

Investigation on the Investment Value of LVMH Moët Hennessy Louis Vuitton Company

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Abstract. The investment value of a company is an essential aspect that is considered by investors before making investment decisions. This analysis focuses on the investment value of LVMH Company, a French indulgence goods multinational corporation. Factors that influence the investment value of a company are examined which include financial performance, market position, management quality, and external environmental factors such as regulatory and economic conditions. The analysis also explores different investment approaches, such as fundamental analysis, technical analysis, and quantitative analysis, and how they can be used to evaluate a company's investment value. The analysis examines various factors that affect LVMH's investment value, including financial performance, market position, brand strength, management quality, and external environmental factors such as economic and regulatory conditions. The analysis also explores the company's growth strategy, including its focus on expanding in emerging markets and through acquisitions. Furthermore, the analysis assesses LVMH's valuation based on different investment approaches, such as fundamental analysis, technical analysis, and quantitative analysis. Additionally, the potential risks and challenges faced by LVMH are discussed, including the impact of global economic conditions, the competitive landscape, and geopolitical risks. Overall, this analysis aims to provide investors with a comprehensive understanding of LVMH's investment value and potential investment opportunities and risks associated with the company. The paper will analyze the company's investment value by conducting a financial valuation analysis, SWOT analysis, and a competitive landscape. The analysis will also emphasize the significance of thorough research and analysis in making informed investment decisions.

Keywords: Competitive landscape, stock price, financial Valuation, luxury goods markets.

1. Introduction

The outbreak of the COVID-19 epidemic has significantly affected many facets of civilization., including the economy and financial markets. The outbreak has brought attention to the importance of investment and its impact on the real economy. Research has shown that investment plays a crucial role in driving economic growth and job creation. The impact of the pandemic on investment has been reflected in financial markets, where asset prices have been highly volatile due to changing investor sentiment and economic conditions. There has been a growing interest in understanding how epidemics affect financial markets and investment decisions. Investment plays a crucial role in supporting the real economy, as it provides businesses with the capital needed to expand operations, create jobs, and innovate.

Womack and Zhang [1] provide a general overview of the Capital Asset Pricing Model (CAPM) and the Fama-French three-factor model while examining the relationship between risk and return in financial markets and how these models can be used to analyze stock market performance. The article brings out the importance of understanding the factors that influence stock returns, including macroeconomic factors, industry trends, and company-specific information. Womack and Zhang argue that understanding the factors that influence stock returns is particularly important for investors in the luxury goods industry, as this industry can be subject to unique market dynamics and consumer behavior [1]. By using models such as the CAPM and Fama-French three-factor model, investors can better assess the risks and potential returns of investing in luxury goods companies [2]. For instance, during the pandemic, the stock prices of firms in the travel and hospitality industries experienced significant declines due to reduced demand caused by travel restrictions and social distancing

measures. At the same time, healthcare and technology companies experienced significant increases due to increased demand for medical supplies and remote work solutions.

Vernon, Golec, and DiMasi [3] argue that traditional measures of financial risks, such as the capital asset pricing model (CAPM), may not accurately capture the unique financial risks associated with the drug development process. Instead, the authors propose using the Fama-French three-factor model, which deliberates on added risk factors such as the size of the company and the ratio of book-to-market. Drug development costs are significantly affected by factors such as company size and book-to-market ratio, which are not captured by traditional measures of financial risk [2]. This principle applies to any industry or investment opportunity, including the luxury goods industry [3]. By using appropriate financial models and considering all relevant risk factors, investors can make more informed decisions and manage financial risks more effectively. As a result, there has been a growing interest in the relationship between the epidemic situation and price changes in financial markets.

This analysis focuses on the investment value of LVMH Hennessy Moët company, which produces and sells luxury goods. This analysis aims to provide investors with a comprehensive understanding of LVMH's investment value and potential investment opportunities and risks associated with the company. Some of the analyses that were conducted include financial valuation analysis, SWOT analysis, and assessment of its competitive landscape and strategic approach to pandemics like COVID-19. According to the company's financial valuation, the trend shows that the enterprise is worth investing in since profits and growth experienced are largely brought by the brand. According to the competitive landscape approach, LVMH operates in a highly competitive market, and its success depends on its ability to differentiate its brands, innovate, and maintain its brand image and reputation. Finally, the SWOT analysis has shown that LVMH has several strengths and opportunities that could enable it to maintain its position as a leader in the luxury goods industry. However, the company must also address its weaknesses and threats to ensure its long-term success.

2. Firm Description

LVMH Hennessy Moët LVMH, or Louis Vuitton, is a French multinational business that produces luxury goods. The company was established in 1987 as a result of the union of champagne and cognac manufacturer Moët Hennessy with the fashion brand Louis Vuitton [4]. LVMH is headquartered in Paris and operates through a portfolio collection of over 70 luxury kinds, including Louis Vuitton, Dior, Givenchy, Fendi, Bulgari, Celine, Marc Jacobs, Kenzo, and many others [5]. The company operates in five main business segments: Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, Selective Retailing, and Wines and Spirits. The Leather and Fashion Goods segment is the principal segment, the equivalent of nearly half of LVMH's revenue, and includes Louis Vuitton, Christian Dior, Fendi, and Givenchy. Cosmetics and Perfumes and segment sells brands like Guerlain, Benefit Cosmetics, and Fresh. Jewellery and wristwatches segment consist of Bulgari, TAG Heuer, and Zenith as the selling brands [5]. The Selective Retailing segment includes department stores such as Le Bon Marché and Sephora. The company has also created a segment for wines and Spirits brands like Moët and Chandon, Dom Pérignon, and Hennessy.

LVMH is well-known in many foreign markets, and Asia, especially China, accounts for a sizeable chunk of its income. The business has a solid reputation for creating premium goods of the highest caliber that is associated with exclusivity, prestige, and luxury [5]. Other than its luxury brands, LVMH also owns several other businesses, including hospitality and retail ventures. The company operates several luxury hotels and resorts, including Cheval Blanc and Belmond, and also owns DFS Group, a major duty-free retailer that operates in airports and other travel locations around the world [5]. In general, LVMH is among the prime and the most successful company selling luxury goods across the world, and one that has had an assorted portfolio of brands and dealings that continue to drive growth and profitability for the company.

It is worth noting that the COVID-19 pandemic impacted LVMH's financial performance in 2020, and it's possible that some of these financial indicators have changed since my knowledge cut-off

date. It is always a good idea to check the most up-to-date financial information and stock prices before making any investment decisions. Based on the current reports, here are some financial indicators and stock price information for LVMH Moët Hennessy Louis Vuitton. First, in terms of market capitalization, LVMH had a market capitalization of over €290 billion (approximately \$342 billion USD) as of September 2021, making it top rank among the largest companies in the world. Second, in 2020, LVMH reported revenue of €44.7 billion (approximately \$52.7 billion USD), a decrease of 17% compared to the previous year [4]. The data below displays the market capitalization of LVMN company for the last six months:

The company's revenue was also significantly affected by the pandemic, particularly in the first half of the year. LVMH's revenue has generally been increasing over the past few years [6]. In 2019, the company conveyed revenue of €53.7 billion, which was an increase of 15% compared to the previous year. Third; looking at the net income, LVMH's net income has also generally been increasing over the past couple of years. In 2019, LVMH conveyed a net income of €7.2 billion, which was an increase of 13% compared to the previous year. The company recorded a net income of €4.7 billion (approximately \$5.5 billion USD) in 2020, a decrease of 34% from the previous year [7]. Fourth, LVMH's earnings per share (EPS) in 2020 was €9.05 (approximately \$10.67 USD), a decrease of 34% from the previous year. LVMH's dividend yield in 2020 was approximately 1.4%. Finally, as of September 2021, LVMH's stock price was trading at around €665 (approximately \$785 USD) per share. Below is an analysis of the company's share price as of February 2023. The trend shows that the enterprise is worth investing in since profits and growth experienced are largely brought by the brand (Fig 1).



Fig 1. LVMH Moët Hennessy Vuitton Share Price

The COVID-19 pandemic has affected almost every aspect of life, including the luxury industry. As people around the world started to quarantine themselves and control people one-on one contact to slow the spread of the virus, it became increasingly challenging for luxury brands to engage with customers in the ways they were used to. In response, many luxury brands implemented special marketing strategies to adapt to the new normal and continue to connect with their customers. One key strategy that luxury brands have used is to shift their focus to digital channels. With people spending more time at home, online shopping has become more popular, and luxury brands have had to pivot to meet the demand. This has included expanding their e-commerce capabilities, such as offering virtual try-ons and personalized shopping experiences. Brands have also turned to social media to engage with customers, using platforms like Instagram and TikTok to showcase their products and connect with consumers.

Another strategy that luxury brands have employed is to focus on sustainability and social responsibility. With the pandemic highlighting the importance of community and the environment, brands that prioritize ethical and sustainable practices are likely to resonate more with customers. This includes using eco-friendly materials, supporting local communities, and donating to charitable causes. Some luxury brands have adjusted their product offerings to reflect changes in consumer behavior. With many people working from home and attending fewer formal events, there has been a shift toward more casual and comfortable clothing. Brands that have been able to adapt to this trend by offering loungewear and athleisure options have been more successful in meeting customer demand.

One of the ways in which the company adjusted to deal with the pandemic is by introducing online sales. LVMH accelerated its digital transformation, including a focus on online sales [2]. The company ramped up its e-commerce capabilities, including offering online personal shopping services and virtual events to engage with customers. The second strategy was to come up with cost-cutting measures to mitigate the impact of the pandemic on its financial performance. This included reducing executive pay and deferring investments in new stores and factories. Third, the company also adjusted its supply chain management. The pandemic caused disruptions to global supply chains, and LVMH adjusted its supply chain management to address these challenges. The company diversified its supplier base and worked to ensure adequate inventory levels to meet demand. Fourth, LVMH also contributed to COVID-19 relief efforts through philanthropy. The company used its facilities to produce hand sanitizer and donated funds and supplies to hospitals and healthcare workers. Finally, the company also considered flexibility in collections: LVMH and its brands adjusted their collections to reflect changes in consumer demand and preferences during the pandemic. For example, some brands shifted their focus to loungewear and casual wear, which were more relevant to customers who were spending more time at home. In general, LVMH demonstrated agility and adaptability in response to the challenges posed by the COVID-19 pandemic and continued to innovate and engage with customers despite difficult circumstances.

3. SWOT Analysis

SWOT framework analysis is used to assess the strength, weaknesses, opportunities, and both internal and external threats of a company. Overall, LVMH's strengths in brand portfolio, global presence, innovation, and financial stability position it well for future growth. The company should be mindful of its weaknesses and threats, particularly in the areas of dependence on key brands, high prices, and vulnerability to economic downturns. LVMH should also continue to pursue opportunities in emerging markets, e-commerce, and sustainability to maintain its position as a pioneer in the luxury sector and keep one step ahead of the competition.

3.1. Strengths

LVMH Moët Hennessy Louis Vuitton has a diversified and strong portfolio of luxury brands that includes Louis Vuitton, Christian Dior, Fendi, Bulgari, Givenchy, and many more [1]. The company's brands are recognized worldwide and are associated with high quality and exclusivity. LVMH has a strong presence in many key markets around the world, including Europe, Asia, and the Americas. The company has an extensive distribution network, with its products being sold in over 150 countries. LVMH is a financially strong company, with a market capitalization of over \$300 billion [6]. The company generates significant revenue and profits, which it reinvests into its brands and operations. LVMH has deemed sustainability a top priority and has put in place a number of programs to lessen its impact on the environment and promote sustainable behaviors. The company is dedicated to using renewable packaging in its products and has set aggressive goals for lowering its water usage, waste, and carbon emissions.

3.2. Weaknesses

The company also faces some market weaknesses. Firstly, there is a lot of dependence on the Luxury Goods Market. The company relies heavily on the market for luxury goods which can be affected by economic downturns, changes in consumer behavior, and shifts in fashion trends. A significant decline in the luxury goods market could have a negative impact on LVMH's financial performance [5,4]. Secondly, LVMH's luxury brands are highly valued and sought after, which makes them vulnerable to counterfeit products [7]. Thirdly, the production of luxury goods involves high costs, including the use of expensive materials and skilled labor. These costs can limit LVMH's ability to adjust prices to respond to changes in market conditions or consumer demand. And lastly, LVMH's ownership is heavily concentrated, with CEO Bernard Arnault owning a significant portion of the company's stocks. This ownership concentration can limit shareholder influence and make it challenging for minority owners to influence the direction of the organization.

3.3. Opportunities

LVMH has several market opportunities that could help it expand its business and increase its revenue. LVMH has a significant presence in developed markets, but it has also been expanding its operations in emerging markets such as China, India, and Brazil. These markets offer significant growth potential, as their middle classes expand and become more interested in luxury goods [6-9]. The company has been investing heavily in its e-commerce capabilities, which have become increasingly important in the luxury goods industry. The growth of online shopping provides LVMH with an opportunity to reach new customers and increase sales [4]. Customers are increasingly looking for personalized products and experiences, and LVMH has the ability to offer customization and personalization options through its luxury brands. This can help the company differentiate itself from competitors and increase customer loyalty [10]. As consumers become more environmentally conscious, there is an increasing demand for sustainable fashion. The luxury market is growing rapidly in emerging economies like India and China, presenting a prospect for LVMH to increase its customer base. The growth of e-commerce presents a chance for LVMH to expand its online sales channels and grasp more customers. There is a growing trend towards sustainable and ethical consumption, which presents an opportunity for LVMH to invest in sustainable production and materials. Lastly, LVMH has a history of acquiring other luxury brands to expand its portfolio and provide the company with access to new markets and customer segments, as well as new products and technologies.

3.4. Threats

The company faces several market threats that could impact its business operations and financial performance. Economic downturns can significantly impact the luxury goods market, as consumers may cut back on discretionary spending. The luxury goods industry is highly competitive, and LVMH faces competition from a range of companies, including other luxury goods conglomerates and independent brands. LVMH operates in many different markets around the world, which exposes it to currency fluctuations [4]. Counterfeiting is a significant problem in the luxury goods industry, and it can harm LVMH's brand reputation and reduce sales of genuine products. LVMH's supply chain is complex, and disruptions in the supply chain can impact its ability to manufacture and distribute products. Consumer trends can change quickly, and LVMH must stay up-to-date with evolving consumer preferences and behaviors. Failure to do so could result in the company losing market share to competitors who are better able to adapt to changing trends.

4. Conclusion

The paper examines the investment potential of the luxury goods conglomerate. The background of the paper involves a review of LVMH's financial performance, market position, and competitive landscape. It provides a comprehensive analysis of LVMH's investment value, taking into

consideration the company's market strengths, weaknesses, opportunities, and threats. The paper aims to provide insights into LVMH's financial performance and market outlook, as well as identify potential investment opportunities and risks. To come up with enough data a review of LVMH's financial statements, market research, and industry reports was done. The paper also analyzes LVMH's competitive landscape and market trends and discusses the company's strategic initiatives and future outlook

According to the findings, LVMH has a strong market position in the luxury goods industry, with a diverse portfolio of brands that cater to different segments of the market. Despite LVMH's strong market position, the company is still susceptible to risks such as economic downturns, currency fluctuations, and supply chain disruptions. LVMH has opportunities for growth in emerging markets, e-commerce, personalization, and sustainable fashion. The company has already made strategic investments in these areas, which could provide avenues for future growth. LVMH company is a strong investment opportunity, with a diverse portfolio of brands and a well-established market position. However, potential risks such as economic downturns, currency fluctuations, and supply chain disruptions should be considered when making an investment decision. It should continue to invest in emerging markets, e-commerce, personalization, and sustainable fashion to capitalize on growth opportunities in the luxury goods industry

Opportunities such as emerging markets, e-commerce, personalization, and sustainable fashion can provide avenues for growth, while threats such as economic downturns, intense competition, currency fluctuations, counterfeiting, and supply chain disruptions can negatively impact the company's financial performance. By taking a holistic approach and considering both the strengths and weaknesses of a company, investors can make strategic decisions that maximize their returns and minimize their risks.

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