



CATÓLICA  
LISBON  
BUSINESS & ECONOMICS

# LVMH Moët Hennessy - Louis Vuitton SE

## Equity Research Valuation

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Dissertation written under the supervision of Professor José Carlos Tudela  
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## **Abstract**

This dissertation aims to determine the fair share price of the LVMH Moët Hennessy - Louis Vuitton SE stock and provide an investment recommendation to either buy, hold or sell, having in consideration the share price on December 1<sup>st</sup>, 2023, €699,20. Two different scenarios, regarding the macroeconomic context, were set and one valuation process was made for each scenario. Since LVMH is a large group of multi-sector businesses, a disaggregated DCF valuation was the chosen option to account for the different risks and growth stages among segments. The disaggregated results were summed to arrive at the global LVMH's fair stock price and weights were attributed to both scenarios (according to the probability of occurrence of each one). Relative valuation was performed to compare its result with the DCF model one, as well as sensitivity analysis, regarding LVMH's most important segment. Based on all the analysis and valuations performed, a buy recommendation was suggested with a share price target of €1.053. In the end, this dissertation's results were compared with the ones from a Morgan Stanley's report about LVMH.

**Title:** LVMH Moët Hennessy - Louis Vuitton SE Equity Research Valuation

**Author:** Miguel Nina; **Keywords:** DCF, LVMH, Disaggregated Valuation, Price, Luxury

## **Resumo**

Esta dissertação pretende determinar o preço justo da ação da LVMH Moët Hennessy - Louis Vuitton SE e fornecer uma recomendação de investimento para comprar, manter, ou vender, tendo em consideração o preço da ação a 1 de dezembro de 2023, €699,20. Dois cenários diferentes, relativamente ao contexto macroeconómico, foram definidos e foi realizado um processo de avaliação para cada cenário. Dado que a LVMH é um grupo com negócios em vários setores, a opção tomada foi uma avaliação DCF desagregada, com vista a ter em conta os diferentes riscos e estados de crescimento de cada segmento. Os resultados desagregados foram somados, com o intuito de chegar ao preço justo global por ação da LVMH, e foram atribuídos pesos a ambos os cenários (de acordo com a probabilidade de ocorrência de cada um). Foi realizada uma avaliação através de múltiplos, para comparar os seus resultados com o do modelo DCF, bem como uma análise de sensibilidade acerca do segmento mais importante da LVMH. Com base em toda a análise e avaliações feitas, foi sugerida uma recomendação para comprar, com um preço alvo por ação de €1.053. No fim, os resultados desta dissertação foram comparados com os de um relatório da Morgan Stanley acerca da LVMH.

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# 1 Literature Review

Knowing how to value an asset is an essential tool for every finance professional. Whether the person is a financial markets' or a corporate finance's professional, they must master the main valuation methods.

In this chapter, the most used valuation techniques will be presented alongside with their benefits and disadvantages. At the end, it will be shown which ones are the best to value LVMH Moët Hennessy - Louis Vuitton SE.

## 1.1 Discounted Cash Flow Model (DCF)

The Discounted Cash Flow model is, probably, the most used valuation method as it has numerous advantages compared with other methods.

The model values an asset as the sum of the present values of the expected cash flows being generated by the asset in the future. Each cash flow is discounted at a certain discount rate that includes the risk of the business (Damodaran, Valuation Approaches and Metrics: A Survey of the Theory and Evidence, 2006).

$$PV = \sum_{n=1}^t \frac{CF_n}{(1+r)^n}$$

Where:

$CF_n$  = Cash Flow

$r$  = Discount rate

$n$  = Number of periods

There are two different approaches to this method, the enterprise value approach and the equity value approach, which deliver two different results.

In the first one, the Free Cash Flow to the Firm (FCFF, cash flow available to both equity and debt holders) can be used, discounting it at the WACC rate delivering the Enterprise Value, or the APV (Adjusted Present Value), (Appendix 48), where the company is assumed to be

financed only through equity and, at the end, adjustments are made to reflect the debt effect on the firm (adding the tax benefits resulting from debt financing and deducting the expected bankruptcy costs).

The second approach can be done through the Free Cash Flow to Equity (FCFE, cash flow available to equity holders) discounting it using the cost of equity, (Appendix 48), or through the Dividend Discount Model (DDM), (Appendix 48), that uses the future dividends of a company and discounts them to the present.

The typical process of doing a DCF starts with projecting the financial statements of the company into the future. This projection has two phases, the first one being the forecast of a certain number of years until the company reaches the steady state. The second phase consists of, once the company has reached that steady state, computing the terminal value, using either a perpetuity formula (using a long-term growth rate) or an exit multiple.

### 1.1.1 Free Cash Flow to the Firm (FCFF)

The FCFF can be computed by having its starting point on EBIT (Earnings Before Interest and Taxes) and deducting the taxes paid by the company from it. Then, depreciations must be added, as they do not represent a real cash outflow. Lastly, CAPEX should be subtracted (represents investments made during the period) as well as changes in net working capital (shows the ability to meet short-term obligations).

$$FCFF = EBIT * (1 - Tax Rate) + Depreciation - CAPEX - \Delta Net Working Capital$$

This formula (FCFF) represents the cash available to both debt and equity holders after paying for all the operating expenses, taxes, CAPEX funding and working capital. Then, to arrive at the Enterprise Value, the FCFF is discounted at the WACC rate and the Terminal Value (both the WACC and the Terminal Value will be addressed in another subchapter) is added and discounted to the present.

$$EV = \sum_{t=1}^n \frac{FCFF_t}{(1 + WACC)^t} + \frac{TV}{(1 + WACC)^t}$$

The FCFF model has some disadvantages, such as, being based on assumptions that can (and probably will) be uncertain, and the WACC being computed based on a certain capital structure that is assumed not to vary through time. However, this model comes with great advantages,

such as being extremely detailed, being based on firms' fundamentals (historical numbers help forecasting the future statements) and the consideration of the future rather than the present or past (like in the multiple valuation, addressed in a future chapter).

## **1.1.2 Discount Rates**

The discount rates reflect the return demanded by investors for the riskiness of each particular asset. These rates will be used to discount future values back to the present.

### **1.1.2.1 *Weighted Average Cost of Capital (WACC)***

The Weighted Average Cost of Capital represents the cost of capital of a firm; in other words, it shows the required rate of return for funding the company. The WACC weights both cost of equity and after-tax cost of debt by the proportion of each one (market values, representing the company's true capital structure, (Koller, Goedhart, & Wessels, 2010)) in the company's capital structure.

$$WACC = \frac{D}{D + E} * k_D * (1 - Tax Rate) + \frac{E}{D + E} * k_E$$

This rate is crucial in a FCFF DCF model as it will be the one used to discount back to the present the future cash flows that will be generated by the company. It has several components (as can be seen in the following formula) that will be explained in the following sub-chapters.

#### **1.1.2.1.1 *Market Value of Debt and Equity***

The market value of equity can be computed as the product of the number of shares outstanding by the current share price. However, the market value of debt is not as simple to compute. For current debt, its market value can be assumed to be the same as the book value but that is not the case for non-current debt.

For non-current debt that is in the form of outstanding bonds, their market value can be easily extracted. If it is not, the long-term debt book value can be converted in market value through the following formula (where non-current debt is assumed to be a single coupon bond, with the coupon being the interest expense and the maturity being the weighted average maturity of that debt).

$$MV \text{ of Long Term Debt} = C * \left( \frac{1 - \frac{1}{(1 + k_D)^T}}{k_D} \right) + \frac{FV}{(1 + k_D)^T}$$

Where:

C = Interest expense (coupon)

$k_D$  = Cost of Debt

T = Weighted average maturity of debt

FV = Total debt

### **1.1.2.2 Cost of Debt**

The cost of debt represents the return demanded by debtholders to provide funds to the company. There are several ways to compute cost of debt such as, for non-listed firms, through the computation of the interest coverage ratio and the consequent attribution of a spread (according to the attributed rating based on the interest coverage ratio) that will be added to the risk-free rate and deliver the final cost of debt.

For listed companies, the most accurate way of estimating its cost of debt is through the YTM of its traded bonds. If the firm doesn't have bonds being publicly traded (or either the bonds are not liquid), the best method is to use one bond from the company and to see its credit rating, in order to estimate the default spread. Both these approaches have their limitations, as some firms have illiquid bonds, and a company can have different ratings for its own different bonds.

### **1.1.2.3 Cost of Equity**

The cost of equity represents the return demanded by equity holders to provide funds to the company. One way to estimate the cost of equity is through the CAPM (Capital Asset Pricing Model) and it depends on three factors: risk-free rate, beta and market risk premium (difference between the market return and the return generated by one risk-free asset).

$$CAPM: k_e = R_f + \beta * (MRP)$$

The risk-free rate is the rate of return of one risk-free asset. It is estimated as the return of a low default probability government's bond (Germany's in Europe and USA's in North America).

The maturity of the bond should match the duration of the analyzed cash flows, (Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2012).

The beta is the factor that adapts the formula to each company and measures systematic risk by quantifying the sensitivity of the returns of the company to the market return. If a company has a beta of 1, its returns vary the same way as the market one and investors will demand the same return as they demand of the market portfolio. Instead, if the beta is below (above) 1, investors will demand a lower (higher) return than the one demanded for the market portfolio, as the company will be less (more) risky than the market.

The first way of estimating betas is through historical market betas, and it is done by regressing the firm's historical returns against the market returns (using an index that proxies the market). The second way is the bottom-up betas approach, and it starts by selecting the beta of a peer group (competitors in the same market) and proceed to the unlevering of the levered beta. Then, the firm's levered beta should be computed, with its own inputs (Debt to Equity ratio and Tax rate).

$$\beta^U = \frac{\beta_{peers}^L}{(1 + (1 - Tax\ rate) * \frac{D}{E})}$$

$$\beta_{firm}^L = \beta^U * (1 + (1 - Tax\ rate) * \frac{D}{E})$$

### 1.1.3 Terminal Value

The last stage of a DCF is to compute the Terminal Value of the company. It represents the firm's value through perpetuity and its present value will be summed with the present value of the forecasted FCF (as many years as necessary for the firm to reach a steady state) to arrive at the Enterprise Value.

It can be estimated as a perpetual growth model, where the terminal value is computed as a perpetuity with a constant growth rate, through an exit multiple (e.g., EV/EBITDA), or through liquidation value.

The perpetual growth model assumes that the company operates forever and that it will use its cash flows to grow at a constant rate. The growth rate can be equal to the expected GDP growth rate of some country.

$$TV = \frac{FCF_{t+1}}{r - g}$$

The exit multiple method consists of estimating the terminal value by multiplying one metric from the company (like EBITDA) by the exit multiple (EV/EBITDA, for example) and arriving at the terminal value.

$$TV = EBITDA_t * \frac{EV}{EBITDA}$$

## 1.2 Relative Valuation (Multiples)

Relative Valuation consists in the valuation of a company based on the value of similar companies. It is a widely used method, mostly utilized to compare its result with the one from DCF. It is used as a quicker and simpler way to value a company.

Firstly, to proceed with a relative valuation, it is necessary to find peer companies that are similar with the main one being valued (in terms of industry, size, profitability, growth rate etc.) and obtain market values of those companies. Then, these values need to be standardized (converted into multiples), so they can be easily compared from company to company.

Secondly, it must be decided whether to use historical (based on fundamentals) or forward multiples (based on estimations). Forward multiples are the most used as valuation consists of estimating the future of a company.

There are also market multiples and transaction multiples, with the first ones being easier to access and reflecting the view of the company's future by the market, whereas transaction multiples are harder to access but are widely used by investment banks as they base themselves in past transactions.

The most used multiples are enterprise value multiples and equity multiples. Enterprise value multiples include the ones that use the enterprise value as numerator (EV/EBITDA, EV/Sales, etc.), and, at the end, the net debt value must be subtracted to arrive at the equity value, whereas equity multiples are the ones that use the share price of the company as numerator (P/B, P/E, etc.) and directly arrive at the equity value, (Appendix 48).

The use of multiples has numerous vantages, including its quickness (compared with the time consuming DCF models) and its simplicity (compared with the typical complexity and the numerous assumptions of a DCF model). Also, the use of market values (instead of focusing on fundamentals like a DCF) is a positive aspect of relative valuation.

However, relative valuation is hard to implement if there are few companies in the sector or if the firms have different characteristics. Relative valuation also assumes that the market correctly values these companies and, sometimes, that is not the case.

### 1.2.1 Enterprise Value to EBITDA Ratio (EV/EBITDA)

The Enterprise Value to EBITDA is the most used ratio in relative valuation and it can be computed by dividing Enterprise Value (EV) by the Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).

$$\text{Enterprise Value to EBITDA} = \frac{EV}{EBITDA}$$

EBITDA is a great proxy for the operational cash flow generated by the company, and it is a great measure of a company's operational performance. This ratio includes debt and cash, contrary to another that will be addressed later on. It is a forward multiple as it uses the company's EBITDA to measure how much a company will be worth at the end of a certain period.

This ratio does not account for variations in neither working capital nor CAPEX, which can be misleading in firms with major capital expenditures (leading to lower profitability and available cash flow than the EBITDA was indicating).

### 1.2.2 Enterprise Value to Sales Ratio (EV/Sales)

The Enterprise Value to Sales ratio is another enterprise value multiple and can be computed by dividing the Enterprise Value (EV) by Sales.

$$\text{Enterprise Value to Sales} = \frac{EV}{Sales}$$

This ratio uses the company's sales to measure the company's Enterprise Value at the end of a certain period. It imposes the restriction that different segments, within the company, will have similar operating margins (which is not the case in the majority of companies), (Koller, Goedhart, & Wessels, 2010).

### 1.3 Conclusion

After comparing the advantages and disadvantages of each method, the conclusion reached is that the most appropriate method to value LVMH Moët Hennessy - Louis Vuitton SE is the FCFF DCF.

This is the most detailed method for valuing a company, since it allows many assumptions regarding the future of the firm. It can also reflect, in the projections, some scenarios for the future of the industry, depending on the macroeconomic context in the following years (further addressed). The FCFF DCF is also the most suited option to value companies with steady capital structures (as LVMH).

LVMH is a group with multi-sector businesses in the luxury industry. It has five main segments, and those segments will be valued separately (disaggregated valuation), as each sector has different risks and is in a different growth stage than the others. In the end, all the sectors' valuations will be added up to compute the value of the company as a whole.

APV will not be used given that LVMH's leverage has remained constant throughout the years ( $D/E < 1$ ) and there's no relevant benefit of valuing the company separating the debt's effect.

Also, relative valuation will be used to compare its results with the ones from the DCF approach and to compare LVMH with its peers.

## 2 Industry Overview

LVMH is inserted in the luxury market, a highly concentrated market with the great majority of market share belonging to a small number of big players. In 2022, the global luxury market grew to achieve a total size of €899 billion (17% increase relatively to 2021), (Boston Consulting Group, 2023).

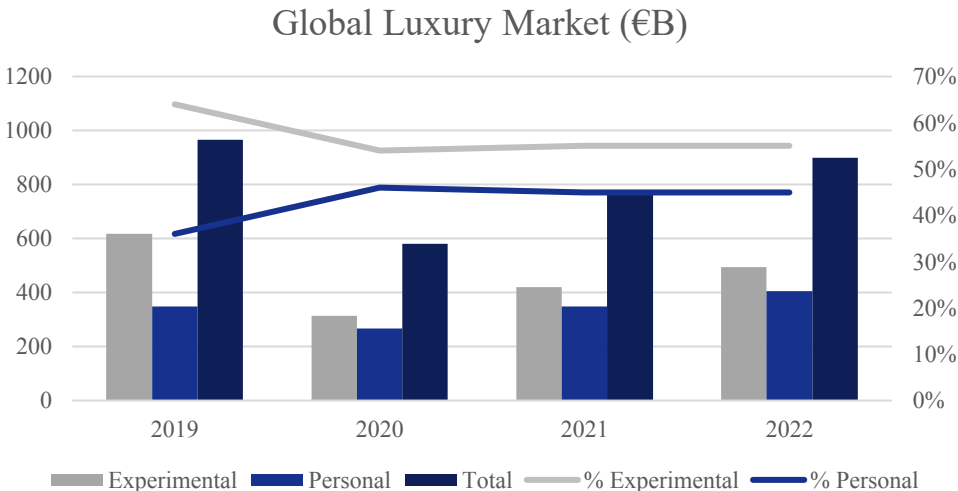
This market can be separated in 2 sub-markets, the Personal Luxury market and the Experiential Luxury market.

The first one includes sectors where durable goods are the main business focus, such as apparel, accessories, leather goods (all three included in LVMH’s Fashion and Leather Goods segment), footwear, beauty (Perfumes and Cosmetics segment and Selective Retailing segment), jewelry and watches (Watches and Jewelry segment).

The second one incorporates sectors with businesses centered around services and non-durable goods like fine dining and hotel, exclusive vacations, food and wine (Wines and Spirits segment), etc.

LVMH operates mainly in the personal luxury market (except for the Wines and Spirits segment) which grew by roughly 16% in 2022, reaching a total market size of €405 billion, (Boston Consulting Group, 2023).

Figure 1: Global Luxury Market



Sources: (Boston Consulting Group, 2023) and own analysis

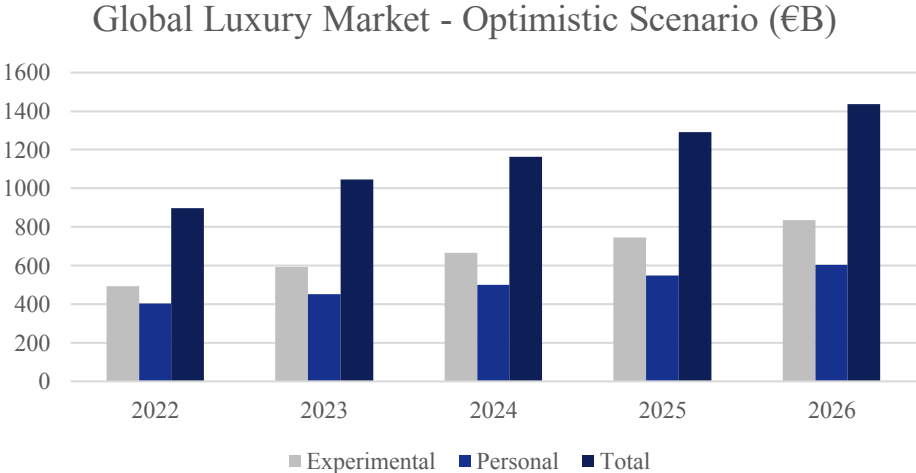
The global luxury market suffered a major impact from the Covid-19 pandemic, with its total market size reaching a value of €581 billion in 2020. Then, in 2021, it started recovering from the pandemic, but it was not able to catch up to the pre-pandemic levels (€ 768 billion). The same happened in 2022 but pre-pandemic numbers were closer, as the market accounted for a total size of €899 billion (against €966 billion in 2019), (Boston Consulting Group, 2023).

As mentioned before, the global luxury market is highly concentrated, and its main players are a very small number of enormous firms. The biggest one, with the biggest market cap, is LVMH Moët Hennessy - Louis Vuitton SE (€351,03 billion, as of December 1<sup>st</sup>, 2023), followed by its competitors (ordered by market cap) Hermès International Société en commandite par actions, Compagnie Financière Richemont SA, Kering SA and Swatch Group AG.

For 2023, there are two possible scenarios for the industry. The first one is the optimistic scenario, which forecasts a 11-13% increase in the personal luxury market. In this scenario, China keeps increasing its consumption and fully recovers from the pandemic (+20% compared to 2022). Also, the US consumers keep their demand levels where they are, despite the macroeconomic context with rising interest rates and inflation (7-9% increase relatively to 2022).

In this scenario, the personal luxury market reaches a total value of €453 billion in 2023, and the total market value would be €1046 billion. Then, the personal luxury market is expected to grow at a CAGR of 9-11% until 2026 and reach a value of €603 billion at the end of the period, with the total market size being €1,44 trillion (Boston Consulting Group, 2023).

Figure 2: Global Luxury Market - Optimistic Scenario

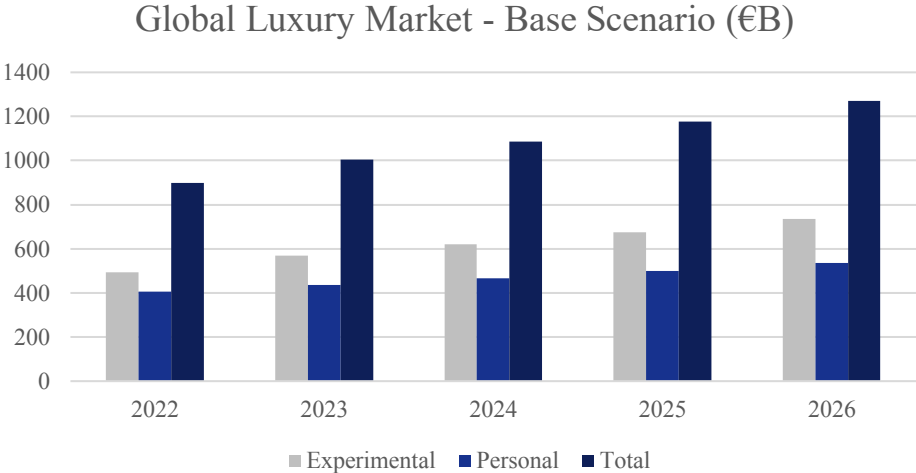


Source: (Boston Consulting Group, 2023) and own analysis

However, the most probable scenario, is the so called “base scenario”, which forecasts a 7-9% increase in the personal luxury market. In this one, China does not recover as well as in the optimistic scenario (this time with 15% increase compared to 2022) and the consumers of the western markets start decreasing their consumption levels (3-5% growth in relation to 2022).

In this scenario, the personal luxury market would reach a value of €436 billion in 2023, and the total market value would be €1006 billion. Then, the personal luxury market is expected to grow at a CAGR of 6-8% until 2026 and reach a value of €535 billion at the end of the period, with the total market size being €1,27 trillion (Boston Consulting Group, 2023).

Figure 3: Global Luxury Market - Base Scenario



Source: (Boston Consulting Group, 2023) and own analysis

The luxury market has two main types of client: the aspirational type (high income people that have to save money to afford an occasional luxury good) that were determinant in the past for the growth of the market; and the true-luxury type (people without the same concerns as the aspirational type people) whose demand doesn’t change, even in “difficult” times. A proof of this is the 2020 pandemic that almost didn’t affect the demand of these individuals (represented €294 billion of the total market in 2019 and in 2020 represented €226 billion) whereas for the aspirational type of client there was a big shock in their demand (represented €671 billion in 2019 and €355 billion in 2020), (Boston Consulting Group, 2023).

This shows that, having been essential in the past to the industry’s growth, the aspirational clients are the ones that, in 2023 will state the future of the luxury market. Brands that focus on the high-end clients are gaining ground relatively to the “mass” focused ones, as the current environment is affecting the aspirational clients much more than the true-luxury ones, (Nunes, 2023).

## **3 Business Overview**

### **3.1 Introduction**

LVMH Moët Hennessy - Louis Vuitton SE is a group with multi-sector businesses in the luxury industry and was formed in 1987 following the merger of the fashion house Louis Vuitton with Moët Hennessy, a wines and spirits producer.

Nowadays, it has 75 of the most prestigious brands in the luxury industry, with more than 5.600 stores distributed over more than 80 countries, employing over 196.000 people. Some of those brands are the easily recognizable Louis Vuitton, Christian Dior, Givenchy, Hennessy, Dom Pérignon, Moët & Chandon, Tiffany, Bulgari and Sephora.

As mentioned before, the group is organized by segments, Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, Selective Retailing and Other Activities.

Each brand is allocated to a certain segment according to its main business focus, such as e.g.: Louis Vuitton's sales of watches are reported in the Fashion & Leather Goods segment, as Louis Vuitton's main business is apparel and accessories. There is the exception of some brands such as Dior, Givenchy, Kenzo and Loewe, which, in the case of Dior, reports its sales from Fashion and Accessories in the Fashion & Leather Goods segment and its sales from Fragrance & Beauty in the Perfumes & Cosmetics segment.

LVMH has been the undisputed leader in the luxury market worldwide for a while and there are some reasons why its dominance has been so persistent over the years.

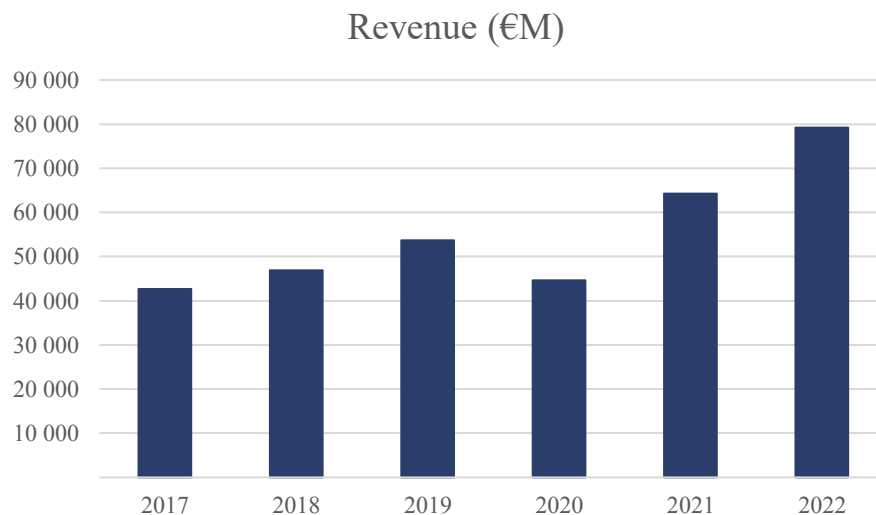
First, the obvious synergies that benefit most of the group's brands. Second, the group system that allows the group to attract talent while allowing each brand to have its own autonomy, given by the CEO (each brand has its own CEO). Third, the constant acquisitions through its history allow the group to keep growing (such as the acquisitions of large brands in the 90's such as Krug, Fendi, etc., and the recent acquisition of Tiffany, in 2021). Lastly, the focus on the long-term, and the notion that it takes time to create a reputed luxury brand, adopted by Bernard Arnault, allowed LVMH to make moves that didn't deliver results in the short-run but paid off in the long-run.

## 3.2 Historical Performance

In recent years, LVMH has had a strong financial performance across all its segments. Overall, its Revenue, EBITDA and Operating Profit have grown at a +20% CAGR (22% for both Revenue and Operating Profit, and 21% for EBITD), despite the 2020 dropdown due to the Covid-19 pandemic. The recovery after the pandemic was fast for LVMH and it surpassed the pre-pandemic numbers of 2019 in 2021.

After the dropdown of 16,80% in 2020, revenue got up next year by 43,82%, reaching a value of €64,22 billion (compared to the €53,67 billion of 2019). In 2022, this value increased again by 23,31% (from the €64,22 billion of 2021) to account for a total of €79,18 billion in revenue.

Figure 4: Historical Revenue



Source: LVMH information

LVMH's revenue can be divided by both segments and regions. First, by analyzing the revenue by segment it is possible to conclude that Fashion & Leather Goods is the segment that most contributes to the total revenue throughout the years of the analysis, and, in 2022, contributed with €38,65 billion to the total revenue of the group (48,81%), followed by Selective Retailing with €14,85 billion (18,76%), then Watches & Jewelry with €10,58 billion (13,36%), Perfumes & Cosmetics with €7,72 billion (9,75%), Wines & Spirits with €7,10 billion (8,97%) and lastly Other activities with €0,28 billion (0,35%), (LVMH, 2023).

Throughout the years, there has been an evolution on the importance of each segment in terms of percentage of the total revenue.

The Fashion & Leather Goods has always been the biggest contributor especially in recent years, as can be seen by the rise in its importance from 36,29%, in 2017, to the 48,81% of 2022.

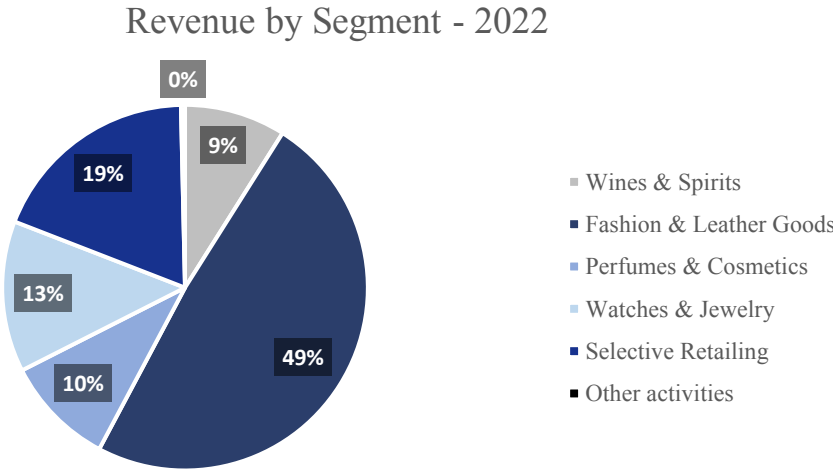
The Selective Retailing segment has been a segment that has its revenue stabilized and has not been following the growth trend of other sectors (visible in the decrease from 31,22%, in 2017, to only 18,76%, in 2022).

Watches & Jewelry, on the other hand, has been one of the sectors gaining percentage in the total revenue, coming from a contribution of just 8,92%, in 2017, to 13,36%, last year.

Both Perfumes & Cosmetics and Wines & Spirits have been decreasing its contribution to total revenue too (the first one from 13,04% to 9,75% and the second one from 11,93% to 8,97%).

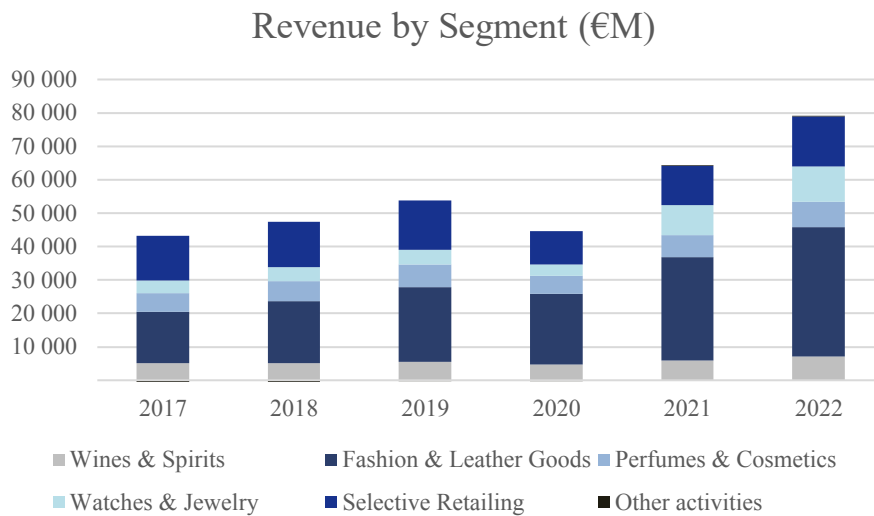
Lastly, the Other activities segment contribution has been residual for the duration of the study period (around 0%), (LVMH, 2018), (LVMH, 2019), (LVMH, 2020), (LVMH, 2021), (LVMH, 2022), (LVMH, 2023).

Figure 5: Revenue by Segment - 2022



Source: LVMH information and own analysis

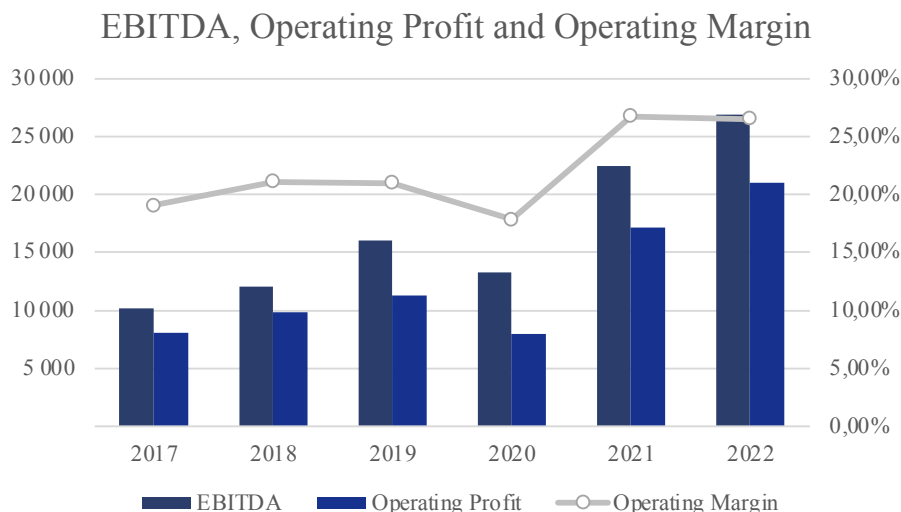
Figure 6: Historical Revenue by Segment



Source: LVMH information

Both EBITDA and Operating Profit also had a drop with the pandemic, in 2020, (-16,94% and -29,28%, respectively) but had a major increase in 2021 (percentual bigger than revenue). This can be explained by the growth of the operating margin, exceeding the usual value of around 20%, to a value of 26,71%, in 2021, and 26,52% in 2022. In 2022, the EBITDA value was €26,83 billion and the Operating Profit was €21,00 billion.

Figure 7: EBITDA, EBIT and Operating Margin

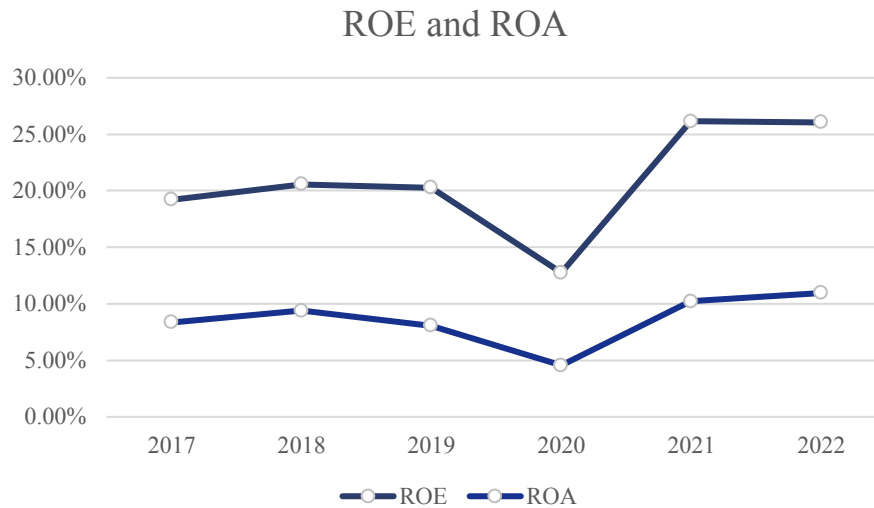


Source: LVMH information and own analysis

Profitability increased throughout the period of 2017-2022, with ROE (Return on Equity) growing from 19,23% (and around 20% in the following years) to 26,06% (with a down year

in 2020, 12,76%). The ROA (Return on Assets) also saw a jump from 8,37% (and around 9% in the 2017-2019 period) to 10,96% (also with a down year in 2020, 4,56%), (Appendix 1).

Figure 8: ROE and ROA



Source: LVMH information and own analysis

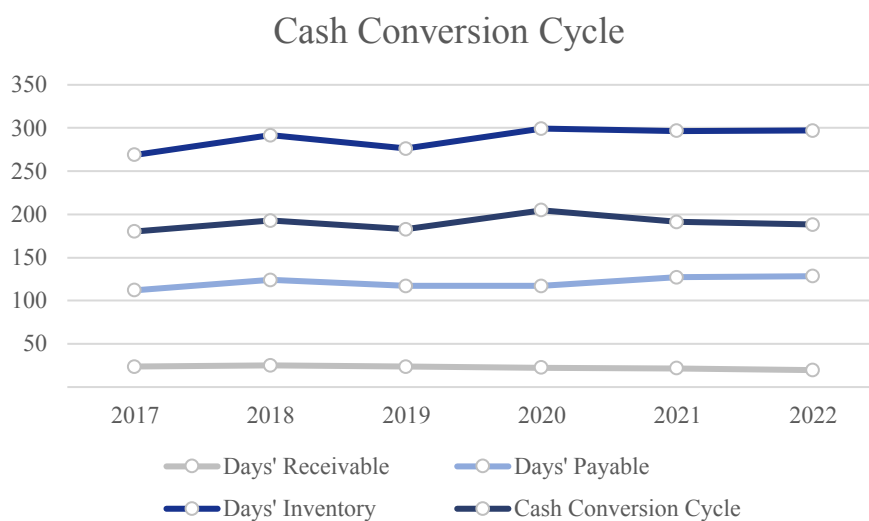
Regarding the group's efficiency, its cash conversion cycle had a small increase during the 2017-2022 period, to around 190 days (180, in 2017, and 188, in 2022), with an outlier in 2020 where it went up to 205 days.

This high cash conversion cycle can be explained by the high number of days' inventory (Wines & Spirits segment has the highest day's inventory since it stores its bottles for various months or even years until they are sold) that has been increasing throughout the 2017-2022 period from 269 days, in 2017, to 297, in 2022.

Days' receivable has also been stable (from 23, in 2017, and 20, in 2022), reflecting a quick conversion from sales to cash collection. Days' payable has been increasing (from 112, in 2017, to 128, in 2022), which, in turn, reflects a larger period to pay creditors (higher bargaining power).

Concluding, the cash conversion cycle has been increasing mainly from the contribution of the increase in days' inventory, even with the contrarious movements of days' receivable and days' payable, (Appendix 2).

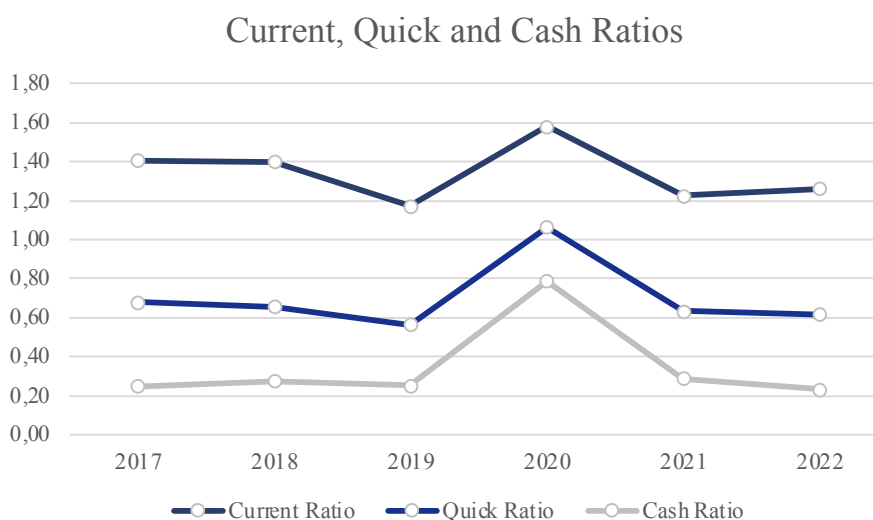
Figure 9: Cash Conversion Cycle



Source: LVMH information and own analysis

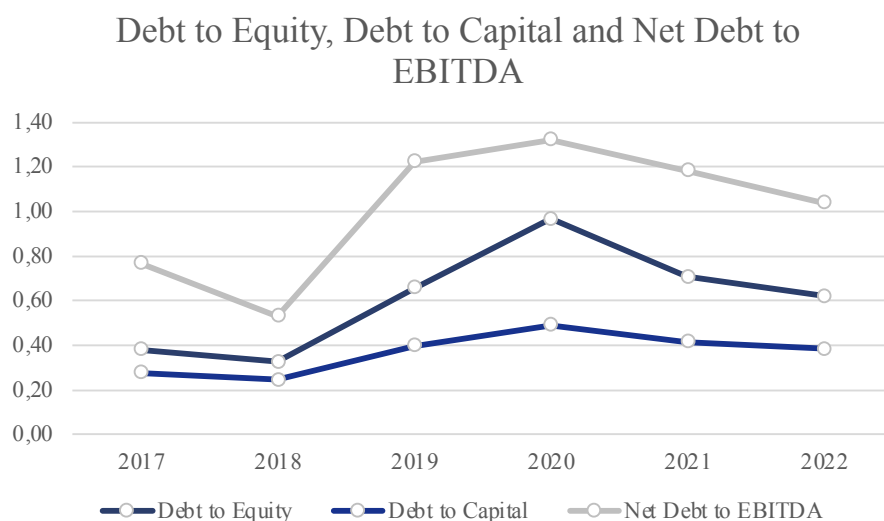
More information about liquidity and solvency ratios, as well as about the sustainable growth rate and dividend payout ratio can be found in Appendix 3 – 5.

Figure 10: Current, Quick and Cash Ratios



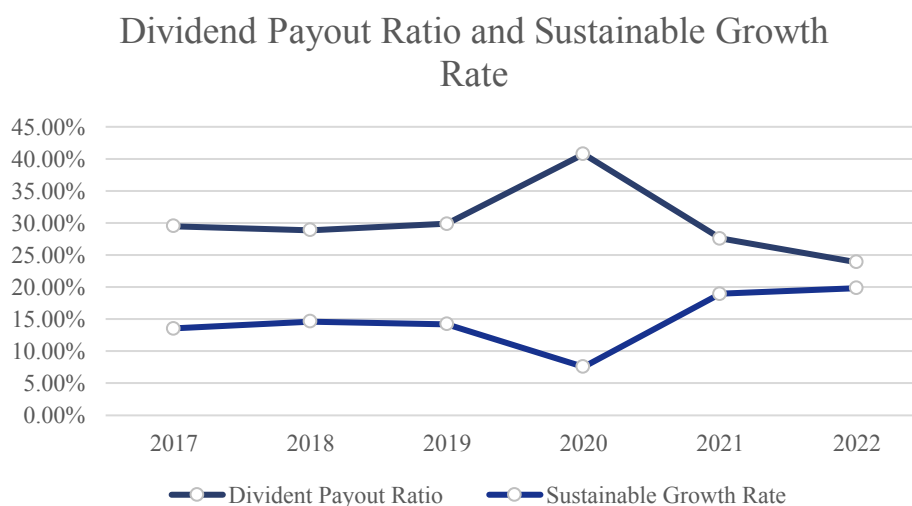
Source: LVMH information and own analysis

Figure 12: Debt to Equity, Debt to Capital and Net Debt to EBITDA



Source: LVMH information and own analysis

Figure 11: Dividend Payout Ratio and Sustainable Growth Rate

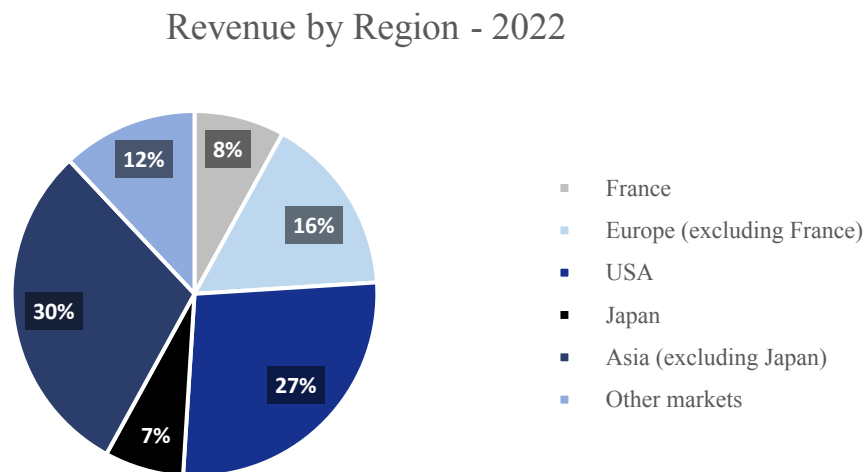


Source: LVMH information and own analysis

Regarding the geography of the group's revenue, it is registered as coming from six regions, France, Europe (excluding France), United States, Japan, Asia (excluding Japan) and Other markets.

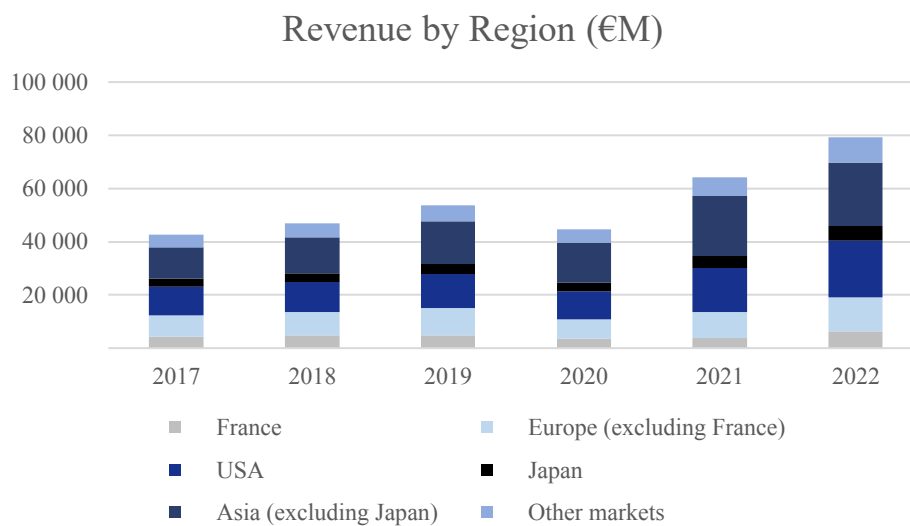
In 2022, the region that most contributed for the group's revenue was Asia (excluding Japan) (€23,76 billion, 30% of total revenue), followed by the United States (€21,38 billion, 27% of total revenue), then Europe (excluding France) (€12,67 billion, 16% of total revenue), followed by Other markets (€9,5 billion, 12% of total revenue), then France (€6,34 billion, 8% of total revenue) and, lastly, Japan (€5,54 billion, 7% of total revenue), (LVMH, 2023), (Appendix 12).

Figure 13: Revenue by Region - 2022



Source: LVMH information

Figure 14: Historical Revenue by Region



Source: LVMH information and own analysis (Appendix 34)

### 3.3 Segment by Segment Analysis

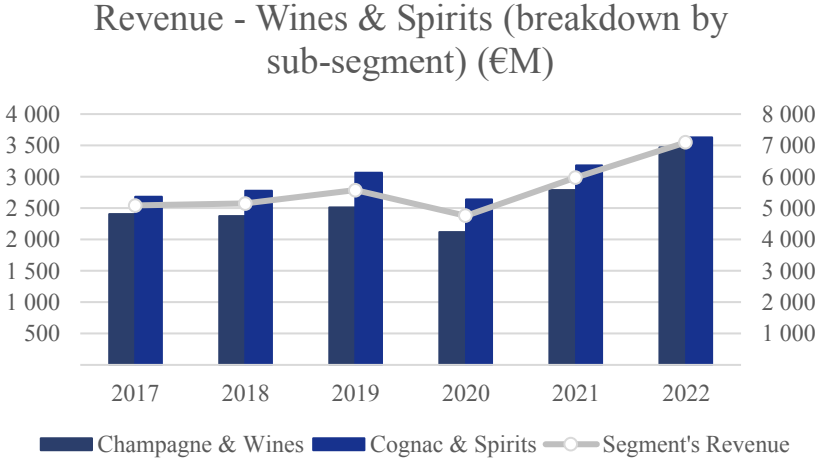
#### 3.3.1 Wines & Spirits

The Wines & Spirits segment was responsible for roughly 9% of LVMH’s revenue, (Appendix 11), (€7,1 billion), in 2022. However, its contribution to the operating income of the company was 10,24%, (Appendix 13), (as its operating margin was 30,36%, which is higher than the group’s overall operating margin, 26,52%). Its contribution has been decreasing since 2017, when it contributed to 18,79% of the group’s operating income.

This segment can be divided into two sub-segments, the Champagne & Wines and the Cognac & Spirits.

In 2022 the sales of each sub-segment represented roughly half of the segment’s revenue (€3,47 billion coming from Champagne & Wines, representing 49% of the segment’s revenue and €3,63 billion from Cognac & Spirits, representing 51% of the segment’s revenue), whereas in 2017 the difference was slightly bigger, with the advantage being also to Cognac & Spirits. In recent years, Champagne & Wines has grown at a higher pace than Cognac & Spirits (31,88% vs 20,68%, in 2021 and 24,38% vs 13,96%, in 2022), (Appendix 6).

Figure 15: Revenue - Wines & Spirits (breakdown by sub-segment)



Source: LVMH information

Both the volume of bottles and the average sale price have increased (the first one, from 218 million, in 2017, to 246 million, in 2022 and, the second one, from €23, in 2017, to €29, in 2022).

The main brands belonging in the Wines & Spirits segment are Hennessy, Dom Pérignon, Moët & Chandon, Veuve Clicquot, Krug, and others.

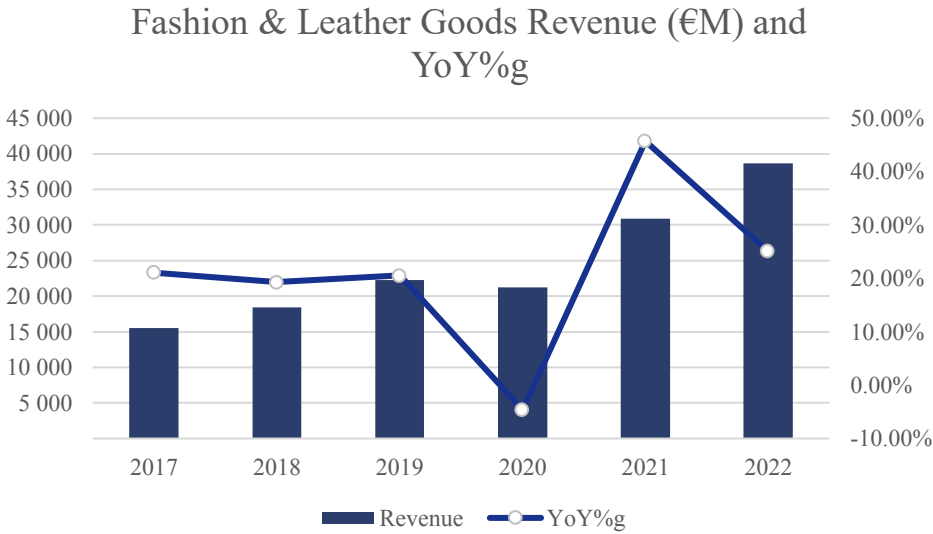
### 3.3.2 Fashion & Leather Goods

The Fashion & Leather Goods segment is LVMH’s main segment, both in terms of revenue and profit from recurring operations. In 2022, it was responsible for almost half of LVMH’s revenue (48,81%, €38,65 billion), (Appendix 11). However, due to its operating margin being 40,65% (the highest operating margin among segments) this segment contributed to 74,61% of the group’s operating income, (Appendix 13).

The Fashion & Leather Goods’ contribution to the total revenue has been increasing since 2017, starting with 36,29% until the 2022’s 48,81%. Regarding the profit from recurring operations’ contribution, it has been increasing (from 59,15% to 74,61%) by more than the revenue’s contribution.

The segment’s revenue has been increasing at a 20,1% CAGR (from €15,47 billion, in 2017, to €38,65 billion, in 2022), despite the 4,6% drop back in 2020, and in 2022 it grew by 25,1%.

Figure 16: Fashion and Leather Goods Revenue and YoY%g



Source: LVMH information and own analysis

Its profit from recurring operations has increased at a higher CAGR, 26,21% (from €4,91 billion, in 2017, to €15,71 billion, in 2022) since its operating margin has grown from 31,7% to 40,65%, (Appendix 7).

The main brands included in the Fashion & Leather Goods segment are Louis Vuitton, Christian Dior (Fashion and Accessories division), Givenchy, Fendi, Celine, and others.

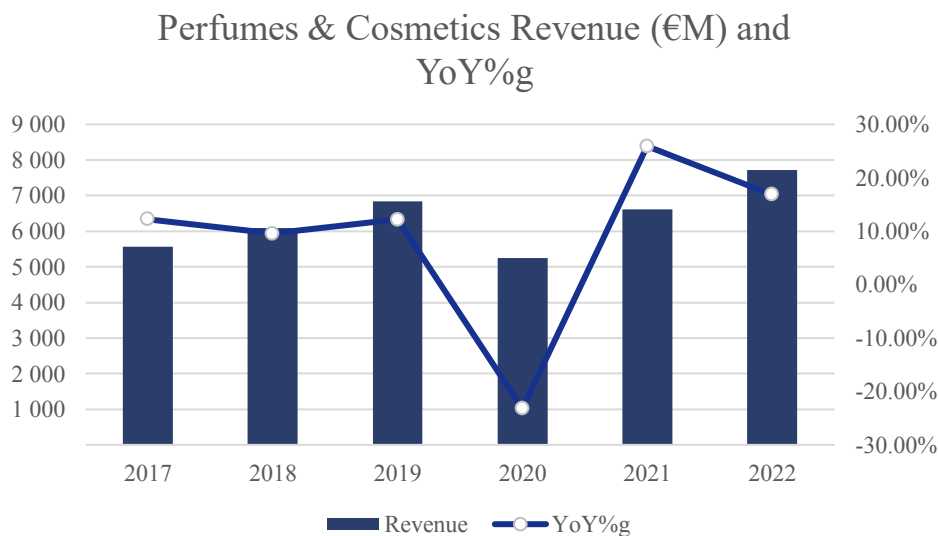
### 3.3.3 Perfumes & Cosmetics

The Perfumes & Cosmetics segment was responsible, in 2022, for 9,75% of LVMH's revenue (€7,72 billion), (Appendix 11). Despite this, it had little to no contribution to the group's operating income, (Appendix 13), (€0,66 billion, representing 3,13%, in 2022,) as this segment has a very small operating margin that was stable around 10%, for the period of 2017-2021, (except for 2020) and that, in 2022, dropped to 8,55%.

The Perfumes & Cosmetics' contribution to the total revenue has been decreasing since 2017, starting with 13,04% until the 2022's 9,75%. Its contribution to the profit from recurring operations has been decreasing over the years, as it was 7,24%, in 2017 and, last year, was just 3,13%.

Its revenue has been increasing at a 6,79% CAGR (from €5,56 billion, in 2017, to €7,72 billion, in 2022), mostly due to the decrease of 23,22% in 2022, despite growing 16,86% last year in relation to 2021 (and at a consistent 11/12% from 2017 until 2019).

Figure 17: Perfumes and Cosmetics Revenue and YoY%g



Source: LVMH information and own analysis

The profit from recurring operations just grew at 1,92% CAGR because of both the loss of operating margin and the slow growth of revenue, (Appendix 8).

The main brands included in the Perfumes & Cosmetics segment are Christian Dior (Fragrance & Beauty division), Givenchy (Beauty division), Guerlain, Benefit, Fenty, and others.

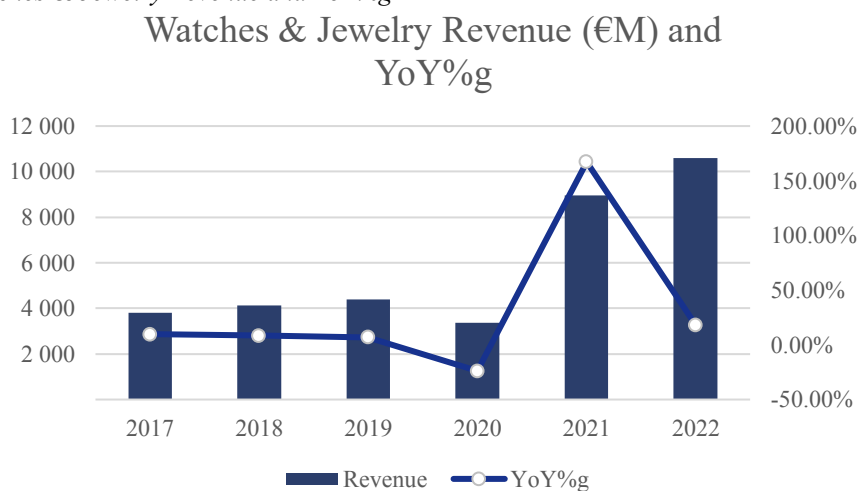
### 3.3.4 Watches & Jewelry

The Watches & Jewelry segment was responsible for €10,58 billion in revenue, corresponding to 13,36% of LVMH's revenue, in 2022, (Appendix 11). Its profit from recurring operation was, in the same year, €2,02 billion, corresponding to 9,58% of the group's overall profit from recurring operations, (Appendix 13). This means that, in 2022, the segment's operating margin (19,06%, which is still higher than the average 16% from 2017 to 2019) was lower than the group's overall operating margin (26,52%).

The segment's contribution to the total revenue of the group was stable, around 8%, until 2020 and, in 2021 it increased to almost 14% (and decreased slightly to 13,36%, last year). Regarding its contribution to the profit from recurring operations, it was stable around 6% and, after a down year in 2020 where the decrease of the operating margin took the contribution to just 3,64%, it went up to 9,79%, in 2021, and 9,58%, in 2022.

Its revenue has been increasing at a 22,70% CAGR (from €3,81 billion, in 2017, to €10,58 billion), mostly because of the big jump in 2021 (revenue increased by €5,61 billion, corresponding to a 167,10% increase, even though it was coming from a down 2020 year where revenue decreased by 23,81%) which was caused by Tiffany's acquisition in that year (it had \$4,4 billion of revenue, in 2020 – year pre-acquisition).

Figure 18: Watches & Jewelry Revenue and YoY%g



Source: LVMH information and own analysis

The profit from recurring operations has been increasing at a 31,55% CAGR, which reflects an increase in the operating margin (from 13,46%, in 2017, to 19,06%, in 2022), (Appendix 9).

The main brands belonging to the Watches & Jewelry segment are Tiffany, Bulgari, Hublot, TAG Heuer, and others.

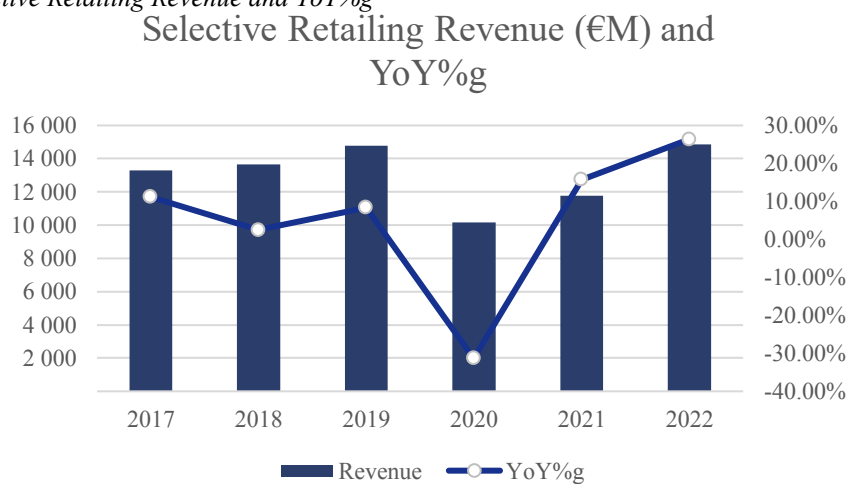
### 3.3.5 Selective Retailing

The Selective Retailing segment was responsible, in 2022, for €14,85 billion in revenue, which corresponded to 18,76% of LVMH's revenue, (Appendix 11). Also in 2022, the segment's profit from recurring operations was €0,79 billion, corresponding to just 3,74% of the group's profit from recurring operations, (Appendix 13), which reflects the segment's low operating margin of just 5,31% (has decreased since 2017 when it was 8,08%, which was also lower than the group's 19,03% overall operating margin in that year).

The segment's contribution to the group's total revenue has been decreasing since 2017, when it stood at 31,22%, and has decreased every year (except for 2022, when it remained at the same level compared to 2021, 18,30% vs 18,76%). Its contribution to the total profit from recurring operations has also been decreasing (from 12,96%, in 2017, to 3,74%, in 2022), since the segment's operating margin has had a decrease tendency allied to the decrease of the contribution to the total revenue.

Selective Retailing's revenue has been increasing at a 2,22% CAGR (from €13,31 billion, in 2017, to €14,85 billion, last year) and, last year, it surpassed pre-pandemic numbers after a drop-down year in 2020 (revenue decreased from €14,79 billion, in 2019, to just €10,16 billion, in 2020) and a recovery year in 2021 (€11,75 billion).

Figure 19: Selective Retailing Revenue and YoY%g



Source: LVMH information and own analysis

However, the profit from recurring operations decreased at a 6% CAGR, which reflects the loss of operating margin and the loss of percentage in the group's total revenue throughout the years (from €1,08 billion, in 2017, to €0,79 billion, in 2022), which even caused the segment to record a loss in the year of 2020 (€203 million), (Appendix 10).

The main brands belonging to the Selective Retailing segment are Sephora, Duty Free Shops (DFS), Starboard Cruise Services, and others.

### **3.3.6 Other activities**

The last LVMH's segment includes media assets (journals, radios, and others), the department store "La Samaritaine", in Paris, the luxury yacht maker "Royal Van Lent", the leisure and amusement park "Jardin d'Acclimatation", and LVMH Hotel Management. Both in terms of revenue and profit from recurring operations, this segment was residual.

## 4 Valuation

As mentioned before, each sector has its own risks and different growth stage. The option of performing a disaggregated valuation, by first valuing each segment and then adding up all segments' valuations, allows to account for those different risks and growth stages.

For each segment, it was selected a different peer group that allowed to compute distinct betas and WACCs among segments. The selection of the peer group was mainly based on the comparables' profitability and growth (measured by their Operating Margin, in their last available year, and by their Revenue growth, in the last 5 years). As the main competitors of LVMH are also part of large groups (Kering, etc.) or held by a private group (such as the case of Rolex being held by a family foundation) the criteria had to be less tight and both capital structures and size had to be somehow neglected, even though they were taken into consideration.

### 4.1 FCFE Forecast

The global luxury market is still in recovery from the Covid-19 pandemic (in 2022 it still did not achieve pre-pandemic numbers). Now, with a war in Ukraine and another in the Middle East, the market's recovering momentum will probably be lost, causing the industry to, most likely, slow down. For 2023, the Base Scenario (discussed in chapter 2) is much more probable than the Optimistic Scenario and so, the final weighting of the results was done with a 70% probability of occurrence of the Base Scenario and 30% of the Optimistic one. Apart from these probabilities, different values were used when forecasting not only revenue, but also other items (such as operating expenses, CAPEX, etc.).

With this probability of the macroeconomic conditions getting worse, it is expected that the economy will be suffering for more or less two years and, following, it would need around five years to recover. With this in mind, a seven-year explicit forecast period was adopted, in order to reflect this vision of the macroeconomic environment affecting the luxury market. At the end of this period, it was assumed that all the group's segments would reach the steady state and grow to perpetuity at a constant growth rate.

LVMH provides revenue, profit from recurring operations, D&A and working capital items by segment. Operating expenses (minus D&A) were computed as the difference between revenue and EBITDA (this one computed by adding profit from recurring operations with D&A).

### 4.1.1 Revenue Forecast

The revenue forecast is the most important of all the projections, as many other variables will be forecasted based on the forecasted revenue (such as Operating Expenses, CAPEX, etc.). For the different segments, different revenue growth rates were used.

#### 4.1.1.1 *Wines & Spirits*

For the Wines & Spirits segment, its revenue was estimated by adding up the forecasted revenue coming from its two sub-segments (Champagne & Wines and Cognac & Spirits). Both segments' revenues were forecasted by multiplying the sales volume (in millions of bottles sold) by the average sale price of each bottle.

$$\text{Revenue} = \text{Sales Volume} * \text{Average Price per Bottle}$$

Consequently, each one of the equation's components had to be forecasted individually, for both sub-segments.

In the **Champagne & Wines** sub-segment, the sales volume, in 2023's first semester, was slightly down, compared with 2022's first semester (57 vs 59,8 million bottles).

Historically, more bottles of champagne and wine are sold in the second semester of the year (29,13% and 12,37%, in 2021 and 2022, respectively), and, in the Optimistic Scenario, it was assumed that this value would more than double (comparatively to the first semester) reaching a value of 74 million bottles sold in that period and 131 million in the global year of 2023 (better than the 127 million bottles in 2022). From 2024, this sub-segment's sales volume is assumed to increase by 5% (slightly less than the 7,69% increase in 2022) for four straight years and then, this growth rate will start to decrease gradually, first by 0,5 percentual points (p.p., from now on), in 2028, and by 0,25p.p. in both 2029 and 2030.

For the Base Scenario, it was assumed that this sub-segment would sell the same in the second semester as it sold in the first one (57 million bottles) reaching a value of 114 million bottles sold in 2023 (less than in 2022). In 2024, its sales volume would increase just 2%, reflecting the worse economic environment, and, in 2025, this growth rate would be 3% for four years. Then, this value will decrease by 0,25 percentual points, in both 2029 and 2030.

Regarding the average price per bottle, the tendency has been to increase it (€27, in 2022, vs €22, in 2017), and so, it is expected that this value will increase at the weighted average expected inflation rate (computed with the percentage of revenue coming from different regions serving as weight to the different expected inflation rates, by geography), in both scenarios (IMF, 2023), (Appendix 14).

$$\text{Weighted Average Expected Inflation}_t = \sum \% \text{ of Revenue}_i * {}^i_n \text{Expected Inflation}$$

Where:

i = region

n = year

In the **Cognac & Spirits** sub-segment, the sales volume, in the first semester of 2023, was down (52,7 million bottles sold) compared to the 64,3 million in 2022's first semester.

Historically, the number of bottles of cognac and spirits sold in the second semester of the year is roughly the same as in the first one. In the Optimistic Scenario, it was assumed that the second semester value would be above the first semester one (65,5 million vs 52,7 million), reaching the same number of bottles sold in that period as in 2022 (118,2 million). From 2024, this sub-segment's sales volume is assumed to increase by the Compound Annual Growth Rate (CAGR, from now on) of 2017-2019 for four straight years and then, this value will decrease by 0,5 p.p., in the three remaining explicit period years.

For the Base Scenario, it was assumed that this sub-segment would sell just 45 million bottles in 2023's second semester, reaching a value of 97,7 million bottles sold in 2023 (less than in 2022). In 2024, its sales volume would decrease by 3% and by 2%, in 2025, reflecting the change in habits and the decline in consumption of cognac (to the detriment of other alcoholic beverages). Then, from 2026 on, the sales volume is assumed to remain constant (growing at a 0% rate) for the remaining years of the explicit period.

Regarding the average price per bottle, the tendency has been to increase it (€31, in 2022, vs €25, in 2017), and so, it is expected that this value will also go up at the same weighted average expected inflation rate (the same rate as Champagne & Wines), in both scenarios.

Figure 20: Wines & Spirits Revenue Forecast - Optimistic Scenario

Wines & Spirits														CAGR 22-30		7,47%
(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	5 085	5 143	5 576	4 755	5 974	7 099	3 180	4 403	7 583	8 269	8 946	9 655	10 405	11 148	11 891	12 630
YoY%	5,17%	1,14%	8,42%	-14,72%	25,64%	18,83%	N.A	N.A	6,82%	9,05%	8,19%	7,93%	7,77%	7,13%	6,67%	6,21%
Champagne & Wines	2 406	2 369	2 507	2 119	2 793	3 474	1 583	2 181	3 764	4 117	4 469	4 839	5 232	5 623	6 025	6 435
Cognac & Spirits	2 679	2 774	3 069	2 636	3 181	3 625	1 597	2 222	3 819	4 151	4 477	4 816	5 173	5 524	5 867	6 195
<b>Sales Volume</b> (millions of bottles)	<b>218</b>	<b>216</b>	<b>222</b>	<b>205</b>	<b>242</b>	<b>246</b>	<b>109,70</b>	<b>139,50</b>	<b>249,20</b>	<b>260,86</b>	<b>273,07</b>	<b>285,85</b>	<b>299,23</b>	<b>311,75</b>	<b>323,65</b>	<b>334,83</b>
Champagne & Wines	109	103	104	94	118	127	57,00	74,00	131,00	137,55	144,43	151,65	159,23	166,40	173,47	180,41
Cognac & Spirits	109	112	118	111	123	118	52,70	65,50	118,20	123,31	128,64	134,20	140,00	145,35	150,18	154,42
<b>Average Price per Bottle</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>23</b>	<b>25</b>	<b>29</b>	<b>28,99</b>	<b>31,56</b>	<b>30,43</b>	<b>31,70</b>	<b>32,76</b>	<b>33,78</b>	<b>34,77</b>	<b>35,76</b>	<b>36,74</b>	<b>37,72</b>
Champagne & Wines	22	23	24	22	24	27	27,77	29,47	28,73	29,93	30,94	31,91	32,86	33,79	34,73	35,67
Cognac & Spirits	25	25	26	24	26	31	30,30	33,93	32,31	33,67	34,80	35,89	36,95	38,01	39,06	40,12

Source: Own elaboration

Figure 21: Wines & Spirits Revenue Forecast - Base Scenario

Wines & Spirits														CAGR 22-30		2,49%
(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	5 085	5 143	5 576	4 755	5 974	7 099	3 180	3 252	6 432	6 671	6 939	7 270	7 607	7 953	8 299	8 643
YoY%	5,17%	1,14%	8,42%	-14,72%	25,64%	18,83%	N.A	N.A	-9,39%	3,72%	4,00%	4,77%	4,64%	4,55%	4,35%	4,15%
Champagne & Wines	2 406	2 369	2 507	2 119	2 793	3 474	1 583	1 692	3 275	3 481	3 706	3 936	4 175	4 423	4 671	4 917
Cognac & Spirits	2 679	2 774	3 069	2 636	3 181	3 625	1 597	1 560	3 157	3 191	3 232	3 333	3 432	3 530	3 628	3 726
<b>Sales Volume</b> (millions of bottles)	<b>218</b>	<b>216</b>	<b>222</b>	<b>205</b>	<b>242</b>	<b>246</b>	<b>109,70</b>	<b>102</b>	<b>211,70</b>	<b>211,05</b>	<b>212,64</b>	<b>216,24</b>	<b>219,94</b>	<b>223,75</b>	<b>227,35</b>	<b>230,71</b>
Champagne & Wines	109	103	104	94	118	127	57,00	57,00	114,00	116,28	119,77	123,36	127,06	130,87	134,47	137,84
Cognac & Spirits	109	112	118	111	123	118	52,70	45,00	97,70	94,77	92,87	92,87	92,87	92,87	92,87	92,87
<b>Average Price per Bottle</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>23</b>	<b>25</b>	<b>29</b>	<b>28,99</b>	<b>31,88</b>	<b>30,38</b>	<b>31,61</b>	<b>32,63</b>	<b>33,62</b>	<b>34,59</b>	<b>35,54</b>	<b>36,50</b>	<b>37,46</b>
Champagne & Wines	22	23	24	22	24	27	27,77	29,69	28,73	29,93	30,94	31,91	32,86	33,79	34,73	35,67
Cognac & Spirits	25	25	26	24	26	31	30,30	34,67	32,31	33,67	34,80	35,89	36,95	38,01	39,06	40,12

Source: Own elaboration

#### **4.1.1.2 Fashion & Leather Goods**

The Fashion & Leather Goods' revenue, in the first half of 2023, was higher than in the homologous period (€21,16 billion vs €18,14, in 2022's first semester).

Historically, revenue in this segment increases in the second semester of the year (22,86% and 13,10%, in 2021 and 2022, respectively). In the Optimistic Scenario, it was assumed that revenue would go up by 10%, in the second semester, reaching a value of €44,44 billion in 2023 (above 2022's €38,65 billion). In 2024, revenue is assumed to increase 15% (at the same level as in 2023) and then, the growth rate starts to decline gradually, first to 12%, in 2025 and then to 10%, 8% and 7,5% in 2026, 2027 and 2028, respectively. In the remaining years of the explicit period, the growth rate declines by 0,5p.p.

In the Base Scenario, with the economic slowdown, sales in 2023's second semester are equal to the first semester's (€21,16 billion), reaching a value of €42,32 billion in 2023 (still above the 2022's value). In 2024, revenue is assumed to increase by just 7% (below 2023's 9,51% growth rate), whereas, in 2025, with the improvement of the macroeconomic scenario, this growth rate would increase by 3p.p. and by 2p.p., in 2026 (to 10% and 12%, respectively). Then, the growth rate would start to decrease gradually, by 2p.p., for the remaining years of the explicit period, except for 2030, when it would just decrease by 0,5p.p..

Figure 22: Fashion & Leather Goods Revenue Forecast - Optimistic Scenario

Fashion & Leather Goods														CAGR 22-30		10,08%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	15 472	18 455	22 237	21 207	30 896	38 648	21 162	23 278	44 440	51 106	57 239	62 963	68 000	73 100	78 217	83 301
YoY%	21,11%	19,28%	20,49%	-4,63%	45,69%	25,09%	N.A	N.A	14,99%	15,00%	12,00%	10,00%	8,00%	7,50%	7,00%	6,50%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	10,00%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

Figure 23: Fashion & Leather Goods Revenue Forecast - Base Scenario

Fashion & Leather Goods														CAGR 22-30		8,48%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	15 472	18 455	22 237	21 207	30 896	38 648	21 162	21 162	42 324	45 287	49 815	55 793	61 373	66 282	70 259	74 124
YoY%	21,11%	19,28%	20,49%	-4,63%	45,69%	25,09%	N.A	N.A	9,51%	7,00%	10,00%	12,00%	10,00%	8,00%	6,00%	5,50%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	0,00%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

#### 4.1.1.3 *Perfumes & Cosmetics*

The Perfumes & Cosmetics' revenue, in 2023's first half, was higher than in 2022's first half (€4,03 billion vs €3,62 billion).

Historically, this segment's revenue increases in the second semester of the year (18,45% and 13,43%, in 2021 and 2022, respectively). In the Optimistic Scenario, it is assumed that revenue will go up by 15,94% (average of the second semester's increase, in 2021 and 2022), in the second semester of 2023, reaching a value of €8,70 billion in 2023 (above the €7,72 billion of 2022). From 2024 until 2026, revenue is expected to grow at the CAGR of the pre-pandemic 2017-2019 period (10,87%) and then, the growth rate would start to decline gradually (1p.p. in 2027, 2028 and 2029, and by just 0,5p.p. in 2030).

In the Base Scenario, with macroeconomic conditions getting worse, revenue in the second semester would be the same as in the first one (€4,03 billion) and 2023's total revenue would reach €8,06 billion (still above the 2022 's value). In 2024, revenue is assumed to go up by just 4% (below 2023's 4,33% growth rate) and, in 2025 and 2026, with the better-looking economic environment, it would go up by the CAGR of the 2017-2022 period (6,79%). Then, this rate is expected to start to decrease gradually (by 1p.p. for three straight years, 2027, 2028 and 2029, and by 0,5p.p. in 2030).

Figure 24: Perfumes & Cosmetics Revenue Forecast - Optimistic Scenario

Perfumes & Cosmetics														CAGR 22-30	9,90%	
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	5 560	6 092	6 835	5 248	6 608	7 722	4 028	4 670	8 698	9 644	10 693	11 855	13 026	14 182	15 299	16 427
YoY%g	12,26%	9,57%	12,20%	-23,22%	25,91%	16,86%	N.A	N.A	12,64%	10,87%	10,87%	10,87%	9,87%	8,87%	7,87%	7,37%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	15,94%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

Figure 25: Perfumes & Cosmetics Revenue Forecast - Base Scenario

Perfumes & Cosmetics														CAGR 22-30	4,94%	
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	5 560	6 092	6 835	5 248	6 608	7 722	4 028	4 028	8 056	8 378	8 947	9 555	10 108	10 592	10 994	11 355
YoY%g	12,26%	9,57%	12,20%	-23,22%	25,91%	16,86%	N.A	N.A	4,33%	4,00%	6,79%	6,79%	5,79%	4,79%	3,79%	3,29%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	0,00%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

#### 4.1.1.4 *Watches & Jewelry*

The Watches & Jewelry's revenue, in the first half of 2023, was up when compared to 2022's first half, (€5,43 billion vs €4,91 billion).

Historically, this segment's revenue has increased in the second semester of each year (22,81% and 15,54%, in 2021 and 2022, respectively), relatively to the first one. In the Optimistic Scenario, it is assumed that, in the second half of 2023, revenue will go up by 10%, reaching a total 2023 value of €11,40 billion (above 2022's €10,59 billion). From 2024 until 2026, the segment's revenue is assumed to grow at the same 9,72% growth rate as it grew in 2017 (above 2023's 7,71% growth rate), and then, the growth rate would start to decline gradually (by 0,5p.p., in 2027, and by 0,25p.p. in the remaining years of the explicit period).

In the Base Scenario, with the economic slowdown, revenue in the second semester would be equal to the first semester's, (€5,43 billion), and 2023's total value would reach €10,85 billion (slightly above the 2022's total value). After a disappointing 2023 (2,58% revenue increase), in 2024 and 2025, revenue is assumed to increase by just 5% and 7%, respectively, until, in 2026, the same growth pace as in the optimistic scenario's 2024 is reached (9,72%). From 2027 on, this rate would start to decrease gradually (by 0,5p.p. every year until the last year of the explicit period, when it would decrease by 0,25p.p).

Figure 26: Watches & Jewelry Revenue Forecast - Optimistic Scenario

Watches & Jewelry															CAGR 22-30	9,03%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	3 805	4 123	4 405	3 356	8 964	10 581	5 427	5 970	11 397	12 504	13 719	15 052	16 440	17 914	19 476	21 125
YoY%	9,72%	8,36%	6,84%	-23,81%	167,10%	18,04%	N.A	N.A	7,71%	9,72%	9,72%	9,72%	9,22%	8,97%	8,72%	8,47%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	10,00%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

Figure 27: Watches & Jewelry Revenue Forecast - Base Scenario

Watches & Jewelry															CAGR 22-30	7,28%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	3 805	4 123	4 405	3 356	8 964	10 581	5 427	5 427	10 854	11 397	12 194	13 379	14 613	15 887	17 192	18 562
YoY%	9,72%	8,36%	6,84%	-23,81%	167,10%	18,04%	N.A	N.A	2,58%	5,00%	7,00%	9,72%	9,22%	8,72%	8,22%	7,97%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	0,00%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

#### **4.1.1.5 Selective Retailing**

The Selective Retailing's revenue, in the first half of 2023, was much higher than in the homologous period (€8,36 billion vs €6,63 billion, in 2022's first semester).

Historically, this segment's revenue goes up in the second semester of the year (31,15% and 24,01%, in 2021 and 2022, respectively). In the Optimistic Scenario, it is assumed that revenue will increase by 10% (relatively to the first semester's revenue), in the second half of the year, and reach a total value of €17,55 billion, in 2023 (significantly above 2022's €14,85 billion). In 2024, it is expected that revenue will grow at the same pace as in 2017 (11,18%), as the segment fully recovers from the pandemic, and then, this rate would start to decrease gradually (first by 2p.p., in 2025, then, in 2026, to the 2019's 8,39% growth rate and, in 2027, the rate would decrease by 0,5p.p., then finally decreasing by 0,25p.p. every year until the end of the explicit period).

In the Base Scenario, with the worsened economic environment, the second semester's revenue is assumed to be the same as the first semester one (€8,36 billion, reaching a total 2023 value of €16,71 billion), reflecting the poor reaction to adverse macroeconomic conditions, already shown during the pandemic year of 2020, in which revenue went down by more than 30%. In 2024, the segment's revenue is expected to grow by half the 2019's rate (4,20%), whereas, in 2025, with the improvement of the macroeconomic scenario, this growth rate would increase to 6,50%. In the following year of 2026, it is assumed that revenue will grow by 7% (slightly above the 2025's growth rate) and, in the following years of the explicit period, this rate will start to decline (by 0,5p.p. every year, except for the last year (2030) where it will decrease by just 0,25p.p).

Figure 28: Selective Retailing Revenue Forecast - Optimistic Scenario

Selective Retailing														CAGR 22-30		9,57%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	13 311	13 646	14 791	10 155	11 754	14 852	8 355	9 191	17 546	19 506	21 296	23 083	24 904	26 807	28 788	30 844
YoY%	11,18%	2,52%	8,39%	-31,34%	15,75%	26,36%	N.A	N.A	18,14%	11,18%	9,18%	8,39%	7,89%	7,64%	7,39%	7,14%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	10,00%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

Figure 29: Selective Retailing Revenue Forecast - Base Scenario

Selective Retailing														CAGR 22-30		6,66%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	13 311	13 646	14 791	10 155	11 754	14 852	8 355	8 355	16 710	17 411	18 543	19 841	21 130	22 398	23 630	24 871
YoY%	11,18%	2,52%	8,39%	-31,34%	15,75%	26,36%	N.A	N.A	12,51%	4,20%	6,50%	7,00%	6,50%	6,00%	5,50%	5,25%
Semester %g	N.A	N.A	N.A	N.A	N.A	N.A	N.A	0,00%	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source: Own elaboration

## 4.1.2 Operating Expenses (minus D&A) Forecast

Differently from revenue, the operating expenses of each sector were forecasted, not through the annual growth rate, but through the operating expenses of each year in percentage of each year's revenue (for both scenarios).

### 4.1.2.1 *Wines & Spirits*

In the Optimistic Scenario, the second semester's operating expenses (minus D&A) in percentage of revenues value is assumed to be the same as in the first semester (63,24%). Since this is one of the more mature segments of the group (if not, the most) mature segments of the group, from 2024 on, this value is expected to remain constant through the whole explicit period, as the average of the 2022 and 2023 values (64,60%).

In the Base Scenario, with the worse economic conditions, costs increase more than revenue, and the operating expenses (minus D&A) in percentage of revenue value, in the second semester of 2023, aggravates to 0,5p.p. above the 2022 value ( $65,97\% + 0,5\% = 66,47\%$ ), accounting for a global 64,87% value in 2023. Then, from 2024 and for three straight years, this value decreases by 0,25p.p., annually (in 2024 it decreases relatively to 2023's second semester value), reflecting the improvement of the economic environment. In 2027, it decreases by 0,5p.p. (to 65,22%), in reflection of the end of the difficult macroeconomic conditions, remaining constant for the remaining years of the explicit period.

Figure 30: Wines & Spirits Operating Expenses (minus D&A) - Optimistic Scenario

Wines & Spirits														CAGR 22-30		7,19%
(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	3 369	3 352	3 656	3 113	3 883	4 683	2 011	2 784	4 795	5 342	5 780	6 238	6 722	7 202	7 682	8 160
YoY%g	N.A	-0,50%	9,07%	-14,85%	24,73%	20,60%	N.A	N.A	2,40%	11,40%	8,19%	7,93%	7,77%	7,13%	6,67%	6,21%
% of Revenue	66,25%	65,18%	65,57%	65,47%	65,00%	65,97%	63,24%	63,24%	63,24%	64,60%	64,60%	64,60%	64,60%	64,60%	64,60%	64,60%

Source: Own elaboration

Figure 31: Wines & Spirits Operating Expenses (minus D&A) - Base Scenario

Wines & Spirits														CAGR 22-30		2,34%
(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	3 369	3 352	3 656	3 113	3 883	4 683	2 011	2 162	4 173	4 418	4 577	4 777	4 961	5 187	5 412	5 637
YoY%g	N.A	-0,50%	9,07%	-14,85%	24,73%	20,60%	N.A	N.A	-10,90%	5,87%	3,61%	4,38%	3,84%	4,55%	4,35%	4,15%
% of Revenue	66,25%	65,18%	65,57%	65,47%	65,00%	65,97%	63,24%	66,47%	64,87%	66,22%	65,97%	65,72%	65,22%	65,22%	65,22%	65,22%

Source: Own elaboration

#### **4.1.2.2 Fashion & Leather Goods**

In the Optimistic Scenario, the operating expenses (minus D&A) in percentage of revenue value, in 2023's second semester, is expected to remain the same as in the first semester (53,68%). From 2024 until 2027, it is assumed that this value would be the average of the 2019-2022 period (when the segment started to increase its margin) (54,89%) and then, it would decrease by 0,5p.p. every year, showing the segment's capacity to increase even more its profitability (53,39%, in the explicit period's final year).

In the Base Scenario, it is assumed that economic conditions will lead to an increase of this value to the average of the 2017-2022 period (57,86%). From 2024 until 2026, the value of operating expenses (minus D&A) in percentage of revenue is assumed to decrease by 0,25p.p. (in 2024 it decreases relatively to 2023's second semester value) every year, showing the recovery from the adverse macroeconomic context, and, by 2027, it will decrease by 0,5p.p., remaining stable until the end of the explicit period (at 56,61%), showing the end of adverse macroeconomic conditions.

Figure 32: Fashion & Leather Goods Operating Expenses (minus D&A) - Optimistic Scenario

Fashion & Leather Goods														CAGR 22-30		10,16%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	9 898	11 748	13 037	11 950	15 912	20 508	11 360	12 496	23 856	28 050	31 416	34 558	37 322	39 756	42 148	44 471
YoY%	N.A	18,69%	10,97%	-8,34%	33,15%	28,88%	N.A	N.A	16,33%	17,58%	12,00%	10,00%	8,00%	6,52%	6,02%	5,51%
% of Revenue	63,97%	63,66%	58,63%	56,35%	51,50%	53,06%	53,68%	53,68%	53,68%	54,89%	54,89%	54,89%	54,89%	54,39%	53,89%	53,39%

Source: Own elaboration

Figure 33: Fashion & Leather Goods Operating Expenses (minus D&A) - Base Scenario

Fashion & Leather Goods														CAGR 22-30		9,36%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	9 898	11 748	13 037	11 950	15 912	20 508	11 360	12 245	23 605	26 091	28 575	31 865	34 744	37 524	39 775	41 963
YoY%	N.A	18,69%	10,97%	-8,34%	33,15%	28,88%	N.A	N.A	15,10%	10,53%	9,52%	11,51%	9,04%	8,00%	6,00%	5,50%
% of Revenue	63,97%	63,66%	58,63%	56,35%	51,50%	53,06%	53,68%	57,86%	55,77%	57,61%	57,36%	57,11%	56,61%	56,61%	56,61%	56,61%

Source: Own elaboration

#### 4.1.2.3 *Perfumes & Cosmetics*

In the Optimistic Scenario, the second semester's operating expenses (minus D&A) in percentage of revenue value is assumed to remain equal to the first semester's (83,07%). Then, from 2024 until the end of the explicit period, this value is assumed to be the average of the same value in the 2017-2022 period (85,10%), reflecting the stability of the segment throughout the years.

In the Base Scenario, with the worse economic conditions, this value is assumed to increase to the same value as in 2020, plus 0,5p.p. ( $89,71\% + 0,5\% = 90,21\%$ ). From 2024 until 2026, the operating expenses (minus D&A) in percentage of revenue value is assumed to decrease by 0,5p.p. (in 2024 it decreases relatively to 2023's second semester value) every year, showing the recovery from the adverse economic environment. In 2027 and 2028, this value will decrease at a higher pace (1p.p. every year), reflecting the end of difficult macroeconomic conditions, then decreasing at a slower pace (just 0,25p.p.) in 2029 and 2030.

Figure 34: Perfumes & Cosmetics Operating Expenses (minus D&A) - Optimistic Scenario

Perfumes & Cosmetics														CAGR 22-30		9,87%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	4 706	5 141	5 721	4 708	5 481	6 582	3 346	3 879	7 225	8 207	9 100	10 089	11 086	12 070	13 020	13 980
YoY%g	N.A	9,24%	11,28%	-17,71%	16,42%	20,09%	N.A	N.A	9,77%	13,59%	10,87%	10,87%	9,87%	8,87%	7,87%	7,37%
% of Revenue	84,64%	84,39%	83,70%	89,71%	82,94%	85,24%	83,07%	83,07%	83,07%	85,10%	85,10%	85,10%	85,10%	85,10%	85,10%	85,10%

Source: Own elaboration

Figure 35: Perfumes & Cosmetics Operating Expenses (minus D&A) - Base Scenario

Perfumes & Cosmetics														CAGR 22-30		5,09%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	4 706	5 141	5 721	4 708	5 481	6 582	3 346	3 634	6 980	7 516	7 982	8 476	8 866	9 184	9 505	9 789
YoY%g	N.A	9,24%	11,28%	-17,71%	16,42%	20,09%	N.A	N.A	6,04%	7,69%	6,19%	6,19%	4,60%	3,60%	3,49%	2,99%
% of Revenue	84,64%	84,39%	83,70%	89,71%	82,94%	85,24%	83,07%	90,21%	86,64%	89,71%	89,21%	88,71%	87,71%	86,71%	86,46%	86,21%

Source: Own elaboration

#### **4.1.2.4      *Watches & Jewelry***

In the Optimistic Scenario, the second semester's operating expenses (minus D&A) in percentage of revenue value is assumed to remain equal to the first semester's (70,79%). In both 2024 and 2025, this value is assumed to be the average of 2021 and 2022 (71,61%), then decreasing by 0,25p.p. every year, reflecting the turnaround of the segment and efficiency gains from the acquisition of the giant that is Tiffany.

In the Base Scenario, the adverse macroeconomic context leads to an increase of the second semester's operating expenses (minus D&A) in percentage of revenue value by 1,5p.p. (to 72,29%), relatively to the first semester's value. From 2024 until 2026, the operating expenses (minus D&A) in percentage of revenue value starts its recovery from the 2023's deterioration, decreasing by 0,25p.p. (in 2024 it decreases relatively to 2023's second semester value) every year. From 2027 until the end of the explicit period, it will decrease by 0,5p.p. (69,54%, in 2030), reflecting the end of difficulties.

Figure 36: Watches & Jewelry Operating Expenses (minus D&A) - Optimistic Scenario

Watches & Jewelry														CAGR 22-30		8,80%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	3 020	3 181	3 192	2 579	6 425	7 570	3 842	4 226	8 068	8 954	9 824	10 741	11 690	12 694	13 752	14 863
YoY%	N.A	5,33%	0,35%	-19,20%	149,13%	17,82%	N.A	N.A	6,58%	10,98%	9,72%	9,33%	8,83%	8,58%	8,33%	8,08%
% of Revenue	79,37%	77,15%	72,46%	76,85%	71,68%	71,54%	70,79%	70,79%	70,79%	71,61%	71,61%	71,36%	71,11%	70,86%	70,61%	70,36%

Source: Own elaboration

Figure 37: Watches & Jewelry Operating Expenses (minus D&A) - Base Scenario

Watches & Jewelry														CAGR 22-30		6,90%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	3 020	3 181	3 192	2 579	6 425	7 570	3 842	3 923	7 765	8 211	8 755	9 572	10 381	11 207	12 042	12 909
YoY%	N.A	5,33%	0,35%	-19,20%	149,13%	17,82%	N.A	N.A	2,58%	5,73%	6,63%	9,34%	8,45%	7,95%	7,45%	7,20%
% of Revenue	79,37%	77,15%	72,46%	76,85%	71,68%	71,54%	70,79%	72,29%	71,54%	72,04%	71,79%	71,54%	71,04%	70,54%	70,04%	69,54%

Source: Own elaboration

#### **4.1.2.5 *Selective Retailing***

In the Optimistic Scenario, the second semester's operating expenses (minus D&A) in percentage of revenue value is assumed to decrease by 0,5p.p., reflecting the reopening of the Asian duty-free market, post-Covid, (to 82,79%). Then, in 2024, this value is assumed to be equal to the 2019 value (pre-pandemic). In 2025 and 2026, it is assumed that the value will decrease gradually (by 0,5p.p.) and at a slower pace (by 0,25p.p.), in 2027, then remaining stable at the same value until the end of the explicit period.

In the Base Scenario, the poor economic conditions lead the second semester's operating expenses (minus D&A) in percentage of revenue value to increase 0,25p.p., relatively to the first semester's value, as the sector does not fully recover. From 2024 until 2026, the operating expenses (minus D&A) in percentage of revenue value is assumed to decrease gradually (by 0,25p.p. every year), showing the recovery from the adverse macroeconomic context. In 2027 it will decrease at a higher pace (by 0,5p.p.), reflecting the end of adverse macroeconomic conditions, and then stabilizing at that level (82,54%) until the end of the explicit period.

Figure 38: Selective Retailing Operating Expenses (minus D&A) - Optimistic Scenario

Selective Retailing														CAGR 22-30		8,69%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	11 726	11 801	11 987	8 809	9 821	12 637	6 959	7 609	14 568	15 808	17 152	18 476	19 872	21 390	22 971	24 611
YoY%g	N.A	0,64%	1,58%	-26,51%	11,49%	28,67%	N.A	N.A	15,28%	8,51%	8,50%	7,72%	7,55%	7,64%	7,39%	7,14%
% of Revenue	88,09%	86,48%	81,04%	86,75%	83,55%	85,09%	83,29%	82,79%	83,03%	81,04%	80,54%	80,04%	79,79%	79,79%	79,79%	79,79%

Source: Own elaboration

Figure 39: Selective Retailing Operating Expenses (minus D&A) - Base Scenario

Selective Retailing														CAGR 22-30		6,25%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Expenses (minus D&A)	11 726	11 801	11 987	8 809	9 821	12 637	6 959	6 980	13 939	14 502	15 421	16 476	17 441	18 488	19 505	20 529
YoY%g	N.A	0,64%	1,58%	-26,51%	11,49%	28,67%	N.A	N.A	10,30%	4,04%	6,34%	6,84%	5,86%	6,00%	5,50%	5,25%
% of Revenue	88,09%	86,48%	81,04%	86,75%	83,55%	85,09%	83,29%	83,54%	83,42%	83,29%	83,17%	83,04%	82,54%	82,54%	82,54%	82,54%

Source: Own elaboration

### 4.1.3 EBITDA

Regarding EBITDA, with operating expenses already forecasted, those were used to subtract that same amount to the revenue, to reach the EBITDA by segment.

Figure 40: EBITDA - Optimistic Scenario

EBITDA																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>	<b>1 716</b>	<b>1 791</b>	<b>1 920</b>	<b>1 642</b>	<b>2 091</b>	<b>2 416</b>	<b>1 169</b>	<b>1 619</b>	<b>2 788</b>	<b>2 927</b>	<b>3 167</b>	<b>3 418</b>	<b>3 683</b>	<b>3 946</b>	<b>4 209</b>	<b>4 471</b>
<i>EBITDA Margin</i>	<i>33,75%</i>	<i>34,82%</i>	<i>34,43%</i>	<i>34,53%</i>	<i>35,00%</i>	<i>34,03%</i>	<i>36,76%</i>	<i>36,76%</i>	<i>36,76%</i>	<i>35,40%</i>	<i>35,40%</i>	<i>35,40%</i>	<i>35,40%</i>	<i>35,40%</i>	<i>35,40%</i>	<i>35,40%</i>
<b>Fashion &amp; Leather Goods</b>	<b>5 574</b>	<b>6 707</b>	<b>9 200</b>	<b>9 257</b>	<b>14 984</b>	<b>18 140</b>	<b>9 802</b>	<b>10 782</b>	<b>20 584</b>	<b>23 056</b>	<b>25 823</b>	<b>28 405</b>	<b>30 678</b>	<b>33 344</b>	<b>36 069</b>	<b>38 830</b>
<i>EBITDA Margin</i>	<i>36,03%</i>	<i>36,34%</i>	<i>41,37%</i>	<i>43,65%</i>	<i>48,50%</i>	<i>46,94%</i>	<i>46,32%</i>	<i>46,32%</i>	<i>46,32%</i>	<i>45,11%</i>	<i>45,11%</i>	<i>45,11%</i>	<i>45,11%</i>	<i>45,61%</i>	<i>46,11%</i>	<i>46,61%</i>
<b>Perfumes &amp; Cosmetics</b>	<b>854</b>	<b>951</b>	<b>1 114</b>	<b>540</b>	<b>1 127</b>	<b>1 140</b>	<b>682</b>	<b>791</b>	<b>1 473</b>	<b>1 437</b>	<b>1 593</b>	<b>1 766</b>	<b>1 940</b>	<b>2 113</b>	<b>2 279</b>	<b>2 447</b>
<i>EBITDA Margin</i>	<i>15,36%</i>	<i>15,61%</i>	<i>16,30%</i>	<i>10,29%</i>	<i>17,06%</i>	<i>14,76%</i>	<i>16,93%</i>	<i>16,93%</i>	<i>16,93%</i>	<i>14,90%</i>	<i>14,90%</i>	<i>14,90%</i>	<i>14,90%</i>	<i>14,90%</i>	<i>14,90%</i>	<i>14,90%</i>
<b>Watches &amp; Jewelry</b>	<b>785</b>	<b>942</b>	<b>1 213</b>	<b>777</b>	<b>2 539</b>	<b>3 011</b>	<b>1 585</b>	<b>1 744</b>	<b>3 329</b>	<b>3 550</b>	<b>3 895</b>	<b>4 311</b>	<b>4 750</b>	<b>5 220</b>	<b>5 724</b>	<b>6 262</b>
<i>EBITDA Margin</i>	<i>20,63%</i>	<i>22,85%</i>	<i>27,54%</i>	<i>23,15%</i>	<i>28,32%</i>	<i>28,46%</i>	<i>29,21%</i>	<i>29,21%</i>	<i>29,21%</i>	<i>28,39%</i>	<i>28,39%</i>	<i>28,64%</i>	<i>28,89%</i>	<i>29,14%</i>	<i>29,39%</i>	<i>29,64%</i>
<b>Selective Retailing</b>	<b>1 585</b>	<b>1 845</b>	<b>2 804</b>	<b>1 346</b>	<b>1 933</b>	<b>2 215</b>	<b>1 396</b>	<b>1 582</b>	<b>2 978</b>	<b>3 698</b>	<b>4 144</b>	<b>4 607</b>	<b>5 033</b>	<b>5 417</b>	<b>5 817</b>	<b>6 233</b>
<i>EBITDA Margin</i>	<i>11,91%</i>	<i>13,52%</i>	<i>18,96%</i>	<i>13,25%</i>	<i>16,45%</i>	<i>14,91%</i>	<i>16,71%</i>	<i>17,21%</i>	<i>16,97%</i>	<i>18,96%</i>	<i>19,46%</i>	<i>19,96%</i>	<i>20,21%</i>	<i>20,21%</i>	<i>20,21%</i>	<i>20,21%</i>

Source: Own elaboration

Figure 41: EBITDA - Base Scenario

EBITDA																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>	<b>1 716</b>	<b>1 791</b>	<b>1 920</b>	<b>1 642</b>	<b>2 091</b>	<b>2 416</b>	<b>1 169</b>	<b>1 091</b>	<b>2 260</b>	<b>2 254</b>	<b>2 361</b>	<b>2 492</b>	<b>2 646</b>	<b>2 766</b>	<b>2 887</b>	<b>3 006</b>
<i>EBITDA Margin</i>	<i>33,75%</i>	<i>34,82%</i>	<i>34,43%</i>	<i>34,53%</i>	<i>35,00%</i>	<i>34,03%</i>	<i>36,76%</i>	<i>33,53%</i>	<i>35,13%</i>	<i>33,78%</i>	<i>34,03%</i>	<i>34,28%</i>	<i>34,78%</i>	<i>34,78%</i>	<i>34,78%</i>	<i>34,78%</i>
<b>Fashion &amp; Leather Goods</b>	<b>5 574</b>	<b>6 707</b>	<b>9 200</b>	<b>9 257</b>	<b>14 984</b>	<b>18 140</b>	<b>9 802</b>	<b>8 917</b>	<b>18 719</b>	<b>19 196</b>	<b>21 240</b>	<b>23 928</b>	<b>26 628</b>	<b>28 758</b>	<b>30 484</b>	<b>32 161</b>
<i>EBITDA Margin</i>	<i>36,03%</i>	<i>36,34%</i>	<i>41,37%</i>	<i>43,65%</i>	<i>48,50%</i>	<i>46,94%</i>	<i>46,32%</i>	<i>42,14%</i>	<i>44,23%</i>	<i>42,39%</i>	<i>42,64%</i>	<i>42,89%</i>	<i>43,39%</i>	<i>43,39%</i>	<i>43,39%</i>	<i>43,39%</i>
<b>Perfumes &amp; Cosmetics</b>	<b>854</b>	<b>951</b>	<b>1 114</b>	<b>540</b>	<b>1 127</b>	<b>1 140</b>	<b>682</b>	<b>394</b>	<b>1 076</b>	<b>862</b>	<b>965</b>	<b>1 079</b>	<b>1 242</b>	<b>1 408</b>	<b>1 488</b>	<b>1 566</b>
<i>EBITDA Margin</i>	<i>15,36%</i>	<i>15,61%</i>	<i>16,30%</i>	<i>10,29%</i>	<i>17,06%</i>	<i>14,76%</i>	<i>16,93%</i>	<i>9,79%</i>	<i>13,36%</i>	<i>10,29%</i>	<i>10,79%</i>	<i>11,29%</i>	<i>12,29%</i>	<i>13,29%</i>	<i>13,54%</i>	<i>13,79%</i>
<b>Watches &amp; Jewelry</b>	<b>785</b>	<b>942</b>	<b>1 213</b>	<b>777</b>	<b>2 539</b>	<b>3 011</b>	<b>1 585</b>	<b>1 504</b>	<b>3 089</b>	<b>3 186</b>	<b>3 440</b>	<b>3 807</b>	<b>4 231</b>	<b>4 680</b>	<b>5 150</b>	<b>5 653</b>
<i>EBITDA Margin</i>	<i>20,63%</i>	<i>22,85%</i>	<i>27,54%</i>	<i>23,15%</i>	<i>28,32%</i>	<i>28,46%</i>	<i>29,21%</i>	<i>27,71%</i>	<i>28,46%</i>	<i>27,96%</i>	<i>28,21%</i>	<i>28,46%</i>	<i>28,96%</i>	<i>29,46%</i>	<i>29,96%</i>	<i>30,46%</i>
<b>Selective Retailing</b>	<b>1 585</b>	<b>1 845</b>	<b>2 804</b>	<b>1 346</b>	<b>1 933</b>	<b>2 215</b>	<b>1 396</b>	<b>1 375</b>	<b>2 771</b>	<b>2 909</b>	<b>3 121</b>	<b>3 365</b>	<b>3 689</b>	<b>3 910</b>	<b>4 125</b>	<b>4 342</b>
<i>EBITDA Margin</i>	<i>11,91%</i>	<i>13,52%</i>	<i>18,96%</i>	<i>13,25%</i>	<i>16,45%</i>	<i>14,91%</i>	<i>16,71%</i>	<i>16,46%</i>	<i>16,58%</i>	<i>16,71%</i>	<i>16,83%</i>	<i>16,96%</i>	<i>17,46%</i>	<i>17,46%</i>	<i>17,46%</i>	<i>17,46%</i>

Source: Own elaboration

#### 4.1.4 Depreciations & Amortizations and CAPEX Forecast

The forecast of Depreciations & Amortizations and CAPEX was done similarly for every segment and scenario. There is the exception of the Watches & Jewelry segment, in which the effect of 2021 was withdrawn from all the computations, due to the effect caused by the acquisition of Tiffany (visible in CAPEX).

First, CAPEX was forecasted as a percentage of the segment's revenue and, for all segments (except Watches & Jewelry, in which the 2021 values were taken out of the computation), this value was assumed as the average of the same value for the period starting in 2018 and ending in the first semester of 2023, (Appendix 15 - 19).

$${}^t_i\text{CAPEX} = \text{Average CAPEX in Percentage of Revenue (2018 – S1 2023)}_i * {}^t_i\text{Revenue}$$

Where:

t = year

i = segment

Then, Depreciations & Amortizations (except the right-of-use assets' depreciations) were forecasted as a percentage of the segment's tangible and intangible assets (excluding right-of-use assets, ROU from now on) with this value being assumed as the average of the 2018 – 2022 period (exception for the Watches & Jewelry segment, in which the effect of 2021 was withdrawn). Then, the average D&A in percentage of tangible and intangible assets was multiplied by the sum of the last period's segment's tangible and intangible assets (excluding ROU) with the period's CAPEX.

$${}^t_i\text{D\&A} = \text{Average D\&A in Percentage of Tangible and Intangible Assets}_i * ({}^{t-1}_i\text{Tangible and Intangible Assets} + {}^t_i\text{CAPEX})$$

To forecast all the years' D&A it was necessary to forecast the segment's tangible and intangible assets (excluding ROU). This value, for each period, was computed by adding the CAPEX amount of the same period to the previous period's segment's tangible and intangible assets (excluding ROU) and, lastly, subtracting the D&A amount, (Appendix 15 - 19).

$${}^t_i\text{Tangible and Intangible Assets} = {}^{t-1}_i\text{Tangible and Intangible Assets} + {}^t_i\text{CAPEX} - {}^t_i\text{D\&A}$$

Right-of-use assets depreciations were also taken into consideration and were forecasted the same way as the D&A for tangible and intangible assets. This time, the average of the period 2019 – 2022 was the one chosen for all the segments, and by multiplying this value by the right-of-use assets of each year it was possible to forecast the depreciation of the right-of-use assets.

*${}^t_i$ Depreciation of ROU*

$$= \text{Average Depreciation in Percentage of ROU}_i * {}^t_i \text{Right of Use assets}$$

To forecast the amount of right-of-use assets, it was assumed that this value would increase at the same rate as the tangible and intangible assets, in the same period, (Appendix 15 - 19).

$${}^t_i \text{ROU Assets} = {}^{t-1}_i \text{ROU Assets} * (1 + {}^t_i \text{Tangible and Intangible Assets Growth Rate})$$

Figure 42: CAPEX - Optimistic Scenario

CAPEX																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>		<b>173</b>	<b>1 856</b>	<b>588</b>	<b>3 242</b>	<b>(1 228)</b>	<b>851</b>	<b>459</b>	<b>1 310</b>	<b>1 429</b>	<b>1 546</b>	<b>1 668</b>	<b>1 798</b>	<b>1 926</b>	<b>2 055</b>	<b>2 182</b>
% of Segm.'s Revenue		3,36%	33,29%	12,37%	54,27%	-17,30%	26,76%	10,43%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%
<b>Fashion &amp; Leather Goods</b>		<b>1 016</b>	<b>1 023</b>	<b>631</b>	<b>1 714</b>	<b>2 263</b>	<b>678</b>	<b>1 455</b>	<b>2 133</b>	<b>2 453</b>	<b>2 747</b>	<b>3 022</b>	<b>3 264</b>	<b>3 509</b>	<b>3 754</b>	<b>3 998</b>
% of Segm.'s Revenue		5,51%	4,60%	2,98%	5,53%	5,86%	3,20%	6,25%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%
<b>Perfumes &amp; Cosmetics</b>		<b>471</b>	<b>381</b>	<b>190</b>	<b>414</b>	<b>687</b>	<b>159</b>	<b>389</b>	<b>548</b>	<b>608</b>	<b>674</b>	<b>747</b>	<b>821</b>	<b>894</b>	<b>964</b>	<b>1 035</b>
% of Segm.'s Revenue		7,73%	5,57%	3,62%	6,27%	8,90%	3,95%	8,33%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%
<b>Watches &amp; Jewelry</b>		<b>385</b>	<b>213</b>	<b>217</b>	<b>15 576</b>	<b>1 614</b>	<b>120</b>	<b>922</b>	<b>1 042</b>	<b>1 143</b>	<b>1 254</b>	<b>1 376</b>	<b>1 502</b>	<b>1 637</b>	<b>1 780</b>	<b>1 931</b>
% of Segm.'s Revenue		9,34%	4,84%	6,47%	173,76%	15,25%	2,21%	15,44%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%
<b>Selective Retailing</b>		<b>661</b>	<b>678</b>	<b>95</b>	<b>702</b>	<b>826</b>	<b>102</b>	<b>629</b>	<b>731</b>	<b>813</b>	<b>887</b>	<b>962</b>	<b>1 037</b>	<b>1 117</b>	<b>1 199</b>	<b>1 285</b>
% of Segm.'s Revenue		4,84%	4,58%	0,94%	5,97%	5,56%	1,22%	6,84%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%

Source: Own elaboration

Figure 43: CAPEX - Optimistic Scenario

CAPEX																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>		<b>173</b>	<b>1 856</b>	<b>588</b>	<b>3 242</b>	<b>(1 228)</b>	<b>851</b>	<b>260</b>	<b>1 111</b>	<b>1 153</b>	<b>1 199</b>	<b>1 256</b>	<b>1 314</b>	<b>1 374</b>	<b>1 434</b>	<b>1 493</b>
% of Segm.'s Revenue		3,36%	33,29%	12,37%	54,27%	-17,30%	26,76%	8,01%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%
<b>Fashion &amp; Leather Goods</b>		<b>1 016</b>	<b>1 023</b>	<b>631</b>	<b>1 714</b>	<b>2 263</b>	<b>678</b>	<b>1 354</b>	<b>2 032</b>	<b>2 174</b>	<b>2 391</b>	<b>2 678</b>	<b>2 946</b>	<b>3 182</b>	<b>3 372</b>	<b>3 558</b>
% of Segm.'s Revenue		5,51%	4,60%	2,98%	5,55%	5,86%	3,20%	6,40%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%
<b>Perfumes &amp; Cosmetics</b>		<b>471</b>	<b>381</b>	<b>190</b>	<b>414</b>	<b>687</b>	<b>159</b>	<b>349</b>	<b>508</b>	<b>528</b>	<b>564</b>	<b>602</b>	<b>637</b>	<b>667</b>	<b>693</b>	<b>716</b>
% of Segm.'s Revenue		7,73%	5,57%	3,62%	6,27%	8,90%	3,95%	8,65%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%
<b>Watches &amp; Jewelry</b>		<b>385</b>	<b>213</b>	<b>217</b>	<b>15 576</b>	<b>1 614</b>	<b>120</b>	<b>872</b>	<b>992</b>	<b>1 042</b>	<b>1 114</b>	<b>1 223</b>	<b>1 335</b>	<b>1 452</b>	<b>1 571</b>	<b>1 696</b>
% of Segm.'s Revenue		9,34%	4,84%	6,47%	173,76%	15,25%	2,21%	16,07%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%
<b>Selective Retailing</b>		<b>661</b>	<b>678</b>	<b>95</b>	<b>702</b>	<b>826</b>	<b>102</b>	<b>594</b>	<b>696</b>	<b>725</b>	<b>772</b>	<b>827</b>	<b>880</b>	<b>933</b>	<b>984</b>	<b>1 036</b>
% of Segm.'s Revenue		4,84%	4,58%	0,94%	5,97%	5,56%	1,22%	7,11%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%

Source: Own elaboration

Figure 44: D&A - Optimistic Scenario

D&A (ROU + Tang. and Int. Assets)																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Wines & Spirits	158	162	191	254	228	261	123	166	289	314	340	364	390	416	444	472
Fashion & Leather Goods	669	764	1 856	2 069	2 142	2 430	1 240	1 317	2 557	2 730	2 929	3 013	3 093	3 168	3 233	3 287
Perfumes & Cosmetics	254	275	431	460	443	481	236	370	606	642	687	728	774	823	875	929
Watches & Jewelry	273	239	477	475	859	994	496	522	1 018	1 045	1 076	1 073	1 072	1 073	1 076	1 079
Selective Retailing	510	463	1 408	1 549	1 399	1 427	662	827	1 489	1 532	1 590	1 587	1 588	1 591	1 595	1 599

Source: Own elaboration

Figure 45: D&A - Base Scenario

D&A (ROU + Tang. and Int. Assets)																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Wines & Spirits	158	162	191	254	228	261	123	162	285	304	324	340	356	372	389	406
Fashion & Leather Goods	669	764	1 856	2 069	2 142	2 430	1 240	1 305	2 545	2 685	2 844	2 896	2 952	3 006	3 050	3 081
Perfumes & Cosmetics	254	275	431	460	443	481	236	362	598	620	646	665	686	706	726	745
Watches & Jewelry	273	239	477	475	859	994	496	520	1 016	1 038	1 063	1 055	1 049	1 044	1 040	1 037
Selective Retailing	510	463	1 408	1 549	1 399	1 427	662	818	1 480	1 503	1 535	1 508	1 485	1 465	1 444	1 423

Source: Own elaboration

#### 4.1.5 Profit from recurring operations

Once EBITDA and D&A were forecasted, it was possible to compute the profit from recurring operations, by subtracting the D&A amount to the EBITDA value.

Figure 46: Profit from recurring operations - Optimistic Scenario

Profit from recurring operations																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>	<b>1 558</b>	<b>1 629</b>	<b>1 729</b>	<b>1 388</b>	<b>1 863</b>	<b>2 155</b>	<b>1 046</b>	<b>1 452</b>	<b>2 498</b>	<b>2 613</b>	<b>2 826</b>	<b>3 053</b>	<b>3 294</b>	<b>3 530</b>	<b>3 766</b>	<b>3 999</b>
Operating Margin	30,64%	31,67%	31,01%	29,19%	31,19%	30,36%	32,89%	32,99%	32,95%	31,60%	31,59%	31,62%	31,65%	31,67%	31,67%	31,66%
<b>Fashion &amp; Leather Goods</b>	<b>4 905</b>	<b>5 943</b>	<b>7 344</b>	<b>7 188</b>	<b>12 842</b>	<b>15 710</b>	<b>8 562</b>	<b>9 465</b>	<b>18 027</b>	<b>20 327</b>	<b>22 894</b>	<b>25 393</b>	<b>27 585</b>	<b>30 176</b>	<b>32 836</b>	<b>35 543</b>
Operating Margin	31,70%	32,20%	33,03%	33,89%	41,57%	40,65%	40,46%	40,66%	40,57%	39,77%	40,00%	40,33%	40,57%	41,28%	41,98%	42,67%
<b>Perfumes &amp; Cosmetics</b>	<b>600</b>	<b>676</b>	<b>683</b>	<b>80</b>	<b>684</b>	<b>659</b>	<b>446</b>	<b>421</b>	<b>867</b>	<b>794</b>	<b>906</b>	<b>1 038</b>	<b>1 167</b>	<b>1 289</b>	<b>1 404</b>	<b>1 518</b>
Operating Margin	10,79%	11,10%	9,99%	1,52%	10,35%	8,53%	11,07%	9,02%	9,97%	8,23%	8,47%	8,76%	8,96%	9,09%	9,18%	9,24%
<b>Watches &amp; Jewelry</b>	<b>512</b>	<b>703</b>	<b>736</b>	<b>302</b>	<b>1 680</b>	<b>2 017</b>	<b>1 089</b>	<b>1 222</b>	<b>2 311</b>	<b>2 505</b>	<b>2 819</b>	<b>3 238</b>	<b>3 677</b>	<b>4 147</b>	<b>4 648</b>	<b>5 182</b>
Operating Margin	13,46%	17,05%	16,71%	9,00%	18,74%	19,06%	20,07%	20,47%	20,28%	20,04%	20,55%	21,51%	22,37%	23,15%	23,87%	24,53%
<b>Selective Retailing</b>	<b>1 075</b>	<b>1 382</b>	<b>1 396</b>	<b>(203)</b>	<b>534</b>	<b>788</b>	<b>734</b>	<b>755</b>	<b>1 489</b>	<b>2 166</b>	<b>2 554</b>	<b>3 020</b>	<b>3 445</b>	<b>3 826</b>	<b>4 222</b>	<b>4 634</b>
Operating Margin	8,08%	10,13%	9,44%	-2,00%	4,54%	5,31%	8,79%	8,22%	8,49%	11,10%	11,99%	13,08%	13,83%	14,27%	14,67%	15,02%

Source: Own elaboration

Figure 47: Profit from recurring operations - Base Scenario

Profit from recurring operations																
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>	<b>1 558</b>	<b>1 629</b>	<b>1 729</b>	<b>1 388</b>	<b>1 863</b>	<b>2 155</b>	<b>1 046</b>	<b>929</b>	<b>1 975</b>	<b>1 950</b>	<b>2 038</b>	<b>2 153</b>	<b>2 290</b>	<b>2 394</b>	<b>2 497</b>	<b>2 600</b>
Operating Margin	30,64%	31,67%	31,01%	29,19%	31,19%	30,36%	32,89%	28,55%	30,70%	29,23%	29,37%	29,61%	30,10%	30,10%	30,09%	30,08%
<b>Fashion &amp; Leather Goods</b>	<b>4 905</b>	<b>5 943</b>	<b>7 344</b>	<b>7 188</b>	<b>12 842</b>	<b>15 710</b>	<b>8 562</b>	<b>7 612</b>	<b>16 174</b>	<b>16 511</b>	<b>18 396</b>	<b>21 032</b>	<b>23 676</b>	<b>25 752</b>	<b>27 434</b>	<b>29 080</b>
Operating Margin	31,70%	32,20%	33,03%	33,89%	41,57%	40,65%	40,46%	35,97%	38,22%	36,46%	36,93%	37,70%	38,58%	38,85%	39,05%	39,23%
<b>Perfumes &amp; Cosmetics</b>	<b>600</b>	<b>676</b>	<b>683</b>	<b>80</b>	<b>684</b>	<b>659</b>	<b>446</b>	<b>33</b>	<b>479</b>	<b>242</b>	<b>319</b>	<b>414</b>	<b>557</b>	<b>701</b>	<b>762</b>	<b>821</b>
Operating Margin	10,79%	11,10%	9,99%	1,52%	10,35%	8,53%	11,07%	0,81%	5,94%	2,89%	3,57%	4,33%	5,51%	6,62%	6,93%	7,23%
<b>Watches &amp; Jewelry</b>	<b>512</b>	<b>703</b>	<b>736</b>	<b>302</b>	<b>1 680</b>	<b>2 017</b>	<b>1 089</b>	<b>984</b>	<b>2 073</b>	<b>2 148</b>	<b>2 376</b>	<b>2 752</b>	<b>3 183</b>	<b>3 636</b>	<b>4 110</b>	<b>4 616</b>
Operating Margin	13,46%	17,05%	16,71%	9,00%	18,74%	19,06%	20,07%	18,13%	19,10%	18,85%	19,49%	20,57%	21,78%	22,88%	23,90%	24,87%
<b>Selective Retailing</b>	<b>1 075</b>	<b>1 382</b>	<b>1 396</b>	<b>(203)</b>	<b>534</b>	<b>788</b>	<b>734</b>	<b>557</b>	<b>1 291</b>	<b>1 406</b>	<b>1 586</b>	<b>1 857</b>	<b>2 204</b>	<b>2 446</b>	<b>2 681</b>	<b>2 919</b>
Operating Margin	8,08%	10,13%	9,44%	-2,00%	4,54%	5,31%	8,79%	6,67%	7,73%	8,08%	8,55%	9,36%	10,43%	10,92%	11,35%	11,74%

Source: Own elaboration

#### **4.1.6 Net Working Capital Forecast**

Net Working Capital (NWC) was forecasted by subtracting “Other current liabilities” (excluding financial debt items) to the sum of “Inventories” with “Other operating assets”.

Inventories were forecasted as a percentage of revenue, using as reference value the average of inventories in percentage of revenue for the 2017-2022 period, except for Watches & Jewelry, due to the differences that the Tiffany’s acquisition made in the net working capital structure (used the average of 2021-2022), in both scenarios.

Other operating assets were forecasted in the same way as inventories, using as reference value the average of other operating assets in percentage of revenue for the 2017-2022 period, except for Watches & Jewelry, in which it was used the same period as in the inventories forecast.

Other current liabilities were forecasted as a percentage of Operating Expenses (minus D&A) and the reference value used was the average of other current liabilities in percentage of operating expenses (minus D&A) for the same period as in the current assets forecast (2017-2022 for every segment, except for Watches & Jewelry, for which the 2021-2022 average was used).

Figure 48: Net Working Capital - Optimistic Scenario

Net Working Capital																
(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>	<b>5 020</b>	<b>5 340</b>	<b>5 638</b>	<b>5 738</b>	<b>6 032</b>	<b>6 405</b>	<b>6 919</b>	<b>7 863</b>	<b>7 863</b>	<b>8 521</b>	<b>9 219</b>	<b>9 950</b>	<b>10 722</b>	<b>11 487</b>	<b>12 254</b>	<b>13 015</b>
Change in NWC		320	298	100	294	373	514	944		658	698	731	773	765	766	761
Inventories	5 115	5 471	5 818	6 040	6 278	6 892	7 306	8 095	8 095	8 827	9 550	10 307	11 108	11 900	12 694	13 483
% of Revenue	100,59%	106,38%	104,34%	127,02%	105,09%	97,08%	N.A.	N.A.	106,75%	106,75%	106,75%	106,75%	106,75%	106,75%	106,75%	106,75%
Other operating assets	1 449	1 449	1 547	1 306	1 597	1 674	1 505	2 050	2 050	2 235	2 418	2 610	2 813	3 013	3 215	3 414
% of Revenue	28,50%	28,17%	27,74%	27,47%	26,73%	23,58%	N.A.	N.A.	27,03%	27,03%	27,03%	27,03%	27,03%	27,03%	27,03%	27,03%
Other current liabilities	1 544	1 580	1 727	1 608	1 843	2 161	1 892	2 282	2 282	2 542	2 750	2 968	3 198	3 426	3 655	3 882
% of Operating Expenses	45,83%	47,14%	47,24%	51,65%	47,46%	46,15%	N.A.	N.A.	47,58%	47,58%	47,58%	47,58%	47,58%	47,58%	47,58%	47,58%
<b>Fashion &amp; Leather Goods</b>	<b>(421)</b>	<b>(302)</b>	<b>193</b>	<b>(240)</b>	<b>(619)</b>	<b>359</b>	<b>643</b>	<b>246</b>	<b>246</b>	<b>47</b>	<b>53</b>	<b>58</b>	<b>63</b>	<b>208</b>	<b>372</b>	<b>555</b>
Change in NWC		119	495	(433)	(379)	978	284	(397)		(199)	6	5	5	145	164	184
Inventories	1 884	2 364	2 884	2 726	3 374	4 793	5 438	5 491	5 491	6 314	7 072	7 779	8 402	9 032	9 664	10 292
% of Revenue	12,18%	12,81%	12,97%	12,85%	10,92%	12,40%	N.A.	N.A.	12,36%	12,36%	12,36%	12,36%	12,36%	12,36%	12,36%	12,36%
Other operating assets	1 234	1 596	2 028	1 919	2 807	3 297	3 437	3 882	3 882	4 464	5 000	5 500	5 940	6 385	6 832	7 276
% of Revenue	7,98%	8,65%	9,12%	9,05%	9,09%	8,53%	N.A.	N.A.	8,73%	8,73%	8,73%	8,73%	8,73%	8,73%	8,73%	8,73%
Other current liabilities	3 539	4 262	4 719	4 885	6 800	7 731	8 232	9 127	9 127	10 731	12 019	13 221	14 278	15 209	16 124	17 013
% of Operating Expenses	35,75%	36,28%	36,20%	40,88%	42,74%	37,70%	N.A.	N.A.	38,26%	38,26%	38,26%	38,26%	38,26%	38,26%	38,26%	38,26%
<b>Perfumes &amp; Cosmetics</b>	<b>36</b>	<b>128</b>	<b>27</b>	<b>(271)</b>	<b>(658)</b>	<b>(427)</b>	<b>98</b>	<b>(176)</b>	<b>(176)</b>	<b>(281)</b>	<b>(311)</b>	<b>(345)</b>	<b>(379)</b>	<b>(413)</b>	<b>(445)</b>	<b>(478)</b>
Change in NWC		92	(101)	(298)	(387)	231	525	(274)		(104)	(31)	(34)	(34)	(34)	(32)	(33)
Inventories	634	842	830	742	831	1 033	1 219	1 123	1 123	1 245	1 380	1 531	1 682	1 831	1 975	2 121
% of Revenue	11,40%	13,82%	12,14%	14,14%	12,58%	13,38%	N.A.	N.A.	12,91%	12,91%	12,91%	12,91%	12,91%	12,91%	12,91%	12,91%
Other operating assets	1 108	1 401	1 518	1 151	1 281	1 493	1 486	1 824	1 824	2 022	2 242	2 485	2 731	2 973	3 207	3 444
% of Revenue	19,93%	23,00%	22,21%	21,93%	19,39%	19,33%	N.A.	N.A.	20,96%	20,96%	20,96%	20,96%	20,96%	20,96%	20,96%	20,96%
Other current liabilities	1 706	2 115	2 321	2 164	2 770	2 953	2 607	3 123	3 123	3 547	3 933	4 361	4 791	5 217	5 627	6 042
% of Operating Expenses	36,25%	41,14%	40,57%	45,96%	50,54%	44,86%	N.A.	N.A.	43,22%	43,22%	43,22%	43,22%	43,22%	43,22%	43,22%	43,22%
<b>Watches &amp; Jewelry</b>	<b>1 123</b>	<b>1 255</b>	<b>1 517</b>	<b>1 061</b>	<b>2 887</b>	<b>4 188</b>	<b>5 027</b>	<b>4 125</b>	<b>4 125</b>	<b>4 488</b>	<b>4 925</b>	<b>5 417</b>	<b>5 931</b>	<b>6 479</b>	<b>7 061</b>	<b>7 679</b>
Change in NWC		132	262	(456)	1 826	1 301	839	(902)		364	436	492	514	548	582	617
Inventories	1 420	1 609	1 823	1 641	3 949	5 051	5 774	5 231	5 231	5 739	6 296	6 908	7 545	8 222	8 938	9 695
% of Revenue	37,32%	39,02%	41,38%	48,90%	44,05%	47,74%	N.A.	N.A.	45,90%	45,90%	45,90%	45,90%	45,90%	45,90%	45,90%	45,90%
Other operating assets	598	721	740	672	1 409	1 720	1 693	1 822	1 822	1 999	2 193	2 406	2 628	2 864	3 114	3 377
% of Revenue	15,72%	17,49%	16,80%	20,02%	15,72%	16,26%	N.A.	N.A.	15,99%	15,99%	15,99%	15,99%	15,99%	15,99%	15,99%	15,99%
Other current liabilities	895	1 075	1 046	1 252	2 471	2 583	2 440	2 928	2 928	3 249	3 565	3 898	4 242	4 607	4 991	5 394
% of Operating Expenses	29,64%	33,79%	32,77%	48,55%	38,46%	34,12%	N.A.	N.A.	36,29%	36,29%	36,29%	36,29%	36,29%	36,29%	36,29%	36,29%
<b>Selective Retailing</b>	<b>117</b>	<b>397</b>	<b>648</b>	<b>469</b>	<b>107</b>	<b>(71)</b>	<b>290</b>	<b>485</b>	<b>485</b>	<b>643</b>	<b>730</b>	<b>823</b>	<b>904</b>	<b>973</b>	<b>1 045</b>	<b>1 120</b>
Change in NWC		280	251	(179)	(362)	(178)	361	195		158	87	92	82	69	72	75
Inventories	2 111	2 532	2 691	2 111	2 410	2 805	3 147	3 298	3 298	3 667	4 003	4 339	4 681	5 039	5 412	5 798
% of Revenue	15,86%	18,55%	18,19%	20,79%	20,50%	18,89%	N.A.	N.A.	18,80%	18,80%	18,80%	18,80%	18,80%	18,80%	18,80%	18,80%
Other operating assets	845	870	895	696	747	775	773	1 088	1 088	1 209	1 320	1 431	1 544	1 662	1 785	1 912
% of Revenue	6,35%	6,38%	6,05%	6,85%	6,36%	5,22%	N.A.	N.A.	6,20%	6,20%	6,20%	6,20%	6,20%	6,20%	6,20%	6,20%
Other current liabilities	2 839	3 005	2 938	2 338	3 050	3 651	3 630	3 901	3 901	4 233	4 593	4 948	5 321	5 728	6 151	6 591
% of Operating Expenses	24,21%	25,46%	24,51%	26,54%	31,06%	28,89%	N.A.	N.A.	26,78%	26,78%	26,78%	26,78%	26,78%	26,78%	26,78%	26,78%

Source: Own elaboration

Figure 49: Net Working Capital - Base Scenario

Net Working Capital																
(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>	<b>5 020</b>	<b>5 340</b>	<b>5 638</b>	<b>5 738</b>	<b>6 032</b>	<b>6 405</b>	<b>6 919</b>	<b>6 620</b>	<b>6 620</b>	<b>6 823</b>	<b>7 105</b>	<b>7 453</b>	<b>7 816</b>	<b>8 172</b>	<b>8 527</b>	<b>8 881</b>
Change in NWC		320	298	100	294	373	514	(299)	203	281	348	364	355	355	355	354
Inventories	5 115	5 471	5 818	6 040	6 278	6 892	7 306	6 866	6 866	7 122	7 407	7 761	8 120	8 490	8 859	9 226
% of Revenue	100,59%	106,38%	104,34%	127,02%	105,09%	97,08%	N.A.	N.A.	106,75%	106,75%	106,75%	106,75%	106,75%	106,75%	106,75%	106,75%
Other operating assets	1 449	1 449	1 547	1 306	1 597	1 674	1 505	1 739	1 739	1 803	1 876	1 965	2 056	2 150	2 243	2 336
% of Revenue	28,50%	28,17%	27,74%	27,47%	26,73%	23,58%	N.A.	N.A.	27,03%	27,03%	27,03%	27,03%	27,03%	27,03%	27,03%	27,03%
Other current liabilities	1 544	1 580	1 727	1 608	1 843	2 161	1 892	1 985	1 985	2 102	2 178	2 273	2 360	2 468	2 575	2 682
% of Operating Expenses	45,83%	47,14%	47,24%	51,65%	47,46%	46,15%	N.A.	N.A.	47,58%	47,58%	47,58%	47,58%	47,58%	47,58%	47,58%	47,58%
<b>Fashion &amp; Leather Goods</b>	<b>(421)</b>	<b>(302)</b>	<b>193</b>	<b>(240)</b>	<b>(619)</b>	<b>359</b>	<b>643</b>	<b>(104)</b>	<b>(104)</b>	<b>(430)</b>	<b>(426)</b>	<b>(424)</b>	<b>(349)</b>	<b>(376)</b>	<b>(399)</b>	<b>(421)</b>
Change in NWC		119	495	(433)	(379)	978	284	(747)	(326)	5	2	75	(28)	(23)	(22)	
Inventories	1 884	2 364	2 884	2 726	3 374	4 793	5 438	5 229	5 229	5 595	6 155	6 893	7 583	8 189	8 681	9 158
% of Revenue	12,18%	12,81%	12,97%	12,85%	10,92%	12,40%	N.A.	N.A.	12,36%	12,36%	12,36%	12,36%	12,36%	12,36%	12,36%	12,36%
Other operating assets	1 234	1 596	2 028	1 919	2 807	3 297	3 437	3 697	3 697	3 956	4 351	4 873	5 361	5 790	6 137	6 475
% of Revenue	7,98%	8,65%	9,12%	9,05%	9,09%	8,53%	N.A.	N.A.	8,73%	8,73%	8,73%	8,73%	8,73%	8,73%	8,73%	8,73%
Other current liabilities	3 539	4 262	4 719	4 885	6 800	7 731	8 232	9 030	9 030	9 981	10 932	12 190	13 292	14 355	15 217	16 054
% of Operating Expenses	35,75%	36,28%	36,20%	40,88%	42,74%	37,70%	N.A.	N.A.	38,26%	38,26%	38,26%	38,26%	38,26%	38,26%	38,26%	38,26%
<b>Perfumes &amp; Cosmetics</b>	<b>36</b>	<b>128</b>	<b>27</b>	<b>(271)</b>	<b>(658)</b>	<b>(427)</b>	<b>98</b>	<b>(288)</b>	<b>(288)</b>	<b>(411)</b>	<b>(419)</b>	<b>(427)</b>	<b>(408)</b>	<b>(382)</b>	<b>(384)</b>	<b>(385)</b>
Change in NWC		92	(101)	(298)	(387)	231	525	(386)	(123)	(9)	(8)	19	26	(3)	(0)	
Inventories	634	842	830	742	831	1 033	1 219	1 040	1 040	1 082	1 155	1 233	1 305	1 367	1 419	1 466
% of Revenue	11,40%	13,82%	12,14%	14,14%	12,58%	13,38%	N.A.	N.A.	12,91%	12,91%	12,91%	12,91%	12,91%	12,91%	12,91%	12,91%
Other operating assets	1 108	1 401	1 518	1 151	1 281	1 493	1 486	1 689	1 689	1 756	1 876	2 003	2 119	2 221	2 305	2 381
% of Revenue	19,93%	23,00%	22,21%	21,93%	19,39%	19,33%	N.A.	N.A.	20,96%	20,96%	20,96%	20,96%	20,96%	20,96%	20,96%	20,96%
Other current liabilities	1 706	2 115	2 321	2 164	2 770	2 953	2 607	3 017	3 017	3 249	3 450	3 663	3 832	3 970	4 108	4 231
% of Operating Expenses	36,25%	41,14%	40,57%	45,96%	50,54%	44,86%	N.A.	N.A.	43,22%	43,22%	43,22%	43,22%	43,22%	43,22%	43,22%	43,22%
<b>Watches &amp; Jewelry</b>	<b>1 123</b>	<b>1 255</b>	<b>1 517</b>	<b>1 061</b>	<b>2 887</b>	<b>4 188</b>	<b>5 027</b>	<b>3 899</b>	<b>3 899</b>	<b>4 073</b>	<b>4 369</b>	<b>4 806</b>	<b>5 275</b>	<b>5 764</b>	<b>6 269</b>	<b>6 802</b>
Change in NWC		132	262	(456)	1 826	1 301	839	(1 128)	174	296	437	469	489	505	533	
Inventories	1 420	1 609	1 823	1 641	3 949	5 051	5 774	4 981	4 981	5 231	5 597	6 141	6 707	7 291	7 890	8 519
% of Revenue	37,32%	39,02%	41,38%	48,90%	44,05%	47,74%	N.A.	N.A.	45,90%	45,90%	45,90%	45,90%	45,90%	45,90%	45,90%	45,90%
Other operating assets	598	721	740	672	1 409	1 720	1 693	1 735	1 735	1 822	1 950	2 139	2 336	2 540	2 748	2 967
% of Revenue	15,72%	17,49%	16,80%	20,02%	15,72%	16,26%	N.A.	N.A.	15,99%	15,99%	15,99%	15,99%	15,99%	15,99%	15,99%	15,99%
Other current liabilities	895	1 075	1 046	1 252	2 471	2 583	2 440	2 818	2 818	2 980	3 177	3 474	3 767	4 067	4 370	4 685
% of Operating Expenses	29,64%	33,79%	32,77%	48,55%	38,46%	34,12%	N.A.	N.A.	36,29%	36,29%	36,29%	36,29%	36,29%	36,29%	36,29%	36,29%
<b>Selective Retailing</b>	<b>117</b>	<b>397</b>	<b>648</b>	<b>469</b>	<b>107</b>	<b>(71)</b>	<b>290</b>	<b>444</b>	<b>444</b>	<b>469</b>	<b>506</b>	<b>548</b>	<b>612</b>	<b>648</b>	<b>684</b>	<b>720</b>
Change in NWC		280	251	(179)	(362)	(178)	361	154	24	37	42	64	37	36	36	
Inventories	2 111	2 532	2 691	2 111	2 410	2 805	3 147	3 141	3 141	3 273	3 486	3 730	3 972	4 210	4 442	4 675
% of Revenue	15,86%	18,55%	18,19%	20,79%	20,50%	18,89%	N.A.	N.A.	18,80%	18,80%	18,80%	18,80%	18,80%	18,80%	18,80%	18,80%
Other operating assets	845	870	895	696	747	775	773	1 036	1 036	1 080	1 150	1 230	1 310	1 389	1 465	1 542
% of Revenue	6,35%	6,38%	6,05%	6,85%	6,36%	5,22%	N.A.	N.A.	6,20%	6,20%	6,20%	6,20%	6,20%	6,20%	6,20%	6,20%
Other current liabilities	2 839	3 005	2 938	2 338	3 050	3 651	3 630	3 733	3 733	3 883	4 130	4 412	4 671	4 951	5 223	5 497
% of Operating Expenses	24,21%	25,46%	24,51%	26,54%	31,06%	28,89%	N.A.	N.A.	26,78%	26,78%	26,78%	26,78%	26,78%	26,78%	26,78%	26,78%

Source: Own elaboration

## 4.1.7 Free Cash Flow to the Firm

FCFF was computed by first adding D&A to Profit from recurring operations \* (1 – Tax Rate) (estimated tax rate will be addressed in a following chapter) and, lastly, by subtracting both CAPEX and changes in Net Working Capital.

Figure 50: Free Cash Flow to the Firm - Optimistic Scenario

FCFF	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>																
Profit from recurring operations	1 558	1 629	1 729	1 388	1 863	2 155	1 046	1 452	2 498	2 613	2 826	3 053	3 294	3 530	3 766	3 999
Tax Rate																
Profit from rec. oper. * (1 - Tax Rate)	1 130	1 201	1 255	934	1 375	1 580	774	1 075	1 849	1 934	2 091	2 260	2 437	2 612	2 787	2 959
Depreciations and Amortizations	158	162	191	254	228	261	123	166	289	314	340	364	390	416	444	472
CAPEX		173	1 856	588	3 242	(1 228)	851	459	1 310	1 429	1 546	1 668	1 798	1 926	2 055	2 182
Changes in NWC		320	298	100	294	373	514	944	1 458	658	698	731	773	765	766	761
<b>FCFF</b>	<b>1 288</b>	<b>870</b>	<b>(708)</b>	<b>500</b>	<b>(1 933)</b>	<b>2 696</b>	<b>(468)</b>	<b>(162)</b>	<b>(630)</b>	<b>161</b>	<b>188</b>	<b>225</b>	<b>256</b>	<b>337</b>	<b>409</b>	<b>488</b>
<b>Fashion &amp; Leather Goods</b>																
Profit from recurring operations	4 905	5 943	7 344	7 188	12 842	15 710	8 562	9 465	18 027	20 327	22 894	25 393	27 585	30 176	32 836	35 543
Tax Rate																
Profit from rec. oper. * (1 - Tax Rate)	3 556	4 380	5 332	4 838	9 477	11 515	6 336	7 004	13 340	15 042	16 941	18 791	20 413	22 331	24 299	26 302
Depreciations and Amortizations	669	764	1 856	2 069	2 142	2 430	1 240	1 317	2 557	2 730	2 929	3 013	3 093	3 168	3 233	3 287
CAPEX		1 016	1 023	631	1 714	2 263	678	1 455	2 133	2 453	2 747	3 022	3 264	3 509	3 754	3 998
Changes in NWC		119	495	(433)	(379)	978	284	(397)	(113)	(199)	6	5	5	145	164	184
<b>FCFF</b>	<b>4 225</b>	<b>4 009</b>	<b>5 670</b>	<b>6 709</b>	<b>10 284</b>	<b>10 704</b>	<b>6 614</b>	<b>7 263</b>	<b>13 877</b>	<b>15 517</b>	<b>17 118</b>	<b>18 776</b>	<b>20 237</b>	<b>21 845</b>	<b>23 613</b>	<b>25 407</b>
<b>Perfumes &amp; Cosmetics</b>																
Profit from recurring operations	600	676	683	80	684	659	446	421	867	794	906	1 038	1 167	1 289	1 404	1 518
Tax Rate																
Profit from rec. oper. * (1 - Tax Rate)	435	498	496	54	505	483	330	312	642	588	670	768	863	954	1 039	1 124
Depreciations and Amortizations	254	275	431	460	443	481	236	370	606	642	687	728	774	823	875	929
CAPEX		471	381	190	414	687	159	389	548	608	674	747	821	894	964	1 035
Changes in NWC		92	(101)	(298)	(387)	231	525	(274)	251	(104)	(31)	(34)	(34)	(34)	(32)	(33)
<b>FCFF</b>	<b>689</b>	<b>210</b>	<b>647</b>	<b>622</b>	<b>921</b>	<b>46</b>	<b>(118)</b>	<b>567</b>	<b>449</b>	<b>726</b>	<b>714</b>	<b>783</b>	<b>850</b>	<b>917</b>	<b>982</b>	<b>1 050</b>
<b>Watches &amp; Jewelry</b>																
Profit from recurring operations	512	703	736	302	1 680	2 017	1 089	1 222	2 311	2 505	2 819	3 238	3 677	4 147	4 648	5 182
Tax Rate																
Profit from rec. oper. * (1 - Tax Rate)	371	518	534	203	1 240	1 478	806	904	1 710	1 854	2 086	2 396	2 721	3 069	3 440	3 835
Depreciations and Amortizations	273	239	477	475	859	994	496	522	1 018	1 045	1 076	1 073	1 072	1 073	1 076	1 079
CAPEX		385	213	217	15 576	1 614	120	922	1 042	1 143	1 254	1 376	1 502	1 637	1 780	1 931
Changes in NWC		132	262	(456)	1 826	1 301	839	(902)	(63)	364	436	492	514	548	582	617
<b>FCFF</b>	<b>644</b>	<b>240</b>	<b>536</b>	<b>917</b>	<b>(15 303)</b>	<b>(443)</b>	<b>343</b>	<b>1 407</b>	<b>1 750</b>	<b>1 392</b>	<b>1 472</b>	<b>1 601</b>	<b>1 777</b>	<b>1 957</b>	<b>2 153</b>	<b>2 366</b>
<b>Selective Retailing</b>																
Profit from recurring operations	1 075	1 382	1 396	(203)	534	788	734	755	1 489	2 166	2 554	3 020	3 445	3 826	4 222	4 634
Tax Rate																
Profit from rec. oper. * (1 - Tax Rate)	779	1 019	1 013	(137)	394	578	543	559	1 102	1 603	1 890	2 235	2 549	2 831	3 124	3 429
Depreciations and Amortizations	510	463	1 408	1 549	1 399	1 427	662	827	1 489	1 532	1 590	1 587	1 588	1 591	1 595	1 599
CAPEX		661	678	95	702	826	102	629	731	813	887	962	1 037	1 117	1 199	1 285
Changes in NWC		280	251	(179)	(362)	(178)	361	195	556	158	87	92	82	69	72	75
<b>FCFF</b>	<b>1 289</b>	<b>541</b>	<b>1 492</b>	<b>1 496</b>	<b>1 453</b>	<b>1 357</b>	<b>742</b>	<b>561</b>	<b>1 304</b>	<b>2 164</b>	<b>2 505</b>	<b>2 768</b>	<b>3 018</b>	<b>3 237</b>	<b>3 449</b>	<b>3 668</b>

Source: Own elaboration

Figure 51: Free Cash Flow to the Firm - Base Scenario

FCFF	(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023F	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Wines &amp; Spirits</b>																	
Profit from recurring operations		1 558	1 629	1 729	1 388	1 863	2 155	1 046	929	1 975	1 950	2 038	2 153	2 290	2 394	2 497	2 600
Tax Rate																	
Profit from rec. oper. * (1 - Tax Rate)		1 130	1 201	1 255	934	1 375	1 580	774	687	1 461	1 443	1 508	1 593	1 695	1 771	1 848	1 924
Depreciations and Amortizations		158	162	191	254	228	261	123	162	285	304	324	340	356	372	389	406
CAPEX			173	1 856	588	3 242	(1 228)	851	260	1 111	1 153	1 199	1 256	1 314	1 374	1 434	1 493
Changes in NWC			320	298	100	294	373	514	(299)	215	203	281	348	364	355	355	354
<b>FCFF</b>		<b>1 288</b>	<b>870</b>	<b>(708)</b>	<b>500</b>	<b>(1 933)</b>	<b>2 696</b>	<b>(468)</b>	<b>888</b>	<b>420</b>	<b>391</b>	<b>351</b>	<b>329</b>	<b>372</b>	<b>414</b>	<b>448</b>	<b>483</b>
<b>Fashion &amp; Leather Goods</b>																	
Profit from recurring operations		4 905	5 943	7 344	7 188	12 842	15 710	8 562	7 612	16 174	16 511	18 396	21 032	23 676	25 752	27 434	29 080
Tax Rate																	
Profit from rec. oper. * (1 - Tax Rate)		3 556	4 380	5 332	4 838	9 477	11 515	6 336	5 633	11 969	12 218	13 613	15 564	17 520	19 057	20 301	21 519
Depreciations and Amortizations		669	764	1 856	2 069	2 142	2 430	1 240	1 305	2 545	2 685	2 844	2 896	2 952	3 006	3 050	3 081
CAPEX			1 016	1 023	631	1 714	2 263	678	1 354	2 032	2 174	2 391	2 678	2 946	3 182	3 372	3 558
Changes in NWC			119	495	(433)	(379)	978	284	(747)	(463)	(326)	5	2	75	(28)	(23)	(22)
<b>FCFF</b>		<b>4 225</b>	<b>4 009</b>	<b>5 670</b>	<b>6 709</b>	<b>10 284</b>	<b>10 704</b>	<b>6 614</b>	<b>6 332</b>	<b>12 946</b>	<b>13 056</b>	<b>14 061</b>	<b>15 780</b>	<b>17 452</b>	<b>18 909</b>	<b>20 001</b>	<b>21 064</b>
<b>Perfumes &amp; Cosmetics</b>																	
Profit from recurring operations		600	676	683	80	684	659	446	33	479	242	319	414	557	701	762	821
Tax Rate																	
Profit from rec. oper. * (1 - Tax Rate)		435	498	496	54	505	483	330	24	354	179	236	306	412	519	564	608
Depreciations and Amortizations		254	275	431	460	443	481	236	362	598	620	646	665	686	706	726	745
CAPEX			471	381	190	414	687	159	349	508	528	564	602	637	667	693	716
Changes in NWC			92	(101)	(298)	(387)	231	525	(386)	139	(123)	(9)	(8)	19	26	(3)	(0)
<b>FCFF</b>		<b>689</b>	<b>210</b>	<b>647</b>	<b>622</b>	<b>921</b>	<b>46</b>	<b>(118)</b>	<b>423</b>	<b>305</b>	<b>394</b>	<b>327</b>	<b>377</b>	<b>442</b>	<b>532</b>	<b>600</b>	<b>637</b>
<b>Watches &amp; Jewelry</b>																	
Profit from recurring operations		512	703	736	302	1 680	2 017	1 089	984	2 073	2 148	2 376	2 752	3 183	3 636	4 110	4 616
Tax Rate																	
Profit from rec. oper. * (1 - Tax Rate)		371	518	534	203	1 240	1 478	806	728	1 534	1 589	1 758	2 037	2 355	2 690	3 041	3 416
Depreciations and Amortizations		273	239	477	475	859	994	496	520	1 016	1 038	1 063	1 055	1 049	1 044	1 040	1 037
CAPEX			385	213	217	15 576	1 614	120	872	992	1 042	1 114	1 223	1 335	1 452	1 571	1 696
Changes in NWC			132	262	(456)	1 826	1 301	839	(1 128)	(289)	174	296	437	469	489	505	533
<b>FCFF</b>		<b>644</b>	<b>240</b>	<b>536</b>	<b>917</b>	<b>(15 303)</b>	<b>(443)</b>	<b>343</b>	<b>1 504</b>	<b>1 847</b>	<b>1 412</b>	<b>1 411</b>	<b>1 432</b>	<b>1 599</b>	<b>1 794</b>	<b>2 005</b>	<b>2 224</b>
<b>Selective Retailing</b>																	
Profit from recurring operations		1 075	1 382	1 396	(203)	534	788	734	557	1 291	1 406	1 586	1 857	2 204	2 446	2 681	2 919
Tax Rate																	
Profit from rec. oper. * (1 - Tax Rate)		779	1 019	1 013	(137)	394	578	543	412	955	1 041	1 174	1 374	1 631	1 810	1 984	2 160
Depreciations and Amortizations		510	463	1 408	1 549	1 399	1 427	662	818	1 480	1 503	1 535	1 508	1 485	1 465	1 444	1 423
CAPEX			661	678	95	702	826	102	594	696	725	772	827	880	933	984	1 036
Changes in NWC			280	251	(179)	(362)	(178)	361	154	515	24	37	42	64	37	36	36
<b>FCFF</b>		<b>1 289</b>	<b>541</b>	<b>1 492</b>	<b>1 496</b>	<b>1 453</b>	<b>1 357</b>	<b>742</b>	<b>482</b>	<b>1 224</b>	<b>1 794</b>	<b>1 900</b>	<b>2 013</b>	<b>2 172</b>	<b>2 305</b>	<b>2 408</b>	<b>2 511</b>

Source: Own elaboration

#### 4.1.8 Financial Statements Forecast

To fully forecast the group's financial statements (Appendix 20 – 25), it was necessary to make assumptions regarding other items that were, up until this point, not considered in the valuation process.

The **Net profit attributable to minority interests** was assumed to be 4,77% of the Net profit before minority interests (the same percentage as dividends attributable to minority interests' shareholders), in both scenarios, as this was the average percentage of the minority interests in relation to the net profit before minority interests, in the last two years.

The **income tax rate** assumed to compute the group's overall income taxes and, consequently, the remaining of the Income Statement, was the one that resulted from the aggregated results. It was computed by dividing the group's overall after-tax Profit from recurring operations by the pre-tax Profit from recurring operations and then subtracting one, for every year and for both scenarios.

Regarding the **dividends** that the firm would pay every year, for the Optimistic Scenario, it was assumed that the company would pay a €15 dividend per share, every year (in which 4,77% of the total dividends would be paid for minority interests' shareholders). For the Base Scenario, it was assumed that the company would pay just a €12 dividend per share, every year (with the same 4,77% belonging to minority interests' shareholders), due to the worse performance relatively to the Optimistic Scenario.

LVMH has a **share buyback program** that aims to repurchase its own shares, every year. In the Optimistic Scenario, it was assumed that the group would acquire €1,5 billion in shares every year, at a €1000 price per share (corresponding to the retirement of 1,5 million shares, every year). In the Base Scenario, the company would acquire just €1 billion in shares, every year, but at a €666,67 price per share (retiring the same 1,5 million shares, every year).

The group's **tangible and intangible assets** were aggregated before being inserted in the Balance Sheet, and that value was computed, for every year and for both scenarios, by adding CAPEX and subtracting D&A to the previous year's value.

For both **short-term and long-term borrowings**, a debt structure plan was made, in which the bonds' maturities were taken into consideration and it was assumed that bonds would be repaid

at maturity, with no bond issue occurring during the period. For the **long-term** non-bond items included in borrowings, it was assumed that they would go from €194 million, in 2022, to 0, in 2023, remaining at that level until the end of the explicit period. For the **short-term** non-bond items, it was assumed that commercial paper would go down to €7 billion (from €7,25 billion, in 2022), then decreasing by €1 billion every year and that other short-term borrowings would be €200 million every year.

The **interest** of the borrowings was computed for each period by multiplying the group's cost of debt by the total borrowings of the period.

Figure 52: Debt Structure Plan - Borrowings

Borrowings	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029	31.12.2030
<b>LT</b>									
Bonds	10 185	10 754	8 268	7 018	6 027	4 277	3 277	3 277	1 777
Borrowings	194	0	0	0	0	0	0	0	0
	<u>10 379</u>	<u>10 754</u>	<u>8 268</u>	<u>7 018</u>	<u>6 027</u>	<u>4 277</u>	<u>3 277</u>	<u>3 277</u>	<u>1 777</u>
<b>ST</b>									
Bonds	1 486	2 684	2 500	1 250	991	1 750	1000	0	1500
CPaper	7 247	7 000	6 000	5 000	4 000	3 000	2 000	1 000	0
Borrowings	627	200	200	200	200	200	200	200	200
	<u>9 360</u>	<u>9 884</u>	<u>8 700</u>	<u>6 450</u>	<u>5 191</u>	<u>4 950</u>	<u>3 200</u>	<u>1 200</u>	<u>1 700</u>
Total	<u>19 739</u>	<u>20 638</u>	<u>16 968</u>	<u>13 468</u>	<u>11 218</u>	<u>9 227</u>	<u>6 477</u>	<u>4 477</u>	<u>3 477</u>
Interest		750	616	489	408	335	235	163	126

Source: Own elaboration

Regarding the **lease liabilities**, it was assumed that €2 billion of lease liabilities would be repaid, and that there would be an increase of €1 billion in new leases, every year. The **interest** of the lease liabilities was computed, for every period, by multiplying the average interest in percentage of total leases since 2019 (1,78%) by the total lease liabilities amount in that period.

Figure 53: Debt Structure Plan - Leasings

Leasings	31.12.2022	Increase	Repayment	31.12.2023	Increase	Amortization	31.12.2024	Increase	Amortization	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029	31.12.2030
LT	12 776	1 517	2 632	11 661	1000	2000	10 661	1000	2000	9 661	8 661	7 661	6 661	5 661	4 661
ST	2 632	0	0	2 632	0	0	2 632	0	0	2 632	2 632	2 632	2 632	2 632	2 632
	<u>15 408</u>	<u>1 517</u>	<u>2 632</u>	<u>14 293</u>	<u>1 000</u>	<u>2 000</u>	<u>13 293</u>	<u>1 000</u>	<u>2 000</u>	<u>12 293</u>	<u>11 293</u>	<u>10 293</u>	<u>9 293</u>	<u>8 293</u>	<u>7 293</u>
Interest				254			237			219	201	183	165	148	130

Source: Own elaboration

The remaining Balance Sheet items (Investments in joint venture and associates, Non-current available for sale financial assets, etc.) were assumed to remain at the same level as in 2022, as they are residual or irrelevant to the group's operations.

## 4.2 Weighted Average Cost of Capital (WACC)

To arrive at every segment's enterprise value, it was necessary to compute a different WACC for each one. This reflects the different risks and growth stages of each segment.

### 4.2.1 Peer Groups

For each group's segment it was selected a peer group, which will be further used in both the WACC calculation and in the Relative Valuation. Originally, a few companies belonging to the same sector as the corresponding LVMH's segment were selected. After the application of some selection criteria (mainly based on the comparables' profitability and growth, measured by their Operating Margin, in their last available year, and by their Revenue growth, in the last 5 years, respectively), the final peer group for each segment was chosen by excluding companies with different profitability and growth stage, within each segment (Appendix 26 for the peer list, with the chosen peers highlighted in grey).

### 4.2.2 Market Value of Equity and Debt

The group does not disclose neither debt nor equity by segment and so, the same capital structure was assumed for every segment.

The market value of equity was easily extracted from Refinitiv (**€351,03 billion**, as December 1<sup>st</sup>, 2023) whereas the market value of debt was not as direct. The list of outstanding bonds was also extracted from Refinitiv (accounting for a market value of €12,71 billion, computed by multiplying the outstanding amount of bonds by the price of each bond, as of December 1<sup>st</sup>, 2023), Appendix 27, but the company also has other debt items which are not listed.

For every short-term debt item, it was assumed that their book value corresponded to the market value (Current Bank Borrowings, Euro- and US Dollar- Commercial Paper, etc.). For the long-term Bank borrowings, since LVMH does not publish information about its loans and since this value is residual (€199 million in a **€35,11 billion** total), it was also assumed that its book value corresponded to the market value. Lease liabilities were also added, and no adjustments were made as they already are recognized at present value of future lease payments.

### 4.2.3 Cost of Equity

Since the method used to determine the cost of equity was the CAPM model, it was necessary to determine the risk-free rate, each segment's beta and the market risk premium.

The risk-free rate, in the Eurozone, typically corresponds to the rate of a Germany's government bond. In this valuation it was used the rate of a Germany 10 Year Government Bond, on December 1<sup>st</sup>, 2023, corresponding to 2,36%, (Refinitiv Eikon, 2023).

First, the effective tax rate (26,00%, disclosed by (LVMH, 2023)) was considered in every segment, as it already reflects all the nominal and effective tax rates that LVMH pays around the world (as well as the different fiscal rules).

Then, to compute each segment's beta, it was necessary to extract the peers' betas from (Refinitiv Eikon, 2023). Each peer's beta was deleveraged using its own debt-to-equity ratio and effective tax rate and, at the end, an average of the unlevered betas of each segment's peers was done to arrive at the segment's unlevered beta. Once the unlevered beta was computed, the leveraging process was done for each LVMH's segment, by using its own (market) debt-to-equity ratio and each segment's estimated tax rate, (Appendix 28).

Since all segment operations are different across geographies, it was necessary to compute a specific equity risk premium for each segment. The main countries of each region were selected (except for France, USA and Japan) and the corresponding equity risk premium were extracted (Damodaran, Country Default Spreads and Risk Premiums, 2023). An average of this countries' equity risk premiums (within regions) was done followed by a weighted average of the region's equity risk premiums using the 2023's first semester sales as weights again, (Appendix 29).

Figure 54: Equity Risk Premium by Segment

Regions	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing	Equity Risk Premium
France	6%	7%	9%	3%	10%	5,75%
Europe (excluding France)	19%	17%	19%	14%	8%	6,33%
USA	34%	17%	19%	23%	45%	5,00%
Japan	5%	9%	5%	10%	1%	6,07%
Asia (excluding Japan)	23%	41%	34%	37%	18%	7,09%
Other markets	13%	9%	14%	13%	18%	9,92%
<b>Segment's Equity Risk Premium</b>	<b>6,47%</b>	<b>6,68%</b>	<b>6,78%</b>	<b>6,73%</b>	<b>6,45%</b>	

Source: Own elaboration and (Damodaran, Country Default Spreads and Risk Premiums, 2023)

With all the cost of equity components already computed, it was possible to compute the cost of equity for each segment.

Figure 55: Cost of Equity by Segment

	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing
Risk-Free Rate	2,36%	2,36%	2,36%	2,36%	2,36%
Segment's Levered Beta	0,55	0,80	0,59	1,09	0,77
Market Risk Premium	6,47%	6,68%	6,78%	6,73%	6,45%
<b>Cost of Equity</b>	<b>5,90%</b>	<b>7,71%</b>	<b>6,36%</b>	<b>9,72%</b>	<b>7,35%</b>

Source: Own elaboration

#### 4.2.4 Cost of Debt

Since the group does not disclose debt by segment, the same cost of debt was assumed for every segment.

LVMH has twelve bonds outstanding, trading in the market, accounting for a total market value of €12,71 billion. A weighted average of the yields-to-maturity was done (with the percentage of each bond's market value in relation to the total market value of the outstanding bonds as weights) to reach the cost of debt of the firm (**3,63%**), (Appendix 27).

Some of the bonds were not issued in Euros and, to adjust their yields-to-maturity, the following formula had to be applied to arrive at the Euro yield-to-maturity of each non-euro issued bond.

$$EUR\ YTM = (1 + US/GBP\ YTM) + \frac{(1 + average\ expected\ inflation\ Eurozone)}{(1 + US/UK\ average\ expected\ inflation)} - 1$$

Source: (Damodaran, Session 12: Currencies & Exchange Rates, 2020)

#### 4.2.5 WACC by Segment

After arriving at both the cost of equity, cost of debt, market value of debt and equity and at the corporate tax rate of each segment, it was possible to compute the segments' WACCs.

Figure 56: WACC by Segment

	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing
Market Value of Debt (€ M)	35 107	35 107	35 107	35 107	35 107
Market Value of Equity (€ M)	351 032	351 032	351 032	351 032	351 032
Cost of Debt	3,63%	3,63%	3,63%	3,63%	3,63%
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%
Cost of Equity	5,90%	7,71%	6,36%	9,72%	7,35%
<b>WACC</b>	<b>5,61%</b>	<b>7,25%</b>	<b>6,02%</b>	<b>9,08%</b>	<b>6,93%</b>

Source: Own elaboration

### 4.3 Terminal Value

By 2030, it is assumed that the group will not be making any more acquisitions, and its cost structure (visible in the previous sections) will be stable, as well as the firm's profitability and efficiency. Despite the group's CAPEX being higher than D&A (Appendix 24 and 25), the group, by 2030, is considered to be in steady state, since this high CAPEX amount is necessary to maintain a certain market share (as it is the case of a market leader as LVMH) and to stay competitive in a highly evolving market as the luxury one. This difference is highly visible in the Wines & Spirits segment, as this is the segment with the highest asset tangibility that requires investment to maintain and improve.

Since the group has entered the steady state, it will be possible to use a perpetuity to compute the terminal value of the company through the usage of a perpetuity that will use a growth rate composed as the projected average inflation of the next seven years for Europe by (IMF, 2023), **(3,11%)**, for every segment.

Figure 57: Terminal Value by Segment - Optimistic Scenario

Terminal Value	
Wines & Spirits	20 133
Fashion & Leather Goods	632 943
Perfumes & Cosmetics	37 162
Watches & Jewelry	40 895
Selective Retailing	99 001

Source: Own elaboration

Figure 58: Terminal Value by Segment - Base Scenario

Terminal Value	
Wines & Spirits	19 959
Fashion & Leather Goods	524 743
Perfumes & Cosmetics	22 553
Watches & Jewelry	38 427
Selective Retailing	67 767

Source: Own elaboration

These terminal values will be discounted back to the present (31<sup>st</sup> December 2023), as well as the projected Free Cash Flows to the Firm.

## 4.4 Results

Once both the Free Cash Flow to the Firm (every year's value) and the Terminal Value were discounted at the WACC rate, it was possible to compute the Enterprise Value of each segment by adding the sum of the Present Value of the Free Cash Flows to the Firm and the Present Value of the Terminal Value, (Appendix 30 – 31).

Figure 59: Enterprise Value by Segment - Optimistic Scenario

Enterprise Value	
Wines & Spirits	15 345
Fashion & Leather Goods	494 150
Perfumes & Cosmetics	29 401
Watches & Jewelry	31 098
Selective Retailing	77 637

Source: Own elaboration

Figure 60: Enterprise Value by Segment - Base Scenario

Enterprise Value	
Wines & Spirits	15 855
Fashion & Leather Goods	411 266
Perfumes & Cosmetics	17 547
Watches & Jewelry	29 194
Selective Retailing	53 872

Source: Own elaboration

Since LVMH does not disclose either debt or equity by segment, the valuation process, from now on, had to be aggregated at the group's level.

To arrive at the **Equity value**, for both scenarios, it was necessary to subtract (from the enterprise value) the market value of debt (previously computed), the minority interests (computed as 2,88% of the total equity value pre-minority interests, as the book value of minority interests is also 2,88% of the total book value of equity), the investments in joint ventures and associates (as this item corresponds to a non-operational asset and it must be subtracted from the enterprise value) and non-current available for sale financial assets (for the same reasons as the previous item) and, finally, cash and cash equivalents at the end of the 2023 year were added.

Then, a weighted average of the two scenarios was calculated to reflect the probabilities of occurrence previously established (30% for the Optimistic Scenario and 70% for the Base Scenario).

Figure 61: DCF Conclusion

**LVMH - Total**

	Optimistic (30%)	Base (70%)	Weighted Average
<b>Enterprise Value</b>	<b>647 630</b>	<b>527 734</b>	<b>563 703</b>
Market Value of Debt	(35 107)	(35 107)	(35 107)
Cash and Cash Equivalents	17 695	17 688	17 690
Minority Interests	(18 088)	(14 634)	(15 670)
Investments in joint ventures and associates	(1 066)	(1 066)	(1 066)
Non-current available for sale financial assets	(1 109)	(1 109)	(1 109)
<b>Equity Value</b>	<b>609 956</b>	<b>493 506</b>	<b>528 441</b>
Shares Outstanding	502	502	502
<b>Price per Share €</b>	<b>1 215</b>	<b>983</b>	<b>1 053</b>
Price per Share € (December 15th 2023)	699,20		
<b>Upside</b>	<b>73,76%</b>	<b>40,59%</b>	<b>50,54%</b>

Source: Own elaboration

With these probabilities of occurrence, the intrinsic value of a LVMH share is estimated to be **1.053€**, which represents a 50,54% upside compared to the €699,20 price, as of December 1<sup>st</sup>, 2023.

## 4.5 Sensitivity Analysis

A sensitivity analysis is always a good way to identify the impact of some valuation inputs, be them the discount rate, the perpetuity growth rate or any other.

Since the Fashion & Leather Goods segment is clearly the biggest contributor to the group's overall enterprise value, it is important to perform a sensitivity analysis to this segment's main inputs (WACC and perpetuity growth rate).

The following table shows the different LVMH share prices for the different combination of this segment's WACCs and perpetuity growth rates.

Figure 62: Sensitivity Analysis - WACC and Growth Factor

		Fashion & Leather Goods' WACC						
		5,75%	6,25%	6,75%	7,25%	7,75%	8,25%	8,75%
Fashion & Leather Goods' Growth Factor	<b>1 053</b>							
	1,61%	1 001	997	994	990	987	984	980
	2,11%	1 018	1 014	1 011	1 007	1 004	1 000	997
	2,61%	1 038	1 034	1 031	1 027	1 024	1 021	1 017
	<b>3,11%</b>	1 063	1 060	1 056	<b>1 053</b>	1 049	1 046	1 043
	3,61%	1 096	1 092	1 088	1 085	1 081	1 078	1 075
	4,11%	1 138	1 134	1 131	1 127	1 124	1 120	1 117
	4,61%	1 196	1 193	1 189	1 186	1 182	1 179	1 176

Source: Own elaboration

## 4.6 Relative Valuation

It was opted to proceed with a separate relative valuation process for each segment. The impossibility to arrive at the equity value of each sector made the application of equity multiples not executable.

Two enterprise value multiples were used (Enterprise Value to EBITDA and Enterprise Value to Sales). The weighted averages of (with the probabilities of scenario occurrence as weights) 2024's EBITDA and Sales of each segment were considered and multiplied by the weighted average peer group's multiples (with each firm's market cap as weight), extracted from Refinitiv Eikon, as of December 1<sup>st</sup>, 2023, (Appendix 32), to arrive at the enterprise value of each segment. Then, to compute the equity value, since LVMH does not disclose neither debt nor equity by segment, the segments' enterprise values had to be summed to proceed with the subtraction of the group's market value of debt, minority interests, investments in joint ventures and associates, non-current available for sale financial assets and the addition of cash and cash equivalents.

The calculation of the share price using the **EV/EBITDA** multiple yielded a result of **€1.129**, which represents an upside of **61,47%**.

Figure 63: EV/EBITDA Relative Valuation

EV/EBITDA					
EV/EBITDA	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing
Peers' Average EV/EBITDA	14,39	22,59	20,74	22,15	3,97
Segment's Weighted 2024 EBITDA	2 456	20 354	1 034	3 295	3 146
<b>Enterprise Value</b>	<b>35 338</b>	<b>459 818</b>	<b>21 454</b>	<b>72 979</b>	<b>12 484</b>
<b>Sum of Segment's Enterprise Values</b>					
	<b>602 072</b>				
Market Value of Debt	(35 107)				
Cash and Cash Equivalents	17 690				
Minority Interests	(15 670)				
Investments in joint ventures and assoc	(1 066)				
Non-current available for sale financial	(1 109)				
<b>Equity Value</b>	<b>566 810</b>				
Shares Outstanding	502				
<b>Price per Share €</b>	<b>1 129</b>				
Price per Share € (November 13 2023)	699,20				
<b>Upside</b>	<b>61,47%</b>				

Source: Own elaboration and (Refinitiv Eikon, 2023)

The calculation of the share price using the **EV/Sales** multiple yielded a result of **€1.134**, which represents an upside of **62,15%**.

Figure 64: EV/Sales Relative Valuation

EV/Sales	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing
Peers' Average EV/Sales	4,57	10,25	4,65	3,54	,43
Segment's Weighted 2024 Sales	7 151	47 033	8 758	11 729	18 040
<b>Enterprise Value</b>	<b>32 703</b>	<b>481 855</b>	<b>40 700</b>	<b>41 525</b>	<b>7 670</b>

<b>Sum of Segment's Enterprise Values</b>	<b>604 453</b>
Market Value of Debt	(35 107)
Cash and Cash Equivalents	17 690
Minority Interests	(15 670)
Investments in joint ventures and assoc	(1 066)
Non-current available for sale financial	(1 109)
<b>Equity Value</b>	<b>569 192</b>
Shares Outstanding	502
<b>Price per Share €</b>	<b>1 134</b>
Price per Share € (November 13 2023)	699,20
<b>Upside</b>	<b>62,15%</b>

Source: Own elaboration and (Refinitiv Eikon, 2023)

An average of the two valuations was done in order to conclude that relative valuation yielded an average share price of **€1.131** (close to the one that resulted from the DCF approach, 1.053€), which represents an average upside of **61,81%**.

## 5 Comparison with Morgan Stanley Equity Report

In this chapter, the results will be compared with the ones obtained by Morgan Stanley (“MS”) in a report originally published on June 29<sup>th</sup> but then updated on July 25<sup>th</sup>, 2023, reflecting the first semester results’ disclosure.

The MS’s report sets a share price target of **€1.020** with an “**Overweight**” stock rating (Morgan Stanley defines “Overweight” as “*The stock’s total return is expected to exceed the average total return of the analyst’s industry (or industry team’s) coverage universe, on a risk-adjusted basis, over the next 12-18 months*”), €33 below the DCF price target result of this dissertation.

A DCF methodology was also applied by MS, with the justification that it would “*be the best method to reflect LVMH’s margin potential and cash flow*”, (Morgan Stanley, 2023) but MS chose not to perform a disaggregated valuation, instead valuing the group as a whole (despite disclosing both revenue and margins by segment).

MS forecasted LVMH’s global revenue to be €86,92 billion, €93,29 billion and €100,11 billion in 2023, 2024 and 2025, respectively, whereas this dissertation’s forecasts are €85,96 billion, €92,71 billion and €101,08 billion (slightly below for 2023 and 2024 and slightly above for 2025). Revenue by segment was only disclosed for 2023 and results were, again, very similar.

Figure 65: Revenue Comparison - 2023

Revenue (Millions)	MS	Dissertation
Wines & Spirits	6 677	6 777
Fashion & Leather Goods	42 936	42 959
Perfumes & Cosmetics	8 395	8 249
Watches & Jewelry	11 314	11 017
Selective Retailing	17 335	16 961

Source: Own elaboration and (Morgan Stanley, 2023)

The group’s forecasted profit from recurring operations (by MS) is €23,47 billion, €25,57 billion and €27,77 billion in 2023, 2024 and 2025, respectively, whereas this dissertation forecasts these values as €22,95 billion, €24,10 billion and €26,90 billion (below MS values in every year). Again, by segment, and only for 2023, the results were quite similar (including its operating margins).

Figure 66: Profit from recurring operations and Operating Margin Comparison - 2023

(Millions)	MS	Dissertation
<b>Wines &amp; Spirits</b>	1 957	2 132
<i>Operating Margin</i>	29,31%	31,46%
<b>Fashion &amp; Leather Goods</b>	17 516	16 730
<i>Operating Margin</i>	40,80%	38,94%
<b>Perfumes &amp; Cosmetics</b>	768	595
<i>Operating Margin</i>	9,15%	7,22%
<b>Watches &amp; Jewelry</b>	2 168	2 144
<i>Operating Margin</i>	19,16%	19,46%
<b>Selective Retailing</b>	1 544	1 351
<i>Operating Margin</i>	8,91%	7,96%

Source: Own elaboration and (Morgan Stanley, 2023)

Regarding the WACC and the perpetuity growth rate, MS assumed a **WACC** of 7,70% (vs an average overall WACC of 7,28%, resulting from this dissertation's valuation) and a 2,80% **perpetuity growth rate** (vs this dissertation's overall 3,11% perpetuity growth rate).

As in the industry overview section, MS emphasizes that the industry's future will highly depend on both the Asian (China, specifically) and US market to keep increasing at a similar pace as in the past. A slowdown of these two economies is assumed as the main risk for LVMH and the whole luxury industry.

## 6 Conclusion and Investment Recommendation

This valuation aimed to attribute both a price target and an investment recommendation to the LVMH's stock and, after analyzing both the results of the DCF and the Relative Valuation approaches (and taking into consideration that the relative valuation was mainly done to compare its results to the DCF ones), this dissertation sets a **price target of €1.053**, representing an upside of 50,54% and suggesting a “**BUY**” investment recommendation.

One of the goals of performing a disaggregated valuation was to account for the different growth stages and risks of each segment. Analyzing not only the historical performance but also, and mainly, each business segment's forecasts and valuation makes it possible to ascertain that this type of valuation brought many advantages compared to an aggregated valuation (both WACCs and operating margins had big differences from segment to segment, as well as NWC that was also distinct, as, for example, Wines & Spirits has huge inventories compared to other segments, e.g.) and that it was the right choice to value a multi-sector businesses' group, such as LVMH.

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## 8 Appendix

### Appendix 1 – Profitability Ratios

Profitability Ratios	2017	2018	2019	2020	2021	2022
EBITDA Margin	23,98%	25,79%	29,85%	29,80%	34,89%	33,88%
Operating Margin	19,03%	21,09%	21,00%	17,85%	26,71%	26,52%
Profit Margin	13,70%	14,93%	14,50%	11,10%	19,77%	18,63%
ROE	19,23%	20,58%	20,28%	12,76%	25,96%	26,06%
ROA	8,37%	9,41%	8,06%	4,56%	10,13%	10,96%

Source: Own analysis

### Appendix 2 – Efficiency Ratios

Efficiency Ratios	2017	2018	2019	2020	2021	2022
Asset Turnover	0,61	0,63	0,56	0,41	0,51	0,59
Inventory Turnover	1,36	1,25	1,32	1,22	1,23	1,23
Accounts Receivable Turnover	15,58	14,53	15,56	16,20	16,96	18,60
Accounts Payable Turnover	3,26	2,94	3,12	3,11	2,87	2,84
Days' Receivable	23	25	23	23	22	20
Days' Payable	112	124	117	117	127	128
Days' Inventory	269	292	276	299	297	297
Cash Conversion Cycle	180	193	183	205	191	188

Source: Own analysis

### Appendix 3 – Liquidity Ratios

Liquidity Ratios	2017	2018	2019	2020	2021	2022
Current Ratio	1,41	1,40	1,17	1,58	1,23	1,26
Quick Ratio	0,68	0,66	0,57	1,06	0,63	0,62
Cash Ratio	0,25	0,27	0,25	0,79	0,29	0,23
Interest Coverage Ratio	137,51	25,46	20,17	13,11	-323,68	23,65

Source: Own analysis

### Appendix 4 – Solvency Ratios

Solvency Ratios	2017	2018	2019	2020	2021	2022
Debt to Equity	0,38	0,32	0,66	0,97	0,71	0,62
Debt to Capital	27,59%	24,52%	39,70%	49,15%	41,37%	38,31%
Net Debt to EBITDA	0,77	0,53	1,22	1,32	1,18	1,04

Source: Own analysis

### Appendix 5 – Sustainable Growth Ratios

Sustainable Growth	2017	2018	2019	2020	2021	2022
Divident Payout Ratio	29,52%	28,90%	29,88%	40,75%	27,61%	23,88%
Sustainable Growth Rate	13,55%	14,64%	14,22%	7,56%	18,94%	19,84%

Source: Own analysis

## Appendix 6 – Wines & Spirits Segment

### Wines & Spirits

(Millions)	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	<b>5 085</b>	<b>5 143</b>	<b>5 576</b>	<b>4 755</b>	<b>5 974</b>	<b>7 099</b>
<i>YoY%</i>	5,17%	1,14%	8,42%	-14,72%	25,64%	18,83%
Champagne & Wines	2 406	2 369	2 507	2 119	2 793	3 474
<i>YoY%</i>	5,16%	-1,54%	5,83%	-15,48%	31,81%	24,38%
Cognac & Spirits	2 679	2 774	3 069	2 636	3 181	3 625
<i>YoY%</i>	5,18%	3,55%	10,63%	-14,11%	20,68%	13,96%
<b>Sales Volume (millions of bottles)</b>	<b>218</b>	<b>216</b>	<b>222</b>	<b>205</b>	<b>242</b>	<b>246</b>
<i>YoY%</i>	3,71%	-1,05%	3,01%	-7,83%	17,96%	1,61%
Champagne and wines	109	103	104	94	118	127
<i>YoY%</i>	1,86%	-5,48%	0,58%	-9,42%	25,58%	7,69%
Cognac and Spirits	109	112	118	111	123	118
<i>YoY%</i>	5,64%	3,40%	5,25%	-6,42%	11,47%	-4,21%
<b>Average Price per Bottle</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>23</b>	<b>25</b>	<b>29</b>
<i>YoY%</i>	1,41%	2,22%	5,25%	-7,48%	6,51%	16,94%
Champagne and wines	22	23	24	22	24	27
<i>YoY%</i>	3,23%	4,18%	5,21%	-6,68%	4,96%	15,50%
Cognac and Spirits	25	25	26	24	26	31
<i>YoY%</i>	-0,43%	0,14%	5,12%	-8,21%	8,26%	18,97%
<b>Operating Expenses</b>	<b>3 369</b>	<b>3 352</b>	<b>3 656</b>	<b>3 113</b>	<b>3 883</b>	<b>4 683</b>
<i>YoY%</i>		-0,50%	9,07%	-14,85%	24,73%	20,60%
<b>EBITDA</b>	<b>1 716</b>	<b>1 791</b>	<b>1 920</b>	<b>1 642</b>	<b>2 091</b>	<b>2 416</b>
<i>EBITDA Margin</i>	33,75%	34,82%	34,43%	34,53%	35,00%	34,03%
<i>YoY%</i>		4,37%	7,20%	-14,48%	27,34%	15,54%
<b>Depreciations</b>	<b>158</b>	<b>162</b>	<b>191</b>	<b>254</b>	<b>228</b>	<b>261</b>
<i>% of Segment's Dep. and Amort. Assets</i>	1,75%	1,79%	1,76%	2,26%	1,60%	2,02%
<i>YoY%</i>		2,53%	17,90%	32,98%	-10,24%	14,47%
<b>Profit from Recurring Operations</b>	<b>1 558</b>	<b>1 629</b>	<b>1 729</b>	<b>1 388</b>	<b>1 863</b>	<b>2 155</b>
<i>Operating Margin</i>	30,64%	31,67%	31,01%	29,19%	31,19%	30,36%
<i>YoY%</i>		4,56%	6,14%	-19,72%	34,22%	15,67%
<b>Revenue by Geographic Region (%)</b>						
France	6%	6%	5%	5%	6%	6%
Europe (excluding France)	18%	19%	18%	18%	18%	18%
USA	32%	32%	33%	41%	38%	37%
Japan	6%	6%	7%	6%	5%	6%
Asia (excluding Japan)	22%	23%	24%	19%	21%	20%
Other markets	16%	14%	13%	11%	12%	13%
<b>Assets</b>						
Intangible assets and goodwill	6 277	6 157	7 582	7 860	10 688	8 861
<i>YoY%</i>		-1,91%	23,14%	3,67%	35,98%	-17,09%
Right-of-use assets	-	-	116	162	153	234
<i>YoY%</i>				39,66%	-5,56%	52,94%
Property, plant and equipment	2 740	2 871	3 142	3 232	3 450	3 822
<i>YoY%</i>		4,78%	9,44%	2,86%	6,75%	10,78%
<b>Segment's Dep. and Amort. Assets</b>	<b>9 017</b>	<b>9 028</b>	<b>10 840</b>	<b>11 254</b>	<b>14 291</b>	<b>12 917</b>
<i>YoY%</i>		0,12%	20,07%	3,82%	26,99%	-9,61%
Inventories	5 115	5 471	5 818	6 040	6 278	6 892
<i>YoY%</i>		6,96%	6,34%	3,82%	3,94%	9,78%
Other operating assets	1 449	1 449	1 547	1 306	1 597	1 674
<i>YoY%</i>		0,00%	6,76%	-15,58%	22,28%	4,82%
<b>Segment's Total Assets</b>	<b>15 581</b>	<b>15 948</b>	<b>18 205</b>	<b>18 600</b>	<b>22 166</b>	<b>21 483</b>
<i>YoY%</i>		2,36%	14,15%	2,17%	19,17%	-3,08%

Source: LVMH's information and own analysis

## Appendix 7 & 8 – Fashion & Leather Goods and Perfumes & Cosmetics Segments

### Fashion & Leather Goods

(Millions)	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	<b>15 472</b>	<b>18 455</b>	<b>22 237</b>	<b>21 207</b>	<b>30 896</b>	<b>38 648</b>
YoY%	21,11%	19,28%	20,49%	-4,63%	45,69%	25,09%
<b>Operating Expenses</b>	<b>9 898</b>	<b>11 748</b>	<b>13 037</b>	<b>11 950</b>	<b>15 912</b>	<b>20 508</b>
YoY%		18,69%	10,97%	-8,34%	33,15%	28,88%
<b>EBITDA</b>	<b>5 574</b>	<b>6 707</b>	<b>9 200</b>	<b>9 257</b>	<b>14 984</b>	<b>18 140</b>
EBITDA Margin	36,03%	36,34%	41,37%	43,65%	48,50%	46,94%
YoY%		20,33%	37,17%	0,62%	61,87%	21,06%
<b>Depreciations</b>	<b>669</b>	<b>764</b>	<b>1 856</b>	<b>2 069</b>	<b>2 142</b>	<b>2 431</b>
% of Segment's Dep. and Amort. Assets	3,97%	4,46%	8,19%	9,01%	8,63%	9,18%
YoY%		14,20%	142,93%	11,48%	3,53%	13,49%
<b>Profit from Recurring Operations</b>	<b>4 905</b>	<b>5 943</b>	<b>7 344</b>	<b>7 188</b>	<b>12 842</b>	<b>15 709</b>
Operating Margin	31,70%	32,20%	33,03%	33,89%	41,57%	40,65%
YoY%		21,16%	23,57%	-2,12%	78,66%	22,33%

### Revenue by Geographic Region (%)

France	9%	9%	8%	5%	5%	7%
Europe (excluding France)	24%	23%	23%	18%	16%	17%
USA	19%	18%	18%	19%	21%	21%
Japan	11%	11%	11%	10%	9%	9%
Asia (excluding Japan)	29%	31%	31%	39%	41%	36%
Other markets	8%	8%	9%	9%	8%	10%

### Assets

Intangible assets and goodwill	13 149	13 246	13 120	13 059	13 510	13 937
YoY%		0,74%	-0,95%	-0,46%	3,45%	3,16%
Right-of-use assets	-	-	5 239	5 736	6 755	7 138
YoY%			9,49%	17,76%	5,67%	
Property, plant and equipment	3 714	3 869	4 308	4 157	4 569	5 397
YoY%		4,17%	11,35%	-3,51%	9,91%	18,12%
<b>Segment's Dep. and Amort. Assets</b>	<b>16 863</b>	<b>17 115</b>	<b>22 667</b>	<b>22 952</b>	<b>24 834</b>	<b>26 472</b>
YoY%		1,49%	32,44%	1,26%	8,20%	6,60%
Inventories	1 884	2 364	2 884	2 726	3 374	4 793
YoY%		25,48%	22,00%	-5,48%	23,77%	42,06%
Other operating assets	1 234	1 596	2 028	1 919	2 807	3 297
YoY%		29,34%	27,07%	-5,37%	46,27%	17,46%
<b>Segment's Total Assets</b>	<b>19 981</b>	<b>21 075</b>	<b>27 579</b>	<b>27 597</b>	<b>31 015</b>	<b>34 562</b>
YoY%		5,48%	30,86%	0,07%	12,39%	11,44%

### Perfumes & Cosmetics

(Millions)	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	<b>5 560</b>	<b>6 092</b>	<b>6 835</b>	<b>5 248</b>	<b>6 608</b>	<b>7 722</b>
YoY%	12,26%	9,57%	12,20%	-23,22%	25,91%	16,86%
<b>Operating Expenses</b>	<b>4 706</b>	<b>5 141</b>	<b>5 721</b>	<b>4 708</b>	<b>5 481</b>	<b>6 582</b>
YoY%		9,24%	11,28%	-17,71%	16,42%	20,09%
<b>EBITDA</b>	<b>854</b>	<b>951</b>	<b>1 114</b>	<b>540</b>	<b>1 127</b>	<b>1 140</b>
EBITDA Margin	15,36%	15,61%	16,30%	10,29%	17,06%	14,76%
YoY%		11,36%	17,14%	-51,53%	108,70%	1,15%
<b>Depreciations</b>	<b>254</b>	<b>275</b>	<b>431</b>	<b>460</b>	<b>443</b>	<b>480</b>
% of Segment's Dep. and Amort. Assets	13,46%	13,20%	16,20%	18,03%	16,26%	15,09%
YoY%		8,27%	56,73%	6,73%	-3,70%	8,35%
<b>Profit from Recurring Operations</b>	<b>600</b>	<b>676</b>	<b>683</b>	<b>80</b>	<b>684</b>	<b>660</b>
Operating Margin	10,79%	11,10%	9,99%	1,52%	10,35%	8,55%
YoY%		12,67%	1,04%	-88,29%	755,00%	-3,51%

### Revenue by Geographic Region (%)

France	11%	11%	10%	9%	9%	9%
Europe (excluding France)	24%	22%	20%	18%	19%	20%
USA	17%	16%	15%	14%	16%	19%
Japan	5%	5%	5%	5%	4%	5%
Asia (excluding Japan)	30%	35%	40%	45%	42%	35%
Other markets	13%	11%	10%	9%	10%	12%

### Assets

Intangible assets and goodwill	1 280	1 406	1 401	1 340	1 417	1 696
YoY%		9,84%	-0,36%	-4,35%	5,75%	19,69%
Right-of-use assets	-	-	487	503	556	646
YoY%				3,29%	10,54%	16,19%
Property, plant and equipment	607	677	773	709	752	839
YoY%		11,53%	14,18%	-8,28%	6,06%	11,57%
<b>Segment's Dep. and Amort. Assets</b>	<b>1 887</b>	<b>2 083</b>	<b>2 661</b>	<b>2 552</b>	<b>2 725</b>	<b>3 181</b>
YoY%		10,39%	27,75%	-4,10%	6,78%	16,73%
Inventories	634	842	830	742	831	1 033
YoY%		32,81%	-1,43%	-10,60%	11,99%	24,31%
Other operating assets	1 108	1 401	1 518	1 151	1 281	1 493
YoY%		26,44%	8,35%	-24,18%	11,29%	16,55%
<b>Segment's Total Assets</b>	<b>3 629</b>	<b>4 326</b>	<b>5 009</b>	<b>4 445</b>	<b>4 837</b>	<b>5 707</b>
YoY%		19,21%	15,79%	-11,26%	8,82%	17,99%

Source: LVMH's information and own analysis

## Appendix 9 & 10 – Watches & Jewelry and Selective Retailing Segments

### Watches & Jewelry

(Millions)	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	<b>3 805</b>	<b>4 123</b>	<b>4 405</b>	<b>3 356</b>	<b>8 964</b>	<b>10 581</b>
YoY%	9,72%	8,36%	6,84%	-23,81%	167,10%	18,04%
<b>Operating Expenses</b>	<b>3 020</b>	<b>3 181</b>	<b>3 192</b>	<b>2 579</b>	<b>6 425</b>	<b>7 570</b>
YoY%		5,33%	0,35%	-19,20%	149,13%	17,82%
<b>EBITDA</b>	<b>785</b>	<b>942</b>	<b>1 213</b>	<b>777</b>	<b>2 539</b>	<b>3 011</b>
EBITDA Margin	20,63%	22,85%	27,54%	23,15%	28,32%	28,46%
YoY%		20,00%	28,77%	-35,94%	226,77%	18,59%
<b>Depreciations</b>	<b>273</b>	<b>239</b>	<b>477</b>	<b>475</b>	<b>860</b>	<b>994</b>
% of Segment's Dep. and Amort. Assets	4,39%	3,75%	6,34%	6,35%	3,68%	4,00%
YoY%		-12,45%	99,58%	-0,42%	81,05%	15,58%
<b>Profit from Recurring Operations</b>	<b>512</b>	<b>703</b>	<b>736</b>	<b>302</b>	<b>1 679</b>	<b>2 017</b>
Operating Margin	13,46%	17,05%	16,71%	9,00%	18,73%	19,06%
YoY%		37,30%	4,69%	-58,97%	455,96%	20,13%
<b>Revenue by Geographic Region (%)</b>						
France	6%	6%	5%	4%	2%	3%
Europe (excluding France)	25%	23%	23%	20%	15%	15%
USA	9%	9%	8%	8%	25%	26%
Japan	13%	12%	12%	12%	11%	11%
Asia (excluding Japan)	31%	35%	38%	43%	36%	32%
Other markets	16%	15%	14%	13%	11%	13%
<b>Assets</b>						
Intangible assets and goodwill	5 684	5 791	5 723	5 752	19 726	20 594
YoY%		1,88%	-1,17%	0,51%	242,94%	4,40%
Right-of-use assets	-	-	1 196	1 151	1 922	2 277
YoY%				-3,76%	66,99%	18,47%
Property, plant and equipment	537	576	610	577	1 730	2 005
YoY%		7,26%	5,90%	-5,41%	199,83%	15,90%
<b>Segment's Dep. and Amort. Assets</b>	<b>6 221</b>	<b>6 367</b>	<b>7 529</b>	<b>7 480</b>	<b>23 378</b>	<b>24 876</b>
YoY%		2,35%	18,25%	-0,65%	212,54%	6,41%
Inventories	1 420	1 609	1 823	1 641	3 949	5 051
YoY%		13,31%	13,30%	-9,98%	140,65%	27,91%
Other operating assets	598	721	740	672	1 409	1 720
YoY%		20,57%	2,64%	-9,19%	109,67%	22,07%
<b>Segment's Total Assets</b>	<b>8 239</b>	<b>8 697</b>	<b>10 092</b>	<b>9 793</b>	<b>28 736</b>	<b>31 647</b>
YoY%		5,56%	16,04%	-2,96%	193,43%	10,13%

### Selective Retailing

(Millions)	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	<b>13 311</b>	<b>13 646</b>	<b>14 791</b>	<b>10 155</b>	<b>11 754</b>	<b>14 852</b>
YoY%	11,18%	2,52%	8,39%	-31,34%	15,75%	26,36%
<b>Operating Expenses</b>	<b>11 726</b>	<b>11 801</b>	<b>11 987</b>	<b>8 809</b>	<b>9 821</b>	<b>12 637</b>
YoY%		0,64%	1,58%	-26,51%	11,49%	28,67%
<b>EBITDA</b>	<b>1 585</b>	<b>1 845</b>	<b>2 804</b>	<b>1 346</b>	<b>1 933</b>	<b>2 215</b>
EBITDA Margin	11,91%	13,52%	18,96%	13,25%	16,45%	14,91%
YoY%		16,40%	51,98%	-52,00%	43,61%	14,59%
<b>Depreciations</b>	<b>510</b>	<b>463</b>	<b>1 409</b>	<b>1 549</b>	<b>1 399</b>	<b>1 427</b>
% of Segment's Dep. and Amort. Assets	10,10%	8,82%	13,55%	16,18%	15,28%	14,89%
YoY%		-9,22%	204,32%	9,94%	-9,68%	2,00%
<b>Profit from Recurring Operations</b>	<b>1 075</b>	<b>1 382</b>	<b>1 395</b>	<b>(203)</b>	<b>534</b>	<b>788</b>
Operating Margin	8,08%	10,13%	9,43%	-2,00%	4,54%	5,31%
YoY%		28,56%	0,94%	-114,55%	-363,05%	47,57%
<b>Revenue by Geographic Region (%)</b>						
France	12%	12%	11%	13%	12%	12%
Europe (excluding France)	8%	9%	9%	9%	9%	9%
USA	39%	38%	37%	35%	39%	44%
Japan	1%	2%	2%	1%	0%	1%
Asia (excluding Japan)	28%	27%	27%	27%	24%	16%
Other markets	12%	12%	14%	15%	16%	18%
<b>Assets</b>						
Intangible assets and goodwill	3 348	3 430	3 470	3 153	3 348	3 609
YoY%		2,45%	1,17%	-9,14%	6,18%	7,80%
Right-of-use assets	-	-	5 012	4 699	4 142	4 284
YoY%				-6,25%	-11,85%	3,43%
Property, plant and equipment	1 701	1 817	1 919	1 723	1 667	1 688
YoY%		6,82%	5,61%	-10,21%	-3,25%	1,26%
<b>Segment's Dep. and Amort. Assets</b>	<b>5 049</b>	<b>5 247</b>	<b>10 401</b>	<b>9 575</b>	<b>9 157</b>	<b>9 581</b>
YoY%		3,92%	98,23%	-7,94%	-4,37%	4,63%
Inventories	2 111	2 532	2 691	2 111	2 410	2 805
YoY%		19,94%	6,28%	-21,55%	14,16%	16,39%
Other operating assets	845	870	895	696	747	775
YoY%		2,96%	2,87%	-22,23%	7,33%	3,75%
<b>Segment's Total Assets</b>	<b>8 005</b>	<b>8 649</b>	<b>13 987</b>	<b>12 382</b>	<b>12 314</b>	<b>13 161</b>
YoY%		8,04%	61,72%	-11,47%	-0,55%	6,88%

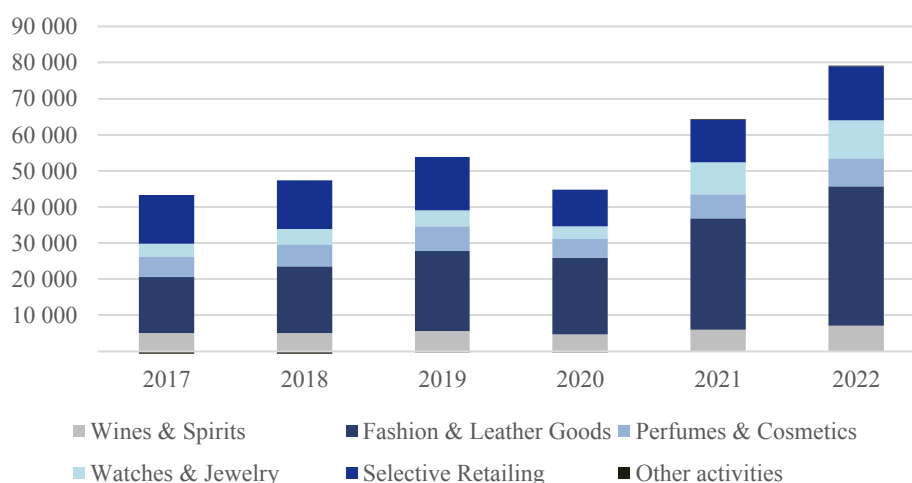
Source: LVMH's information and own analysis

## Appendix 11 – Revenue by Segment

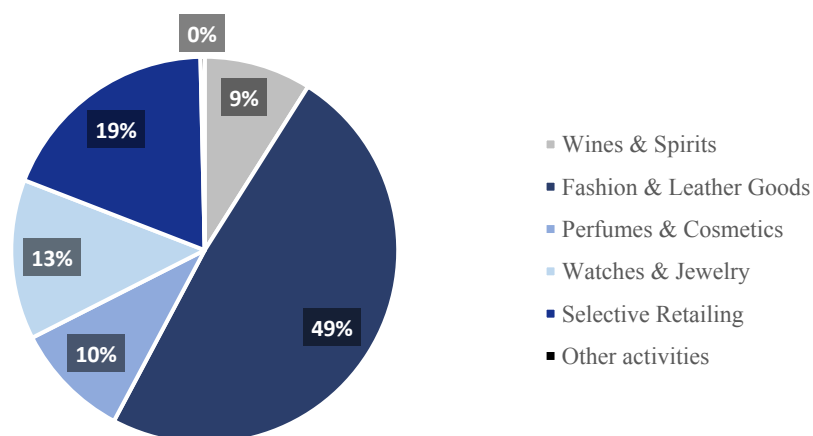
Revenue by Segment	2017	2018	2019	2020	2021	2022
Wines & Spirits	5 085	5 143	5 576	4 755	5 974	7 099
Fashion & Leather Goods	15 472	18 455	22 237	21 207	30 896	38 648
Perfumes & Cosmetics	5 560	6 092	6 835	5 248	6 608	7 722
Watches & Jewelry	3 805	4 123	4 405	3 356	8 964	10 581
Selective Retailing	13 311	13 646	14 791	10 155	11 754	14 852
Other activities	(596)	(633)	(174)	(70)	19	281
<b>Total</b>	<b>42 637</b>	<b>46 826</b>	<b>53 670</b>	<b>44 651</b>	<b>64 215</b>	<b>79 183</b>
Wines & Spirits	11,93%	10,98%	10,39%	10,65%	9,30%	8,97%
Fashion & Leather Goods	36,29%	39,41%	41,43%	47,50%	48,11%	48,81%
Perfumes & Cosmetics	13,04%	13,01%	12,74%	11,75%	10,29%	9,75%
Watches & Jewelry	8,92%	8,80%	8,21%	7,52%	13,96%	13,36%
Selective Retailing	31,22%	29,14%	27,56%	22,74%	18,30%	18,76%
Other activities	-1,40%	-1,35%	-0,32%	-0,16%	0,03%	0,35%

Source: LVMH's information and own analysis

### Revenue by Segment (€B)



### Revenue by Segment - 2022

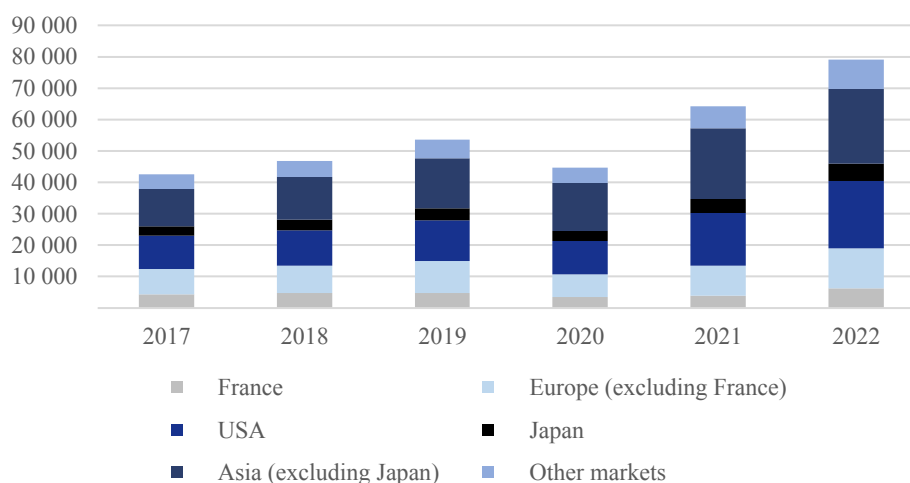


## Appendix 12 – Revenue by Region

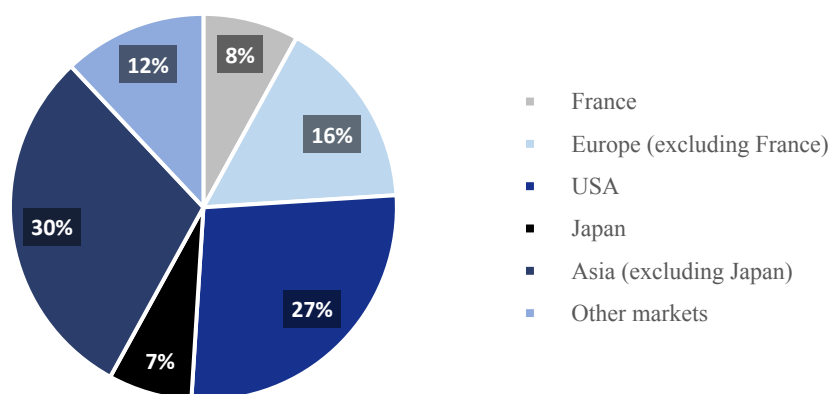
Revenue by Region	2017	2018	2019	2020	2021	2022
France	4 264	4 683	4 830	3 572	3 853	6 335
Europe (excluding France)	8 101	8 897	10 197	7 144	9 632	12 669
USA	10 659	11 238	12 881	10 716	16 696	21 380
Japan	2 985	3 278	3 757	3 126	4 495	5 543
Asia (excluding Japan)	11 938	13 580	16 101	15 181	22 475	23 755
Other markets	4 690	5 151	5 904	4 912	7 064	9 502
<b>Total</b>	<b>42 636</b>	<b>46 826</b>	<b>53 670</b>	<b>44 651</b>	<b>64 215</b>	<b>79 184</b>
France	10%	10%	9%	8%	6%	8%
Europe (excluding France)	19%	19%	19%	16%	15%	16%
USA	25%	24%	24%	24%	26%	27%
Japan	7%	7%	7%	7%	7%	7%
Asia (excluding Japan)	28%	29%	30%	34%	35%	30%
Other markets	11%	11%	11%	11%	11%	12%

Source: LVMH's information and own analysis

### Revenue by Region (€B)



### Revenue by Region - 2022

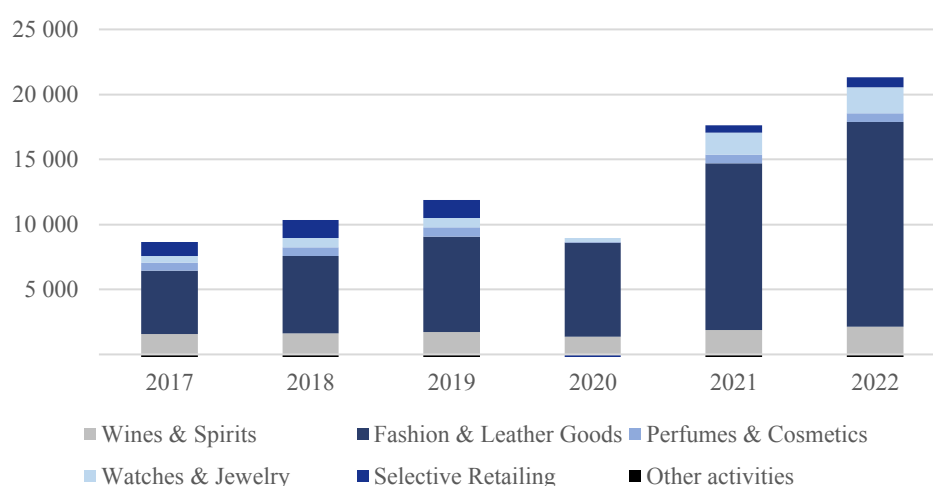


## Appendix 13 – Profit from recurring operations by Segment

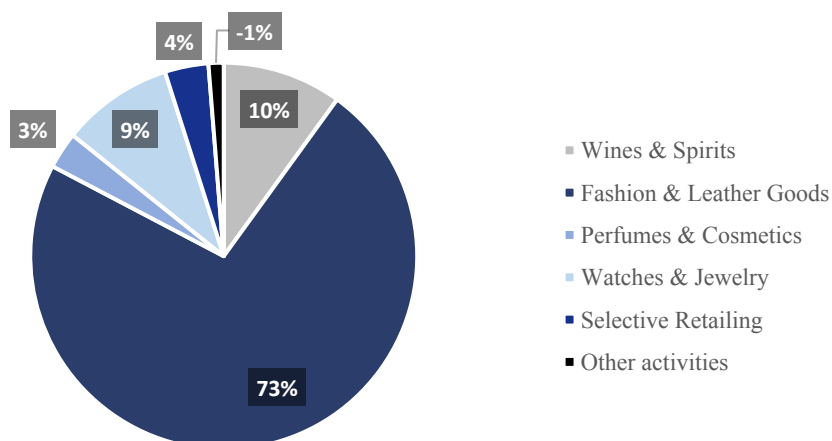
Profit from recurring operations by Segment	2017	2018	2019	2020	2021	2022
Wines & Spirits	1 558	1 629	1 729	1 388	1 863	2 155
Fashion & Leather Goods	4 905	5 943	7 344	7 188	12 842	15 709
Perfumes & Cosmetics	600	676	683	80	684	660
Watches & Jewelry	512	703	736	302	1 679	2 017
Selective Retailing	1 075	1 382	1 395	(203)	534	788
Other activities	(357)	(330)	(383)	(450)	(451)	(274)
<b>Total</b>	<b>8 293</b>	<b>10 003</b>	<b>11 504</b>	<b>8 305</b>	<b>17 151</b>	<b>21 055</b>
Wines & Spirits	18,79%	16,29%	15,03%	16,71%	10,86%	10,24%
Fashion & Leather Goods	59,15%	59,41%	63,84%	86,55%	74,88%	74,61%
Perfumes & Cosmetics	7,24%	6,76%	5,94%	0,96%	3,99%	3,13%
Watches & Jewelry	6,17%	7,03%	6,40%	3,64%	9,79%	9,58%
Selective Retailing	12,96%	13,82%	12,13%	-2,44%	3,11%	3,74%
Other activities	-4,30%	-3,30%	-3,33%	-5,42%	-2,63%	-1,30%

Source: LVMH's information and own analysis

Profit from Recurring Operations by Segment (€B)



Profit from Recurring Operations - 2022



## Appendix 14 – Weighted Average Expected Inflation Rate

Inflation	% of revenue	2023	2024	2025	2026	2027	2028	2029	2030
France	6%	5,60%	2,50%	2,00%	2,00%	1,80%	1,60%	1,50%	1,40%
Europe (exclud	18%	6,50%	4,10%	2,70%	2,50%	2,40%	2,30%	2,20%	2,20%
USA	37%	4,10%	2,80%	2,40%	2,20%	2,20%	2,10%	2,10%	2,00%
Japan	6%	3,20%	2,90%	1,90%	1,60%	1,60%	1,60%	1,50%	1,50%
Asia (excludin	20%	5,20%	5,40%	4,80%	4,50%	4,20%	4,10%	4,00%	3,90%
Other markets	13%	8,50%	7,80%	6,20%	5,70%	5,20%	5,00%	4,80%	4,70%
		5,36%	4,19%	3,37%	3,12%	2,97%	2,85%	2,78%	2,70%

Source: Own elaboration and (IMF, 2023)

## Appendix 15 – D&A and CAPEX Forecast – Wines & Spirits (Opt. Scenario)

Wines & Spirits														CAGR 22-30		7,77%
(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Depreciations and Amortizations</b>	<b>158</b>	<b>162</b>	<b>160</b>	<b>220</b>	<b>196</b>	<b>227</b>	<b>108</b>	<b>128</b>	<b>236</b>	<b>257</b>	<b>278</b>	<b>302</b>	<b>327</b>	<b>354</b>	<b>383</b>	<b>413</b>
% Segm.'s Tang. and Int. Assets (exc. ROU)	1,75%	1,79%	1,49%	1,98%	1,39%	1,79%	N.A.	N.A.	1,69%	1,69%	1,69%	1,69%	1,69%	1,69%	1,69%	1,69%
<b>Segm.'s Tang. and Int. Assets (exc. ROU)</b>	<b>9 017</b>	<b>9 028</b>	<b>10 724</b>	<b>11 092</b>	<b>14 138</b>	<b>12 683</b>	<b>13 426</b>	<b>13 757</b>	<b>14 929</b>	<b>16 197</b>	<b>17 563</b>	<b>19 034</b>	<b>20 606</b>	<b>22 278</b>	<b>24 047</b>	<b>24 047</b>
YoY%g		0,12%	18,79%	3,43%	27,46%	-10,29%	N.A.	N.A.	8,47%	8,52%	8,49%	8,44%	8,37%	8,26%	8,11%	7,94%
<b>Depreciations</b>	-	-	<b>31</b>	<b>34</b>	<b>32</b>	<b>34</b>	<b>15</b>	<b>38</b>	<b>53</b>	<b>57</b>	<b>62</b>	<b>63</b>	<b>62</b>	<b>62</b>	<b>61</b>	<b>59</b>
% Segm.'s Right-of-use Assets			26,72%	20,99%	20,92%	14,53%	N.A.	N.A.	20,79%	20,79%	20,79%	19,29%	17,79%	16,29%	14,79%	13,29%
<b>Right-of-use Assets</b>	-	-	<b>116</b>	<b>162</b>	<b>153</b>	<b>234</b>	<b>224</b>	<b>254</b>	<b>254</b>	<b>275</b>	<b>299</b>	<b>324</b>	<b>351</b>	<b>380</b>	<b>411</b>	<b>444</b>
YoY%g			39,66%	-5,56%	52,94%	N.A.	N.A.	8,47%	8,52%	8,49%	8,44%	8,37%	8,26%	8,11%	7,94%	
<b>CAPEX</b>		<b>173</b>	<b>1 856</b>	<b>588</b>	<b>3 242</b>	<b>(1 228)</b>	<b>851</b>	<b>459</b>	<b>1 310</b>	<b>1 429</b>	<b>1 546</b>	<b>1 668</b>	<b>1 798</b>	<b>1 926</b>	<b>2 055</b>	<b>2 182</b>
% of Segm.'s Revenue	0,00%	3,36%	33,29%	12,37%	54,27%	-17,30%	26,76%	10,43%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%	17,28%

Source: Own elaboration

## Appendix 16 – D&A and CAPEX Forecast – Fashion & Leather Goods (Opt. Scenario)

Fashion & Leather Goods														CAGR 22-30		6,40%
(Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Depreciations and Amortizations</b>	<b>669</b>	<b>764</b>	<b>710</b>	<b>843</b>	<b>851</b>	<b>1 008</b>	<b>530</b>	<b>473</b>	<b>1 003</b>	<b>1 070</b>	<b>1 149</b>	<b>1 236</b>	<b>1 331</b>	<b>1 433</b>	<b>1 541</b>	<b>1 656</b>
% Segm.'s Tang. and Int. Assets (exc. ROU)	3,97%	4,46%	4,07%	4,90%	4,71%	5,21%	N.A.	N.A.	4,67%	4,67%	4,67%	4,67%	4,67%	4,67%	4,67%	4,67%
<b>Segm.'s Tang. and Int. Assets (exc. ROU)</b>	<b>16 863</b>	<b>17 115</b>	<b>17 428</b>	<b>17 216</b>	<b>18 079</b>	<b>19 334</b>	<b>19 482</b>	<b>20 464</b>	<b>21 847</b>	<b>23 446</b>	<b>25 232</b>	<b>27 164</b>	<b>29 240</b>	<b>31 454</b>	<b>33 796</b>	<b>33 796</b>
YoY%g		1,49%	1,83%	-1,22%	5,01%	6,94%	N.A.	N.A.	5,85%	6,76%	7,32%	7,62%	7,66%	7,64%	7,57%	7,45%
<b>Depreciations</b>	-	-	<b>1 146</b>	<b>1 226</b>	<b>1 291</b>	<b>1 422</b>	<b>710</b>	<b>844</b>	<b>1 554</b>	<b>1 659</b>	<b>1 781</b>	<b>1 776</b>	<b>1 762</b>	<b>1 735</b>	<b>1 692</b>	<b>1 631</b>
% Segm.'s Right-of-use Assets			21,87%	21,37%	19,11%	19,92%	N.A.	N.A.	20,57%	20,57%	20,57%	19,07%	17,57%	16,07%	14,57%	13,07%
<b>Right-of-use Assets</b>	-	-	<b>5 239</b>	<b>5 736</b>	<b>6 755</b>	<b>7 138</b>	<b>7 405</b>	<b>7 555</b>	<b>7 555</b>	<b>8 066</b>	<b>8 656</b>	<b>9 315</b>	<b>10 029</b>	<b>10 795</b>	<b>11 613</b>	<b>12 477</b>
YoY%g			9,49%	17,76%	5,67%	N.A.	N.A.	5,85%	6,76%	7,32%	7,62%	7,66%	7,64%	7,57%	7,45%	
<b>CAPEX</b>		<b>1 016</b>	<b>1 023</b>	<b>631</b>	<b>1 714</b>	<b>2 263</b>	<b>678</b>	<b>1 455</b>	<b>2 133</b>	<b>2 453</b>	<b>2 747</b>	<b>3 022</b>	<b>3 264</b>	<b>3 509</b>	<b>3 754</b>	<b>3 998</b>
% of Segm.'s Revenue	0,00%	5,51%	4,60%	2,98%	5,55%	5,86%	3,20%	6,25%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%	4,80%

Source: Own elaboration

## Appendix 17 – D&A and CAPEX Forecast – Perfumes & Cosmetics (Opt. Scenario)

Perfumes & Cosmetics															CAGR 22-30	10.30%
(Millions)	2017H1	2018H1	2019H1	2020H1	2021H1	2022H1	S1 2023H1	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Depreciations and Amortizations</b>	<b>254</b>	<b>275</b>	<b>290</b>	<b>315</b>	<b>294</b>	<b>321</b>	<b>156</b>	<b>264</b>	<b>420</b>	<b>446</b>	<b>477</b>	<b>514</b>	<b>555</b>	<b>602</b>	<b>651</b>	<b>703</b>
% Segm.'s Tang. and Int. Assets (exc. ROU)	13,46%	13,20%	13,34%	13,37%	13,55%	12,66%	N.A.	N.A.	13,63%	13,63%	13,63%	13,63%	13,63%	13,63%	13,63%	13,63%
<b>Segm.'s Tang. and Int. Assets (exc. ROU)</b>	<b>1 887</b>	<b>2 083</b>	<b>2 174</b>	<b>2 049</b>	<b>2 169</b>	<b>2 535</b>	<b>2 538</b>	<b>2 663</b>	<b>2 825</b>	<b>3 022</b>	<b>3 255</b>	<b>3 521</b>	<b>3 813</b>	<b>4 126</b>	<b>4 458</b>	<b>4 848</b>
YoY%g		10,39%	4,37%	-5,75%	5,86%	16,87%	N.A.	N.A.	5,05%	6,08%	6,97%	7,72%	8,15%	8,30%	8,21%	8,04%
<b>Depreciations</b>	-	-	<b>141</b>	<b>145</b>	<b>149</b>	<b>160</b>	<b>80</b>	<b>106</b>	<b>186</b>	<b>197</b>	<b>211</b>	<b>214</b>	<b>218</b>	<b>222</b>	<b>224</b>	<b>225</b>
% Segm.'s Right-of-use Assets			28,95%	28,83%	26,80%	24,77%	N.A.	N.A.	27,34%	27,34%	27,34%	25,84%	24,34%	22,84%	21,34%	19,84%
<b>Right-of-use Assets</b>	-	-	<b>487</b>	<b>503</b>	<b>556</b>	<b>646</b>	<b>635</b>	<b>679</b>	<b>679</b>	<b>720</b>	<b>770</b>	<b>830</b>	<b>897</b>	<b>972</b>	<b>1 051</b>	<b>1 136</b>
YoY%g				3,29%	10,54%	16,19%	N.A.	N.A.	5,05%	6,08%	6,97%	7,72%	8,15%	8,30%	8,21%	8,04%
<b>CAPEX</b>		<b>471</b>	<b>381</b>	<b>190</b>	<b>414</b>	<b>687</b>	<b>159</b>	<b>389</b>	<b>548</b>	<b>608</b>	<b>674</b>	<b>747</b>	<b>821</b>	<b>894</b>	<b>964</b>	<b>1 035</b>
% of Segm.'s Revenue	0,00%	7,73%	5,57%	3,62%	6,27%	8,90%	3,95%	8,33%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%	6,30%

Source: Own elaboration

## Appendix 18 – D&A and CAPEX Forecast – Watches & Jewelry (Opt. Scenario)

Watches & Jewelry															CAGR 22-30	4.40%
(Millions)	2017H1	2018H1	2019H1	2020H1	2021H1	2022H1	S1 2023H1	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Depreciations and Amortizations</b>	<b>273</b>	<b>239</b>	<b>247</b>	<b>221</b>	<b>449</b>	<b>471</b>	<b>230</b>	<b>289</b>	<b>519</b>	<b>533</b>	<b>549</b>	<b>567</b>	<b>587</b>	<b>610</b>	<b>636</b>	<b>665</b>
% Segm.'s Tang. and Int. Assets (exc. ROU)	4,39%	3,75%	3,90%	3,49%	2,09%	2,08%	N.A.	N.A.	2,20%	2,20%	2,20%	2,20%	2,20%	2,20%	2,20%	2,20%
<b>Segm.'s Tang. and Int. Assets (exc. ROU)</b>	<b>6 221</b>	<b>6 367</b>	<b>6 333</b>	<b>6 329</b>	<b>21 456</b>	<b>22 599</b>	<b>22 489</b>	<b>23 121</b>	<b>23 731</b>	<b>24 436</b>	<b>25 245</b>	<b>26 160</b>	<b>27 187</b>	<b>28 331</b>	<b>29 597</b>	<b>29 597</b>
YoY%g		2,35%	-0,53%	-0,06%	239,01%	5,33%	N.A.	N.A.	2,31%	2,64%	2,97%	3,31%	3,62%	3,92%	4,21%	4,47%
<b>Depreciations</b>	-	-	<b>230</b>	<b>254</b>	<b>410</b>	<b>523</b>	<b>266</b>	<b>233</b>	<b>499</b>	<b>512</b>	<b>527</b>	<b>506</b>	<b>485</b>	<b>463</b>	<b>440</b>	<b>415</b>
% Segm.'s Right-of-use Assets			19,23%	22,07%	21,33%	22,97%	N.A.	N.A.	21,40%	21,40%	21,40%	19,90%	18,40%	16,90%	15,40%	13,90%
<b>Right-of-use Assets</b>	-	-	<b>1 196</b>	<b>1 151</b>	<b>1 922</b>	<b>2 277</b>	<b>2 297</b>	<b>2 330</b>	<b>2 330</b>	<b>2 391</b>	<b>2 462</b>	<b>2 544</b>	<b>2 636</b>	<b>2 739</b>	<b>2 855</b>	<b>2 982</b>
YoY%g				-3,76%	66,99%	18,47%	N.A.	N.A.	2,31%	2,64%	2,97%	3,31%	3,62%	3,92%	4,21%	4,47%
<b>CAPEX</b>		<b>385</b>	<b>213</b>	<b>217</b>	<b>15 576</b>	<b>1 614</b>	<b>120</b>	<b>922</b>	<b>1 042</b>	<b>1 143</b>	<b>1 254</b>	<b>1 376</b>	<b>1 502</b>	<b>1 637</b>	<b>1 780</b>	<b>1 931</b>
% of Segm.'s Revenue	0,00%	9,34%	4,84%	6,47%	173,76%	15,25%	2,21%	15,44%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%	9,14%

Source: Own elaboration

## Appendix 19 – D&A and CAPEX Forecast – Selective Retailing (Opt. Scenario)

Selective Retailing															CAGR 22-30	6.12%
(Millions)	2017H1	2018H1	2019H1	2020H1	2021H1	2022H1	S1 2023H1	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Depreciations and Amortizations</b>	<b>510</b>	<b>463</b>	<b>536</b>	<b>608</b>	<b>563</b>	<b>544</b>	<b>246</b>	<b>390</b>	<b>636</b>	<b>654</b>	<b>679</b>	<b>709</b>	<b>743</b>	<b>783</b>	<b>827</b>	<b>875</b>
% Segm.'s Tang. and Int. Assets (exc. ROU)	10,10%	8,82%	9,95%	12,47%	11,23%	10,27%	N.A.	N.A.	10,55%	10,55%	10,55%	10,55%	10,55%	10,55%	10,55%	10,55%
<b>Segm.'s Tang. and Int. Assets (exc. ROU)</b>	<b>5 049</b>	<b>5 247</b>	<b>5 389</b>	<b>4 876</b>	<b>5 015</b>	<b>5 297</b>	<b>5 153</b>	<b>5 392</b>	<b>5 392</b>	<b>5 550</b>	<b>5 758</b>	<b>6 011</b>	<b>6 305</b>	<b>6 639</b>	<b>7 012</b>	<b>7 421</b>
YoY%g		3,92%	2,71%	-9,52%	2,85%	5,62%	N.A.	N.A.	1,80%	2,93%	3,75%	4,39%	4,89%	5,30%	5,61%	5,84%
<b>Depreciations</b>	-	-	<b>872</b>	<b>941</b>	<b>836</b>	<b>883</b>	<b>416</b>	<b>437</b>	<b>853</b>	<b>878</b>	<b>911</b>	<b>878</b>	<b>844</b>	<b>808</b>	<b>769</b>	<b>724</b>
% Segm.'s Right-of-use Assets			17,40%	20,03%	20,61%	20,61%	N.A.	N.A.	19,55%	19,55%	19,55%	18,05%	16,55%	15,05%	13,55%	12,05%
<b>Right-of-use Assets</b>	-	-	<b>5 012</b>	<b>4 699</b>	<b>4 142</b>	<b>4 284</b>	<b>4 149</b>	<b>4 361</b>	<b>4 361</b>	<b>4 489</b>	<b>4 657</b>	<b>4 862</b>	<b>5 099</b>	<b>5 369</b>	<b>5 671</b>	<b>6 002</b>
YoY%g				-6,25%	-11,85%	3,43%	N.A.	N.A.	1,80%	2,93%	3,75%	4,39%	4,89%	5,30%	5,61%	5,84%
<b>CAPEX</b>		<b>661</b>	<b>678</b>	<b>95</b>	<b>702</b>	<b>826</b>	<b>102</b>	<b>629</b>	<b>731</b>	<b>813</b>	<b>887</b>	<b>962</b>	<b>1 037</b>	<b>1 117</b>	<b>1 199</b>	<b>1 285</b>
% of Segm.'s Revenue	0,00%	4,84%	4,58%	0,94%	5,97%	5,56%	1,22%	6,84%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%	4,17%

Source: Own elaboration

## Appendix 20 – Income Statement Forecast (Opt. Scenario)

(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue</b>	43 233	47 459	53 844	44 721	64 196	78 902	42 152	47 511	89 663	101 029	111 893	122 609	132 775	143 151	153 671	164 327
Operating Expenses (minus D&A)	(32 719)	(35 223)	(37 593)	(31 159)	(41 522)	(51 980)	(27 518)	(30 995)	(58 513)	(66 362)	(73 272)	(80 102)	(86 692)	(93 111)	(99 573)	(106 085)
<b>EBITDA</b>	<b>10 514</b>	<b>12 236</b>	<b>16 251</b>	<b>13 562</b>	<b>22 674</b>	<b>26 922</b>	<b>14 634</b>	<b>16 517</b>	<b>31 151</b>	<b>34 668</b>	<b>38 621</b>	<b>42 507</b>	<b>46 083</b>	<b>50 040</b>	<b>54 099</b>	<b>58 242</b>
Depreciations and Amortizations	(1 864)	(1 903)	(4 363)	(4 807)	(5 071)	(5 593)	(2 757)	(3 201)	(5 958)	(6 263)	(6 622)	(6 765)	(6 916)	(7 072)	(7 223)	(7 365)
<b>Profit from recurring operations</b>	<b>8 650</b>	<b>10 333</b>	<b>11 888</b>	<b>8 755</b>	<b>17 603</b>	<b>21 329</b>	<b>11 877</b>	<b>13 316</b>	<b>25 193</b>	<b>28 405</b>	<b>31 999</b>	<b>35 742</b>	<b>39 167</b>	<b>42 968</b>	<b>46 876</b>	<b>50 877</b>
Net financial income/(expense)	(59)	(388)	(559)	(608)	53	(888)	467	(1 471)	(1 004)	(853)	(708)	(609)	(518)	(401)	(310)	(256)
<b>EBT</b>	<b>8 591</b>	<b>9 945</b>	<b>11 329</b>	<b>8 147</b>	<b>17 656</b>	<b>20 441</b>	<b>12 344</b>	<b>11 844</b>	<b>24 188</b>	<b>27 552</b>	<b>31 291</b>	<b>35 134</b>	<b>38 648</b>	<b>42 568</b>	<b>46 566</b>	<b>50 621</b>
Income taxes	(2 363)	(2 616)	(3 104)	(2 664)	(4 626)	(5 458)	(3 209)	(3 080)	(6 289)	(7 164)	(8 136)	(9 135)	(10 049)	(11 068)	(12 107)	(13 161)
<b>Net profit before minority interests</b>	<b>6 228</b>	<b>7 329</b>	<b>8 225</b>	<b>5 483</b>	<b>13 030</b>	<b>14 983</b>	<b>9 135</b>	<b>8 765</b>	<b>17 899</b>	<b>20 388</b>	<b>23 155</b>	<b>25 999</b>	<b>28 600</b>	<b>31 500</b>	<b>34 458</b>	<b>37 460</b>
Minority interests	(475)	(636)	(611)	(253)	(662)	(667)	(421)	(433)	(854)	(973)	(1 104)	(1 240)	(1 364)	(1 503)	(1 644)	(1 787)
<b>Net profit, Group Share</b>	<b>5 753</b>	<b>6 693</b>	<b>7 614</b>	<b>5 230</b>	<b>12 368</b>	<b>14 316</b>	<b>8 714</b>	<b>8 332</b>	<b>17 046</b>	<b>19 416</b>	<b>22 051</b>	<b>24 759</b>	<b>27 236</b>	<b>29 998</b>	<b>32 815</b>	<b>35 673</b>

Source: Own elaboration

## Appendix 21 – Income Statement Forecast (Base Scenario)

(€ Millions)	2017H	2018H	2019H	2020H	2021H	2022H	S1 2023H	S2 2023P	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue</b>	43 233	47 459	53 844	44 721	64 196	78 902	42 152	42 224	84 376	89 144	96 438	105 838	114 830	123 112	130 374	137 554
Operating Expenses (minus D&A)	(32 719)	(35 223)	(37 593)	(31 159)	(41 522)	(51 980)	(27 518)	(28 943)	(56 461)	(60 737)	(65 310)	(71 166)	(76 394)	(81 590)	(86 239)	(90 826)
<b>EBITDA</b>	<b>10 514</b>	<b>12 236</b>	<b>16 251</b>	<b>13 562</b>	<b>22 674</b>	<b>26 922</b>	<b>14 634</b>	<b>13 281</b>	<b>27 915</b>	<b>28 407</b>	<b>31 128</b>	<b>34 671</b>	<b>38 437</b>	<b>41 522</b>	<b>44 134</b>	<b>46 728</b>
Depreciations and Amortizations	(1 864)	(1 903)	(4 363)	(4 807)	(5 071)	(5 593)	(2 757)	(3 166)	(5 923)	(6 150)	(6 413)	(6 464)	(6 528)	(6 593)	(6 650)	(6 691)
<b>Profit from recurring operations</b>	<b>8 650</b>	<b>10 333</b>	<b>11 888</b>	<b>8 755</b>	<b>17 603</b>	<b>21 329</b>	<b>11 877</b>	<b>10 115</b>	<b>21 992</b>	<b>22 257</b>	<b>24 715</b>	<b>28 208</b>	<b>31 909</b>	<b>34 929</b>	<b>37 485</b>	<b>40 036</b>
Net financial income/(expense)	(59)	(388)	(559)	(608)	53	(888)	467	(1 471)	(1 004)	(853)	(708)	(609)	(518)	(401)	(310)	(256)
<b>EBT</b>	<b>8 591</b>	<b>9 945</b>	<b>11 329</b>	<b>8 147</b>	<b>17 656</b>	<b>20 441</b>	<b>12 344</b>	<b>8 644</b>	<b>20 988</b>	<b>21 404</b>	<b>24 007</b>	<b>27 599</b>	<b>31 390</b>	<b>34 528</b>	<b>37 175</b>	<b>39 780</b>
Income taxes	(2 363)	(2 616)	(3 104)	(2 664)	(4 626)	(5 458)	(3 209)	(2 247)	(5 457)	(5 565)	(6 242)	(7 176)	(8 161)	(8 977)	(9 665)	(10 343)
<b>Net profit before minority interests</b>	<b>6 228</b>	<b>7 329</b>	<b>8 225</b>	<b>5 483</b>	<b>13 030</b>	<b>14 983</b>	<b>9 135</b>	<b>6 396</b>	<b>15 531</b>	<b>15 839</b>	<b>17 765</b>	<b>20 423</b>	<b>23 229</b>	<b>25 551</b>	<b>27 509</b>	<b>29 437</b>
Minority interests	(475)	(636)	(611)	(253)	(662)	(667)	(421)	(320)	(741)	(756)	(847)	(974)	(1 108)	(1 219)	(1 312)	(1 404)
<b>Net profit, Group Share</b>	<b>5 753</b>	<b>6 693</b>	<b>7 614</b>	<b>5 230</b>	<b>12 368</b>	<b>14 316</b>	<b>8 714</b>	<b>6 076</b>	<b>14 790</b>	<b>15 084</b>	<b>16 918</b>	<b>19 449</b>	<b>22 121</b>	<b>24 332</b>	<b>26 197</b>	<b>28 033</b>

Source: Own elaboration

## Appendix 22 – Balance Sheet Forecast (Opt. Scenario)

(€ Millions)	2022H	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Assets</b>									
Brands and other intangible assets	25 432								
Goodwill	24 782	87 690	87 872	88 358	89 368	90 874	92 885	95 414	98 480
Property, plant and equipment	23 055								
Right-of-use assets	14 615								
Investments in joint ventures and associat	1 066	1 066	1 066	1 066	1 066	1 066	1 066	1 066	1 066
Non-current available for sale financial as:	1 109	1 109	1 109	1 109	1 109	1 109	1 109	1 109	1 109
Other non-current assets	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186
Deferred tax	3 661	3 661	3 661	3 661	3 661	3 661	3 661	3 661	3 661
<b>Non-current assets</b>	<b>94 906</b>	<b>94 712</b>	<b>94 894</b>	<b>95 380</b>	<b>96 390</b>	<b>97 896</b>	<b>99 907</b>	<b>102 436</b>	<b>105 502</b>
Inventories and work in progress	20 319	22 982	25 537	28 047	30 609	33 162	35 769	38 428	41 134
Trade accounts receivable	4 258	5 964	7 229	8 472	9 732	10 955	12 197	13 451	14 723
Income taxes	375	375	375	375	375	375	375	375	375
Other current assets	7 488	7 488	7 488	7 488	7 488	7 488	7 488	7 488	7 488
Cash and cash equivalents	7 300	17 695	23 346	31 333	42 822	56 645	71 973	90 454	112 371
<b>Current assets</b>	<b>39 740</b>	<b>54 505</b>	<b>63 975</b>	<b>75 716</b>	<b>91 026</b>	<b>108 626</b>	<b>127 802</b>	<b>150 197</b>	<b>176 091</b>
<b>Total Assets</b>	<b>134 646</b>	<b>149 217</b>	<b>158 869</b>	<b>171 096</b>	<b>187 416</b>	<b>206 522</b>	<b>227 709</b>	<b>252 633</b>	<b>281 593</b>
<b>Liabilities and Equity</b>									
Equity, Group Share	55 111	67 133	77 898	91 320	107 472	126 122	147 555	171 827	198 978
Minority interests	1 493	1 977	2 591	3 339	4 223	5 232	6 381	7 672	9 107
<b>Equity</b>	<b>56 604</b>	<b>69 109</b>	<b>80 490</b>	<b>94 659</b>	<b>111 695</b>	<b>131 354</b>	<b>153 936</b>	<b>179 499</b>	<b>208 085</b>
Long-term borrowings	10 380	10 754	8 268	7 018	6 027	4 277	3 277	3 277	1 777
Non-current lease liabilities	12 776	11 661	10 661	9 661	8 661	7 661	6 661	5 661	4 661
Non-current provisions and other liability	3 902	3 902	3 902	3 902	3 902	3 902	3 902	3 902	3 902
Deferred tax	6 952	6 952	6 952	6 952	6 952	6 952	6 952	6 952	6 952
Purchase commitments for minority intere	12 489	12 489	12 489	12 489	12 489	12 489	12 489	12 489	12 489
<b>Non-current liabilities</b>	<b>46 499</b>	<b>45 758</b>	<b>42 272</b>	<b>40 022</b>	<b>38 031</b>	<b>35 281</b>	<b>33 281</b>	<b>32 281</b>	<b>29 781</b>
Short-term borrowings	9 359	9 884	8 700	6 450	5 191	4 950	3 200	1 200	1 700
Current lease liabilities	2 632	2 632	2 632	2 632	2 632	2 632	2 632	2 632	2 632
Trade accounts payable	8 788	11 069	14 012	16 569	19 104	21 541	23 896	26 258	28 631
Income taxes	1 211	1 211	1 211	1 211	1 211	1 211	1 211	1 211	1 211
Current provisions and other liabilities	9 553	9 553	9 553	9 553	9 553	9 553	9 553	9 553	9 553
<b>Current liabilities</b>	<b>31 543</b>	<b>34 349</b>	<b>36 108</b>	<b>36 415</b>	<b>37 691</b>	<b>39 887</b>	<b>40 492</b>	<b>40 854</b>	<b>43 727</b>
<b>Total liabilities</b>	<b>78 042</b>	<b>80 107</b>	<b>78 379</b>	<b>76 437</b>	<b>75 722</b>	<b>75 168</b>	<b>73 773</b>	<b>73 135</b>	<b>73 508</b>
<b>Total liabilities and equity</b>	<b>134 646</b>	<b>149 217</b>	<b>158 869</b>	<b>171 096</b>	<b>187 416</b>	<b>206 522</b>	<b>227 709</b>	<b>252 633</b>	<b>281 593</b>
			<b>Changes in Equity</b>		<b>Group Share</b>	<b>MI</b>	<b>Total</b>	<b>Number of shares</b>	
			<b>31.12.2022</b>		55 111	1 493	56 604	503 257 339	
			Net profit		17 046	854	17 899		
			Acquisition of LVMH shares		(1 520)		(1 520)		
			Dividens paid		(3 504)	(370)	(3 874)		
			<b>Equity in 31.12.2023</b>		<b>67 133</b>	<b>1 977</b>	<b>69 109</b>	<b>502 048 400</b>	
			Net profit		19 416	973	20 388		
			Acquisition of LVMH shares		(1 500)		(1 500)		
			Dividens paid		(7 150)	(358)	(7 508)		
			<b>Equity in 31.12.2024</b>		<b>77 898</b>	<b>2 591</b>	<b>80 490</b>	<b>500 548 400</b>	
			Net profit		22 051	1 104	23 155		
			Acquisition of LVMH shares		(1 500)		(1 500)		
			Dividens paid		(7 129)	(357)	(7 486)		
			<b>Equity in 31.12.2025</b>		<b>91 320</b>	<b>3 339</b>	<b>94 659</b>	<b>499 048 400</b>	
			Net profit		24 759	1 240	25 999		
			Acquisition of LVMH shares		(1 500)		(1 500)		
			Dividens paid		(7 107)	(356)	(7 463)		
			<b>Equity in 31.12.2026</b>		<b>107 472</b>	<b>4 223</b>	<b>111 695</b>	<b>497 548 400</b>	
			Net profit		27 236	1 364	28 600		
			Acquisition of LVMH shares		(1 500)		(1 500)		
			Dividens paid		(7 086)	(355)	(7 441)		
			<b>Equity in 31.12.2027</b>		<b>126 122</b>	<b>5 232</b>	<b>131 354</b>	<b>496 048 400</b>	
			Net profit		29 998	1 503	31 500		
			Acquisition of LVMH shares		(1 500)		(1 500)		
			Dividens paid		(7 064)	(354)	(7 418)		
			<b>Equity in 31.12.2028</b>		<b>147 555</b>	<b>6 381</b>	<b>153 936</b>	<b>494 548 400</b>	
			Net profit		32 815	1 644	34 458		
			Acquisition of LVMH shares		(1 500)		(1 500)		
			Dividens paid		(7 043)	(353)	(7 396)		
			<b>Equity in 31.12.2029</b>		<b>171 827</b>	<b>7 672</b>	<b>179 499</b>	<b>493 048 400</b>	
			Net profit		35 673	1 787	37 460		
			Acquisition of LVMH shares		(1 500)		(1 500)		
			Dividens paid		(7 022)	(352)	(7 373)		
			<b>Equity in 31.12.2030</b>		<b>198 978</b>	<b>9 107</b>	<b>208 085</b>	<b>491 548 400</b>	

Source: Own elaboration

## Appendix 23 – Balance Sheet Forecast (Base Scenario)

(€ Millions)	2022H	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Assets</b>									
Brands and other intangible assets	25 432								
Goodwill	24 782	87 300	86 771	86 399	86 521	87 106	88 120	89 525	91 333
Property, plant and equipment	23 055								
Right-of-use assets	14 615								
Investments in joint ventures and associat	1 066	1 066	1 066	1 066	1 066	1 066	1 066	1 066	1 066
Non-current available for sale financial as:	1 109	1 109	1 109	1 109	1 109	1 109	1 109	1 109	1 109
Other non-current assets	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186
Deferred tax	3 661	3 661	3 661	3 661	3 661	3 661	3 661	3 661	3 661
<b>Non-current assets</b>	<b>94 906</b>	<b>94 322</b>	<b>93 793</b>	<b>93 421</b>	<b>93 543</b>	<b>94 128</b>	<b>95 142</b>	<b>96 547</b>	<b>98 355</b>
Inventories and work in progress	20 319	21 003	22 047	23 544	25 503	27 432	29 293	31 036	32 789
Trade accounts receivable	4 258	5 195	5 716	6 501	7 510	8 481	9 388	10 198	11 000
Income taxes	375	375	375	375	375	375	375	375	375
Other current assets	7 488	7 488	7 488	7 488	7 488	7 488	7 488	7 488	7 488
Cash and cash equivalents	7 300	17 688	22 426	28 464	37 724	49 433	62 406	77 723	95 553
<b>Current assets</b>	<b>39 740</b>	<b>51 749</b>	<b>58 052</b>	<b>66 372</b>	<b>78 599</b>	<b>93 209</b>	<b>108 949</b>	<b>126 819</b>	<b>147 206</b>
<b>Total Assets</b>	<b>134 646</b>	<b>146 071</b>	<b>151 845</b>	<b>159 793</b>	<b>172 142</b>	<b>187 337</b>	<b>204 092</b>	<b>223 367</b>	<b>245 561</b>
<b>Liabilities and Equity</b>									
Equity, Group Share	55 111	64 877	73 240	83 455	96 219	111 671	129 351	148 914	170 330
Minority interests	1 493	1 864	2 333	2 895	3 584	4 408	5 344	6 374	7 497
<b>Equity</b>	<b>56 604</b>	<b>66 741</b>	<b>75 573</b>	<b>86 350</b>	<b>99 803</b>	<b>116 079</b>	<b>134 695</b>	<b>155 288</b>	<b>177 827</b>
Long-term borrowings	10 380	10 754	8 268	7 018	6 027	4 277	3 277	3 277	1 777
Non-current lease liabilities	12 776	11 661	10 661	9 661	8 661	7 661	6 661	5 661	4 661
Non-current provisions and other liability	3 902	3 902	3 902	3 902	3 902	3 902	3 902	3 902	3 902
Deferred tax	6 952	6 952	6 952	6 952	6 952	6 952	6 952	6 952	6 952
Purchase commitments for minority intere	12 489	12 489	12 489	12 489	12 489	12 489	12 489	12 489	12 489
<b>Non-current liabilities</b>	<b>46 499</b>	<b>45 758</b>	<b>42 272</b>	<b>40 022</b>	<b>38 031</b>	<b>35 281</b>	<b>33 281</b>	<b>32 281</b>	<b>29 781</b>
Short-term borrowings	9 359	9 884	8 700	6 450	5 191	4 950	3 200	1 200	1 700
Current lease liabilities	2 632	2 632	2 632	2 632	2 632	2 632	2 632	2 632	2 632
Trade accounts payable	8 788	10 292	11 904	13 575	15 722	17 631	19 520	21 202	22 857
Income taxes	1 211	1 211	1 211	1 211	1 211	1 211	1 211	1 211	1 211
Current provisions and other liabilities	9 553	9 553	9 553	9 553	9 553	9 553	9 553	9 553	9 553
<b>Current liabilities</b>	<b>31 543</b>	<b>33 572</b>	<b>34 000</b>	<b>33 421</b>	<b>34 309</b>	<b>35 977</b>	<b>36 116</b>	<b>35 798</b>	<b>37 953</b>
<b>Total liabilities</b>	<b>78 042</b>	<b>79 330</b>	<b>76 272</b>	<b>73 443</b>	<b>72 340</b>	<b>71 258</b>	<b>69 396</b>	<b>68 079</b>	<b>67 734</b>
<b>Total liabilities and equity</b>	<b>134 646</b>	<b>146 071</b>	<b>151 845</b>	<b>159 793</b>	<b>172 142</b>	<b>187 337</b>	<b>204 092</b>	<b>223 367</b>	<b>245 561</b>
			<b>Changes in Equity</b>	<b>Group Share</b>	<b>MI</b>	<b>Total</b>	<b>Number of shares</b>		
			<b>31.12.2022</b>	55 111	1 493	56 604	503 257 339		
			Net profit	14 790	741	15 531			
			Acquisition of LVMH shares	(1 520)		(1 520)			
			Dividens paid	(3 504)	(370)	(3 874)			
			<b>Equity in 31.12.2023</b>	<b>64 877</b>	<b>1 864</b>	<b>66 741</b>	<b>502 048 400</b>		
			Net profit	15 084	756	15 839			
			Acquisition of LVMH shares	(1 000)		(1 000)			
			Dividens paid	(5 720)	(287)	(6 007)			
			<b>Equity in 31.12.2024</b>	<b>73 240</b>	<b>2 333</b>	<b>75 573</b>	<b>500 548 400</b>		
			Net profit	16 918	847	17 765			
			Acquisition of LVMH shares	(1 000)		(1 000)			
			Dividens paid	(5 703)	(286)	(5 989)			
			<b>Equity in 31.12.2025</b>	<b>83 455</b>	<b>2 895</b>	<b>86 350</b>	<b>499 048 400</b>		
			Net profit	19 449	974	20 423			
			Acquisition of LVMH shares	(1 000)		(1 000)			
			Dividens paid	(5 686)	(285)	(5 971)			
			<b>Equity in 31.12.2026</b>	<b>96 219</b>	<b>3 584</b>	<b>99 803</b>	<b>497 548 400</b>		
			Net profit	22 121	1 108	23 229			
			Acquisition of LVMH shares	(1 000)		(1 000)			
			Dividens paid	(5 669)	(284)	(5 953)			
			<b>Equity in 31.12.2027</b>	<b>111 671</b>	<b>4 408</b>	<b>116 079</b>	<b>496 048 400</b>		
			Net profit	24 332	1 219	25 551			
			Acquisition of LVMH shares	(1 000)		(1 000)			
			Dividens paid	(5 652)	(283)	(5 935)			
			<b>Equity in 31.12.2028</b>	<b>129 351</b>	<b>5 344</b>	<b>134 695</b>	<b>494 548 400</b>		
			Net profit	26 197	1 312	27 509			
			Acquisition of LVMH shares	(1 000)		(1 000)			
			Dividens paid	(5 634)	(282)	(5 917)			
			<b>Equity in 31.12.2029</b>	<b>148 914</b>	<b>6 374</b>	<b>155 288</b>	<b>493 048 400</b>		
			Net profit	28 033	1 404	29 437			
			Acquisition of LVMH shares	(1 000)		(1 000)			
			Dividens paid	(5 617)	(281)	(5 899)			
			<b>Equity in 31.12.2030</b>	<b>170 330</b>	<b>7 497</b>	<b>177 827</b>	<b>491 548 400</b>		

Source: Own elaboration

## Appendix 24 – Cash Flow Statement Forecast (Opt. Scenario)

(€ Millions)	2022H	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Operating Activities</b>									
Operating profit	21 001	25 193	28 405	31 999	35 742	39 167	42 968	46 876	50 877
(Income)/loss on dividends received from joint ventures and associates	26								
Net increase in depreciation, amortization and provisions	3 219	2 814	2 960	3 131	3 327	3 544	3 782	4 038	4 312
Depreciation of right-of-use assets	3 007	3 144	3 303	3 491	3 437	3 372	3 290	3 185	3 053
Other adjustments and computed expenses	(483)								
<b>Cash from operations before changes in working capital</b>	<b>26 770</b>	<b>31 151</b>	<b>34 668</b>	<b>38 621</b>	<b>42 507</b>	<b>46 083</b>	<b>50 040</b>	<b>54 099</b>	<b>58 242</b>
Cost of net financial debt: interest paid	(74)	(750)	(616)	(489)	(408)	(335)	(235)	(163)	(126)
Lease liabilities: interest paid	(240)	(254)	(237)	(219)	(201)	(183)	(165)	(148)	(130)
Tax paid	(5 604)	(6 289)	(7 164)	(8 136)	(9 135)	(10 049)	(11 068)	(12 107)	(13 161)
Change in working capital	(3 019)	(2 088)	(877)	(1 197)	(1 287)	(1 339)	(1 493)	(1 553)	(1 604)
<b>Net cash from/(used in) operating activities</b>	<b>17 833</b>	<b>21 769</b>	<b>25 774</b>	<b>28 581</b>	<b>31 477</b>	<b>34 177</b>	<b>37 078</b>	<b>40 129</b>	<b>43 221</b>
<b>Investing Activities</b>									
Operating investments	(4 969)	(5 764)	(6 445)	(7 108)	(7 775)	(8 423)	(9 082)	(9 752)	(10 431)
Purchase and proceeds from sale of consolidated investments	(809)								
Dividends received	7								
Tax paid related to non-current available for sale financial assets and consolidated investments									
Purchase and proceeds from sale of non-current available for sale financial assets	(149)								
<b>Net cash from/(used in) investing activities</b>	<b>(5 920)</b>	<b>(5 764)</b>	<b>(6 445)</b>	<b>(7 108)</b>	<b>(7 775)</b>	<b>(8 423)</b>	<b>(9 082)</b>	<b>(9 752)</b>	<b>(10 431)</b>
<b>Financing Activities</b>									
Interim and final dividends paid	(6 774)	(3 874)	(7 508)	(7 486)	(7 463)	(7 441)	(7 418)	(7 396)	(7 373)
Purchase and proceeds from sale of minority interests	(351)								
Other equity-related transactions	(1 604)	(1 520)	(1 500)	(1 500)	(1 500)	(1 500)	(1 500)	(1 500)	(1 500)
Proceeds from borrowings	3 774	899							
Repayment of borrowings	(3 891)		(3 670)	(3 500)	(2 250)	(1 991)	(2 750)	(2 000)	(1 000)
Repayment of lease liabilities	(2 751)	(1 115)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)
Purchase and proceeds from sale of current available for sale financial assets	(1 088)								
<b>Net cash from/(used in) financing activities</b>	<b>(12 685)</b>	<b>(5 610)</b>	<b>(13 679)</b>	<b>(13 486)</b>	<b>(12 213)</b>	<b>(11 932)</b>	<b>(12 668)</b>	<b>(11 896)</b>	<b>(10 873)</b>
<b>Effect of Exchange Rate Changes</b>									
Net increase/(decrease) in cash and cash equivalents	(717)	10 395	5 651	7 987	11 489	13 823	15 328	18 481	21 917
Cash and cash equivalents at beginning of period	7 817	7 300	17 695	23 346	31 333	42 822	56 645	71 973	90 454
Cash and cash equivalents at end of period	7 100	17 695	23 346	31 333	42 822	56 645	71 973	90 454	112 371
Total tax paid	(5 933)								

Source: Own elaboration

## Appendix 25 – Cash Flow Statement Forecast (Base Scenario)

(€ Millions)	2022H	2023P	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Operating Activities</b>									
Operating profit	21 001	21 992	22 257	24 715	28 208	31 909	34 929	37 485	40 036
(Income)/loss on dividends received from joint ventures and associates	26								
Net increase in depreciation, amortization and provisions	3 219	2 796	2 903	3 026	3 170	3 331	3 507	3 693	3 889
Depreciation of right-of-use assets	3 007	3 127	3 247	3 386	3 294	3 197	3 087	2 956	2 802
Other adjustments and computed expenses	(483)								
<b>Cash from operations before changes in working capital</b>	<b>26 770</b>	<b>27 915</b>	<b>28 407</b>	<b>31 128</b>	<b>34 671</b>	<b>38 437</b>	<b>41 522</b>	<b>44 134</b>	<b>46 728</b>
Cost of net financial debt: interest paid	(74)	(750)	(616)	(489)	(408)	(335)	(235)	(163)	(126)
Lease liabilities: interest paid	(240)	(254)	(237)	(219)	(201)	(183)	(165)	(148)	(130)
Tax paid	(5 604)	(5 457)	(5 565)	(6 242)	(7 176)	(8 161)	(8 977)	(9 665)	(10 343)
Change in working capital	(3 019)	(117)	47	(610)	(821)	(991)	(879)	(871)	(900)
<b>Net cash from/(used in) operating activities</b>	<b>17 833</b>	<b>21 337</b>	<b>22 036</b>	<b>23 568</b>	<b>26 066</b>	<b>28 765</b>	<b>31 265</b>	<b>33 288</b>	<b>35 228</b>
<b>Investing Activities</b>									
Operating investments	(4 969)	(5 339)	(5 621)	(6 041)	(6 585)	(7 113)	(7 608)	(8 055)	(8 499)
Purchase and proceeds from sale of consolidated investments	(809)								
Dividends received	7								
Tax paid related to non-current available for sale financial assets and consolidated investments									
Purchase and proceeds from sale of non-current available for sale financial assets	(149)								
<b>Net cash from/(used in) investing activities</b>	<b>(5 920)</b>	<b>(5 339)</b>	<b>(5 621)</b>	<b>(6 041)</b>	<b>(6 585)</b>	<b>(7 113)</b>	<b>(7 608)</b>	<b>(8 055)</b>	<b>(8 499)</b>
<b>Financing Activities</b>									
Interim and final dividends paid	(6 774)	(3 874)	(6 007)	(5 989)	(5 971)	(5 953)	(5 935)	(5 917)	(5 899)
Purchase and proceeds from sale of minority interests	(351)								
Other equity-related transactions	(1 604)	(1 520)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)
Proceeds from borrowings	3 774	899							
Repayment of borrowings	(3 891)		(3 670)	(3 500)	(2 250)	(1 991)	(2 750)	(2 000)	(1 000)
Repayment of lease liabilities	(2 751)	(1 115)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)
Purchase and proceeds from sale of current available for sale financial assets	(1 088)								
<b>Net cash from/(used in) financing activities</b>	<b>(12 685)</b>	<b>(5 610)</b>	<b>(11 677)</b>	<b>(11 489)</b>	<b>(10 221)</b>	<b>(9 943)</b>	<b>(10 685)</b>	<b>(9 917)</b>	<b>(8 899)</b>
<b>Effect of Exchange Rate Changes</b>									
Net increase/(decrease) in cash and cash equivalents	(717)	10 388	4 738	6 038	9 260	11 709	12 973	15 317	17 831
Cash and cash equivalents at beginning of period	7 817	7 300	17 688	22 426	28 464	37 724	49 433	62 406	77 723
Cash and cash equivalents at end of period	7 100	17 688	22 426	28 464	37 724	49 433	62 406	77 723	95 553
Total tax paid	(5 933)								

Source: Own elaboration

## Appendix 26 – Peers Selection

### Wines & Spirits

Company Name	Market Cap (Million \$)	D/E	Operating Margin	Revenue Growth Last 5 years	Average Effective Tax Rate last 5 years except 2020	Beta 5 Year
LVMH Moet Hennessy Louis Vuitton SE	382 134	62,1%	30,36%	6,90%	N.A	N.A
Davide Campari Milano NV	12 664	67,4%	18,99%	9%	25,07%	0,47
Diageo PLC	79 585	216,7%	28,98%	7,07%	21,68%	0,56
Pernod Ricard SA	44 010	75,5%	26,90%	6,83%	21,32%	0,48
Heineken NV	52 294	83,8%	15,24%	5,85%	25,43%	0,76
Carlsberg A/S	13 373	89,8%	15,21%	2,99%		0,76
Anheuser-Busch Inbev SA	104 435	109,0%	25,51%	0,47%		1,16
Brown-Forman Corp	28 411	89,0%	26,66%	5,42%	20,93%	0,73
Beele SAB de CV	6 087	35,0%	19,44%	11,99%	25,61%	0,67
Anhui Gujing Distillery Company Limited	16 352	5,0%	26,68%	19,12%	26,69%	1,32

### Perfumes & Cosmetics

Company Name	Market Cap (Million \$)	D/E	Operating Margin	Revenue Growth Last 5 years	Average Effective Tax Rate last 5 years except 2020	Beta 5 Year
LVMH Moet Hennessy Louis Vuitton SE	382 134	62,1%	8,55%	6,79%	N.A	N.A
L'Oreal SA	254 487	20,8%	18,86%	8,01%	25,46%	0,68
Unilever PLC	120 076	149,5%	17,63%	2,26%	24,43%	0,32
Estee Lauder Companies Inc	45 693	145,3%	9,47%	3,10%	25,43%	1,03
Beiersdorf AG	35 593	1,6%	12,41%	4,51%	31,44%	0,23
Inter Parfums Inc	4 003	29,2%	17,88%	12,94%	27,78%	1,07
Natura & Co Holdings AS	3 928	76%	-1,78%	29,83%	24,24%	1,33
Shiseido Co LTD	10 634	49%	4,44%	1,21%	44,68%	0,57

### Selective Retailing

Company Name	Market Cap (Million \$)	D/E	Operating Margin	Revenue Growth Last 5 years	Average Effective Tax Rate last 5 years except 2020	Beta 5 Year
LVMH Moet Hennessy Louis Vuitton SE	382 134	62,1%	5,31%	2,22%	N.A	N.A
Ulta Beauty Inc	19 223	0,0%	16,05%	11,65%		1,36
Avolta AG	5 133	736,6%	7,27%	-3,87%		1,71
WH Smith PLC	2 121	339,3%	6,93%	2,56%	16,87%	2,15
Macy's Inc	4 346	74%	6,56%	-0,26%	22,13%	2,00
Sally Beauty Holdings Inc	1 027	392%	8,42%	-0,63%	28,27%	1,38
L'Occitane International AS	3 535	70%	11,20%	10,10%	23,02%	0,50
Nordstrom Inc	2 535	386%	2,99%	0,07%	34,94%	2,42

### Fashion & Leather Goods

Company Name	Market Cap (Million \$)	D/E	Operating Margin	Revenue Growth Last 5 years	Average Effective Tax Rate last 5 years except 2020	Beta 5 Year
LVMH Moet Hennessy Louis Vuitton SE	382 134	62,1%	40,65%	20,09%	N.A	N.A
Kering SA	52 788	84,8%	26,51%	13,48%	31,55%	1,12
Burberry Group PLC	6 781	96,9%	21,23%	2,51%	24,66%	1,72
Hermes International SCA	220 100	15,5%	40,48%	15,89%	33,28%	0,73
Moncler SpA	15 151	31,5%	29,76%	16,87%	32,71%	0,80
Prada SpA	13 907	76,5%	18,47%	8,91%	31,78%	0,66
Hugo Boss AG	4 428	81,9%	9,19%	5,97%	25,55%	1,30
Salvatore Ferragamo SpA	2 242	80,4%	10,22%	-2,12%	25,65%	1,03
Tapestry Inc	7 258	73,0%	17,60%	2,53%	19,02%	1,52
Capri Holdings LTD	5 629	99,0%	12,08%	3,55%	22,51%	2,04

### Watches & Jewelry

Company Name	Market Cap (Million \$)	D/E	Operating Margin	Revenue Growth Last 5 years	Average Effective Tax Rate last 5 years except 2020	Beta 5 Year
LVMH Moet Hennessy Louis Vuitton SE	382 134	62,1%	19,06%	22,70%	N.A	N.A
Compagnie Financiere Richemont SA	65 585	82,7%	25,21%	12,62%	19,23%	1,64
Swatch Group AG	13 264	0,1%	15,44%	-1,26%	26,10%	1,11
Pandora A/S	11 659	105,9%	25,48%	3,04%	25,05%	2,09
Chow Tai Fook Jewellery Group LTD	14 830	68%	8,24%	9,86%	21,67%	0,78
Watches of Switzerland Group PLC	1 994	113%	11,53%	19,57%	27,53%	2,51
Titan Company LTD	37 164	79%	11,01%	20,22%	28,21%	1,08

Source: Own elaboration and (Refinitiv Eikon, 2023)

## Appendix 27 – Cost of Debt

Description	Instrument Type	Issue Date	Maturity Date	Amount Outstanding	Last Price (€)	Market Value (€)	Coupon	Currency	Euro YTM	% of Total	Kd	US/UK Average Expected Inflation	USD/GBP YTM
LVMH 11-Feb-2024 '23 MTN	Note	2020-02-11	2024-02-11	1 250 000 000	99,25	1 240 637 500	0	Euro	4,11%	9,76%	N.A.	N.A.	N.A.
LVMH 0.750 26-May-2024 '24 MTN	Note	2017-05-26	2024-05-26	1 200 000 000	98,49	1 181 844 000	0,75	Euro	4,01%	9,30%	N.A.	N.A.	N.A.
LVMHTI/LVMH 3.800 01-Oct-2024 '24	Note	2015-05-08	2024-10-01	230 481 728	98,42	226 836 429	3,8	US Dollar	6,44%	1,78%	N.A.	2,49%	5,80%
LVMH 0.750 07-Apr-2025 '25 MTN	Note	2020-04-07	2025-04-07	1 500 000 000	96,36	1 445 385 000	0,75	Euro	3,59%	11,37%	N.A.	N.A.	N.A.
LVMH 3.375 21-Oct-2025 '25 MTN	Note	2023-04-21	2025-10-21	1 000 000 000	100,16	1 001 610 000	3,375	Euro	3,28%	7,88%	N.A.	N.A.	N.A.
LVMH 11-Feb-2026 '25 MTN	Note	2020-02-11	2026-02-11	1 250 000 000	93,46	1 168 187 500	0	Euro	3,15%	9,19%	N.A.	N.A.	N.A.
LVMH 1.125 11-Feb-2027 '26 MTN	Note	2020-02-11	2027-02-11	990 882 244	89,70	888 781 738	1,125	British Pound	4,81%	6,99%	N.A.	2,94%	4,63%
LVMH 0.125 11-Feb-2028 '27 MTN	Note	2020-02-11	2028-02-11	1 750 000 000	88,70	1 552 320 000	0,125	Euro	3,04%	12,21%	N.A.	N.A.	N.A.
LVMH 3.250 07-Sep-2029 '29 MTN	Note	2023-09-07	2029-09-07	1 000 000 000	100,32	1 003 220 000	3,25	Euro	3,19%	7,89%	N.A.	N.A.	N.A.
LVMH 0.375 11-Feb-2031 '30 MTN	Note	2020-02-11	2031-02-11	1 500 000 000	82,82	1 242 315 000	0,375	Euro	3,08%	9,77%	N.A.	N.A.	N.A.
LVMH 3.500 07-Sep-2033 '33 MTN	Note	2023-09-07	2033-09-07	1 500 000 000	100,81	1 512 165 000	3,5	Euro	3,40%	11,89%	N.A.	N.A.	N.A.
LVMHTI / LVMH 4.900 01-Oct-2044 '44	Note	2015-05-08	2044-10-01	276 827 243	90,44	250 370 310	4,9	US Dollar	6,33%	1,97%	N.A.	2,49%	5,69%
<b>Total</b>				<b>13 448 191 215</b>		<b>12 713 672 476</b>				<b>100,00%</b>	<b>3,63%</b>		

Source: Own elaboration and (Refinitiv Eikon, 2023)

Outstanding Bonds	12 714
Bank Borrowings	199
Current Bank Borrowings	269
Euro- and US Dollar- Commercial Paper	7 000
Other borrowings and credit facilities	136
Bank Overdrafts	636
Accrued interest	(140)
Lease Liabilities	14 293
<b>Market Value of Debt</b>	<b>35 107</b>

## Appendix 28 – Beta by Segment

Peers	Market Cap	Peer Levered Beta	Peer D/E	Peer Effective Tax Rate	Unlevered Beta	D/E	Segment's Tax Rate	Segment's Levered Beta
<b>Wines and Spirits</b>	<b>187 109</b>	<b>N.A</b>	<b>N.A</b>	<b>N.A</b>	<b>0,51</b>	<b>9,19%</b>	<b>24,09%</b>	<b>0,54</b>
Pernod Ricard SA	44 010	0,48	75,52%	21,32%	0,30	N.A.	N.A.	N.A.
Diageo PLC	79 585	0,56	216,70%	21,68%	0,21	N.A.	N.A.	N.A.
Davide Campari Milano NV	12 664	0,47	67,40%	25,07%	0,31	N.A.	N.A.	N.A.
Brown-Forman Corp	28 411	0,73	89,00%	20,93%	0,43	N.A.	N.A.	N.A.
Anhui Gujing Distillery Company Lim	16 352	1,32	5,00%	26,69%	1,27	N.A.	N.A.	N.A.
Beclé SAB de CV	6 087	0,67	35,00%	25,61%	0,53	N.A.	N.A.	N.A.
<b>Fashion and Leather Goods</b>	<b>295 297</b>	<b>N.A</b>	<b>N.A</b>	<b>N.A</b>	<b>0,75</b>	<b>9,19%</b>	<b>24,87%</b>	<b>0,80</b>
Kering SA	52 788	1,12	84,83%	31,55%	0,71	N.A.	N.A.	N.A.
Hermes International SCA	220 100	0,73	15,55%	33,28%	0,66	N.A.	N.A.	N.A.
Moncler SpA	15 151	0,80	31,45%	32,71%	0,66	N.A.	N.A.	N.A.
Tapestry Inc	7 258	1,52	73,00%	19,02%	0,96	N.A.	N.A.	N.A.
<b>Perfumes and Cosmetics</b>	<b>339 776</b>	<b>N.A</b>	<b>N.A</b>	<b>N.A</b>	<b>0,55</b>	<b>9,19%</b>	<b>24,82%</b>	<b>0,59</b>
L'Oreal SA	254 487	0,68	20,79%	25,46%	0,59	N.A.	N.A.	N.A.
Inter Parfums Inc	4 003	1,07	29,19%	27,78%	0,88	N.A.	N.A.	N.A.
Estee Lauder Companies Inc	45 693	1,03	145,28%	25,43%	0,49	N.A.	N.A.	N.A.
Beiersdorf AG	35 593	0,23	1,63%	31,44%	0,23	N.A.	N.A.	N.A.
<b>Watches and Jewelry</b>	<b>104 743</b>	<b>N.A</b>	<b>N.A</b>	<b>N.A</b>	<b>1,02</b>	<b>9,19%</b>	<b>24,56%</b>	<b>1,09</b>
Compagnie Financiere Richemont SA	65 585	1,64	82,66%	19,23%	0,98	N.A.	N.A.	N.A.
Watches of Switzerland Group PLC	1 994	2,51	113,00%	27,53%	1,38	N.A.	N.A.	N.A.
Titan Company LTD	37 164	1,08	79,00%	28,21%	0,69	N.A.	N.A.	N.A.
<b>Selective Retailing</b>	<b>7 494</b>	<b>N.A</b>	<b>N.A</b>	<b>N.A</b>	<b>0,72</b>	<b>9,19%</b>	<b>23,58%</b>	<b>0,77</b>
WH Smith PLC	2 121	2,15	339,32%	16,87%	0,56	N.A.	N.A.	N.A.
Macy's Inc	4 346	2,00	74,00%	22,13%	1,27	N.A.	N.A.	N.A.
Sally Beauty Holdings Inc	1 027	1,38	392,00%	28,27%	0,36	N.A.	N.A.	N.A.
Nordstrom Inc	2 535	2,42	386%	34,94%	0,69	N.A.	N.A.	N.A.

Source: Own elaboration and (Refinitiv Eikon, 2023)

## Appendix 29 – Equity Risk Premium

Regions	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing	Equity Risk Premium
<b>France</b>	<b>6%</b>	<b>7%</b>	<b>9%</b>	<b>3%</b>	<b>10%</b>	<b>5,75%</b>
<b>Europe (excluding France)</b>	<b>19%</b>	<b>17%</b>	<b>19%</b>	<b>14%</b>	<b>8%</b>	<b>6,33%</b>
Germany						5,00%
United Kingdom						5,91%
Italy						8,33%
Spain						7,43%
Netherlands						5,00%
<b>USA</b>	<b>34%</b>	<b>17%</b>	<b>19%</b>	<b>23%</b>	<b>45%</b>	<b>5,00%</b>
<b>Japan</b>	<b>5%</b>	<b>9%</b>	<b>5%</b>	<b>10%</b>	<b>1%</b>	<b>6,07%</b>
<b>Asia (excluding Japan)</b>	<b>23%</b>	<b>41%</b>	<b>34%</b>	<b>37%</b>	<b>18%</b>	<b>7,09%</b>
China						6,07%
India						8,33%
South Korea						5,75%
Indonesia						7,89%
Thailand						7,43%
<b>Other markets</b>	<b>13%</b>	<b>9%</b>	<b>14%</b>	<b>13%</b>	<b>18%</b>	<b>9,92%</b>
Brazil						9,57%
Australia						5,00%
Saudi Arabia						6,07%
Argentina						23,21%
United Arab Emirates						5,75%
<b>Segment's Equity Risk Premium</b>	<b>6,47%</b>	<b>6,68%</b>	<b>6,78%</b>	<b>6,73%</b>	<b>6,45%</b>	

Source: Own elaboration and (Damodaran, Country Default Spreads and Risk Premiums, 2023)

## Appendix 30 – Enterprise Value by Segment (Opt. Scenario)

### Wines & Spirits

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	2 613	2 826	3 053	3 294	3 530	3 766	3 999
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	1 934	2 091	2 260	2 437	2 612	2 787	2 959
Depreciations and Amortizations	314	340	364	390	416	444	472
CAPEX	1 429	1 546	1 668	1 798	1 926	2 055	2 182
Changes in NWC	658	698	731	773	765	766	761
<b>FCFF</b>	<b>161</b>	<b>188</b>	<b>225</b>	<b>256</b>	<b>337</b>	<b>409</b>	<b>488</b>
Discount Factor	1,06	1,12	1,18	1,24	1,31	1,39	1,47
<b>Present Value FCFF</b>	<b>153</b>	<b>169</b>	<b>191</b>	<b>206</b>	<b>257</b>	<b>295</b>	<b>333</b>
<b>Sum of PV FCFF</b>	<b>1 602</b>						
Growth Factor	3,11%						
WACC	5,61%						
<b>Terminal Value</b>	<b>20 133</b>						
<b>PV Terminal Value</b>	<b>13 743</b>						
<b>Enterprise Value</b>	<b>15 345</b>						

### Perfumes & Cosmetics

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	794	906	1 038	1 167	1 289	1 404	1 518
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	588	670	768	863	954	1 039	1 124
Depreciations and Amortizations	642	687	728	774	823	875	929
CAPEX	608	674	747	821	894	964	1 035
Changes in NWC	(104)	(31)	(34)	(34)	(34)	(32)	(33)
<b>FCFF</b>	<b>726</b>	<b>714</b>	<b>783</b>	<b>850</b>	<b>917</b>	<b>982</b>	<b>1 050</b>
Discount Factor	1,06	1,12	1,19	1,26	1,34	1,42	1,51
<b>Present Value FCFF</b>	<b>685</b>	<b>635</b>	<b>657</b>	<b>673</b>	<b>685</b>	<b>692</b>	<b>697</b>
<b>Sum of PV FCFF</b>	<b>4 724</b>						
Growth Factor	3,11%						
WACC	6,02%						
<b>Terminal Value</b>	<b>37 162</b>						
<b>PV Terminal Value</b>	<b>24 677</b>						
<b>Enterprise Value</b>	<b>29 401</b>						

### Fashion & Leather Goods

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	20 327	22 894	25 393	27 585	30 176	32 836	35 543
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	15 042	16 941	18 791	20 413	22 331	24 299	26 302
Depreciations and Amortizations	2 730	2 929	3 013	3 093	3 168	3 233	3 287
CAPEX	2 453	2 747	3 022	3 264	3 509	3 754	3 998
Changes in NWC	(199)	6	5	5	145	164	184
<b>FCFF</b>	<b>15 517</b>	<b>17 118</b>	<b>18 776</b>	<b>20 237</b>	<b>21 845</b>	<b>23 613</b>	<b>25 407</b>
Discount Factor	1,07	1,15	1,23	1,32	1,42	1,52	1,63
<b>Present Value FCFF</b>	<b>14 468</b>	<b>14 882</b>	<b>15 220</b>	<b>15 296</b>	<b>15 395</b>	<b>15 517</b>	<b>15 567</b>
<b>Sum of PV FCFF</b>	<b>106 345</b>						
Growth Factor	3,11%						
WACC	7,25%						
<b>Terminal Value</b>	<b>632 943</b>						
<b>PV Terminal Value</b>	<b>387 805</b>						
<b>Enterprise Value</b>	<b>494 150</b>						

### Watches & Jewelry

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	2 505	2 819	3 238	3 677	4 147	4 648	5 182
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	1 854	2 086	2 396	2 721	3 069	3 440	3 835
Depreciations and Amortizations	1 045	1 076	1 073	1 072	1 073	1 076	1 079
CAPEX	1 143	1 254	1 376	1 502	1 637	1 780	1 931
Changes in NWC	364	436	492	514	548	582	617
<b>FCFF</b>	<b>1 392</b>	<b>1 472</b>	<b>1 601</b>	<b>1 777</b>	<b>1 957</b>	<b>2 153</b>	<b>2 366</b>
Discount Factor	1,09	1,19	1,30	1,42	1,54	1,68	1,84
<b>Present Value FCFF</b>	<b>1 276</b>	<b>1 237</b>	<b>1 234</b>	<b>1 255</b>	<b>1 267</b>	<b>1 278</b>	<b>1 288</b>
<b>Sum of PV FCFF</b>	<b>8 837</b>						
Growth Factor	3,11%						
WACC	9,08%						
<b>Terminal Value</b>	<b>40 895</b>						
<b>PV Terminal Value</b>	<b>22 261</b>						
<b>Enterprise Value</b>	<b>31 098</b>						

### Selective Retailing

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	2 166	2 554	3 020	3 445	3 826	4 222	4 634
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	1 603	1 890	2 235	2 549	2 831	3 124	3 429
Depreciations and Amortizations	1 532	1 590	1 587	1 588	1 591	1 595	1 599
CAPEX	813	887	962	1 037	1 117	1 199	1 285
Changes in NWC	158	87	92	82	69	72	75
<b>FCFF</b>	<b>2 164</b>	<b>2 505</b>	<b>2 768</b>	<b>3 018</b>	<b>3 237</b>	<b>3 449</b>	<b>3 668</b>
Discount Factor	1,07	1,14	1,22	1,31	1,40	1,49	1,60
<b>Present Value FCFF</b>	<b>2 024</b>	<b>2 191</b>	<b>2 264</b>	<b>2 308</b>	<b>2 315</b>	<b>2 307</b>	<b>2 295</b>
<b>Sum of PV FCFF</b>	<b>15 704</b>						
Growth Factor	3,11%						
WACC	6,93%						
<b>Terminal Value</b>	<b>99 001</b>						
<b>PV Terminal Value</b>	<b>61 933</b>						
<b>Enterprise Value</b>	<b>77 637</b>						

Source: Own elaboration

## Appendix 31 – Enterprise Value by Segment (Base Scenario)

### Wines & Spirits

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	1 950	2 038	2 153	2 290	2 394	2 497	2 600
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	1 443	1 508	1 593	1 695	1 771	1 848	1 924
Depreciations and Amortizations	304	324	340	356	372	389	406
CAPEX	1 153	1 199	1 256	1 314	1 374	1 434	1 493
Changes in NWC	203	281	348	364	355	355	354
FCFF	391	351	329	372	414	448	483
Discount Factor	1,06	1,12	1,18	1,24	1,31	1,39	1,47
Present Value FCFF	370	315	279	299	315	323	330
<b>Sum of PV FCFF</b>	<b>2 231</b>						
Growth Factor	3,11%						
WACC	5,61%						
<b>Terminal Value</b>	<b>19 959</b>						
<b>PV Terminal Value</b>	<b>13 624</b>						
<b>Enterprise Value</b>	<b>15 855</b>						

### Perfumes & Cosmetics

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	242	319	414	557	701	762	821
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	179	236	306	412	519	564	608
Depreciations and Amortizations	620	646	665	686	706	726	745
CAPEX	528	564	602	637	667	693	716
Changes in NWC	(123)	(9)	(8)	19	26	(3)	(0)
FCFF	394	327	377	442	532	600	637
Discount Factor	1,06	1,12	1,19	1,26	1,34	1,42	1,51
Present Value FCFF	372	291	316	349	397	423	423
<b>Sum of PV FCFF</b>	<b>2 571</b>						
Growth Factor	3,11%						
WACC	6,02%						
<b>Terminal Value</b>	<b>22 553</b>						
<b>PV Terminal Value</b>	<b>14 976</b>						
<b>Enterprise Value</b>	<b>17 547</b>						

### Fashion & Leather Goods

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	16 511	18 396	21 032	23 676	25 752	27 434	29 080
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	12 218	13 613	15 564	17 520	19 057	20 301	21 519
Depreciations and Amortizations	2 685	2 844	2 896	2 952	3 006	3 050	3 081
CAPEX	2 174	2 391	2 678	2 946	3 182	3 372	3 558
Changes in NWC	(326)	5	2	75	(28)	(23)	(22)
FCFF	13 056	14 061	15 780	17 452	18 909	20 001	21 064
Discount Factor	1,07	1,15	1,23	1,32	1,42	1,52	1,63
Present Value FCFF	12 173	12 225	12 791	13 191	13 326	13 143	12 906
<b>Sum of PV FCFF</b>	<b>89 755</b>						
Growth Factor	3,11%						
WACC	7,25%						
<b>Terminal Value</b>	<b>524 743</b>						
<b>PV Terminal Value</b>	<b>321 510</b>						
<b>Enterprise Value</b>	<b>411 266</b>						

### Watches & Jewelry

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	2 148	2 376	2 752	3 183	3 636	4 110	4 616
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	1 589	1 758	2 037	2 355	2 690	3 041	3 416
Depreciations and Amortizations	1 038	1 063	1 055	1 049	1 044	1 040	1 037
CAPEX	1 042	1 114	1 223	1 335	1 452	1 571	1 696
Changes in NWC	174	296	437	469	489	505	533
FCFF	1 412	1 411	1 432	1 599	1 794	2 005	2 224
Discount Factor	1,09	1,19	1,30	1,42	1,54	1,68	1,84
Present Value FCFF	1 294	1 186	1 104	1 130	1 162	1 191	1 210
<b>Sum of PV FCFF</b>	<b>8 276</b>						
Growth Factor	3,11%						
WACC	9,08%						
<b>Terminal Value</b>	<b>38 427</b>						
<b>PV Terminal Value</b>	<b>20 918</b>						
<b>Enterprise Value</b>	<b>29 194</b>						

### Selective Retailing

(€ Millions)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Profit from recurring operations	1 406	1 586	1 857	2 204	2 446	2 681	2 919
Tax Rate	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%	26,00%
Profit from rec. oper. * (1 - Tax Rate)	1 041	1 174	1 374	1 631	1 810	1 984	2 160
Depreciations and Amortizations	1 503	1 535	1 508	1 485	1 465	1 444	1 423
CAPEX	725	772	827	880	933	984	1 036
Changes in NWC	24	37	42	64	37	36	36
FCFF	1 794	1 900	2 013	2 172	2 305	2 408	2 511
Discount Factor	1,07	1,14	1,22	1,31	1,40	1,49	1,60
Present Value FCFF	1 677	1 662	1 647	1 661	1 649	1 611	1 571
<b>Sum of PV FCFF</b>	<b>11 478</b>						
Growth Factor	3,11%						
WACC	6,93%						
<b>Terminal Value</b>	<b>67 767</b>						
<b>PV Terminal Value</b>	<b>42 394</b>						
<b>Enterprise Value</b>	<b>53 872</b>						

Source: Own elaboration

## Appendix 32 – Relative Valuation

Company Name	Forward EV/EBITDA	Forward EV/Sales	Market Cap (Million \$)	% of Segment
<b>Wines and Spirits</b>	<b>14,39</b>	<b>4,57</b>	<b>187 109</b>	<b>100,00%</b>
Pernod Ricard SA	12,90	4,00	44 010	23,52%
Diageo PLC	13,70	4,50	79 585	42,53%
Davide Campari Milano NV	16,20	4,20	12 664	6,77%
Brown-Forman Corp	19,80	6,60	28 411	15,18%
Anhui Gujing Distillery Company Lim	13,00	4,20	16 352	8,74%
Heineken NV	8,90	2,00	6 087	3,25%
<b>Fashion and Leather Goods</b>	<b>22,59</b>	<b>10,25</b>	<b>295 297</b>	<b>100,00%</b>
Kering SA	8,00	2,60	52 788	17,88%
Hermes International SCA	27,50	12,80	220 100	74,54%
Moncler SpA	10,30	4,10	15 151	5,13%
Tapestry Inc	5,50	1,20	7 258	2,46%
<b>Perfumes and Comestics</b>	<b>20,74</b>	<b>4,65</b>	<b>339 776</b>	<b>100,00%</b>
L'Oreal SA	21,60	5,20	254 487	74,90%
Inter Parfums Inc	14,20	2,70	4 003	1,18%
Estee Lauder Companies Inc	19,90	3,10	45 693	13,45%
Beiersdorf AG	16,40	2,90	35 593	10,48%
<b>Watches and Jewelry</b>	<b>22,15</b>	<b>3,54</b>	<b>104 743</b>	<b>100,00%</b>
Compagnie Financiere Richemont SA	8,00	2,40	65 585	62,62%
Watches of Switzerland Group PLC	5,60	,80	1 994	1,90%
Titan Company LTD	48,00	5,70	37 164	35,48%
<b>Selective Retailing</b>	<b>3,97</b>	<b>0,43</b>	<b>10 029</b>	<b>100,00%</b>
WH Smith PLC	6,00	1,00	2 121	21,15%
Macy's Inc	2,80	,20	4 346	43,33%
Sally Beauty Holdings Inc	3,90	,50	1 027	10,24%
Nordstrom Inc	4,30	,30	2 535	25,28%

Source: Own elaboration and (Refinitiv Eikon, 2023)

## Appendix 33 – Literature Review: FCFE, APV, DDM, Price to Earnings and Price to Book

### Free Cash Flow to Equity (FCFE)

FCFE represents the cash available to equity holders after the company meets its financial obligations and investment needs (Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2012). It can be computed by subtracting any interest expense (after tax) and adding the net borrowing of the period to the FCFF value.

$$FCFE = FCFF - Interest * (1 - Tax Rate) + Net Borrowing$$

All the debt related expenses (incomes) are subtracted (added) until the amount available to equity holders is reached. Using the FCFE will deliver a different result than using FCFF, as the first one will be discounted at the required cost of equity, whereas the second will be at the WACC rate (adding all the debt effects like the tax benefits from the interest payments).

However, there's another way to compute FCFE. It starts with the net income and subtracts both CAPEX and changes in net working capital, as more investment and more working capital needs lower the cash flow available to shareholders. Then, net borrowing has to be added as equity holders are the last to be paid and so, any changes in net debt (be repayments or new issues) will be done before shareholders get paid.

The FCFE is harder to estimate than the FCFF as the debt repayments or issues are relatively volatile. Also, the FCFE is not as effective as the FCFF in companies that have high amounts of debt (relatively) or that often change their capital structure, significantly. However, FCFE already includes the impact of debt (subtracting interest payments and adding net borrowing), whereas FCFF doesn't include that (debt's impact only in the WACC).

### **Adjusted Present Value (APV)**

The other way to calculate the Enterprise Value of a firm is through the APV. In this method, the company is assumed to be completely financed through equity and all the usual steps of a FCFF DCF are followed, except for the discount rate that is used. In this case, the cost of equity ( $k_e$ ) is used to discount the FCFF to the present. In the end, the present value of the interest tax shield is added (benefit from debt) and the expected costs, derived from a possible bankruptcy are subtracted (debt disadvantage).

$$EV = \sum_{t=1}^n \frac{FCFF_t}{(1 + k_e)^t} + \frac{TV}{(1 + k_e)^t} + PV(ITS) - E(Bankruptcy Costs)$$

As the interest payments are tax deductible, the interest tax shield can be computed by multiplying the debt amount (assumed to be constant in perpetuity) by the cost of debt and then by the tax rate. As the interest tax shield is assumed to be a perpetuity, it has to be discounted at the cost of debt rate, leaving the formula as:

$$PV(ITS) = Debt Amount * Tax Rate$$

The expected bankruptcy costs can be quantified as the difference between the value of a normal company and the value of the same company in a situation of bankruptcy (*bankruptcy costs*), multiplied by the probability of occurrence of this bankruptcy.

$$E(Bankruptcy Costs) = Probability of Bankruptcy * Bankruptcy Costs$$

The APV has the advantage of recognizing the effects of debt separately (interest tax shield and bankruptcy costs). However, estimating the probabilities of bankruptcy and the derived costs can be very difficult. This difficulty can lead to the wrong conclusion that firm value increases as the firm issues more debt (Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2012).

This method should be used when valuing companies where leverage is fluctuating a lot (as these changes in leverage will not impact WACC, like in a FCF based DCF), instead of just using it on companies with high levels of leverage.

### **Dividend Discount Model (DDM)**

The Dividend Discount Model suggests that a company's stock value depends on the present value of its expected dividends, (Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2012). If a share is bought and sold, in the future, the investor will receive both dividends and the price of the share in the moment of selling.

The simplest DDM is the Gordon Growth Model, where it is assumed that the dividend will grow at a constant rate to perpetuity ( $g$ , that it is a function of the company's payout ratio and ROE).

$$\text{Stock Price} = \frac{E(DPS_1)}{(k_e - g)}$$

Where:

$E(DPS) = NI * \text{Payout Ratio} / \text{Outstanding Shares}$

$DPS_1 = \text{dividend per share in period 1}$

$k_e = \text{cost of Equity}$

$g = \text{Dividend's growth rate} = ROE * (1 - \text{Payout Ratio})$

However, there's another DDM that incorporates two different growth rates (in two different periods), the Two-Stage Dividend Discount Model. One specific Two-Stage DDM is the H-Model. It assumes a higher growth rate in the beginning that will decline gradually (instead of instant drop like in regular Two-Stage DDM) until it reaches a stable long-term growth rate, (Boyte-White, 2014).

$$\text{Stock Price} = \frac{DPS_0 * (1 + g_L) + DPS_0 * H * (g_S - g_L)}{(k_e - g_L)}$$

Where:

DPS<sub>0</sub> = Dividend per share at time 0

g<sub>L</sub> = Stable long-term growth rate

H = Half-life in years of the high-growth period

g<sub>S</sub> = Initial growth rate

Both these methods are very simple, as they value a company's share price based on dividends. The H-Model also benefits companies that are in a high growth period and expect to remain growing at a high rate. However, it is very sensitive to assumptions regarding the growth rates (a small change/error in the growth rate can drastically modify the result). Furthermore, by focusing on dividends, these models can deliver wrong values in the case of companies that cannot pay dividends or that strategically accumulate cash.

### **Price to Book Ratio (P/B)**

The Price to Book Ratio is the ratio that measures the market value of a firm against its book value. A low ratio (lower than 1) can lead to the assumption that the market is undervaluing a company (as its book value is higher than its market value). A high ratio can mean that the stock is probably overvalued, as its market value is higher than its book value.

Investors often use this ratio to find undervalued stocks (market price is not reflecting the real value of the stock). It can be computed as:

$$\text{Price to Book} = \frac{\text{Market Value of Equity}}{\text{Book Value of Equity}}$$

The main advantage of this ratio is its intuitiveness and the easiness of the interpretation of the value it delivers.

However, it has some disadvantages, such as the impossibility of being used if a company has numerous years with negative results leading to negative book values, the possible distortion of book values caused by recent events (leading investors to wrong interpretations of the ratio) and the effect that different accounting decisions can have in the final output, (Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2012).

### **Price to Earnings Ratio (P/E)**

The Price to Earnings Ratio is, probably, the most used equity ratio, as it is straightforward and easy to compute. It compares the price of the stock with the earnings that the stock will give to the investor (and shows if the price is reflecting the earnings potential of a company or not).

$$\text{Price to Earnings} = \frac{\text{Market Price per Share}}{\text{Earnings per Share}}$$

This ratio has some drawbacks. For instance, in the case of firms with lower D/E ratios, the P/E ratio will be higher than for companies with higher leverage (as the cash flow available to equity holders will be, relatively, higher). Another disadvantage is that, in the case of companies with negative earnings, this ratio should not be applied, since it will yield a negative result (or in some cases it will be stated that the ratio is 0).

### **Appendix 34 – Considerations regarding the evolution of LVMH’s Revenue by region**

Throughout the years, the importance of each region in terms of percentage of the total revenue has changed.

Asia (excluding Japan) has been the biggest contributor to the total revenue (from 28%, in 2017 to 30%, in 2022, with a peak of 34% and 35% in the years of 2020 and 2021, respectively). The United States is a region whose importance has also risen by 2 percentage points from 2017’s 25% to 27%, in 2022.

The region that took the biggest step back was Europe (excluding France), whose importance went to 16%, in 2022, from 19%, in 2017. Other markets have had a stable position since the beginning of the 2017-2022 period (2017’s 11% compared to the 2022’s 12%).

France and Japan are the two regions with the least importance, with France declining from 10% to 8% and Japan maintaining its percentage in the 7%, (LVMH, 2018), (LVMH, 2019), (LVMH, 2020), (LVMH, 2021), (LVMH, 2022), (LVMH, 2023).