4.

Table 4. Asset selection for four types of investors

<table>
<thead>
<tr>
<th>Index</th>
<th>Momentum</th>
<th>P/E</th>
<th>PEG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercontinental</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Hilton</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Note: Yes means that the investor will invest in the company, No refers to the meaning that investor will not invest in the company.

5. Conclusion

The paper shows how different investors invest in their own zone, and what line lets investors make the final decision to invest, the paper introduces the background of the three companies first and shows the data on risk and profitability, which shows that Hilton has the highest risk and highest profit at the same time. Intercontinental and Louis Vuitton do not have enough risk like Hilton also these two companies cannot make as much profit feedback like Hilton, investor can invest in Louis Vuitton and Intercontinental to make sure it can produce profit, it also ensures that PE, PB and PEG investor will not invest these three company, Gordan growth will invest Hilton and Momentum investor will invest each company. This paper has important reference value for some investors in the financial market.

References


