

Research on LVMH Valuation Report

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Abstract. LVMH is currently the world's largest luxury goods conglomerate. The company has established five mature luxury business lines in fashion and leather goods, wines and spirits, perfumes and cosmetics, watches and jewelry, and specialty retail. In 2022, total operating profit increased by 23% to 21 billion euros, with an operating profit margin of 26% and a net profit of 14 billion euros. The purpose of this valuation is to better facilitate the company's development, formulate corporate strategies, and make decisions regarding the direction of the company. This report serves as a reference for the Board of Directors of the client and analyzes the current equity value of LVMH.

Keywords: LVMH, valuation report, luxury goods.

1. LVMH, Global Luxury Goods Giant

1.1. The Triumphant Journey of LVMH

This report attributes LVMH's success to the following three aspects:

(1) Building a Luxury Empire through Mergers and Acquisitions: LVMH has a comprehensive product portfolio, creating a wide moat. The company has established five mature luxury business lines in fashion and leather goods, wines and spirits, perfumes and cosmetics, watches and jewelry, and specialty retail. The company has undergone three waves of M&A concentration and is currently in its fourth phase. It has acquired a series of brands including Celine, Loewe, Guerlain, Sephora, DFS, Moët Hennessy, Dior, Off-White, and, in 2021, Tiffany & Co. The company's acquisitions have constructed its own luxury goods empire with a multi-domain layout, forming a gradient brand matrix in each business sector, covering different consumer segments and enhancing the company's risk resistance.

(2) Emphasizing Direct Operation, with Specialty Retail Driving Performance: Offline, the company primarily emphasizes direct physical retail and maintains strict control over distribution channels. As of the end of 2021, the company had 5,556 global boutiques, with a widespread offline presence. For instance, with Louis Vuitton, the company adheres to an all-direct operation model, with over 470 boutiques offline, and maintains a DTC model online through its official website, WeChat official account, and mini-program sales channels. Specialty retail channels expand the company's retail footprint. DFS, as depicted in the figure 1, a subsidiary, has a global presence, with a retail network consisting of 54 duty-free stores at 13 major airports across four continents, 23 T Galleria stores located in city centers and tourist destinations, affiliated retail stores, and shops in resort locations.[1] As a leading luxury travel retailer, DFS contributes significantly to the company's retail efforts. Sephora, as the figure 2 shows, which joined the LVMH group in 1997, has over 2,000 stores globally.[2] It not only carries LVMH brands like Guerlain, Dior, Benefit, but also actively collaborates with brands like Lancôme and Estée Lauder. Sephora shapes a new retail experience, both offline and online, through professional store images, intimate store services, and innovative beauty models.

(3) Targeted Marketing Strategies in Line with Positioning: The company is well-versed in the art of luxury goods marketing. Take premium brands like LV, Dior, Celine, Tiffany, and others as examples; it's common to see long queues in front of their boutiques. On one hand, luxury goods often provide one-on-one service, leading to queues at the store entrance. On the other hand, brands attract consumers and stimulate their shopping desires through this approach. Simultaneously, the company adopts marketing strategies such as celebrity endorsements combined with customized offerings and a no-discount policy to maintain the brand's image and exclusivity.

1.2. Middle-Class Pressure, Youthful Shift in Luxury Consumption, and Changing User Demographics

LVMH is a globally renowned luxury goods conglomerate with multiple high-end brands, each having unique brand positioning, target consumer groups, and user characteristics. Below is the brand positioning, target consumer groups, and user characteristics of some of LVMH's flagship brands, using LV, Dior, and Chanel as examples.

(1) Louis Vuitton

Brand Positioning: Louis Vuitton is one of the most famous brands under the LVMH group, known for producing high-quality luxury leather goods, fashion accessories, and luggage.

Target Consumer Group: Louis Vuitton's target customers are typically affluent consumers who value quality, fashion, and uniqueness.

User Characteristics: These consumers tend to prefer high-end luxury products, pursue exceptional craftsmanship and design, and enjoy showcasing their social status and success.

(2) Dior

Brand Positioning: Dior is a fashion brand renowned for high-end clothing, perfumes, and beauty products, emphasizing French-style fashion, elegance, and tradition.

Target Consumer Group: Dior's target customer group includes affluent fashion enthusiasts who seek unique fashion styles and a sense of nobility.

User Characteristics: Dior's customers typically pay attention to fashion trends, enjoy purchasing high-end fashion and beauty products to express their personal taste.

(3) Chanel

Brand Positioning: Chanel is a legendary French luxury brand known for high-end fashion, perfumes, and accessories, emphasizing simplicity, classicism, and fashion.

Target Consumer Group: Chanel's target customer group includes women who appreciate simplicity and high-quality fashion, valuing simplicity and elegance.

User Characteristics: Chanel's customers are usually highly fashion-conscious individuals who prioritize quality, craftsmanship, and design, and are willing to invest in classic luxury items.

In summary, LVMH's brands, to varying degrees, represent high-end luxury goods and have unique brand positioning, but they all target affluent and fashion-conscious consumer groups. These consumers typically have a high sensitivity to quality, craftsmanship, and fashion trends, and are willing to spend more money to obtain unique luxury experiences and products.

Due to the impact of the COVID-19 pandemic, the global economy has experienced a downturn, leading to middle-class consumers facing financial pressure. As the figure 3 and 4 show the luxury goods industry has also seen a shift towards younger consumers, [3] with changes in user demographics. According to the 2019 GWI report "Aspirational Consumers: Why They Matter and What Brands Should Know," 44% of individuals aged 16-24 are aspirational consumers, while the percentage for those aged 55-64 is 21%. The addition of Generation Z and Millennials has contributed to the trend of a younger luxury consumer base.[4]

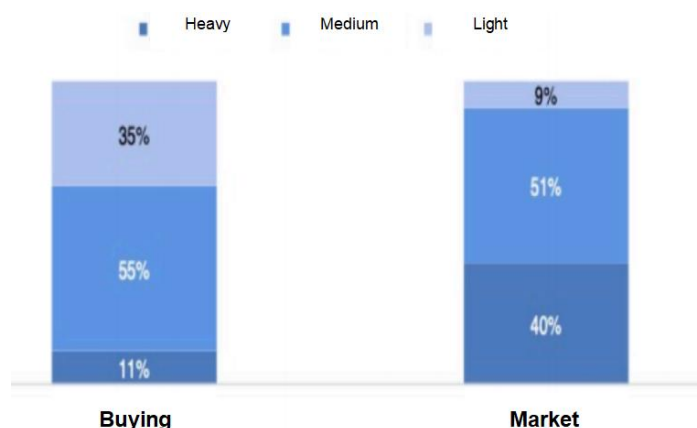


Figure 1. Structure and contribution of luxury consumers

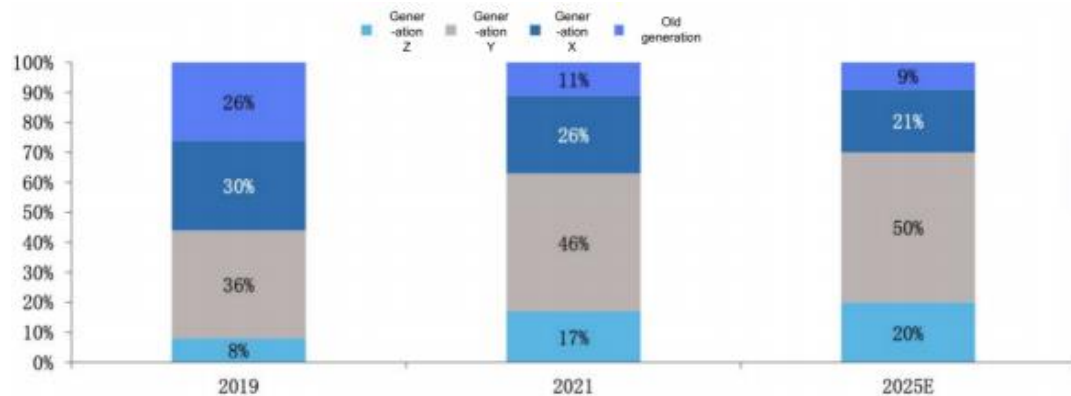


Figure 2. Proportion of global consumption of personal luxury goods by age in 2019, 2021 and 2025E

1.3. LVMH's M&A path

Louis Vuitton Moët Hennessy, or LVMH, was formed in 1987 by Bernard Arnault's merger of Louis Vuitton and Moët Hennessy. It is the largest luxury group in the world today. At present, the company has 75 well-known and outstanding brands, including LV, Dior, Givenchy, Tiffany&Co and other global well-known brands as shown in the figure 3. [5]

LVMH has gone through three merger and acquisition concentration periods and is currently going through the fourth phase.

(1) From 1993 to 1997, during this period, the company acquired a series of brands such as Celine, Loewe and Guerlan, focusing on fashion and leather goods brands and boutique retail brands, further strengthening the company's influence. And in the boutique retail side of the acquisition of Sephora, DFS, Sephora currently in the retail channel side of the global market share of 6%, is one of the world's important retail channels. DFS is the world's leading luxury duty-free travel retailer, bringing new opportunities to the company's travel retail channel.

(2) From 1999 to 2001, the company established a watch and jewelry business line at this stage, acquired a large number of brands such as TAG Heuer and Shangmei, and had layout in the other four business lines. The company has acquired Fresh, Make Up Forever, Benefit and other brands in the perfume and cosmetics sector. The full acquisition of the company's five businesses has established its position in the luxury sector.

(3) From 2008 to 2013, after the financial crisis, the company completed the acquisition of Bulgari, high luxury clothing brand LoroPiana, etc.

(4) From 2016 to now, the company has entered a period of expansion again, and acquired Rimova, Dior, Off-White, etc., in fashion and leather goods, and Tiffany&Co. in 2021. The company has built its own luxury empire through acquisition, with a multi-field layout, and formed a gradient brand matrix in each business segment, covering different consumer groups.



Figure 3. LVMH's Five Core Business Lines and Subsidiary Brands

1.4. Growth

From a financial report perspective, the Group achieved a profit from recurring operations of 21,055 million euros in 2022, representing a noteworthy increase of 23% compared to the previous fiscal year, as illustrated in Figure 4. The Group's operating margin, calculated as a percentage of revenue, remained stable at 26.6% compared to the previous fiscal year.

1) As depicted in Figure 4, the Wines and Spirits segment generated a profit from recurring operations of 2,155 million euros, marking a substantial 16% growth relative to 2021. The Champagne and wines category contributed 981 million euros, while cognacs and spirits accounted for 1,174 million euros. The operating margin for this business group stood at 30.4% in relation to revenue.

2) The Fashion and Leather Goods segment reported a profit from recurring operations of 15,709 million euros, reflecting a significant 22% increase compared to the previous fiscal year. Louis Vuitton and Christian Dior Couture showcased exceptional levels of profitability. Despite the impact of partial store closures in specific regions, particularly in China, all brands demonstrated improved profit from recurring operations. The operating margin for this business group amounted to 40.6% of revenue.

3) In the Perfumes and Cosmetics segment, profit from recurring operations amounted to 660 million euros, primarily influenced by a highly selective distribution policy. The operating margin for this business group was 8.5% of revenue.

4) The Watches and Jewelry segment achieved a profit from recurring operations of 2,017 million euros, signifying a 20% growth compared to December 31, 2021. The operating margin for this business group stood at 19.1% of revenue.

5) The Selective Retailing segment recorded a profit from recurring operations of 788 million euros, demonstrating an impressive 48% increase compared to December 31, 2021. The operating margin for this business group accounted for 5.3% of revenue.

(EUR millions)	2022	2021	2020
Wines and Spirits	2,155	1,863	1,388
Fashion and Leather Goods	15,709	12,842	7,188
Perfumes and Cosmetics	660	684	80
Watches and Jewelry	2,017	1,679	302
Selective Retailing	788	534	(203)
Other activities and eliminations	(274)	(451)	(450)
Total	21,055	17,151	8,305

Figure 4. Growth in the Five Major Sales Categories

Overall, the Group observed a positive impact of 928 million euros on profit from recurring operations due to exchange rate fluctuations compared to the previous fiscal year. This amount encompasses three factors: (i) the impact of exchange rate fluctuations on export and import sales and purchases by Group companies, (ii) the change in the net impact of the Group's commercial exposure hedging policy across various currencies, and (iii) the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

The category of "Other operating income and expenses" resulted in a net expense of 54 million euros, contrasting with a net income of 4 million euros in 2021, as illustrated in Figure 5. This item primarily consists of depreciation, amortization, and impairment charges for brands and goodwill, gains and losses on disposals, and transaction costs associated with acquisitions during the fiscal year ending December 31, 2022.

The Group achieved an operating profit of 21,001 million euros, showcasing a 22% increase from the previous fiscal year. In fiscal year 2022, "Net financial income/(expense)" amounted to a net expense of 888 million euros, compared to a net income of 53 million euros in fiscal year 2021.

This item can be broken down as follows:

1) The overall cost of net financial debt amounted to an expense of 17 million euros, in contrast to a gain of 41 million euros in fiscal year 2021, representing a negative change of 57 million euros due to the rise in interest rates.

2) Interest on lease liabilities recognized under IFRS 16 resulted in an expense of 254 million euros, compared to an expense of 242 million euros in the preceding year.

3) Other financial income and expenses led to a net expense of 618 million euros, compared to a net income of 254 million euros as of the end of December 2021. This amount includes expenses related to the cost of foreign exchange derivatives, totaling 358 million euros, compared to an expense of 206 million euros in the previous year. Additionally, fair value adjustments of available for sale financial assets reflected market declines, resulting in a net expense of 225 million euros, in contrast to a net income of 499 million euros in fiscal year 2021.

The Group's effective tax rate as of December 31, 2022, stood at 26.7%, representing a 0.5-point increase from December 31, 2021.

Profit attributable to minority interests amounted to 667 million euros, compared to 662 million euros in the previous fiscal year, primarily reflecting profit attributable to minority interests in Moët Hennessy.

The Group's share of net profit reached 14,084 million euros, demonstrating a 17% increase relative to December 31, 2021, when it totaled 12,036 million euros. This accounted for 18% of revenue.

(EUR millions)	2022	2021	2020
Profit from recurring operations	21,055	17,151	8,305
Other operating income and expenses	(54)	4	(333)
Operating profit	21,001	17,155	7,972
Net financial income/(expense)	(888)	53	(608)
Income taxes	(5,362)	(4,510)	(2,409)
Net profit before minority interests	14,751	12,698	4,955
Minority interests	(667)	(662)	(253)
Net profit, Group share	14,084	12,036	4,702

Figure 5. Growth in Other income statement items

LVMH's regional growth: The total number of global stores increased by 108 in 2022, reaching 5,664 in total as the figure 6 shows. Although the pace of store expansion slowed down in 2022, mainly due to the significant impact of the pandemic on the Asian region (which has the most stores), LVMH's revenue continued to grow. Single-store sales and performance improved even with the slowing store growth.[6]



Figure 6. LVMH Global Presence

In 2023, the U.S. market witnessed sluggish growth, contrasting with the robust performance of the Asian market, as depicted in Figures 7 and 8. In addition to the Asian market, LVMH, the multinational luxury goods conglomerate, has also established a strong presence in other regions such as Europe (except France), France itself, and Japan. These regions have contributed significantly to LVMH's global success:

Europe, excluding France, remains a key market for LVMH. The company has successfully tapped into the affluent consumer base across countries like Germany, Italy, the United Kingdom, and others. With a diverse range of luxury brands under its umbrella, LVMH caters to the preferences and tastes of European consumers, offering them a wide array of products, including fashion, perfumes, cosmetics, jewelry, and watches. This strategic focus has allowed LVMH to maintain its market share and generate substantial revenue in this region.

France, the home country of LVMH, holds a special place in the company's operations. With its reputation as the global capital of fashion and luxury, France provides a fertile ground for LVMH's flagship brands. The company's iconic French labels, including Louis Vuitton, Christian Dior, Moët & Chandon, and Givenchy, have become synonymous with sophistication and elegance.

LVMH continues to invest in its French heritage, supporting local craftsmanship and preserving traditional artisanal skills. The allure of "Made in France" products has helped LVMH maintain a strong domestic market and attract tourists seeking an authentic luxury experience.

Japan, known for its discerning consumers and appreciation for luxury craftsmanship, represents another significant market for LVMH. The company has successfully adapted its offerings to cater to the unique tastes of Japanese consumers, who value attention to detail and exceptional quality. LVMH's luxury brands, such as Bulgari, Hennessy, and Sephora, have gained popularity among Japanese customers seeking prestigious and exclusive products. Furthermore, LVMH has collaborated with renowned Japanese designers and artists, fusing traditional Japanese aesthetics with contemporary luxury, which has garnered immense attention and further bolstered the brand's presence in the country.

The global economy faces the imminent threat of a recession, and demand from middle-class consumers remains feeble. Recent data, as illustrated in Figure 11, reveals that U.S. consumer credit card spending remained lackluster in June 2023, aligning with the year-on-year rate observed in May [7].

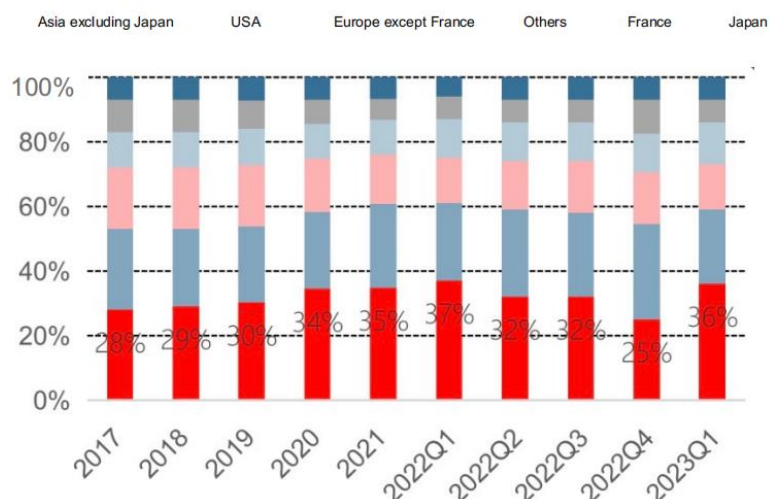
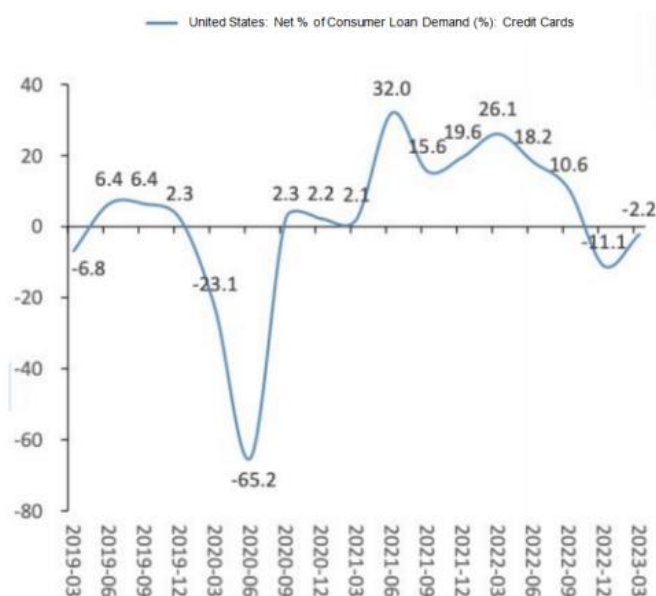


Figure 7. Regional Sales Contribution by LVMH



Figure 8. Regional Sales Growth



Note: "Net ratio" (or "net percentage") for questions asking about loan demand, this term refers to the proportion of banks reporting strong demand ("substantially strong" or "moderately strong") minus weak demand ("substantially weak" or the proportion of banks that are "moderately weak")

Figure 9. Decline in Consumer Credit Demand in the United States

The fashion and leather industry in the U.S. market has shown signs of weakness. We had slight growth in the first quarter of this year, and the growth rate in the second quarter was slightly negative, approaching zero. We are facing pressure across different types of American consumers. Some consumers are more susceptible to external economic conditions than others, especially Aspirational Customers. Currently, we have seen a decline in the sales of our entry-level products in second-tier cities, a clear sign that Aspirational Customers are not shopping as frequently as they used to.

This is mainly due to the fact that the current American elite consumer segment is under significant pressure, especially in the consumption of alcoholic beverages and fashion & leather products.[1]

1.5. Valuation Fundamentals and Assumptions

1.5.1. Valuation Background and Purpose

The purpose of this valuation is to better facilitate the company's development, formulate corporate strategies, and make decisions regarding the direction of the company. This report serves as a reference for the Board of Directors of the client and analyzes the current equity value of LVMH. The report does not constitute advice, recommendations, or compensation for any third party.

1.5.2. Valuation Object

The object of this valuation is the equity value of lvmh shareholders' meeting

1.5.3. Value Type

The purpose of this transaction is to understand the value of lvmh and understand its open market value. Therefore, this value type is market value.

1.5.4. Valuation Valuation Date

The base date for this valuation is June 30, 2023

1.5.5. Choice of Valuation Methods

Business valuation is the process of determining the value of a company or estimating its future cash flows. A variety of methods are commonly used for valuation, including the income method, the market method and the asset-based method. These three basic business valuation methods are described in detail below, as well as the selection of the applicable method for LVMH companies and the reasons for it.

(1) Income Approach

The core idea of the income method is to determine the value of a company by estimating its future cash flows. When using the income method to value a business, the NPV (Net Present Value) method is an important technique that can be used to estimate the present value of a company's future cash flows and thus determine the company's valuation. It is important to note that the accuracy of the NPV method depends on the accuracy of the estimated cash flow and discount rate.

In addition, as a luxury goods company, LVMH's brand value and market trends have a very important impact on the future cash flow, so it is necessary to pay special attention to the analysis and prediction of these factors in the valuation process.

Ultimately, the NPV method can provide a relatively accurate valuation, but it requires careful estimation of future cash flows and selection of an appropriate discount rate to ensure the reliability of the valuation.

(2) Market Approach

The market method is a method to determine the value of a company by referring to the trading or valuation indicators of similar companies in the market. The most common market methods include price-earnings ratio and price-sales ratio.

The P/E ratio method involves comparing the P/E ratio of a company with the P/E ratio of a company in the same industry or similar companies and determining the valuation of the company based on this comparison.

The price-to-sales method involves comparing the price-to-sales ratio of a company with that of a company in the same industry or similar companies, and determining the valuation of the company based on this comparison.

LVMH may be appropriate to use the market approach because it is a well-known luxury company and comparisons with similar companies may exist in the market. However, it is important to note that market law may not fully capture LVMH's unique brand values and business model.

(3) Asset-Based Approach:

The core idea of the asset-based approach is that the value of a company is equal to its net asset value, that is, total assets minus total liabilities. This method is often used for companies that have no obvious profitability or unstable future cash flows. This approach may be more appropriate for asset-intensive companies or those in the midst of restructuring or bankruptcy. LVMH is less suited to the asset-based approach because it is a highly profitable luxury goods company whose value derives primarily from its brand, intellectual property, and market position, rather than its net asset value.

To sum up, the most suitable valuation method for LVMH companies may be the income method (NPV method). This is because LVMH is a luxury goods company with a very high brand value, and its future cash flow is very sensitive to market trends, brand value and global economic

conditions. The NPV approach can better account for these factors and provide a more comprehensive valuation so that investors or potential buyers can better understand the long-term value potential of the company. However, when performing NPV analysis, it is necessary to carefully select and estimate future cash flows and discount rates to ensure the accuracy of the valuation.

At the same time, this report will also analyze the valuation of LVMH companies by market method and financial model to compare the results under different methods, so as to make the report results more stable and referable.

2. LVMH Financial Condition

2.1. Revenue Structure

LVMH's business is mainly divided into five categories: wines and spirits, fashion and leather goods, perfumes and cosmetics, watches and jewelry, and retail. The revenue structure is as follows: total revenue increased by 23% to 79.1 billion euros; wines and spirits increased by 19% to 7 billion euros; fashion and leather goods increased by 25% to 38.6 billion euros; perfumes and cosmetics increased by 17% to 7.7 billion euros; watches and jewelry increased by 18% to 10.5 billion euros; retail increased by 26% to 14.8 billion euros, and other businesses increased to 2 billion euros. In terms of regional revenue: Asia, excluding Japan, accounted for 30%; the United States accounted for 27%; Europe, excluding France, accounted for 16%; other markets accounted for 12%; France accounted for 8%; and Japan accounted for 7%. As shown in the figure 10, LVMH's performance in 2022 was very impressive, with all business segments showing high double-digit revenue growth, especially in fashion and leather goods, where revenue growth exceeded the overall revenue growth. This was achieved despite lower-than-expected revenue in the Asia-Pacific region, particularly due to the impact of the pandemic.

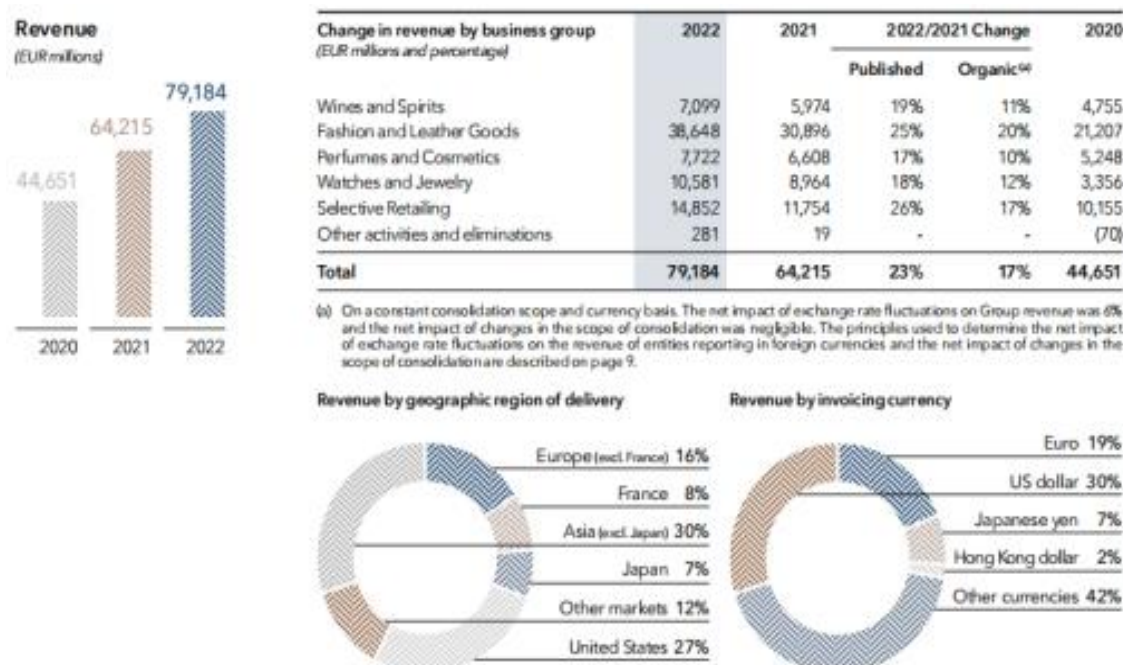


Figure 10. LVMH Group Revenue Structure

2.2. Cost Structure

LVMH's cost structure for the year 2022 is as follows: Sales costs increased by 23% to €24.9 billion, gross profit increased by 24% to €54.1 billion, with a gross profit margin of 68%. Marketing and advertising expenses increased by 26% to €28.1 billion, while general and administrative expenses increased by 14% to €5 billion, as the figure 11 shows. LVMH's sales costs and income growth are

roughly consistent, with a very high gross profit margin of 68%. This is the most noticeable characteristic of the luxury goods industry – high income, high profits. The common perception is that the luxury goods industry is highly profitable. However, the actual net profit is not as high as expected because marketing and advertising expenses are substantial and unavoidable. Without marketing, it is challenging to establish and maintain brand image value, which is crucial for the luxury goods industry.

(EUR millions, except for earnings per share)	Notes	2022	2021	2020
Revenue	24	79,184	64,215	44,651
Cost of sales		(24,988)	(20,355)	(15,871)
Gross margin		54,196	43,860	28,780
Marketing and selling expenses		(28,151)	(22,308)	(16,792)
General and administrative expenses		(5,027)	(4,414)	(3,641)
Income/(Loss) from joint ventures and associates	8	37	13	(42)
Profit from recurring operations	24	21,055	17,151	8,305
Other operating income and expenses	25	(54)	4	(333)
Operating profit		21,001	17,155	7,972
Cost of net financial debt		(17)	41	(35)
Interest on lease liabilities		(254)	(242)	(281)
Other financial income and expenses		(617)	254	(292)
Net financial income/(expense)	26	(888)	53	(608)
Income taxes	27	(5,362)	(4,510)	(2,409)
Net profit before minority interests		14,751	12,698	4,955
Minority interests	18	(667)	(662)	(253)
Net profit, Group share		14,084	12,036	4,702
Basic Group share of net earnings per share (EUR)	28	28.05	23.90	9.33
Number of shares on which the calculation is based		502,120,694	503,627,708	503,679,272
Diluted Group share of net earnings per share (EUR)	28	28.03	23.89	9.32
Number of shares on which the calculation is based		502,480,100	503,895,592	504,210,133

Figure 11. LVMH Group Cost Structure

2.3. Profit Structure

As the figure 12 shows, LVMH's profit structure for the year 2022 is as follows: Total operating profit increased by 23% to €21 billion, with an operating profit margin of 26%; tax expenses increased by 18% to €5.3 billion, resulting in a net profit of €14 billion; earnings per share increased by 17% to €28; wines and spirits increased by 17% to €2.1 billion, with a profit margin decrease of 80 basis points to 30.4%; fashion and leather goods increased by 23% to €38.6 billion, with a profit margin decrease of 100 basis points to 40.6%; perfumes and cosmetics remained relatively stable at €0.6 billion, with a profit margin decrease of 180 basis points to 8.5%; watches and jewelry increased by 25% to €2 billion, with a profit margin increase of 40 basis points to 19.1%; fine retail increased by 48% to €0.7 billion, with a profit margin increase of 80 basis points to 5.3%; other businesses incurred a loss of €200 million.

Comparing several business categories, the operating profit margin for fashion and leather goods, after deducting various cost expenses, reached 40%, followed by wines and spirits with a 30% profit margin. In contrast, luxury brands in the hard luxury category, such as watches and jewelry, only had a profit margin of 20%. Perfumes and cosmetics, as well as fine retail, had profit margins in the single digits.



Figure 12. LVMH Group Profit Structure

2.4. Cash Flow

LVMH's cash flow data for 2022 are as follows: Before adjusting for working capital, cash flow from operating activities increased by 18% to €26.7 billion; working capital shifted from inflow to outflow of €3 billion; cash flow from operating activities decreased by 4% to €17.8 billion; capital expenditures for operations increased by 87% to €4.9 billion; lease liability payments increased by 12% to €2.7 billion; operating free cash flow decreased by 25% to €10.1 billion; financial investment expenditures decreased by 93% to €0.9 billion; equity-related transaction expenditures increased by 70% to €8.7 billion; net cash flow shifted from outflow to inflow of €400 million, as depicted in the figure 13.

LVMH's cash flow grew in double digits last year, but due to a significant increase in operating expenses, cash flow from operating activities actually decreased. This increase in expenses was mainly due to an increase in inventory of €4.1 billion and accounts receivable of €390 million. At the same time, it was partially offset by an increase in accounts payable of €1.5 billion.

The significant increase in operating investments was mainly due to investments in real estate, equipment, and the like, in preparation for further business expansion in the future, combined with inventory growth, indicating a very optimistic outlook for future business development and expansion.

The significant decrease in financial investment expenditures was mainly due to the acquisition of the jewelry brand Tiffany & Co. in 2021, while the increase in equity-related transaction expenditures was mainly due to increased dividends and stock repurchases.

Overall, LVMH's cash flow is healthy, with profits and cash flow aligning. In terms of operations, they maintain investment expansion while also returning value to shareholders.

(EUR millions)	2022	2021	Change
Cash from operations before changes in working capital	26,770	22,621	4,149
Cost of net financial debt: interest paid	(74)	71	(145)
Lease liabilities: interest paid	(240)	(231)	(9)
Tax paid	(5,604)	(4,239)	(1,365)
Change in working capital	(3,019)	426	(3,445)
Net cash from operating activities	17,833	18,648	(815)
Operating investments	(4,969)	(2,664)	(2,305)
Repayment of lease liabilities	(2,751)	(2,453)	(298)
Operating free cash flow⁽¹⁾	10,113	13,531	(3,418)
Financial investments and purchase and sale of consolidated investments	(950)	(13,315)	12,365
Equity-related transactions	(8,729)	(5,149)	(3,581)
Change in cash before financing activities	433	(4,933)	5,366

Figure 13. LVMH Group Cash Flow

2.5. Asset and Liability

2.5.1. Asset Side

LVMH's asset-side data for 2022 are as follows: Current assets increased by 16% to €39.7 billion; inventory increased by 23% to €20.3 billion; accounts receivable increased by 14% to €4.2 billion; other current assets increased by 32% to €7.4 billion; cash and equivalents decreased by 9% to €7.3 billion; non-current assets increased by 4% to €94.9 billion; brand and intangible assets increased by 4% to €25.4 billion; goodwill decreased by 5% to €24.7 billion; property, plant, and equipment increased by 14% to €23 billion; right-of-use assets increased by 7% to €14.6 billion; total assets increased by 7% to €134.6 billion.

2.5.2. Liability Side

LVMH's liability-side data for 2022 are as follows: Current liabilities increased by 13% to €31.5 billion; short-term borrowings increased by 16% to €9.3 billion; current lease liabilities increased by 13% to €2.6 billion; accounts payable increased by 24% to €8.7 billion; income tax remained flat at €1.2 billion; current provisions and other liabilities increased by 4% to €9.5 billion; non-current liabilities decreased by 4% to €46.4 billion; long-term borrowings decreased by 15% to €10.3 billion; non-current lease liabilities increased by 8% to €12.7 billion; total liabilities increased by 2% to €78 billion.

2.5.3. Equity

According to the report as the figure 14 shows, LVMH's equity data for 2022 are as follows: Equity increased by 16% to €56.6 billion. Looking at assets, liabilities, and equity, LVMH performed exceptionally well in 2022. Despite dividend payments and share buybacks, equity continued to grow in double digits. Total assets grew faster than total liabilities, resulting in an asset-to-liability ratio of 58%.

Accounts payable increased at a faster rate than accounts receivable, and the total amount was higher. This reflects LVMH's ability to command premium pricing in its supply chain. However, the fact that inventory accounts for more than half of current assets is somewhat concerning. Additionally, the growth in investments in property, plant, equipment, and right-of-use assets, to convert into higher asset returns, tests the brand's selling capabilities. Nevertheless, it also reflects LVMH's optimism about future business growth and its proactive preparations.

Assets (EUR millions)	Notes	2022	2021	2020
Brands and other intangible assets	3	25,432	24,551	17,012
Goodwill	4	24,782	25,904	16,042
Property, plant and equipment	6	23,055	20,193	18,224
Right-of-use assets	7	14,615	13,705	12,521
Investments in joint ventures and associates	8	1,066	1,084	990
Non-current available for sale financial assets	9	1,109	1,363	739
Other non-current assets	10	1,186	1,054	845
Deferred tax		3,661	3,156	2,325
Non-current assets		94,906	91,010	68,698
Inventories and work in progress	11	20,319	16,549	13,016
Trade accounts receivable	12	4,258	3,787	2,756
Income taxes		375	338	392
Other current assets	13	7,488	5,606	3,846
Cash and cash equivalents	15	7,300	8,021	19,963
Current assets		39,740	34,301	39,973
Total assets		134,646	125,311	108,671

Liabilities and equity (EUR millions)	Notes	2022	2021	2020
Equity, Group share	16	55,111	47,119	37,412
Minority interests	18	1,493	1,790	1,417
Equity		56,604	48,909	38,829
Long-term borrowings	19	10,380	12,165	14,065
Non-current lease liabilities	7	12,776	11,887	10,665
Non-current provisions and other liabilities	20	3,902	3,980	3,322
Deferred tax		6,952	6,704	5,481
Purchase commitments for minority interests' shares	21	12,489	13,677	10,991
Non-current liabilities		46,498	48,413	44,524
Short-term borrowings	19	9,359	8,075	10,638
Current lease liabilities	7	2,632	2,387	2,163
Trade accounts payable	22	8,788	7,086	5,098
Income taxes		1,211	1,267	721
Current provisions and other liabilities	22	9,553	9,174	6,698
Current liabilities		31,543	27,989	25,318
Total liabilities and equity		134,646	125,311	108,671

Figure 14. LVMH Group Asset and Liability Situation

3. NPV

The Net Present Value (NPV) is a commonly used capital budgeting technique for assessing the profit potential of investment projects or assets. It measures the net value of future cash inflows and outflows of a project or asset to determine whether it is worth investing in. The core idea of NPV is to discount future cash flows to their present value to account for the time value of money.

Here are the general steps and key concepts of the NPV valuation method:

1. **Determine Future Cash Flows:** Firstly, you need to estimate the future cash inflows and outflows of the investment project or asset. This typically involves considering the initial investment cost of the project and the expected cash inflows and outflows for each year in the future, including operating revenues, expenses, maintenance costs, depreciation, taxes, etc.

2. **Select an Appropriate Discount Rate:** The discount rate is a critical parameter used to discount future cash flows to their present value. Usually, companies use their cost of capital (often the Weighted Average Cost of Capital, or WACC) as the discount rate, as it reflects the opportunity cost of the investment.

3. **Calculate the Net Present Value:** For each year's cash flow, discount it to its present value, and then sum up all the present values to obtain the net present value.

4. **Make Investment Decision:** If the NPV is positive, it indicates that the project or asset's net present value is positive, implying that the investment project or asset may be an attractive investment opportunity because it generates positive net cash flows. If the NPV is negative, it may suggest that the investment is not financially viable.

5. **Use in Conjunction with Other Metrics:** Typically, NPV is used alongside other financial metrics such as the Internal Rate of Return (IRR) and Payback Period to make a more comprehensive assessment of investment opportunities.

The main advantages of NPV are its ability to account for the concept of the time value of money and its usefulness in comparing the value of different projects or assets. However, the calculation of NPV requires certain basic assumptions, such as the predictability of cash flows and the accuracy of the discount rate. Additionally, the NPV method does not consider the scale of the project, so this should be considered carefully.

In summary, NPV is a crucial financial tool that helps businesses and investors make capital budgeting decisions by assessing the potential returns of investment projects.

3.1. Key Assumptions

The NPV (Net Present Value) method assumes the following:

1. NPV assumes that the net cash flows from operations are realized every year, discounted at the specified discount rate, and investment returns are not included in the current cash flow. The reinvestment rate for all investment projects (current or future) is assumed to be the same.

2. NPV assumes that cash flows (both inflows and outflows) occur at the end of each year.

3. NPV assumes that the environment in which the company operates and the project itself are deterministic, capital markets are relatively perfect, and the investment department can raise all the capital needed for the project (current or future) at the cost of capital or the required rate of return.

4. NPV assumes no inflationary factors.

5. NPV assumes that all developers are risk-averse, and when a project faces greater uncertainty, the risk is higher, and a higher discount rate is used to hedge and avoid risk, resulting in a smaller NPV.

6. NPV assumes that the investment amount is funded by internal funds and does not require repayment of principal or interest.

7. NPV assumes that the project investment is reversible, meaning that in unfavorable market conditions, assets can be realized and recovered without considering the losses incurred during withdrawal.

3.2. Valuation Results

Based on the provided dataset, the presented figures delineate the income distribution pertaining to LVMH, commencing from the fiscal year 2018 and encompassing annual income figures. The imperative prerequisite for ascertaining the Net Present Value (NPV) necessitates the procurement of the subsequent critical information:

1. Anticipated forthcoming cash flows: Traditionally rooted in the organization's free cash flow. Notably, the dataset features an income depiction; however, it regrettably omits pertinent data concerning expenditures and capital outlays. Consequently, an approximation of the free cash flow (FCF) is necessitated, with recourse to simplified methodologies. This approximation, governed by the formula:

Estimated FCF = Operating Revenue $\times$ (1 - Operating Profit Margin).

2. The process of deducing projected cash flows mandates the formulation of a judicious expected profit growth rate, derived from an in-depth analysis of LVMH's financial statements for the year 2022 and historical profit prognostic data. This analysis prescribes a weighted computation strategy for LVMH's primary business segments, manifesting as follows:

a. Perfumes and Cosmetics revenue exhibit an organic growth rate of 10% and a reported growth rate of 17%.

b. Watches and Jewelry revenue showcases an organic growth rate of 12% and a reported growth rate of 18%.

c. Selective Retail revenue embodies a 17% growth rate predicated on a fixed consolidation scope and currency basis, alongside a 26% growth rate predicated on reported figures.

Profit from continuing operations in 2022 amounted to 21,055 million euros, representing a 22.8% increase compared to 2021's 17,151 million euros. As a result, the expected profit growth rate we have obtained is 15%. In fact, LVMH has frequently achieved remarkable net profit growth rates of over 20% in previous years. However, considering the uncertainty in the coming years and to avoid exponential growth over time, a more conservative estimate is being used.

The calculations based on these assumptions are as follows:

Year 1: $21,055 \times 1.15 = 24,213.25$ million euros

Year 2: $24,213.25 \times 1.15 = 27,845.24$ million euros

Year 3: $27,845.24 \times 1.15 = 32,021.03$ million euros

Year 4: $32,021.03 \times 1.15 = 36,824.18$ million euros

Year 5: $36,824.18 \times 1.15 = 42,347.81$ million euros

An appropriate discount rate used to discount future cash flows to present value.

For the discount rate, it is recommended to use 8% as a common estimate. This is an empirical number that is often used to estimate the return on an investment. However, this is only an estimate and the actual discount rate may vary based on the company's risks, market conditions and other factors.

$$NPV = \sum_{t=1}^n \frac{FCF_t}{(1+r)^t}$$

Where: FCF is the forecast free cash flow at time t, r is the discount rate, and n is the number of forecast periods

Based on the previously calculated expected cash flows, we can perform the following calculations:

Year 1: $24,213.25 / (1 + 0.08)^1 = 22,419.49$ million euros

Year 2: $27,845.24 / (1 + 0.08)^2 = 23,812.30$ million euros

Year 3: $32,021.03 / (1 + 0.08)^3 = 24,869.79$ million euros

Year 4: $36,824.18 / (1 + 0.08)^4 = 26,010.36$ million euros

Year 5: $42,347.81 / (1 + 0.08)^5 = 27,241.86$ million euros

Summing up the present values of these cash flows, we get NPV (Net Present Value) = $22,419.49 + 23,812.30 + 24,869.79 + 26,010.36 + 27,241.86 = 124,353.80$ million euros.

Using an 8% discount rate, LVMH's net present value (NPV) based on its revenue figures is estimated at \$124,353.80 million.

It is obvious that NPV increases when the discount rate decreases. This is because future cash flows are discounted less, so they are worth more today.

4. CCM - Comparing with Similar Companies

4.1. Application of CCM Valuation Method

The CCM (Comparable Company Analysis) method is a commonly used valuation technique, also known as peer company analysis or comparable company analysis. This method determines the valuation of a target company by comparing its financial and valuation metrics with those of other companies in the same industry.

The CCM method has its limitations because it relies on comparisons with similar companies, which may not account for the uniqueness and future growth potential of the target company. Therefore, when using the CCM method, it is important to carefully select peer companies and make reasonable adjustments to obtain a more accurate valuation. Additionally, it is advisable to complement this method with other valuation approaches such as the DCF (Discounted Cash Flow) method for a comprehensive valuation analysis.

LVMH is a French luxury goods and fashion conglomerate encompassing several well-known brands such as Louis Vuitton, Dior, Chanel, and others. To value LVMH, it is necessary to first identify some peer companies that share similarities with LVMH in terms of industry, scale, and market position. In this report, when conducting LVMH valuation, we start by selecting a group of peer companies that should be in the same industry as LVMH or at least have competitors in related industries, as shown in the table 17 below:

Table 1. Companies List

Kering SA (ENXTPA: KER)
The Swatch Group AG (SWX: UHR)
Hugo Boss AG (XTRA: BOSS)
Compagnie Financière Richemont SA (SWX: CFR)
Christian Dior SE (ENXTPA:CDI)
Burberry Group plc (LSE:BRBY)
Prada S.p.A. (SEHK: 1913)
Moncler S.p.A. (BIT: MONC)
Pandora A/S (CPSE: PNDORA)

The selection of peer companies for comparative analysis is driven by several key considerations:

1. Industry Relevance: The chosen companies align with LVMH's luxury goods sector, providing a meaningful basis for comparative valuation.

2. Market Capitalization and Scale: The selected companies vary in size and complexity, allowing for a comprehensive evaluation of LVMH's valuation while accounting for differences in operational scales.

3. Global Presence: Like LVMH, the chosen companies have a significant international footprint, aligning with LVMH's multinational operations.

4. Diversity in Product Portfolio: The companies represent a range of luxury product categories, mirroring the diversified nature of LVMH's brand portfolio.

5. Listed on Prominent Stock Exchanges: Publicly traded on major stock exchanges, these companies ensure access to reliable financial data for accurate valuation analysis.

6. Track Record of Financial Reporting: The selected companies consistently maintain transparent financial reporting, providing essential metrics for robust comparative analysis.

7. Comparable Business Models: Peer companies share similarities with LVMH in terms of brand positioning, target markets, and value chain dynamics.

8. Investor Interest and Analyst Coverage: Notably attracting investors and substantial analyst coverage, these companies enhance the availability of information for consensus-based valuation methodologies.

In essence, the peer companies should share similar business models, risk characteristics, and growth prospects for meaningful comparisons. Considering financial performance, market positioning, growth rate, and strategic directions is crucial.

Now, moving on to the detailed analysis:

1. Financial Performance: LVMH's recent organic growth and revenue figures are noteworthy, with a rare miss in the third quarter. A ten-year comparison with Kering reveals LVMH's robust share price and revenue growth.

2. Market Positioning: LVMH's strong market capitalization of 400 billion euros in January 2023 underscores its leading position globally, particularly when compared to Kering.

3. Growth Prospects: LVMH's projected Compound Annual Growth Rate (CAGR) of 8.2% outpaces the consensus, indicating strong future potential.

4. Customer Segmentation: Unlike Hermes, LVMH's consumer base is broader, reaching beyond the extremely wealthy, especially in the U.S. market.

5. Business Models and Strategic Directions: LVMH's diverse portfolio, including high-end fashion and spirits, sets it apart from Kering, despite similarities in digital strategy, innovation, and sustainability initiatives.

6. Valuation Metrics: Kering's current multiples deviate more from the historical average than LVMH's, suggesting potential undervaluation for Kering.

The comprehensive analysis integrates financial metrics, market positioning, growth prospects, customer segmentation, business models, and valuation metrics, particularly against Kering. To proceed, gather the latest financial data of selected peer companies, calculating key indicators. Compare these metrics with LVMH's, considering potential adjustments for special factors. Additionally, account for macroeconomic factors and industry outlook when determining the valuation range for LVMH. This range will serve as a basis for assessing LVMH's stock or enterprise value.

4.2. Valuation Results

To perform the valuation of LVMH, we need to determine the following: Which key metrics will be used for valuation? For example, EV/EBITDA, P/E, etc. Will we use LTM (Last Twelve Months) data or NTM (Next Twelve Months) data?

We will use LTM data along with Enterprise Value (EV) for valuation.

Enterprise Value (EV) is typically composed of the following components:

$$EV = \text{Market Value} + \text{Net Debt}$$

Where:

$$\text{Market Value} = \text{Closing stockprice} * \text{Number of outstanding shares}$$
$$\text{Net Debt} = \text{Total debt} - \text{Cash and cash equivalents}$$

In this dataset, we already have a column for "LTM Net Debt," so we can directly use this data.

Next, we will calculate the EV for each company and compare it with their LTM EBITDA to obtain the EV/EBITDA ratio.

Finally, we can estimate the value of LVMH using the average EV/EBITDA ratio of these companies.

To estimate the value of LVMH, we can use the average EV/EBITDA ratio of other companies. Then, by applying this ratio to LVMH's EBITDA, we can obtain an estimated Enterprise Value (EV) for LVMH.

Using the average EV/EBITDA ratio of other companies for valuation, we estimate the Enterprise Value (EV) of LVMH to be approximately \$335,577.71 million USD.

5. financial model

The Financial Modeling method is a widely used approach for valuation, based on building detailed financial models to forecast future cash flows and using these cash flows to estimate the value of a business or project. Here are the general steps and key concepts for valuation using the Financial Modeling method:

1. Build a Financial Model: Firstly, you need to create a detailed financial model that reflects the financial condition of the investment project or business. This typically involves building income statements, expense statements, balance sheets, and developing a forecasting model to estimate future cash flows.

2. Determine Cash Flows: In the financial model, you'll need to identify future cash inflows and outflows, including operating revenues, expenses, depreciation, capital expenditures, debt repayments, dividends, and more. These cash flows need to be modeled at different time points, often spanning multiple years.

3. Select an Appropriate Discount Rate: Similar to the Net Present Value (NPV) method, the Financial Modeling method also requires choosing an appropriate discount rate, often using the Weighted Average Cost of Capital (WACC) or a similar rate.

4. Calculate Present Values of Future Cash Flows: For each future cash flow, discount it to its present value using the chosen discount rate. This involves dividing the future cash flow amount by $(1 + r)^t$, where r is the discount rate, and t is the time period.

5. Aggregate Present Values: Sum up all the present values of future cash flows to arrive at the total present value, which represents the valuation of the business or project.

6. Sensitivity Analysis: Because valuation depends on various assumptions and parameters, sensitivity analysis is often conducted to understand the impact of different parameter values on the valuation. This helps assess uncertainty and risks associated with the valuation.

7. Make Investment Decisions: Finally, based on the valuation results and other relevant information, investment decisions are made. If the valuation indicates that the business or project is worth more than its current market price, investment consideration may be given.

The primary advantages of the Financial Modeling method are its comprehensive approach that allows for the consideration of multiple factors and assumptions. However, it also requires more data and time to build and maintain financial models, making it resource-intensive.

In summary, the Financial Modeling method is a thorough and comprehensive approach to valuation, suitable for complex investment decisions and project valuations. It is commonly used in investment banking, private equity, and corporate finance.

5.1. Cash Flow Analysis

LVMH's consolidated balance sheet totaled 134.6 billion euros as of end-December 2022, as figure 15 shows, up 9.3 billion euros from December 31, 2021. Intangible assets totaled 50.2 billion euros, remaining stable with respect to year-end 2021. The negative 2.2-billion-euro impact on goodwill of the revaluation of purchase commitments for minority interests was offset by the positive 1.2-billion-euro impact of exchange rate fluctuations on the intangible assets of entities outside the eurozone, and by the positive 0.8 billion impact of changes in the scope of consolidation. The impact of exchange rate fluctuations mainly arose from the US dollar's significant appreciation against the euro between January 1 and December 31. Changes in the scope of consolidation mainly arose from goodwill recorded following the consolidation of Joseph Phelps, Officine Universelle Buly, Feelunique and various investments in manufacturing facilities for the Fashion and Leather Goods business group.

(EUR millions)	2022	2021	Change	(EUR millions)	2022	2021	Change
Intangible assets	50,213	50,455	(242)	Equity	56,604	48,909	7,695
Property, plant and equipment	23,055	20,193	2,862	Long-term borrowings	10,380	12,165	(1,786)
Right-of-use assets	14,615	13,705	910	Non-current lease liabilities	12,776	11,887	889
Other non-current assets	7,022	6,657	365	Other non-current liabilities	23,343	24,361	(1,018)
Non-current assets	94,906	91,010	3,895	Equity and non-current liabilities	103,103	97,322	5,780
Inventories	20,319	16,549	3,771	Short-term borrowings	9,359	8,075	1,284
Cash and cash equivalents	7,300	8,021	(721)	Current lease liabilities	2,632	2,387	244
Other current assets	12,121	9,731	2,389	Other current liabilities	19,552	17,526	2,026
Current assets	39,740	34,301	5,439	Current liabilities	31,543	27,989	3,554
Assets	134,646	125,311	9,335	Liabilities and equity	134,646	125,311	9,334

Figure 15. Balance Sheet

Property, plant and equipment were up 2.9 billion euros and totaled 23.1 billion euros as of the fiscal year-end. This increase resulted from investments, net of depreciation charges, which amounted to 2.2 billion euros (the comments on the cash flow statement provide further information on investments), as well as the reclassification of 0.3 billion euros in investments in joint ventures and associates following the acquisition of a controlling interest in the real estate company that owns the building that houses the Group's headquarters in Paris. Changes in the scope of consolidation for the fiscal year contributed an additional 0.2 billion euro increase.

Right-of-use assets totaled 14.6 billion euros, up 0.9 billion euros from 13.7 billion euros as of year-end 2021. The impact of leases entered into was 0.7 billion euros more than depreciation for the fiscal year, with the remainder of the increase resulting from exchange rate fluctuations. Store leases represented the majority of right-of-use assets, for a total of 11.2 billion euros.

Other non-current assets increased by 0.4 billion euros, amounting to 7.0 billion euros, mainly due to the 0.5 billion euro increase in deferred tax assets, with this change partly offset by the 0.1 billion euro decrease in non-current available for sale financial assets, following changes in market value and the reclassification of shares in newly consolidated companies acquired prior to 2022.

Inventories were up 3.8 billion euros, mainly due to increased business activity during the fiscal year. See also the "Comments on the consolidated cash flow statement" section.

Other current assets increased by 2.4 billion euros, of which 1.1 billion euros resulted from purchases of current available for sale financial assets, net of disposals, during the fiscal year; 0.5 billion euros from the increase in trade accounts receivable; 0.4 billion euros from the increase in tax receivables; and 0.2 billion euros from the increase in the market value of hedging instruments. Lease liabilities recognized under IFRS 16 were up 1.1 billion euros, including 0.9 billion euros related to the net increase in leases entered into and 0.3 billion euros related to exchange rate fluctuations.

Other non-current liabilities totaled 23.3 billion euros, down 1.0 billion euros from 24.4 billion euros as of year-end 2021. This change included the 1.2-billion-euro impact of the decrease in the liability in respect of purchase commitments for minority interests' shares, which amounted to 12.5 billion euros, following changes in the metrics used to measure these commitments.

It also included the 0.2-billion-euro impact of the decrease in provisions. These impacts were partially offset by the 0.2 billion euro increase in deferred tax liabilities and by the 0.2 billion euro increase in the market value of derivative hedging instruments.

Lastly, other current liabilities increased by 2.0 billion euros, amounting to 19.6 billion euros, following the 1.7 billion euro increase in trade accounts payable and the 0.3 billion euro increase in tax and social security liabilities, both of which were related to the increase in business activity.

Total equity amounted to 56.6 billion euros as of end December 2022, up 7.7 billion euros from year-end 2021. Net profit for the fiscal year, after the distribution of dividends, contributed 8.3 billion euros to this increase. It also included a 1.8-billion-euro gain recognized in equity, resulting from the 1.3-billion-euro impact of exchange rate fluctuations, particularly with regard to the US dollar, as well as the 0.3 billion euro decrease in provisions for pensions and other benefit commitments due to higher interest rates moderated by a decline in the market value of the investments backing these

commitments, and the 0.3 billion euro increase in the market value of foreign exchange hedges. Conversely, net purchases of LVMH shares had a negative impact of 1.3 billion euros, mainly due to the share repurchase programs set up during the fiscal year.

As of end-December 2022, net financial debt was equal to 16.3% of total equity, compared to 19.6% as of year-end 2021, down 3.3 points.

Gross borrowings after derivatives totaled 20.1 billion euros as of year-end 2022, down slightly (0.1 billion euros) compared with year-end 2021. This decrease arose from two opposing effects. The first was the repayment of 3.0 billion euros in several bonds maturing during the year (1.8-billion-euro bond issued in 2020; 0.8-billion-euro bond and 0.4-billion-pound sterling bond issued in 2017), and the repayment of 0.3 billion euros in bank borrowings. The second was the 3.1 billion euro increase in euro and US dollar-denominated commercial paper (ECP and USCP) outstanding. Cash, cash equivalents, and current available for sale financial assets totaled 10.9 billion euros as of year-end 2022, remaining relatively stable with respect to their 10.6-billion-euro level as of year-end 2021. Net financial debt thus decreased by 0.4 billion euros during the fiscal year.

As of year-end 2022, the Group's undrawn confirmed credit lines amounted to 11.0 billion euros. This amount exceeded the outstanding portion of its euro- and US dollar-denominated commercial paper (ECP and USCP) programs, which came to 7.2 billion euros as of year-end 2022.

5.2. Results

To estimate the future cash flows of LVMH, we first considered the cash flows generated from operating activities over the past three years. Due to the limited number of data points, we opted to use a linear regression model for our predictions.

Based on this model, we forecasted the cash flows from operating activities for LVMH over the next five years as follows:

2023: EUR 22,662 million

2024: EUR 26,080 million

2025: EUR 29,498 million

2026: EUR 32,916 million

2027: EUR 36,334 million

To translate these future cash flows into present value, we applied a discount rate of 8%. By discounting the projected cash flows over the next five years, we arrived at a total present value for LVMH of: EUR 115,681.75 million.

It's important to emphasize that this is an estimate. Actual cash flows can be influenced by various external factors such as market changes, macroeconomic conditions, and shifts in company strategy. Additionally, due to the limited data points, we used a simple linear regression model for our predictions, which might not be as accurate as more sophisticated time series models.

6. Conclusion

In conclusion, this valuation report has provided a comprehensive analysis of LVMH, the global luxury goods giant. Throughout the report, we have delved into various aspects of LVMH's journey, its financial condition, and business operations.

LVMH's impressive trajectory in the luxury goods industry has been highlighted, showcasing its resilience and adaptability in the face of middle-class pressures, shifts in consumer demographics, and evolving user preferences. The report also shed light on LVMH's growth strategies, including mergers and acquisitions, which have played a pivotal role in its expansion. An in-depth examination of LVMH's financial condition, encompassing its revenue, cost, profit structure, cash flow, and balance sheet, has been provided to offer a clear understanding of its financial health. Additionally, the valuation fundamentals and assumptions underlying our analysis have been carefully considered.

The application of various valuation methods, including Net Present Value (NPV) and Comparable Company Analysis (CCM), has been employed to determine LVMH's intrinsic value. This thorough

analysis has been supported by key assumptions, resulting in valuable insights into the company's financial standing. Furthermore, a detailed financial model, including cash flow analysis, has been presented, culminating in comprehensive results that further enrich our understanding of LVMH's financial performance.

In summary, this valuation report offers a holistic perspective on LVMH, taking into account not only its financials but also its position in the luxury goods market. The results of this analysis provide valuable insights that can aid stakeholders in making informed decisions regarding LVMH's valuation and future prospects in the global luxury industry.

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