
# Equity Valuation of Hermès International SCA

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## ABSTRACT

This dissertation investigates the equity valuation of Hermès International SCA, a leading maison in the global luxury industry. Hermès combines sustained profitability, double-digit growth and a strong brand position, placing it among the most valuable companies in the sector. The global luxury market has likewise shown resilient demand, driven by structural growth in Asia and sustained pricing power across established luxury firms. In this context, the company's elevated share price raises the question of whether current market expectations are fundamentally justified.

The valuation applies a triangulated approach, combining a Discounted Cash Flow model, an Economic Value Added model and a Comparable Company Analysis. It builds on a detailed forecast for FY2025F-FY2030F and a transition phase for FY2031F-FY2040F, during which value generation expands at 7.61% annually before converging to a perpetual steady state of 4.16%, consistent with long-term nominal GDP benchmarks. The valuation is conducted using a weighted average cost of capital of 8.39%.

The results indicate a share price of €1,823.75, implying a downside of 23.31% relative to the market price of €2,378.00 as of July 29, 2025. In contrast, equity research from Bank of America sets a target price of €3,000.00 and JP Morgan of €2,650.00, both implying upside potential. The divergence is mainly attributable to assumptions regarding discount rates, long-term growth and investment intensity. While analysts issue BUY recommendations, the evidence presented in this dissertation suggests that Hermès trades above its intrinsic value and therefore supports a SELL recommendation.



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## RESUMO

Esta dissertação investiga a avaliação da empresa Hermès International SCA, uma maison de referência na indústria global do luxo. A Hermès apresenta elevada rentabilidade, crescimento de dois dígitos e posição de marca, situando-se entre as empresas mais valiosas do setor. O mercado global do luxo demonstra procura resiliente, sustentada pelo crescimento na Ásia e pelo poder de fixação de preços das empresas estabelecidas. Neste contexto, o preço elevado das ações levanta a questão de saber se as expectativas do mercado se encontram fundamentadas.

A avaliação aplica uma abordagem triangulada, combinando um modelo de Fluxos de Caixa Descontados (DCF), um modelo de Valor Económico Acrescentado (EVA) e uma Análise de Empresas Comparáveis (CCA). A análise baseia-se numa previsão para 2025-2030F e numa fase de transição entre 2031-2040F, durante a qual a geração de valor cresce a uma taxa anual de 7,61% antes de convergir para 4,16%, em linha com projeções nominais de longo prazo do PIB. A avaliação é realizada com um custo médio ponderado de capital de 8,39%.

Os resultados indicam um valor de 1.823,75 € por ação, implicando uma queda de 23,31% face ao preço de mercado de 2.378,00 € em 29 de julho de 2025. Em contraste, o Bank of America aponta para 3.000,00 € e o JP Morgan aponta para 2.650,00€, ambos sugerindo potencial de valorização. A divergência resulta de pressupostos relativos a taxas de desconto, crescimento de longo prazo e intensidade de investimento. Embora os analistas recomendem COMPRA, a evidência apresentada sustenta uma recomendação de VENDA.



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Título: Avaliação da Empresa Hermès International SCA


Palavras-chave: Hermès, avaliação de empresas, fluxo de caixa descontado, valor económico acrescentado, análise de empresas comparáveis, bens de luxo, valor intrínseco, finanças empresariais

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# ABBREVIATIONS

| | |
|---|---|
| **APV** | Adjusted Present Value |
| **Bn** | Billion |
| **CAGR** | Compound Annual Growth Rate |
| **CAPEX** | Capital Expenditures |
| **CAPM** | Capital Asset Pricing Model |
| **CCA** | Comparable Companies Analysis |
| **CSRD** | Corporate Sustainability Reporting Directive |
| **CTA** | Comparable Transactions Analysis |
| **D&A** | Depreciation & Amortization |
| **DCF** | Discounted Cash Flow |
| **DDM** | Dividend Discount Model |
| **D/E** | Debt-to-Equity |
| **DIO** | Days Inventory Outstanding |
| **DPO** | Days Payables Outstanding |
| **DSO** | Days Sales Outstanding |
| **EBIT** | Earnings before Interest and Taxes |
| **EBITDA** | Earnings before Interest, Taxes, Depreciation and Amortization |
| **EBT** | Earnings before Taxes |
| **ECB** | European Central Bank |
| **ERP** | Equity Risk Premium |
| **ESRS** | European Sustainability Reporting Standards |
| **EVA** | Economic Value Added |
| **EV** | Enterprise Value |
| **F (Suffix)** | Forecast |
| **FCFE** | Free Cash Flow to Equity |
| **FCFF** | Free Cash Flow to Firm |
| **FX** | Foreign Exchange |
| **FY** | Fiscal Year |
| **GDP** | Gross Domestic Product |

| | |
|---|---|
| **H1** | First Half (of the Fiscal Year) |
| **IC** | Invested Capital |
| **IFRS** | International Financial Reporting Standards |
| **M&A** | Mergers and Acquisitions |
| **M** | Million |
| **MV** | Market Value |
| **NCI** | Non-Controlling Interests |
| **NOPAT** | Net Operating Profit After Taxes |
| **NWC** | Net Working Capital |
| **OECD** | Organization for Economic Co-operation and Development |
| **OWC** | Operating Working Capital |
| **P/E** | Price-to-Earnings |
| **PP&E** | Property, Plant and Equipment |
| **PV** | Present Value |
| **ROE** | Return on Equity |
| **ROIC** | Return on Invested Capital |
| **RoU** | Right-of-Use |
| **TV** | Terminal Value |
| **US** | United States of America |
| **WACC** | Weighted Average Cost of Capital |
| **YoY** | Year-on-Year |
| **€** | Euro |
| **$** | United States Dollar |

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# 1. INTRODUCTION

Equity valuation remains one of the most contested yet indispensable fields of financial economics, rigorous in its modelling but fundamentally dependent on the consistency of assumptions regarding growth, risk and the cost of capital, a tension most visible when structural changes or macroeconomic shocks challenge these inputs.

Hermès International SCA provides a compelling case for examining these dynamics. As a leading maison in the luxury goods sector, it combines artisanal production and vertical integration with exceptional profitability and free cash flow generation. Its exposure to resilient yet cyclical global demand, exchange-rate volatility and diverse regional dynamics makes it an ideal subject for applied valuation.

This dissertation confronts valuation theory with the empirical reality of Hermès. Discounted Cash Flow and Economic Value Added models serve as the primary intrinsic approaches, complemented by a Comparable Company Analysis. Embedded in an assessment of Hermès' business model, segment structure, financial performance and industry context, and contrasted with professional equity research, these methods provide a robust estimate of intrinsic value and lead to an explicit investment recommendation.

# 2. LITERATURE REVIEW

Valuation theory formalizes how expectations about corporate performance are translated into present estimates of economic value by discounting future benefits for risk and timing.

In this dissertation, present value and relative valuation serve as the primary methodological frameworks, complemented by alternative approaches. Empirical evidence shows that model choice systematically varies with firm characteristics such as size, risk, profitability and peer availability (Demirakos et al., 2004). Reliability of results depends on the internal consistency of assumptions, as outcomes are often distorted by misestimated discount rates, inconsistent cash-flow definitions or flawed terminal value assumptions (Fernández, 2023a).

The following chapters examine these challenges in detail.

## 2.1. PRESENT VALUE MODELS

This chapter introduces valuation models that formalize the present value (PV) principle as the foundation of intrinsic valuation. While they differ in scope, structure and input requirements, all derive enterprise value from the trade-off between expected returns, risk and the cost of capital.

### 2.1.1. Discounted Cash Flow Models

Discounted Cash Flow (DCF) models estimate the intrinsic value of a firm by projecting future cash flows and discounting them to PV at a cost of capital that reflects their timing and risk (Damodaran, 2012).

The first component of the cost of capital is the cost of equity ($R_e$), reflecting the return required by shareholders. A well-established method to estimate $R_e$ is the Capital Asset Pricing Model (CAPM), introduced by William Sharpe (1964). The CAPM links expected return to systematic risk, expressed as:

$$E(R_{e)} = R_f + \beta \times (E(R_{m)} - R_f) \quad (1)$$

Here, $R_f$ denotes the risk-free rate, E($R_m$) the expected market return and $\beta$ the sensitivity of equity returns to market fluctuations. Although theoretically coherent, the CAPM is sensitive to inputs, particularly beta and the market risk premium.

Beta is the slope coefficient in a regression of firm returns ($R_i$) on market returns ($R_m$), capturing its exposure to systematic risk through the degree of comovement with market fluctuations:

$$\beta = \frac{Cov(R_i, R_m)}{Var(R_m)} \quad (2)$$

For firms with limited trading history, low liquidity or structural shifts, market betas may misrepresent underlying risk. A bottom-up approach improves robustness by averaging unlevered betas of comparable firms and adjusting for capital structure, thereby isolating operating risk and mitigating firm-specific noise. Empirical evidence also suggests mean reversion of beta toward 1.00, leading practitioners to apply partial adjustments for long-term stability (Damodaran, 2012).

The second component of the cost of capital is the cost of debt ($R_d$), reflecting the effective interest rate a firm must pay on its borrowings. For firms with publicly traded bonds, the yield to maturity of these instruments serves as a direct estimate. If unavailable, credit ratings can be used to derive appropriate default spreads. Without an official rating, interest rates on recent borrowings or synthetic credit ratings based on interest coverage ratios provide a practical alternative. These spreads are then added to a risk-free base rate to approximate the market-based cost of debt. For valuation purposes, $R_d$ must be adjusted for the tax shield resulting from interest deductibility (Damodaran, 2012).

To assess the value of the entire firm, the appropriate discount rate is the weighted average cost of capital (WACC). It reflects the required return on invested capital and combines the costs of equity and debt, weighted by their respective market values:

$$WACC = \left(\frac{E}{E+D} \times R_e\right) + \left(\frac{D}{E+D} \times R_d \times (1-\tau)\right) \quad (3)$$

Here, $E$ and $D$ denote the market values of equity and debt and $\tau$ is the corporate tax rate. Consistency between the type of cash flows and the applied discount rate is essential. As Damodaran (2012) highlights, using the WACC to discount equity cash flows leads to systematic overvaluation, whereas applying the cost of equity to unlevered cash flows results in an undervaluation of enterprise value. Such mismatches are among the most common valuation errors in practice (Brotherson et al., 2014).

In cases where firms hold large excess cash balances, part of the enterprise value is effectively risk-free and should not be priced at the full cost of equity. A pragmatic solution is to treat cash as a separate component, discounted at the risk-free rate. This adjustment prevents an overstatement of the cost of capital in highly cash-generative companies.

Beyond this technical consistency, the reliability of cash flow valuation ultimately depends on the internal coherence of assumptions. Inconsistencies in financing, reinvestment or growth expectations can materially distort outcomes. Kaplan and Ruback (1995) show that DCF models approximate market values with notable precision when projections and discount rates are applied consistently. This sensitivity underscores the importance of conceptual clarity, consistency and transparency in all applications.

The following subchapters examine the two principal DCF variants, Free Cash Flow to the Firm and Free Cash Flow to Equity, in terms of analytical structure, practical relevance and empirical robustness.

#### 2.1.1.1. Free Cash Flow to the Firm

The Free Cash Flow to the Firm (FCFF) model estimates enterprise value by discounting cash flows from operations before interest, taxes and financing-related outflows. These cash flows are available to all capital providers and are discounted using the firm's WACC, reflecting the blended risk and opportunity cost of its capital structure (Damodaran, 2012).

Formally, the enterprise value (EV) is computed as the sum of discounted FCFF over a finite forecast horizon plus a terminal value (TV):

$$EV = \sum_{t=1}^{n} \frac{FCFF_t}{(1+WACC)^t} + \frac{TV}{(1+WACC)^n} \quad (4)$$

FCFF is typically derived from operating earnings after taxes, adjusted for depreciation and amortization (D&A), capital expenditures (CAPEX) and changes in net working capital (ΔNWC):

$$FCFF = EBIT \times (1-T) + D\&A - CAPEX - \Delta NWC \quad (5)$$

The structure of the FCFF formula makes explicit that the model depends on reliable estimates of operating income, capital expenditures, changes in working capital and effective tax rates. As it excludes financing-related cash flows, the model is conceptually suited for firms with stable capital structures and transparent reinvestment profiles. If the WACC reflects the risk of the projected cash flows, the FCFF model offers a consistent and widely accepted framework for intrinsic valuation.

In the case of Hermès, the conditions for the application of the FCFF model are fully met. The firm's reporting ensures data availability for relevant inputs, notably operating income, tax rates, CAPEX and working capital movements. Its stable capital structure and negligible financial debt permit the use of a constant WACC without leverage-related distortions. As Hermès generates positive free cash flows and reinvests internally to support organic growth, the model captures the firm's main value drivers and provides an appropriate basis for estimating enterprise value in this dissertation.

#### 2.1.1.2. Free Cash Flow to Equity

The Free Cash Flow to Equity (FCFE) model estimates equity value by discounting cash flows available to shareholders after reinvestment and net debt flows. These residual funds can be distributed without impairing the firm's operational or financial integrity. Valuation is conducted using the cost of equity, representing the return required by shareholders given the firm's exposure to systematic risk (Sharpe, 1964). Formally, equity value is the PV of future FCFE, typically expressed as:

$$Equity\ Value = \sum_{t=1}^{n} \frac{FCFE_t}{(1+R_e)^t} + \frac{TV}{(1+R_e)^n} \quad (6)$$

where FCFE is defined as:

$$FCFE = NI + D\&A - CAPEX - \Delta NWC + Net\ Borrowing \quad (7)$$

In this expression, NI denotes net income, D&A stands for depreciation and amortization, CAPEX represents capital expenditures, ΔNWC is the change in net working capital and Net Borrowing captures the net effect of debt issuance and repayments.

Methodologically, the FCFE model is most applicable in environments with stable capital structures or low leverage, as it avoids assumptions about weighted capital costs and tax shields. In such cases, it enables a direct and consistent valuation of shareholder claims. However, it is less suited for environments with volatile or complex debt structures, where the projection of net financing flows becomes increasingly uncertain and may compromise valuation accuracy.

Although Hermès formally qualifies for an FCFE valuation, its relevance is limited. With a persistent net cash position and negligible borrowing activity (see *Chapter 3.3.4*), the conventional specification does not adequately reflect the systematic build-up of excess liquidity, which has exceeded €10 billion in recent years while yielding only minor returns. Under these conditions, the FCFF framework is more appropriate, as it isolates operating performance while treating excess liquidity separately.

#### 2.1.1.3. Terminal Value

In DCF models, the terminal value (TV) captures the PV of cash flows beyond the forecast horizon and often represents majority of total enterprise value. Its accurate estimation is therefore critical for the reliability of DCF-based valuations.

The most common approach applies the Gordon Growth Model, assuming a constant perpetual growth rate:

$$TV = \frac{FCF_{n+1}}{r - g} \tag{8}$$

Here, $FCF_{n+1}$ denotes the first projected cash flow after the explicit forecast period, $r$ is the discount rate and $g$ the expected long-term growth rate. The model is consistent with intrinsic valuation principles if reinvestment needs and profitability have reached a steady state. For convergence, it further requires $r > g$. The specification is highly sensitive, as even small changes in $r$ or $g$ can materially alter the TV when $r$ and $g$ are close.

As Brotherson et al. (2014) emphasize, this sensitivity underscores the importance of careful assumption selection, stress testing and triangulation across valuation methods to ensure plausibility and robustness. Long-term growth assumptions should be grounded in macroeconomic fundamentals such as inflation and GDP growth, adjusted for firm-specific reinvestment capacity and competitive positioning. Projecting short-term performance into perpetuity risks overstating enterprise value.

Alternatively, TV can be estimated using market-based exit multiples applied to terminal-year financial metrics. While common in practice, this method blends intrinsic and relative valuation logic. Its reliability depends on the careful selection of peer firms and industry-appropriate multiples, as the relevance of valuation metrics varies across sectors (Liu et al., 2002).

Despite methodological differences, both approaches require disciplined application and a clear understanding of their underlying assumptions, as the TV often dominates total enterprise value. In this dissertation, TV is estimated using both the perpetual growth model and a market-based exit multiple. Applying two conceptually distinct approaches reduces dependence on a single set of assumptions and allows for a balanced assessment of long-term value.

### 2.1.2. Adjusted Present Value Model

The Adjusted Present Value (APV) model, originally introduced by Myers (1974), separates enterprise value into the value of operations under full equity financing and the PV of financing-related effects. In contrast to WACC-based models that embed these effects implicitly, APV measures them separately. This framework is relevant in settings with changing leverage, leveraged transactions or asymmetric tax regimes, since it incorporates tax shields and, when extended, expected distress costs in highly leveraged firms (Damodaran, 2012). The model is expressed as:

$$APV = \sum_{t=1}^{n} \frac{FCFF_t}{(1+R_u)^t} + \sum_{t=1}^{n} \frac{TS_t}{(1+R_d)^t} \quad (9)$$

Here, $FCFF_t$ denotes the unlevered free cash flow in period $t$, $R_u$ is the unlevered cost of equity reflecting business risk, $TS_t$ the interest tax shield and $R_d$ the discount rate for financing effects, typically the cost of debt.

For Hermès, the conditions for applying APV are absent, as the company consistently reports a net cash position and operates without debt financing. Interest expenses are immaterial, tax shields negligible and the risk of financial distress non-existent. Since enterprise value is driven by operating performance and reinvestment capacity rather than financing structure, explicit modelling of financing effects provides no additional insight. A WACC-based valuation therefore captures the relevant risk-return trade-offs and is applied in this dissertation.

### 2.1.3. Dividend Discount Models

Dividend Discount Models (DDM) estimate equity value as the PV of expected future dividends to shareholders. The most common specification is the Gordon Growth Model, frequently applied in TV estimation, which assumes a constant perpetual dividend growth rate:

$$P_0 = \frac{D_1}{R_e - g} \quad (10)$$

Here, $P_0$ denotes the equity value, $D_1$ the dividend expected in the next period, $R_e$ the cost of equity and $g$ the perpetual dividend growth rate. Convergence requires $R_e > g$.

While analytically elegant, the DDM presupposes stable and predictable dividends. Many firms, however, reinvest substantial earnings or pursue irregular payout policies, rendering

dividends an incomplete proxy for value creation, leading to undervaluation when retained earnings or capital gains dominate shareholder returns (Damodaran, 2012). To accommodate more realistic dynamics, extended variants such as the two-stage DDM allow for an initial period of non-constant dividend growth followed by stability but depend heavily on assumptions about the duration and intensity of the growth phase as well as the timing of the shift to stability. As Damodaran (2012) emphasizes, these transitions are usually gradual and uncertain, whereas the model assumes a sharp inflection. Firms that reinvest during such phases may appear undervalued, as retained earnings are not fully captured.

Moreover, the model is highly sensitive to its inputs, as even small changes in $g$ or $R_e$ can cause disproportionate valuation shifts when the spread between them is narrow. This fragility and exclusive reliance on dividends restrict its relevance to mature firms with stable payout policies, whereas free cash flow models are more suitable for growth-oriented or capital-intensive companies, as they capture a wider set of value-relevant drivers and are less dependent on payout assumptions (Damodaran, 2012).

Although Hermès pays regular dividends, a substantial share of earnings is retained to finance organic growth, international expansion and vertical integration. As a result, dividends capture only part of total shareholder value creation and are not closely aligned with long-term earnings capacity. Given this reinvestment-driven profile and persistent cash accumulation, the DDM provides an incomplete and unreliable basis for valuing Hermès.

### 2.1.4. Residual Income Models

Residual Income Models (RIM) offer an accounting-based alternative to cash flow- and dividend-oriented approaches by capturing value creation as the excess of returns over the cost of equity. The model is grounded in the clean surplus relation and defines the equity value as the sum of the book value of equity and the PV of future residual income (Ohlson, 1995).

Assuming a constant return on equity ($ROE$) and stable long-term profit growth rate ($g$), the equity value can be expressed as:

$$Equity\ Value = BVE + \frac{(ROE - R_e) \times BVE}{R_e - g} \qquad (11)$$

where $BVE$ denotes the current book value of equity and $R_e$ the cost of equity derived from CAPM.

This formulation implies that firms generating returns above their equity cost create value over time. In its simplest form, RIM does not require explicit forecasts or TV assumptions, because intrinsic value is derived directly from book equity and residual profits, making it conceptually attractive in settings with volatile cash flows or irregular payouts. However, reliable application depends on accounting consistency. Violations of the clean surplus condition due to asset revaluations, share repurchases or other adjustments may impair accuracy (Fernández, 2019).

These concerns are particularly relevant for Hermès. As a brand-centric luxury company whose value rests primarily on intangible assets, book equity does not capture the economic capital underlying value creation. Potential share repurchases and fair value adjustments further compromise the clean surplus condition. Consequently, while conceptually sound, RIM is not a suitable framework for valuing Hermès.

Nevertheless, the underlying logic of residual income remains practically relevant and is operationalized in the Economic Value Added (*EVA*) framework. EVA defines value creation as the excess of return on capital (*ROC*) over the *WACC*, applied to the current level of invested capital (*IC*). The corresponding valuation formula is:

$$Enterprise\ Value = IC + \frac{(ROC - WACC) \times IC}{WACC - g} \qquad (12)$$

EVA thus translates the residual income logic into an operational framework that aligns closely with performance measurement and capital allocation (Fernández, 2019). Unlike RIM, EVA does not rely on book equity but captures value creation through the economic use of operating capital. Given Hermès' exceptional profitability, conservative financial structure and transparent reporting, the framework provides a robust and practically applicable basis for valuation in this dissertation.

## 2.2. RELATIVE VALUATION MODELS

Relative valuation models estimate enterprise value from comparable entities, grounded in the principle that firms with similar risk-return profiles, business models and growth prospects should be priced similarly. Peer firms must therefore capture underlying economic characteristics rather than superficial industry similarity (Damodaran, 2012). While widely used for their simplicity and market logic, multiples often show dispersion even among peers, making careful selection and supplementary analysis essential (Fernández, 2023b).

### 2.2.1. Comparable Company Analysis

Comparable Companies Analysis (CCA) estimates enterprise value by applying valuation multiples from a peer group of publicly traded companies to the financial metrics of the target. Due to its reliance on observable market prices and intuitive communicability, the method is widely adopted in equity research and investment banking (Rosenbaum and Pearl, 2013).

For CCA to yield reliable results, comparability must be extended beyond sector affiliation to fundamentals such as growth, profitability, capital intensity and risk exposure. Industry classifications often overlook differences in capital structure, payout policy or strategic orientation, which can distort valuation multiples (Schueler, 2020).

Accounting consistency is equally critical, as even subtle variations in earnings definitions or value-driver specifications can bias outcomes (Liu et al., 2002). Robust application requires consistent multiple construction, reliance on forward-looking inputs and adjustments for accounting inconsistencies, non-recurring items and denominator mismatches. To improve valuation robustness, analysts frequently apply statistical adjustments, such as winsorization or interquartile filtering, to mitigate sensitivity to outliers.

CCA captures investor expectations under current market conditions and provides useful valuation benchmarks in sectors with stable competition and transparent reporting. However, as a market-based method, it incorporates prevailing inefficiencies, sentiment-driven biases or speculative distortions. Consequently, Schueler (2020) cautions that CCA does not uncover fundamental mispricing but merely reflects existing market consensus, constraining its usefulness beyond the immediate peer set.

In the valuation of Hermès, CCA is applied as a supplementary benchmark of market expectations, since meaningful peer comparison is constrained by differences in vertical integration, pricing power and financial conservatism. While sector affiliation provides a starting point, Hermès' unique position in the luxury industry makes direct comparison difficult. Multiples thus serve mainly to benchmark and complement the intrinsic valuation rather than as a standalone method.

### 2.2.2. Comparable Transaction Analysis

Comparable Transactions Analysis (CTA) estimates enterprise value by applying valuation multiples from historical acquisitions of strategically similar companies, reflecting negotiated outcomes incorporating control premia, synergy expectations and deal-specific conditions (Rosenbaum & Pearl, 2013).

While CTA illustrates pricing behavior in corporate control markets, its conceptual robustness is limited. Liu, Shu and Wang (forthcoming) show that fairness opinions often overstate valuations due to optimistic synergy assumptions and embedded premia. Eaton et al. (2022) find that peer selection in M&A is frequently biased, as banks favor high-growth comparables to justify elevated deal values, underscoring the need for transparent peer construction and multiple definition.

Further limitations arise from heterogeneous transaction contexts, which reduce comparability of multiples and create valuation dispersion. Fernández (2023b) notes that such dispersion makes transaction multiples highly debatable, as outcomes are shaped by firm-specific and contextual factors. Truly comparable deals are rare and disclosed multiples are often of limited reliability and inconsistently applied. As CTA relies on observable market prices, it offers limited insight into fundamentals and may be distorted by deal-specific assumptions or inconsistent disclosures if inputs are not carefully validated.

The method also assumes an active market for corporate control, which may not exist under concentrated ownership, regulatory constraints or limited takeover relevance. Control premia, often embedded in transaction multiples, are highly context-dependent and rarely transferable. Therefore, while CTA can serve as an empirical reference, its conceptual, statistical and operational limitations restrict its relevance for Hermès. Since this valuation seeks economic value as a going concern rather than a change-of-control pricing, transaction multiples with control premia and deal-specific assumptions are inconsistent with the applied framework.

## 2.3. ALTERNATIVE VALUATION APPROACHES

While DCF and multiple-based methods dominate in academia and practice, alternative approaches are applied under high uncertainty, asset-driven value or structural complexity, depending on conceptual fit, data availability and operational characteristics.

### 2.3.1. Contingent Claim Valuation

Contingent claim valuation assumes that a firm's value may exceed the PV of expected cash flows when managerial flexibility is considered. Many corporate assets, particularly growth opportunities, can be viewed as real options whose value depends on discretionary investment decisions under uncertainty (Myers, 1977). This approach is especially relevant in industries with high uncertainty and irreversible investments, such as pharmaceuticals, natural resources or early-stage technologies, where flexibility has strategic value (Damodaran, 2012). However, its practical application remains limited. As Fernández (2023c) emphasizes, models like Black-Scholes rely on restrictive assumptions such as replicability, constant volatility and risk-free discounting, which rarely hold in practice.

While Hermès possesses some flexibility in pricing and geographic expansion, these factors are adequately incorporated into long-term cash flow forecasts and do not require separate option-based valuation.

### 2.3.2. Balance Sheet-Based Valuation

Balance sheet-based valuation methods determine a firm's value using its financial statement data. As outlined by Fernández (2023a), these approaches adopt a static perspective that disregards future performance, the time value of money and non-financial factors such as human capital or contractual obligations.

Common variants include book value, liquidation value and replacement cost. While these methods differ in detail, they share the limitation of relying on accounting figures that tend to understate the economic value of firms expected to continue operations.

For Hermès, whose brand-driven capital and artisanal know-how are absent from the balance sheet, such approaches are conceptually unsuitable.

### 2.3.3. Goodwill-Based Valuation

Goodwill-based valuation methods quantify intangible assets such as brand equity, customer relationships or strategic advantages. These elements typically do not appear on the balance sheet but can significantly influence enterprise value (Fernández, 2023a). The approaches combine static asset valuation with income projections estimate so-called superprofits.

Variants include income multipliers and excess-earnings models. The latter calculate goodwill as capitalized excess returns over a notional cost of capital. Fernández (2023a) criticizes these models as arbitrary, theoretically weak and inconsistent, confined to M&A or financial reporting and rarely applied in modern valuation, as they lack the precision to isolate brand-driven value in firms like Hermès.

### 2.3.4. Sum-of-the-Parts Valuation

Sum-of-the-parts (SOTP) valuation determines total enterprise value by assessing each business unit individually, making it particularly relevant for diversified conglomerates. While Fernández (2023a) underscores its conceptual clarity, he also points to challenges such as inconsistent segment data. Brotherson et al. (2014) note that investment banks frequently apply SOTP in M&A contexts, often using unit-specific WACCs to reflect differing risk profiles.

Both sources emphasize the method's reliance on professional judgment when adjusting for financial distortions and avoiding double-counting, which makes it unsuitable for Hermès, whose operations are strategically integrated and not divisible into separate business segments.

# 3. COMPANY ANALYSIS

To provide a solid foundation for the valuation of Hermès International SCA, this chapter outlines the company's business model, organizational structure, financial profile and strategy.

## 3.1. COMPANY OVERVIEW

Hermès International SCA (hereafter "Hermès" or "the Group") is a French luxury goods manufacturer headquartered in Paris and listed on Euronext Paris under the ticker symbol RMS. Founded in 1837 by Thierry Hermès as a harness workshop, the company has evolved into one of the most profitable maisons in the global luxury sector. Despite its public listing, Hermès remains under family control. Through a combination of family holdings and direct equity interests, the Hermès family group controls 66.73% of the share capital and more than three quarters of the voting rights. Operational control is exercised via Émile Hermès SAS, the Group's historical family holding and legal managing partner. This governance structure ensures the family's independence from external shareholders in strategic decision-making.

As of December 2024, Hermès employed 25,185 people, including 15,556 in France. The company operates in 45 countries and distributes its products through a selective retail network of 293 stores, 230 of which are directly operated and generate over 92% of revenue, while the remainder are concession spaces in leading department stores. Hermès does not franchise or license its brand and relies on controlled retail formats and its proprietary e-commerce platform. Production is highly integrated and centered in France, where 74% of products are manufactured and 55% originate from the Group's own workshops, reflecting its commitment to artisanal production, vertical integration and domestic employment.

The corporate philosophy prioritizes sustainability, operational autonomy and the transmission of know-how across generations. With disciplined capital allocation and family-led governance, Hermès pursues a strategy of organic growth, cultural continuity and creative independence. These principles have enabled the Group to preserve its distinct identity and achieve a stable long-term performance. In practice, this philosophy translates into selective expansion of production capacity in its core métiers, above all *Leather Goods and Saddlery*, while cautiously extending adjacent categories such as *Beauty and Watches*. Geographic growth is pursued with restraint, focusing on Asia and North America and anchored in the

maison's exclusive distribution through controlled channels. A conservative financial policy, characterized by the absence of large-scale acquisitions and a persistent net cash position, underpins Hermès' strategic independence and long-term resilience (Hermès, 2024).

### 3.2. BUSINESS MODEL AND SEGMENT STRUCTURE

Hermès structures its operations across seven revenue sectors, aggregating sixteen métiers under the Hermès brand, alongside upstream manufacturing activities and other Group-owned brands. This structure reflects how the Group defines and scales value creation across its product architecture, forming the basis for strategic planning, performance measurement and capital allocation.

*Leather Goods and Saddlery* includes handbags, travel items, small leather goods and equestrian equipment, with iconic creations such as the Birkin and Kelly bags exemplifying the maison's artisanal heritage. As the Group's original métier, it remains the primary revenue contributor and focus of industrial investment, supported by an expanding network of workshops in France. *Ready-to-Wear and Accessories* covers clothing, shoes, belts, hats, gloves, fashion jewellery and connected accessories, enabling seasonal product updates and continuous stylistic development. *Silk and Textiles*, though smaller in financial terms, plays a central role in expressing brand identity through scarves, ties and printed fabrics.

*Other Hermès Sectors* broaden the maison's presence into jewellery, home objects and tableware. *Perfume and Beauty* and *Watches* are operated as standalone métiers with dedicated creative and production structures. The final category, *Other Products*, integrates upstream manufacturing activities such as tanneries, metalwork and bespoke design, alongside Group-owned brands like John Lobb, Puiforcat and Cristallerie Saint-Louis (Hermès, 2024).

As shown in *Figure 1*, *Leather Goods and Saddlery* and *Ready-to-Wear and Accessories* together accounted for over 70% of consolidated revenue in FY2024. The remaining categories illustrate how Hermès has expanded into adjacent luxury segments maintaining full creative control and a predominantly in-house production model.

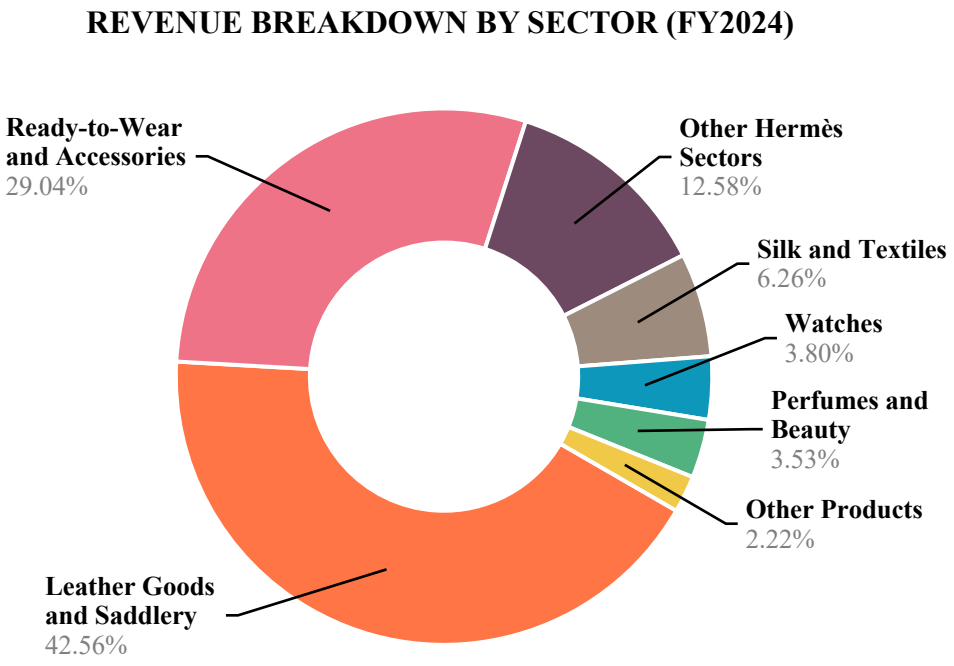



***Figure 1*** *Revenue breakdown by sector, FY2024.*

Geographically, the Group maintained a broad international presence, with a strong concentration in Asia-Pacific markets. *Figure 2* shows the regional revenue composition, reflecting Hermès' strategic exposure to high-growth economies.

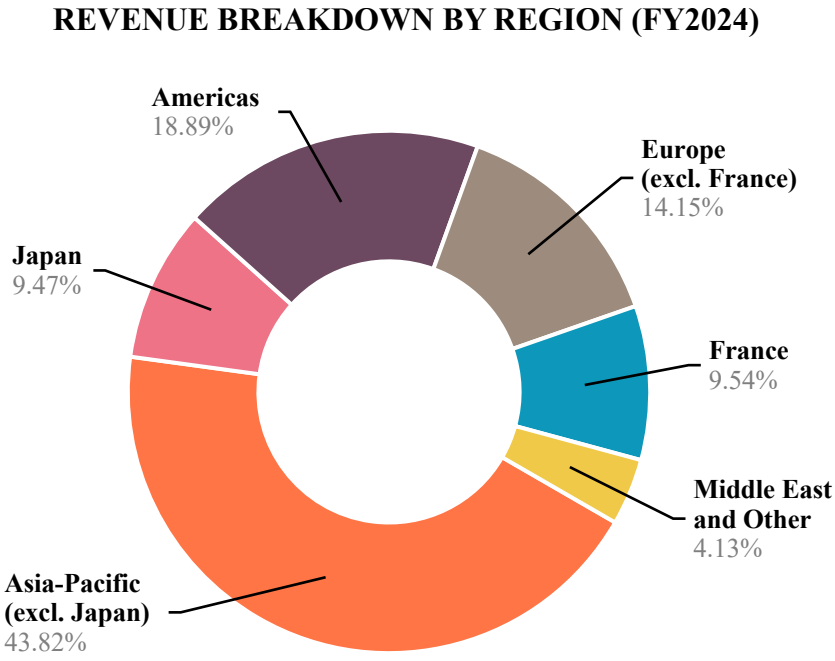



***Figure 2*** *Revenue breakdown by region, FY2024.*

This sectoral and geographical structure underpins Hermès' revenue resilience and provides the foundation for the subsequent analysis of its financial performance and value drivers.

## 3.3. FINANCIAL PERFORMANCE AND VALUE DRIVERS

The following chapter analyzes Hermès' performance from FY2019 to FY2024, focusing on financial and operational dimensions that shape long-term value creation. By examining revenue, profitability, cash generation and capital structure, the analysis provides the empirical foundation for the forecasts developed in *Chapter 5*.

### 3.3.1. Revenue Development

Between FY2019 and FY2024, Hermès' revenue increased from €6,883 million to €15,170 million, representing a compound annual growth rate (CAGR) of 17.12%. After the pandemic-related contraction in FY2020 (-7.18%), which also temporarily distorted profitability and cash flow conversion, revenue rebounded sharply by 40.58% in FY2021. The subsequent years were marked by a phase of moderation, with expansion rates gradually declining from 29.17% in FY2022 to 12.98% in FY2024 yet remaining structurally robust.

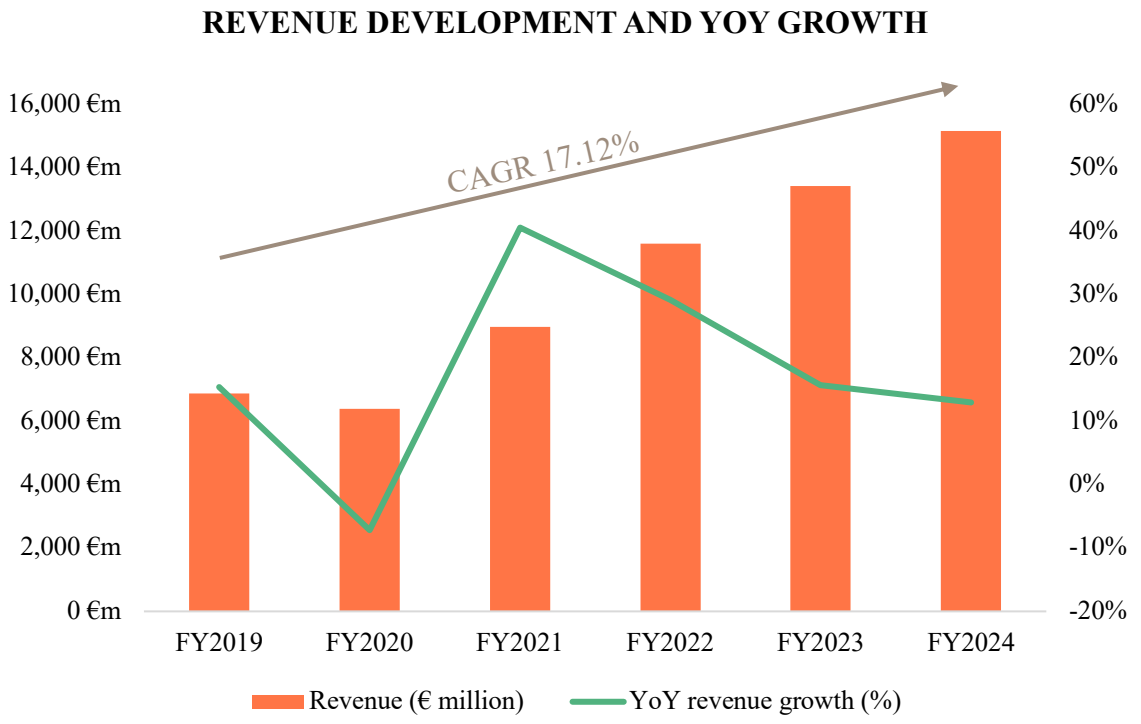



***Figure 3*** *Revenue development and YoY revenue growth, FY2019-FY2024.*

The product mix remained stable. *Leather Goods and Saddlery* held the largest share of revenue, with a gradual decline during the period before stabilizing in the final year. *Ready-to-Wear and Accessories* consistently ranked second and increased steadily, underlining the rising importance of apparel and accessories. The remaining sectors, including *Other Hermès Sectors*, *Silk and Textiles*, *Watches*, *Perfume and Beauty* and *Other Products*, together accounted for a minor but relatively stable portion of revenue, providing incremental diversification without altering the Group's fundamentally leather-driven profile.

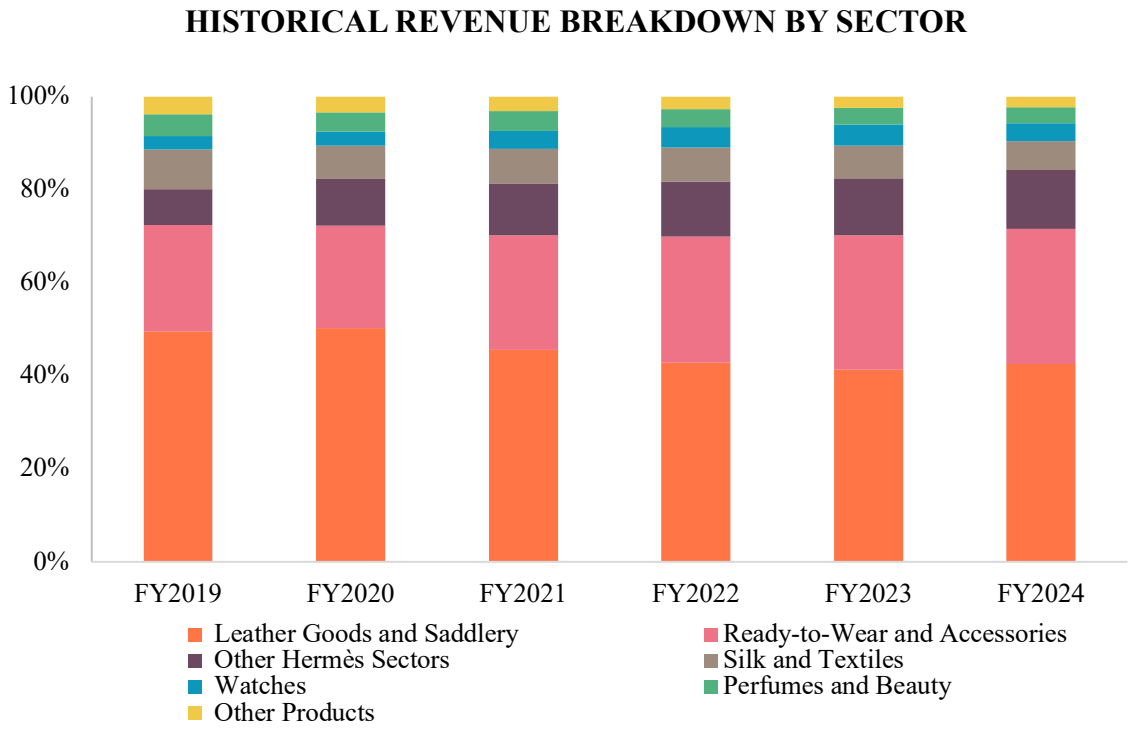



***Figure 4*** *Historical revenue breakdown by sector, FY2019-FY2024.*

The geographical revenue distribution shows that *Asia-Pacific excluding Japan* remained the largest market but gradually declined in relative weight. *Japan* followed a similar downward trend before stabilizing, while the *Americas* expanded steadily before leveling off. *Europe* including *France* remained broadly stable and the *Middle East and Other* region recorded the strongest relative growth, enhancing the Group's geographic diversification.

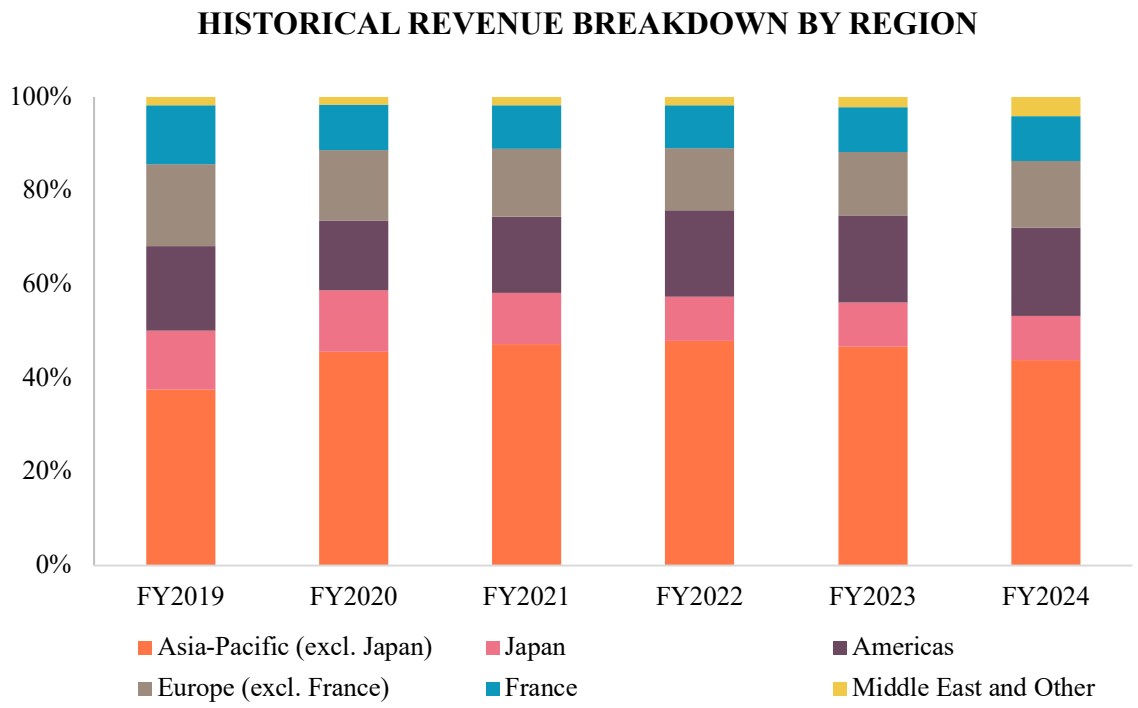



***Figure 5*** *Historical revenue breakdown by region, FY2019-FY2024.*

This revenue structure forms the basis for Hermès' ability to sustain high margins and strong cash generation, which are analyzed in the following chapter.

### 3.3.2. Profitability Analysis

Hermès maintained an exceptional level of profitability throughout FY2019-FY2024, supported by its leather-driven business model and vertically integrated production structure. Gross profit margins increased continuously from 69.13% in FY2019 to a peak of 72.29% in FY2023, before moderating slightly to 70.26% in FY2024, reflecting sustained pricing power, craftsmanship and the cost efficiency of in-house production and selective distribution. EBIT margins followed a similar trajectory, strengthening from 33.98% to 42.08% in FY2023, before easing to 40.53% in FY2024. The margin dynamics indicate that the expansion of *Ready-to-Wear and Accessories* and other smaller segments did not compromise operating efficiency, underscoring Hermès' ability to translate revenue growth into sustained profitability without material margin dilution.

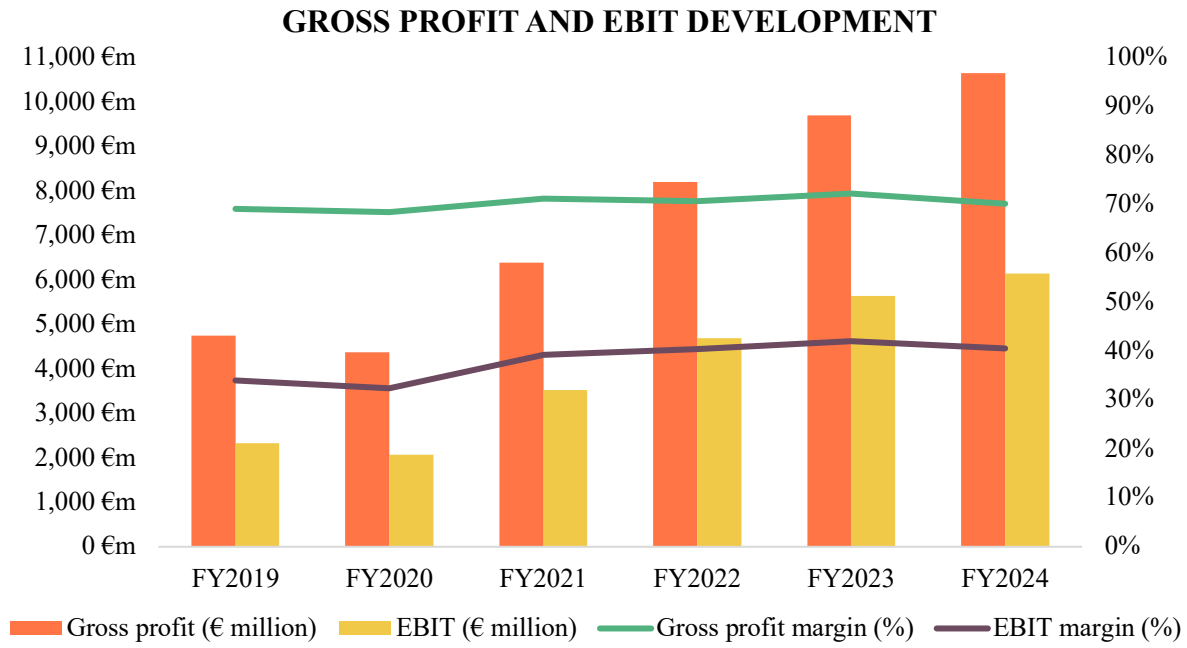



***Figure 6*** *Gross profit (margin) and EBIT (margin) development, FY2019-FY2024.*

Hermès' net income increased broadly in line with revenue, rising from €1,535 million in FY2019 to €4,631 million in FY2024. ROE strengthened from 25.39% in FY2019 to a peak of 31.19% in FY2023 before moderating to 28.30% in FY2024. ROIC followed a similar trajectory, improving from 17.26% in FY2019 to 19.56% in FY2021 and FY2022, before easing slightly to 18.14% in FY2024.

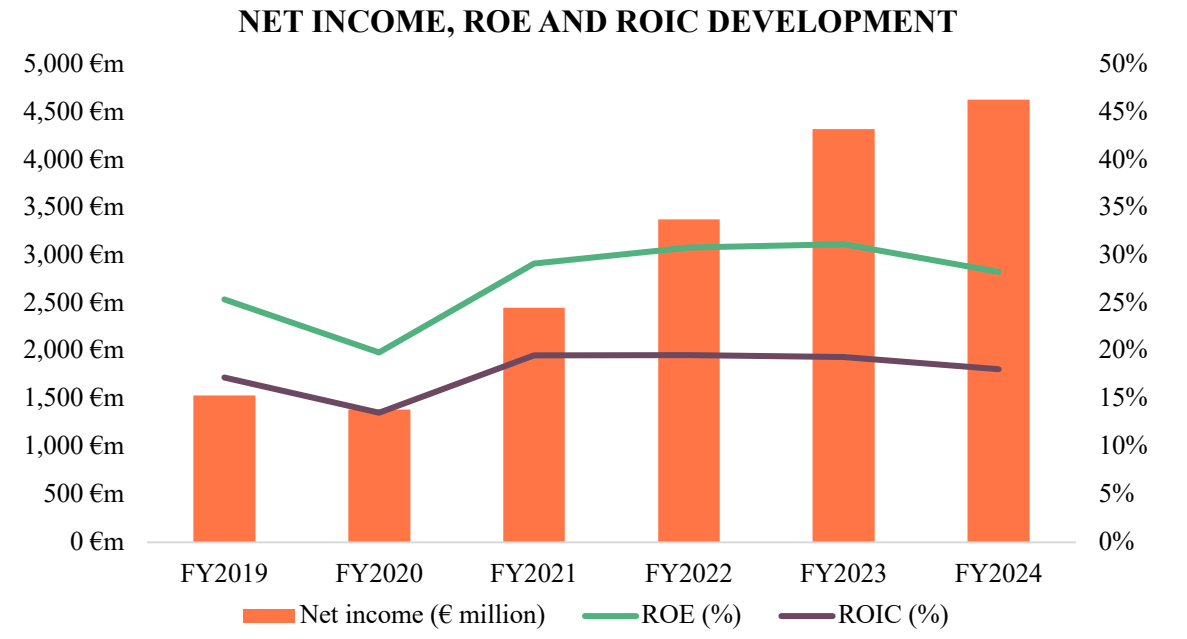



***Figure 7*** *Net income, ROE and ROIC development, FY2019-FY2024.*

These consistently elevated returns highlight Hermès' ability to scale profitably and form the basis for strong free cash flow generation, analyzed in the following chapter.

### 3.3.3. Cash Flow Generation

Hermès exhibits outstanding cash-flow generation, reflecting its highly profitable and capital-efficient business model. Between FY2019 and FY2024, operating cash flow expanded markedly, broadly in line with earnings growth, while FCFF followed a similar trajectory but showed temporary volatility due to shifts in investment requirements.

The Group's cash-flow profile during this period highlights strong earnings conversion and modest reinvestment needs. Operating cash flow more than doubled from €2,087 million to €5,139 million, while FCFF rose from €1,445 million to €3,583 million. The FCFF conversion ratio averaged about 70%, with a low point at 21.75% in FY2020. This was driven by the pandemic-related contraction in operating cash flow and the recognition of new commercial leases, most notably the Maison Hermès on Madison Avenue, which temporarily inflated CAPEX without immediate cash outflows. Since FY2021, reinvestment requirements normalized and remained moderate, with a CAPEX-to-operating-cash-flow ratio between 20.85% and 29.53%.

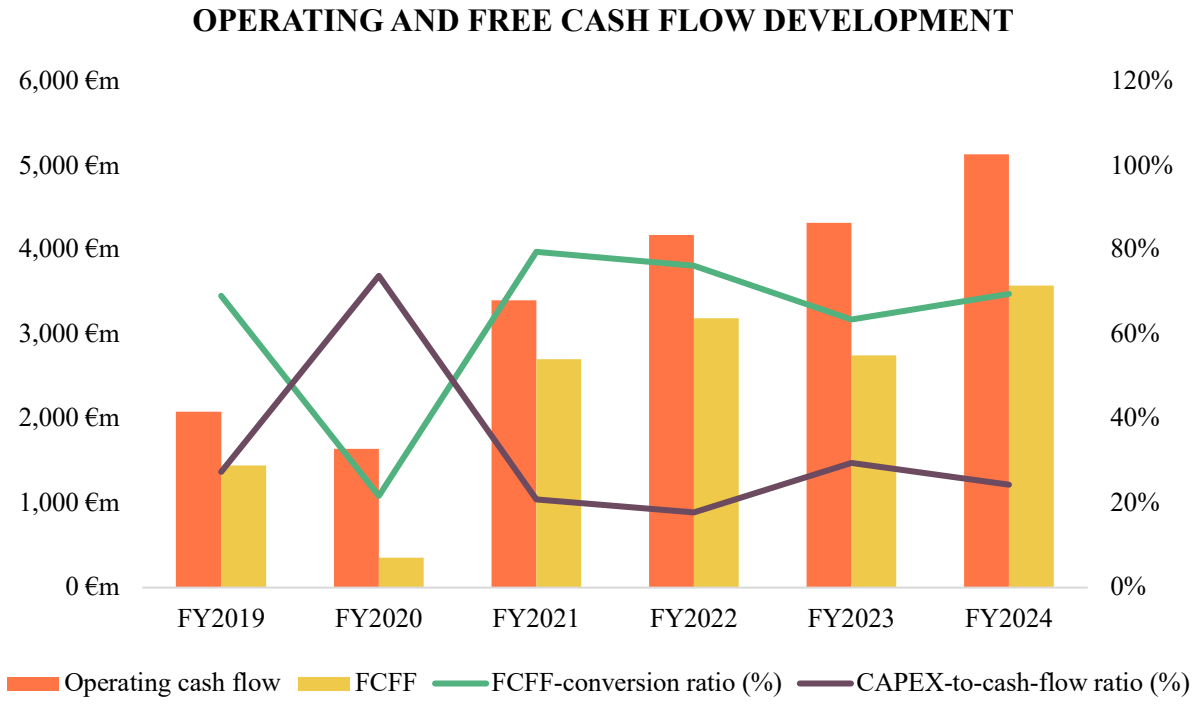



***Figure 8*** *Operating and free cash flow development, FY2019-FY2024.*

The combination of high cash conversion and disciplined reinvestment provides a solid foundation for shareholder returns and underpins the cash-flow-based valuation approach applied in *Chapter 6.1*.

### 3.3.4. Capital Structure

Hermès' capital structure is characterized by a sustained net cash position, reflecting negligible reliance on external debt and a strong internal financing capacity. Between FY2019 and FY2024, cash holdings almost tripled from €4,384 million to €11,642 million, while total debt increased only moderately from €1,142 million to €2,174 million. Consequently, the Group's net cash position expanded from €3,242 million to €9,468 million over the period.

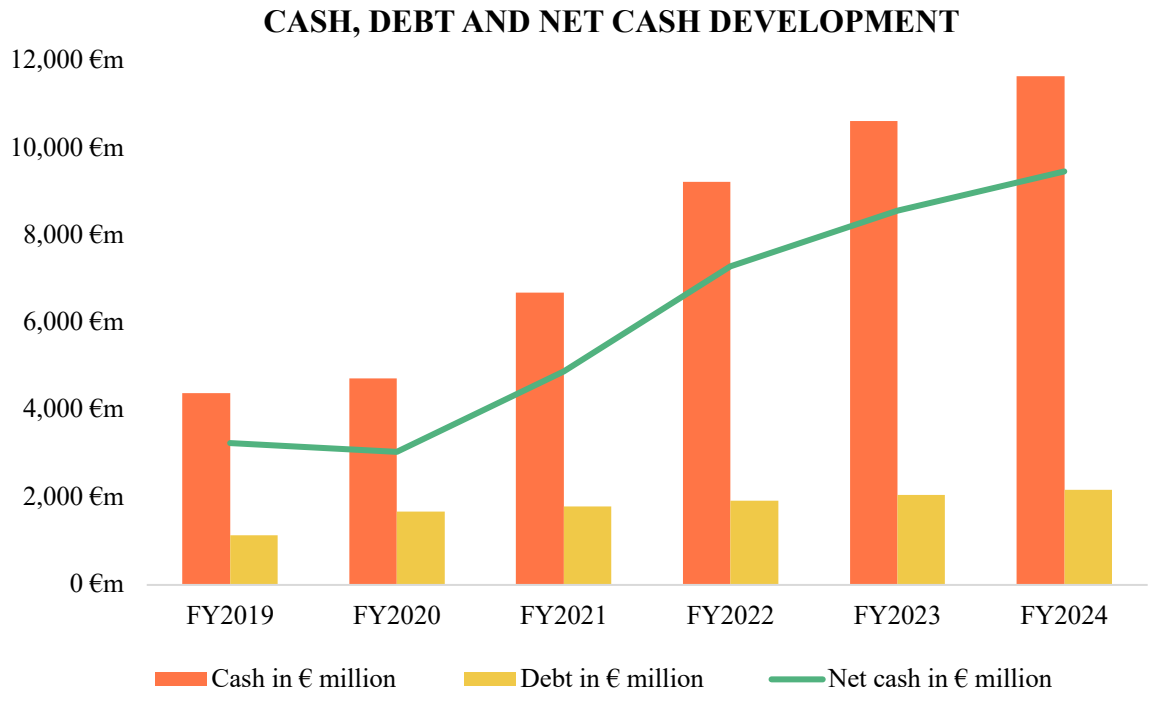



***Figure 9*** *Cash, debt and net cash development, FY2019-FY2024.*

This trajectory underscores Hermès' ability to finance growth entirely through operating cash flows while maintaining robust liquidity. The conservative balance sheet enhances resilience and strategic flexibility, mitigates financial risk and contributes to a structurally lower cost of capital, a distinctive competitive feature relative to sector peers and a central in the valuation framework discussed in *Chapter 6*.

# 4. MARKET AND INDUSTRY ANALYSIS

This chapter examines the global luxury goods market in which Hermès operates, emphasizing factors that underpin free cash flow stability and the valuation assumptions in *Chapter 6*. It considers global market dynamics, category trends, regional composition and the competitive landscape.

## 4.1. GLOBAL LUXURY GOODS MARKET

The luxury goods market is one of the most resilient segments of consumer demand, spanning leather goods, apparel, footwear, watches, jewellery, perfumes and beauty. According to MarketLine (2025a), the market reached $477.6 billion in 2024, equivalent to a CAGR of 3.80% between 2019 and 2024.

Market dynamics unfolded in two phases. After a sharp contraction in 2020 due to the COVID-19 pandemic, the market rebounded strongly in 2021, expanding by 30.99% to $418.2 billion. This surge was driven by pent-up demand, accumulated household savings and repatriated Chinese luxury spending as travel restrictions redirected consumption to domestic markets.

Growth subsequently slowed to 5.77% in 2022 and 7.30% in 2023. In euro terms, the 2023 figure was inflated by 20.42% due to currency depreciation, highlighting the sensitivity of reported growth to exchange rate movements. In 2024 the market was nearly flat, up 0.61% in US-dollar terms, while euro-denominated revenues contracted by 1.95% as the currency appreciated. The weak performance reflected persistent inflation, high interest rates and squeezed household budgets in Europe and North America, as well as ongoing stress in China's property market and weaker consumer confidence (MarketLine, 2025; BoF and McKinsey, 2025).

The market is expected to transition into a more mature, slower-growing phase. MarketLine (2025a) projects global revenues to rise from $502.0 billion in 2025 to $584.8 billion in 2029, implying a CAGR of 3.89%. YoY growth is forecasted to moderate from 5.11% in 2025 to 3.17% in 2029.

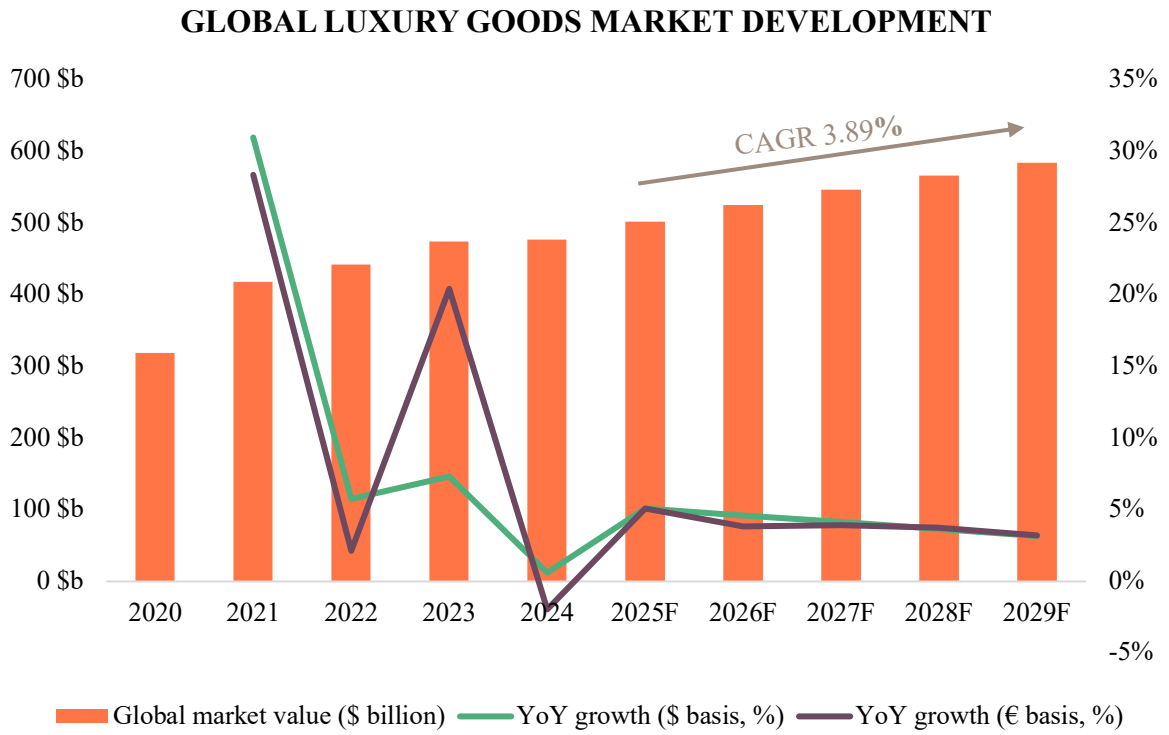



***Figure 10*** *Global luxury goods market development, 2020-2029F (MarketLine, 2025a).*

## 4.2. REGIONAL MARKET DYNAMICS

The geographic composition of global luxury goods demand is strongly concentrated in Asia-Pacific, Europe and the Americas, which together account for the majority of global sales (MarketLine, 2025a). Asia-Pacific excluding Japan has emerged as the industry's structural growth engine, driven by the expansion of high-net-worth populations, rising urbanization and the repatriation of luxury spending into domestic markets. MarketLine (2025a) forecasts a CAGR of 4.7% through 2029, moderating from the post-pandemic rebound as consumer sentiment remains constrained by China's property market stress and broader macroeconomic headwinds. Hermès' H1 2025 results underline this trend, with only 3% revenue growth in the region, compared with 16% in Japan at constant exchange rates.

Japan represents a mature yet resilient market characterized by loyal domestic clientele and strong inbound tourism. YoY growth is projected at 3-6 % between 2025 and 2027, supported by the recovery of international travel and Japan's sustained appeal as a luxury destination (BoF and McKinsey, 2025).

Europe remains strategically relevant as the heritage and tourism hub of the luxury sector, with growth projected at a CAGR of 3.9% between 2024 and 2029 (MarketLine, 2025b). Demand concentration in fashion capitals such as Paris and Milan, together with the normalization of international travel and stabilizing currency effects, sustains the region's significance despite limited underlying organic growth.

The United States represent the core of the Americas luxury market. Recent growth has been supported by rising consumer confidence, increasing household incomes and the expansion of affluent households, reinforced by a growing billionaire population and accelerating digital adoption. Between 2024 to 2029, MarketLine (2025a) projects a CAGR of 3.5%, reflecting a normalization of post-pandemic consumption patterns.

The Middle Eastern luxury market is expected to maintain strong momentum, with annual growth of 3-7% between 2025 and 2027 (BoF and McKinsey, 2025). Expansion is supported by the rapid increase of high-net-worth populations in Saudi Arabia and the UAE, alongside large-scale investments in luxury real estate and tourism infrastructure. Hermès reflects this trajectory, recording 17.2% revenue growth at constant exchange rates in H1 2025, underscoring the incremental yet meaningful role of Middle Eastern demand.

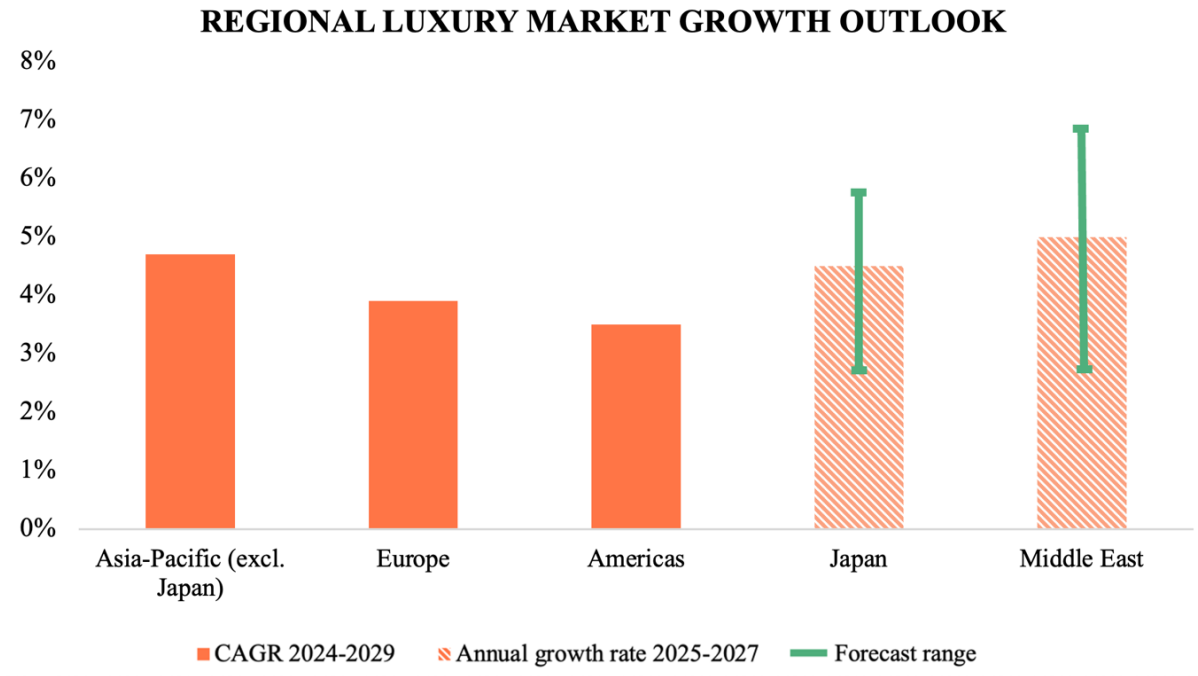



***Figure 11*** *Luxury market growth outlook by region (MarketLine, 2025a, 2025b; BoF & McKinsey, 2025).*

### 4.3. SECTOR COMPOSITION AND INDUSTRY TRENDS

The category structure of the luxury goods market highlights heterogeneous underlying economics. According to MarketLine (2025a), Apparel, Footwear and Accessories accounted for 42.20% of global sales in 2024, the largest share, followed by Jewellery and Watches at 16.20%. Other categories, such as Perfumes and Beauty, Luggage and miscellaneous items, contributed smaller portions. Apparel, Footwear and Accessories remain strategically important for customer acquisition and brand renewal, but are structurally constrained by short product cycles, seasonal exposure and comparatively low margins. By contrast, Jewellery and Watches combine symbolic value with investment-oriented appeal, benefiting from lower demand elasticity and stronger pricing power.

**GLOBAL LUXURY GOODS MARKET SEGMENTATION (2024)**

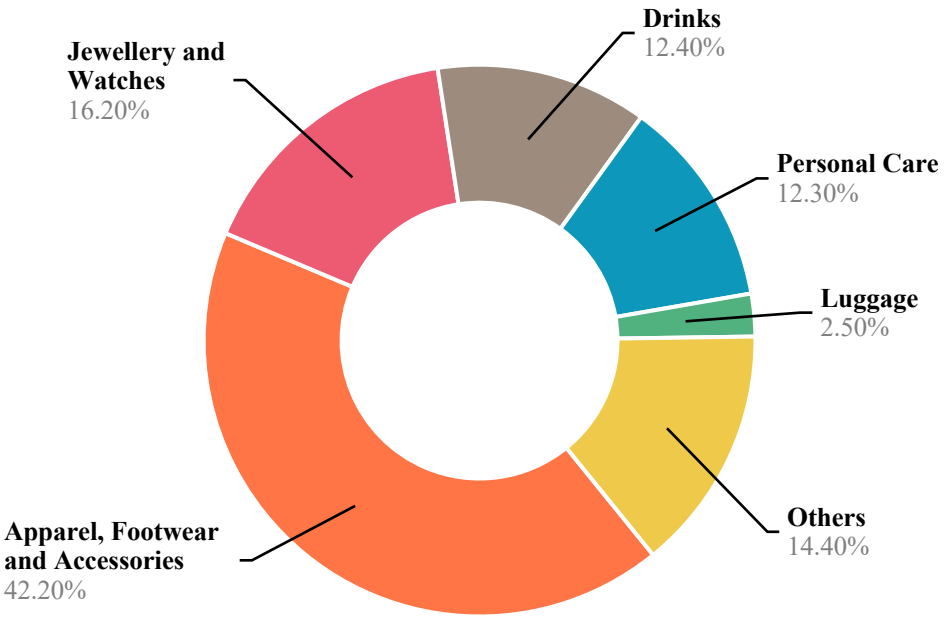



***Figure 12*** *Global luxury goods market segmentation, 2024 (MarketLine, 2025a).*

Growth dynamics diverge from the static composition. BoF and McKinsey (2025) forecast that between 2025 and 2027 Luxury Leather Goods and Luxury Jewellery will expand at 4-6% per year, outpacing Luxury Apparel and Footwear and Luxury Watches at 2-4%. The resilience of Luxury Leather Goods reflects the enduring value of iconic products, the role of gifting and the ability to create exclusivity through personalization and limited editions, a dynamic relevant

for Hermès, whose *Leather Goods and Saddlery* métier represents the structural core of its portfolio. Luxury Jewellery benefits from rising demand among ultra-high-net-worth individuals, a younger, more diverse clientele and a structural shift from non-branded to branded jewellery. By contrast, Luxury Apparel and Footwear face headwinds from reduced spending among aspirational customers and growing competition from the second-hand market, while Luxury Watches contend with the long-term decline of traditional watch-wearing, reduced speculative demand and price pressure from the expanding pre-owned segment.

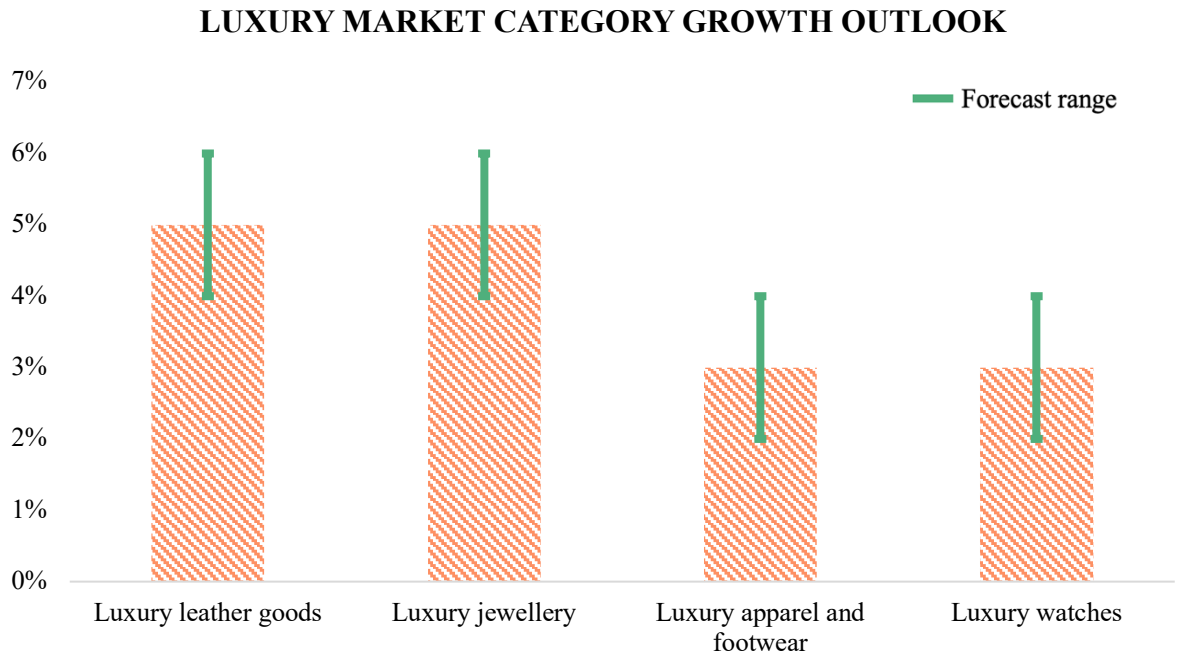



***Figure 13*** *Luxury market growth outlook by category, 2025-2027 (BoF and McKinsey, 2025).*

Across categories the industry remains fundamentally price-led. Between 2019 and 2023 about 80% of global market growth resulted from price increases, with only 20% attributable to volume (BoF and McKinsey, 2025). This preserved margins and supported free cash flow predictability, but it also leaves the sector vulnerable if macroeconomic headwinds constrain future pricing power.

The distribution model is undergoing structural change. Once anchored almost exclusively in physical boutiques, the industry accelerated digital investment since the COVID-19 pandemic. PwC (2024) projects that by 2030 consumer behavior will be shaped by omnichannel integration, AI-enabled personalization and social commerce.

Sustainability and experiential strategies are emerging as long-term differentiators. Younger consumers increasingly demand transparency on supply chains, environmental impact and durability, leading maisons to invest in sustainable materials, carbon-reduction initiatives and resale platforms (BoF and McKinsey, 2025). At the same time, houses experiment with hospitality, cultural venues and immersive flagship formats, which reinforce exclusivity, deepen engagement and are regarded by investors as drivers of long-term brand equity.

Overall, the sector's composition and evolving industry trends frame the opportunities and risks shaping Hermès' positioning, discussed in the following chapter.

### 4.4. OPPORTUNITIES AND RISKS

The luxury market's structural trajectory presents opportunities that reinforce long-term resilience and risks that may undermine cash-flow stability. A key opportunity is the expansion of high-net-worth and ultra-high-net-worth populations, particularly in Asia and the Middle East. Although these clients represent only a small fraction of total demand, they account for a disproportionate share of revenues and nearly half of overall market expansion, with BoF and McKinsey (2025) projecting that high spenders will generate between two-thirds to four-fifths of growth through 2027. This concentration stabilizes cash flows during macroeconomic volatility, as top clients reduce spending less steeply and re-engage earlier than aspirational shoppers, supporting more predictable operating cash conversion.

Digitalization further strengthens resilience. Since nearly 80% of purchases are now digitally influenced, even when finalized offline (PwC, 2024), this broadens reach, enables data-driven personalization and enhances clienteling without a proportional increase in physical retail investment. As a result, digitalization improves marketing efficiency and supports sustained high returns on invested capital (BoF and McKinsey, 2025).

Sustainability and regulatory clarity create an additional opportunity for vertically integrated maisons. The EU's Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) are reinforcing expectations for transparency, circularity and supply chain responsibility (BoF and McKinsey, 2025). Hermès already operates under this framework, with established due diligence processes and embedded risk management across the Group. Its continued investment in artisanal capacity, including leather-goods hubs

in France and the Noirmont watchmaking site, strengthens supply security and quality control while reinforcing brand equity (Hermès, 2024). These factors support long-term free cash flow durability by reducing supplier dependence and ensuring compliance in an increasingly regulated environment.

Several risks temper this positive outlook. The industry's dependence on China creates vulnerability to shifts in sentiment and wealth effects from the fragile property market, making the region a structural risk despite its growth potential (BoF and McKinsey, 2025). Trade frictions such as US import tariffs could further constrain discretionary spending, while macroeconomic pressures in Europe and North America, including persistent inflation, high interest rates and weak consumer confidence, continue to weigh on demand (MarketLine, 2025).

Financial translation effects add another layer of volatility. Hermès reports in euros but generates revenues globally, exposing earnings to exchange-rate effects. The Group's filings highlight its formal hedging policy and the tangible impacts of translation adjustments, which illustrate how currency swings can blur the distinction between underlying operating performance and reported results (Hermès, 2024).

Two structural industry frictions complicate the risk landscape. First, the competitive environment is polarizing around megabrands, whose scale advantages in marketing, supply chain and distribution allow them to capture outsized growth relative to smaller players (BoF and McKinsey, 2025). Second, brand integrity faces persistent threats from counterfeiting and the expansion of the resale ecosystem. Both phenomena risk undermining exclusivity and price architecture, pressuring margins and weakening perceived scarcity if not actively managed (MarketLine, 2025; BoF and McKinsey, 2025).

Overall, these structural drivers and risk factors define the strategic environment in which Hermès positions itself, shaping competitive dynamics and long-term resilience.

## 4.5. COMPETITIVE LANDSCAPE AND PEER BENCHMARKING

The personal luxury goods market is dominated by a handful of global megabrands. According to MarketLine (2025a) and BoF-McKinsey (2025), Hermès, LVMH Moët Hennessy Louis Vuitton SE (hereafter "LVMH"), Kering SA ("Kering"), Compagnie Financière Richemont SA

("Richemont") and Chanel Ltd. ("Chanel") concentrate a disproportionate share of industry revenues and profitability.

These groups pursue distinct strategic models that illustrate different approaches to brand architecture, diversification and integration. LVMH is the archetype of the diversified conglomerate, spanning fashion and leather goods, perfumes and cosmetics, jewellery, watches, wines and spirits. This breadth provides scale, cash-flow diversification and resilience to cyclical fluctuations. Kering operates a more concentrated model with Gucci as its structural core, complemented by Saint Laurent and Bottega Veneta as additional growth drivers. Richemont dominates the hard-luxury segment, with Cartier and Van Cleef & Arpels anchoring its jewellery maisons and specialist watchmakers reinforcing its position. Chanel remains a privately held single-brand company focused on fashion, leather goods and fragrances, supported by strong brand equity and family-controlled governance (MarketLine, 2025).

Hermès occupies a distinct position within this landscape. Unlike the conglomerates, it pursues a single-brand strategy defined by ultra exclusivity, deep vertical integration and rigorous distribution control. Its reliance on artisanal know-how and deliberate limitation of supply have enabled industry-leading profitability and robust free cash flow.

The broader competitive environment is increasingly polarized. Large houses benefit from scale advantages in marketing, supply chain management and retail networks (BoF and McKinsey, 2025). Among the smaller listed maisons, Moncler SpA ("Moncler"), Prada SpA ("Prada") and Brunello Cucinelli SpA ("Brunello Cucinelli") have posted strong growth in recent years, while Burberry Group plc ("Burberry"), Ermenegildo Zegna NV ("Zegna") and Salvatore Ferragamo SpA ("Ferragamo") have lagged with weaker dynamics. Yet structural consolidation strengthens the established megabrands (MarketLine, 2025). This dynamic raises barriers to entry and intensifies the premium attached to heritage, exclusivity and global reach.

For Hermès, these competitive dynamics have tangible implications. Its exceptional market position was underscored in April 2025, when it briefly surpassed LVMH as the world's most valuable luxury house by market capitalization (MarketLine, 2025). This premium status reflects the resilience of its free cash flows, underpinned by market concentration, sustained pricing power and the scale advantages of leading players.

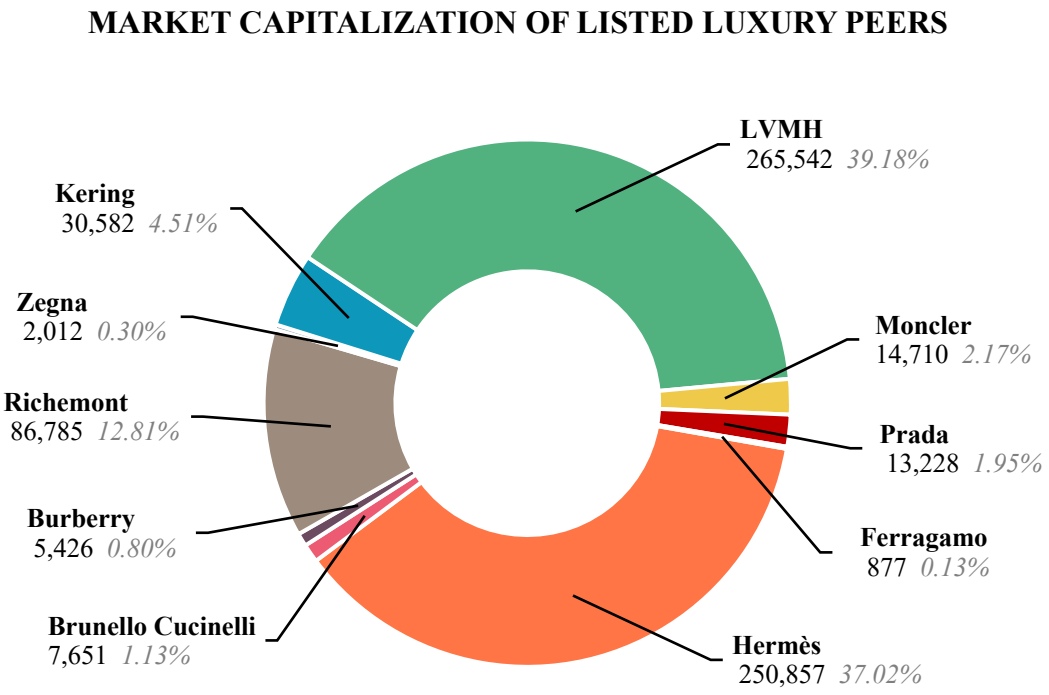



***Figure 14*** *Market capitalization of listed luxury peers as of July 29, 2025.*

A quantitative benchmarking of revenue growth, profitability and capital structure underscores Hermès' unique position within the luxury sector, combining industry-leading margins, superior ROE and a near-zero D/E ratio. Among the closest peers, Brunello Cucinelli and Moncler exhibit dynamic growth and healthy margins, though their smaller scale and higher leverage limit comparability. Prada likewise delivers strong growth and profitability but operates with a more indebted balance sheet. By contrast, LVMH, Kering and Richemont highlight the limits of scale, achieving global reach but with lower growth, weaker margins and more leveraged structures. The weakest profiles emerge at Burberry and Ferragamo, marked by revenue contraction, modest profitability and elevated debt, while Zegna performs better on growth and margins but remains constrained by higher debt and limited scale. Taken together, the benchmarking highlights Hermès as the only maison consistently uniting growth, profitability and balance-sheet conservatism, explaining its sustained valuation premium.

| PEER COMPANY | REVENUE CAGR (5Y) | GROSS PROFIT MARGIN | EBITDA MARGIN | ROE | D/E (BV) | D/E (MV) |
|---|---|---|---|---|---|---|
| **Hermès** | **17.12%** | **70.26%** | **45.54%** | **26.57%** | **12.55%** | **0.82%** |
| Brunello Cucinelli | 16.04% | 80.28% | 28.48% | 24.39% | 196.59% | 13.81% |
| Burberry | -1.98% | 62.49% | 17.84% | -8.21% | 210.50% | 34.69% |
| Richemont | 8.49% | 66.91% | 32.36% | 12.45% | 59.34% | 17.83% |
| Zegna | 8.06% | 66.60% | 21.00% | 8.41% | 113.00% | 53.82% |
| Kering | 1.60% | 73.75% | 26.68% | 7.20% | 123.57% | 77.33% |
| LVMH | 9.55% | 67.03% | 31.12% | 18.59% | 60.39% | 16.68% |
| Moncler | 13.82% | 78.05% | 39.59% | 17.83% | 26.69% | 7.44% |
| Prada | 10.98% | 79.84% | 37.08% | 19.07% | 63.18% | 20.90% |
| Ferragamo | -5.64% | 71.36% | 20.17% | -11.00% | 127.55% | 82.44% |

***Table 1*** *Quantitative luxury peers' benchmarking, FY2024, D/E (MV) as of July 29, 2025.*

The peer group derived from this analysis constitutes the reference set for the relative valuation in *Chapter 6.3*.

# 5. FINANCIAL ANALYSIS AND FORECAST

This chapter presents the financial forecast for Hermès from FY2025 to FY2040F, structured into a detailed explicit phase until FY2030F and a subsequent transition phase until FY2040F. Reported H1 2025 results are incorporated into the FY2025 forecast to anchor projections in realized performance, thereby improving short-term accuracy. The complete historical and forecasted income statement as well as the balance sheet are provided in *Appendix 1* to *Appendix 4*, while the following analysis focuses on the key drivers of free cash flow generation.

## 5.1. REVENUE FORECAST

Revenue forecasting for Hermès requires a methodology that reflects its distinctive growth profile, rather than relying on aggregate sector benchmarks. The regional and category projections in *Chapters 4.2* and *4.3* provide a valuable framework for understanding global market dynamics, yet do not precisely match Hermès' geographic footprint or portfolio composition.

Similarly, projecting revenues based on store expansion would be misleading. Although the number of Hermès stores declined from 311 in FY2019 to 293 in FY2024, revenues more than doubled, indicating that growth is driven primarily by superior store productivity, pronounced pricing power and sustained brand strength.

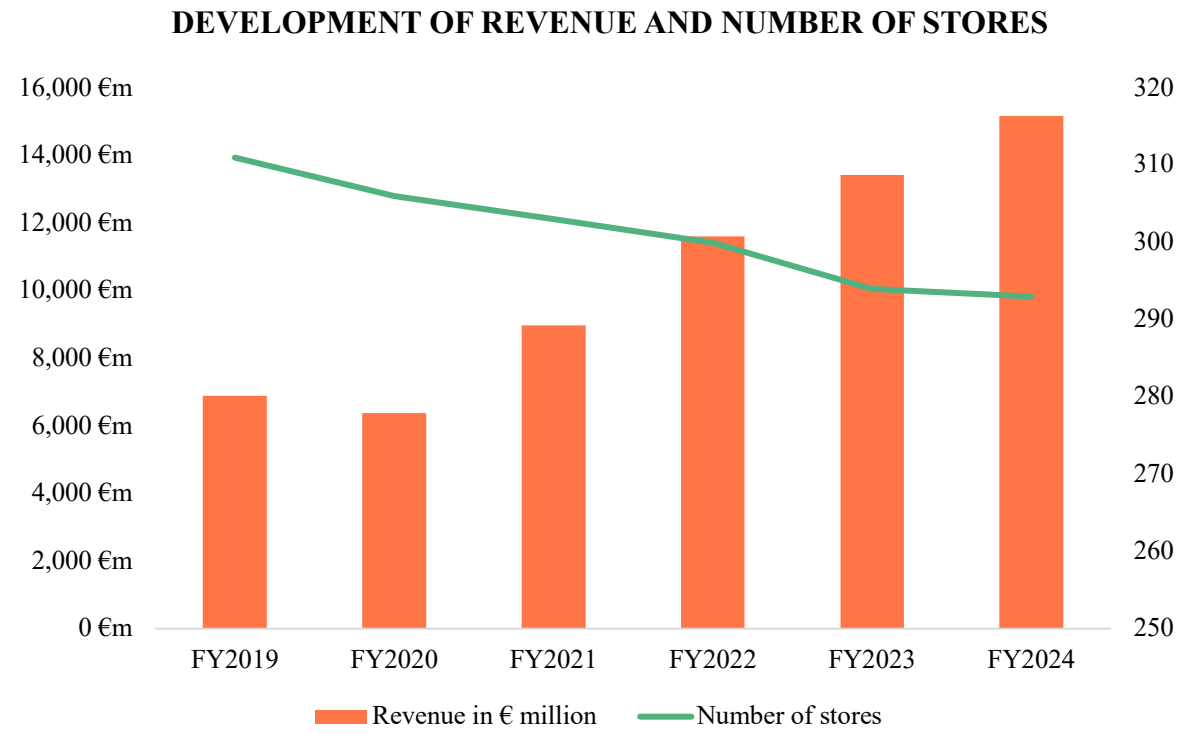



***Figure 15*** *Development of revenue and number of stores, FY2019-FY2024.*

To establish a reliable foundation for revenue forecasting, the analysis relies on macroeconomic benchmarks that capture the structural growth potential of Hermès' markets. Gross domestic product (GDP) serves as the primary indicator, providing a comprehensive, externally validated measure of economic expansion and purchasing power and is widely applied as a long-term valuation anchor. Country-level data for nominal GDP levels and real GDP growth from S&P Global Market Intelligence (see *Appendix 5* and *Appendix 6*) serve as consistent proxies for market demand in Hermès' geographic footprint and, given that the Group reports revenues only at the regional level, allow the construction of aggregated benchmarks aligned with its disclosed exposure.

The aggregation proceeds in three steps. First, coverage is restricted to countries where Hermès operates to ensure alignment with Hermès' retail footprint. Second, regional real GDP growth is calculated by weighting each country's growth rate by its share of regional nominal GDP (see *Appendix 7*). This produces region-weighted averages that reflect Hermès' geographic exposure (see *Appendix 8*). Third, these benchmarks are converted into nominal terms by adding inflation. For the euro area, historical inflation rates and the European Central Bank's 2% target are applied (see *Appendix 9*), while for non-euro regions the same path is assumed

on the premise that local differentials are offset by long-run currency depreciation when expressed in euro. The resulting region-weighted nominal GDP benchmarks form the macroeconomic baseline of the forecast (see *Appendix 10*).

The framework distinguishes between a calibration and a projection phase. In the calibration period from FY2019 to FY2024, Hermès' realized revenue growth is benchmarked against historical GDP growth, and the resulting ratio is defined as the structural outperformance factor. To mitigate distortions from the pandemic contraction and rebound, the median of the annual factors was used as the representative measure. Still, the resulting values remain high, ranging from 2.45x in *Asia-Pacific excluding Japan* to 4.99x in the *Middle East and Other* region.

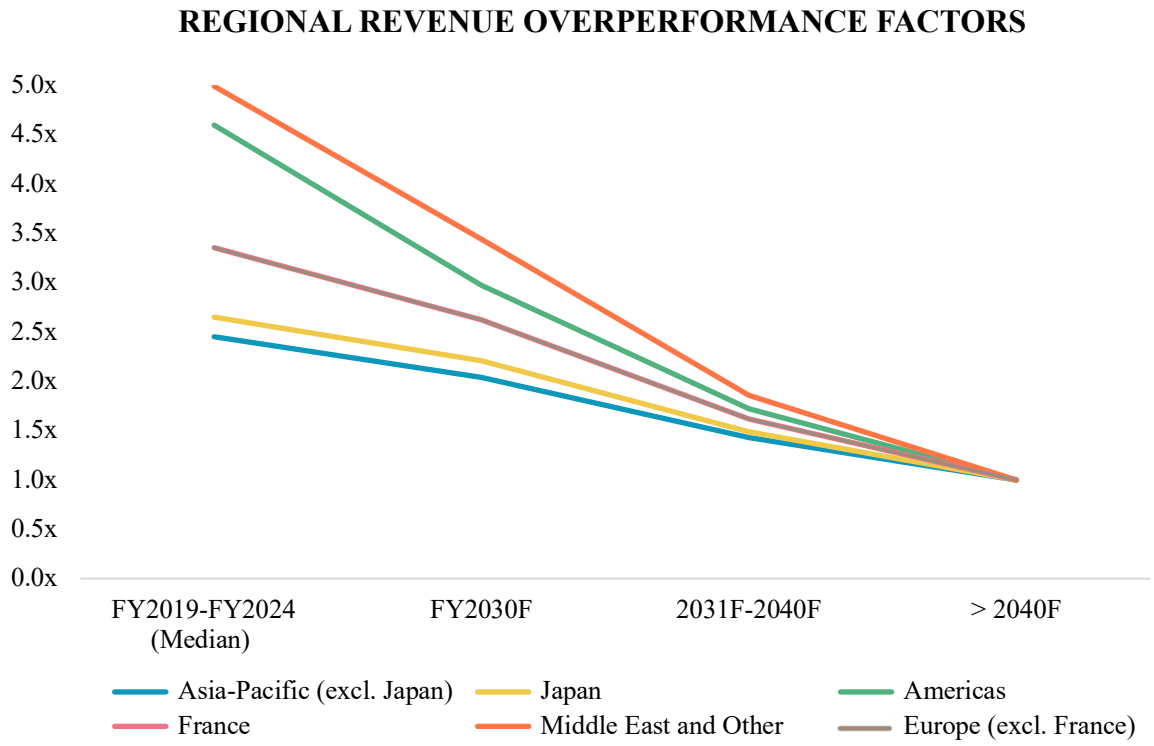



***Figure 16*** *Hermès' regional revenue outperformance factors, FY2019-FY2040F and beyond.*

The magnitude of these factors reflects different regional dynamics. In the *Middle East and Other* region, the extreme multiple stems mainly from the small market scale, where incremental changes can produce outsized effects. By contrast, in *Asia-Pacific excluding Japan* and the *Americas*, elevated premiums reflect more substantive drivers, notably strong Chinese and American demand alongside significant post-pandemic price adjustments.

For the projection horizon FY2025F-FY2030F, the structural outperformance factors are assumed to converge gradually toward more sustainable levels. This adjustment prevents a continuation of the extraordinary dynamics observed in the calibration period, shaped by pandemic recovery and accelerated price adjustments. Annual reduction rates differ across regions to reflect differences in market maturity, demand elasticity and incremental growth potential (see *Appendix 11*).

The forecast shows rising growth rates until FY2027F-FY2028F, reflecting stronger GDP projections in the early projection years and the persistence of Hermès' outperformance factors, which, although already reduced, remain above unity during this period. As macro growth moderates and regional factors converge further, revenue growth gradually declines toward long-term levels.

| FORECASTED REVENUES *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| **Revenue** | **16,506** | **18,350** | **20,867** | **23,687** | **26,775** | **30,154** |
| *% growth* | *8.81%* | *11.17%* | *13.72%* | *13.51%* | *13.04%* | *12.62%* |
| Asia-Pacific (excl. Japan) | 6,962 | 7,690 | 8,824 | 10,089 | 11,459 | 12,942 |
| *% growth* | *4.72%* | *10.46%* | *14.75%* | *14.33%* | *13.59%* | *12.94%* |
| *% of total revenue* | *42.18%* | *41.91%* | *42.29%* | *42.59%* | *42.80%* | *42.92%* |
| Japan | 1,651 | 1,794 | 1,914 | 2,037 | 2,163 | 2,296 |
| *% growth* | *14.87%* | *8.69%* | *6.65%* | *6.45%* | *6.20%* | *6.13%* |
| *% of total revenue* | *10.00%* | *9.78%* | *9.17%* | *8.60%* | *8.08%* | *7.61%* |
| Americas | 3,190 | 3,657 | 4,274 | 4,992 | 5,806 | 6,722 |
| *% growth* | *11.34%* | *14.63%* | *16.88%* | *16.79%* | *16.31%* | *15.79%* |
| *% of total revenue* | *19.33%* | *19.93%* | *20.48%* | *21.07%* | *21.68%* | *22.29%* |
| Europe (excl. France) | 2,396 | 2,620 | 2,901 | 3,199 | 3,511 | 3,842 |
| *% growth* | *11.61%* | *9.36%* | *10.70%* | *10.27%* | *9.76%* | *9.41%* |
| *% of total revenue* | *14.52%* | *14.28%* | *13.90%* | *13.51%* | *13.11%* | *12.74%* |
| France | 1,573 | 1,704 | 1,873 | 2,058 | 2,253 | 2,462 |
| *% growth* | *8.69%* | *8.34%* | *9.92%* | *9.89%* | *9.49%* | *9.26%* |
| *% of total revenue* | *9.53%* | *9.29%* | *8.98%* | *8.69%* | *8.42%* | *8.16%* |
| Middle East and Other | 734 | 885 | 1,082 | 1,313 | 1,582 | 1,890 |
| *% growth* | *17.30%* | *20.55%* | *22.19%* | *21.35%* | *20.51%* | *19.48%* |
| *% of total revenue* | *4.45%* | *4.82%* | *5.18%* | *5.54%* | *5.91%* | *6.27%* |

***Table 2*** *Forecasted regional revenue breakdown and growth rates, FY2025F-FY2030F.*

For FY2025, the factor is calculated as a weighted average of reported H1 2025 results (75%) and the GDP-based projection (25%), ensuring that convergence begins while the forecast remains anchored in realized performance.

In *Asia-Pacific excluding Japan*, the factor is reduced by only 1.50% per year, reflecting the region's role as the structural growth engine of the luxury sector, supported by rising affluence, urbanization and the repatriation of Chinese spending into domestic markets (BoF and McKinsey, 2025).

*Japan* follows the same path with a 1.50% annual reduction, consistent with its status as a mature core market with limited structural expansion, where outperformance is expected to erode gradually (MarketLine, 2025).

*Europe*, *including France*, is assigned a 2.50% annual reduction, reflecting the slower but more stable profile of a saturated network while recognizing its enduring role as Hermès' heritage market (MarketLine, 2025).

The *Americas* are subject to a 3.00% annual reduction. Recent growth momentum in the United States has been driven by post-pandemic surges in demand and significant price increases, both unlikely to be sustained at comparable intensity. Tariff-related cost pressures further support the case for faster convergence than in other core markets (MarketLine, 2025; Hermès H1 2025 presentation).

The *Middle East and Other* region is assigned a 3.00% annual reduction, reflecting the volatility and small absolute scale of the market, which amplify fluctuations, as well as the exceptionally high calibration factor that cannot be extrapolated over the long term (BoF and McKinsey, 2025).

For the period from FY2030F to FY2040F, the remaining regional overperformance factors are reduced at constant annual decay rates, starting from their FY2030F levels and converging to 1.00 by FY2040F. To summarize the trajectory across this decade, the geometric mean of the FY2030F and FY2040F factors is used as the representative measure. This avoids reliance on single-year values and ensures that the forecast reflects gradual and compounding convergence, consistent with the logic of progressive adjustment rather than abrupt shifts.

On a consolidated basis, weighting regional GDP trajectories by Hermès' projected revenue split and applying the respective factors results in an illustrative group-level CAGR of 7.61% for FY2030F-FY2040F (see *Appendix 12*).

Beyond FY2040, all regional factors are set to 1.00x, so that growth fully aligns with nominal GDP benchmarks. Applying the same methodology yields a long-term group growth rate of

4.16%, which also serves as the terminal growth assumption of the valuation model. This is consistent with established valuation practice, which typically sets terminal growth equal to long-term nominal GDP and thereby reinforces methodological conservatism. The rationale is twofold. Extraordinary outperformance, even if structurally embedded in the medium term, cannot be sustained indefinitely, ensuring the forecast does not extrapolate post-pandemic dynamics or pricing-driven gains into analytically indefensible horizons.

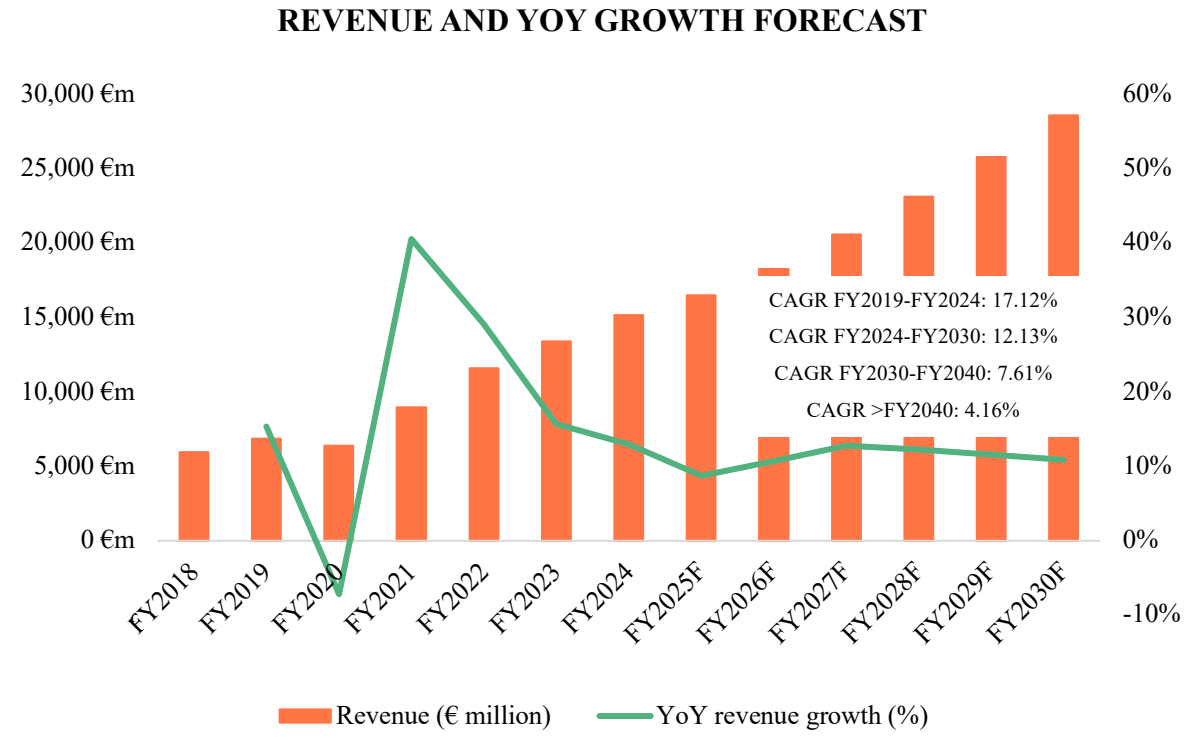



***Figure 17*** *Hermès' revenue and YoY growth forecast, FY2019-FY2030F.*

## 5.2. COST OF SALES FORECAST

Cost of sales are projected at a constant 29.63% of revenue throughout the explicit forecast horizon, consistent with Hermès' historically stable gross margin profile between FY2019 and FY2024. This reflects the Group's pricing power, its craftsmanship-based production model and the structural advantages of vertical integration. As with revenues, linking cost of sales to store count would be misleading, since margins remained stable even though the store base declined.

In H1 FY2025, cost of sales amounted to €2,356 million on revenue of €8,034 million, implying a ratio of 29.33%, virtually unchanged from the prior year. This steadiness underlines that revenue growth is led by superior store productivity, selective geographic presence and

sustained price increases rather than by aggressive volume leverage. Gross profit is therefore projected as the residual, with margins stabilizing at 70.37%, broadly consistent with the average observed during FY2019-FY2024.

This margin assumption is maintained not only over the explicit forecast horizon but also throughout the mid-term projection from FY2030F to FY2040F and into the TV phase beyond FY2040F. This ensures full consistency between revenue and cost of sales projections. The forecast of cost of sales and gross profit is set out in *Table 3*, while *Figure 18* complements this by combining the historical data with the projection to illustrate the persistence of margin stability.

| **FORECASTED COST OF SALES** *in € million* | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|
| Cost of sales | - 4,890 | - 5,436 | - 6,182 | - 7,017 | - 7,932 | - 8,933 |
| *% of revenue* | *29.63%* | *29.63%* | *29.63%* | *29.63%* | *29.63%* | *29.63%* |
| **Gross profit** | **11,616** | **12,914** | **14,685** | **16,669** | **18,843** | **21,220** |
| *% of revenue* | *70.37%* | *70.37%* | *70.37%* | *70.37%* | *70.37%* | *70.37%* |

***Table 3*** *Cost of sales and gross profit (margin) forecast, FY2025F-FY2030F.*

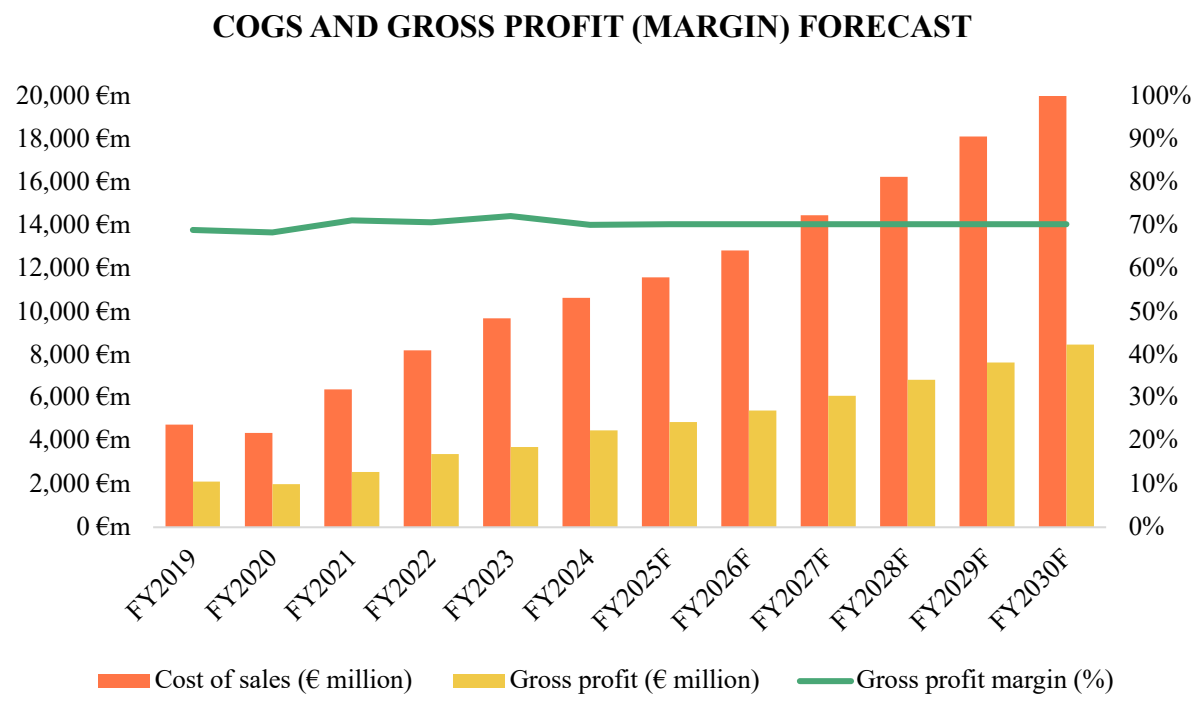



***Figure 18*** *Cost of sales and gross profit (margin) forecast, FY2019-FY2030F.*

## 5.3. OPERATING INCOME AND EXPENSES FORECAST

Selling, general and administrative (SG&A) expenses are projected in proportion to revenues, reflecting Hermès' structurally stable cost base and the absence of efficiency measures. Communication expenses are forecasted at 4.58% of revenue, consistent with the average observed between FY2019 and FY2024 and with the Group's strategy of sustaining a high but steady level of promotional intensity. Salaries and other SG&A expenses are projected at 19.92% of revenue, reflecting the long-term stability of this cost block and the absence of restructuring or cost-cutting initiatives.

Other operating income and expenses mainly comprise non-cash charges from share-based payment plans under IFRS 2. Since their valuation depends on payroll rather than headcount, the item is projected at 8.75% of salaries and other SG&A expenses, consistent with the historical pattern.

All ratios are anchored in the FY2019-FY2024 averages and are maintained across the explicit forecast horizon, the mid-term projection from FY2030 to FY2040 and the TV phase beyond FY2040. This ensures methodological consistency across all forecast horizons and reflects the structural stability of Hermès' operating cost profile.

| FORECASTED SG&A AND OTHER *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| Sales and administrative expenses | - 4,043 | - 4,495 | - 5,112 | - 5,802 | - 6,559 | - 7,387 |
| *% of total revenue* | *24.50%* | *24.50%* | *24.50%* | *24.50%* | *24.50%* | *24.50%* |
| thereof communication expenses | - 756 | - 840 | - 956 | - 1,085 | - 1,226 | - 1,381 |
| *% of total revenue* | *4.58%* | *4.58%* | *4.58%* | *4.58%* | *4.58%* | *4.58%* |
| thereof salaries and other SG&A expenses | - 3,287 | - 3,655 | - 4,156 | - 4,718 | - 5,333 | - 6,006 |
| *% of total revenue* | *19.92%* | *19.92%* | *19.92%* | *19.92%* | *19.92%* | *19.92%* |
| Other income and expenses | - 288 | - 320 | - 364 | - 413 | - 467 | - 526 |
| *% of salaries and other SG&A expenses* | *8.75%* | *8.75%* | *8.75%* | *8.75%* | *8.75%* | *8.75%* |

***Table 4*** *SG&A and other income and expenses forecast, FY2025F-FY2030F.*

## 5.4. INCOME TAXES FORECAST

Income taxes are projected at a constant 28.21% of earnings before tax, corresponding to the normalized effective rate observed between FY2022 and FY2024. Although the French statutory tax rate was reduced to 25.83% in FY2022, Hermès consistently reported higher effective rates in a narrow range between 27.79% and 28.68%. Using the effective average of

28.21% therefore provides a more accurate reflection of the Group's actual tax burden and stable geographic profit distribution, while avoiding distortions from temporary effects.

| **FORECASTED INCOME TAXES** *in € million* | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|
| Income taxes | - 1,827 | - 2,043 | - 2,342 | - 2,672 | - 3,030 | - 3,419 |
| *% of EBT* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* |

***Table 5*** *Income taxes forecast, FY2025F-FY2030F.*

## 5.5. CAPEX AND D&A FORECAST

Capital expenditures (CAPEX) are projected as a fixed share of revenues, reflecting Hermès' stable investment intensity and the lack of project-level disclosure for future spending. Between FY2019 and FY2024, the ratio averaged between 6.43% and 9.52% of revenues, apart from FY2020 when additions to right-of-use assets temporarily inflated the figure to 19.01%. Excluding this extraordinary year, investment intensity has remained stable despite fluctuations in store openings or workshop additions. In the coming years Hermès plans to open one new leather workshop in France each year, alongside selective retail investments and the modernization of existing sites. Revenues thus serve as a robust proxy for projecting future CAPEX. Depreciation is derived under the simplifying assumption that 50% of annual CAPEX are capitalized and depreciated within the same year, reflecting the average timing of additions. The following tables show only forecast values for FY2025F to FY2030F. The full series including historical data are provid*ed in Appendix 14 and Appendix 15,* while *Appendix 13* provides a consolidated reconciliation property, plant and equipment (PP&E), intangible assets and right-of-use assets.

### 5.5.1. Property, Plant and Equipment

PP&E expenditures are projected in proportion to revenues, calibrated on the FY2019-FY2024 average, which reflects both the structural expansion of workshops and temporary variations in store investments. D&A is derived consistently from the asset base using the same historical relationship, ensuring consistency between capital intensity and cost recognition. The same proportional assumptions are maintained for the mid-term horizon and the TV phase.

| PP&E *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| **PP&E OPENING BALANCE, NET** | **2,980** | **3,292** | **3,641** | **4,051** | **4,526** | **5,069** |
| CAPEX | 711 | 791 | 899 | 1,020 | 1,153 | 1,299 |
| *% of total revenues* | *4.31%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* |
| **PP&E before D&A and other adjustments** | **3,691** | **4,083** | **4,540** | **5,071** | **5,679** | **6,368** |
| D&A on historical PP&E | - 357 | - 394 | - 436 | - 485 | - 542 | - 606 |
| *% of PP&E opening balance, net + 50% of CAPEX* | *11.97%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* |
| D&A on forecasted PP&E additions | - 43 | - 47 | - 54 | - 61 | - 69 | - 78 |
| *% of 50% of CAPEX* | *5.98%* | *5.98%* | *5.98%* | *5.98%* | *5.98%* | *5.98%* |
| **Total D&A** | **- 399** | **- 441** | **- 490** | **- 546** | **- 611** | **- 684** |
| **PP&E CLOSING BALANCE, NET** | **3,292** | **3,641** | **4,051** | **4,526** | **5,069** | **5,683** |

***Table 6*** *CAPEX and D&A forecast on PP&E, FY2025F-FY2030F.*

### 5.5.2. Intangible Assets

Intangible expenditures are structurally insignificant and have consistently remained in a narrow range of 0.81-0.83% of revenues in recent years. For the forecast, a normalized level of 0.83% of revenues from FY2025F onward is applied. Forecasted amortization is derived from the FY2019-FY2024 average, ensuring consistency with the historical cost recognition pattern.

| INTANGIBLE ASSETS *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| **INTANGIBLE ASSETS OPENING BALANCE, NET** | **237** | **256** | **280** | **311** | **349** | **394** |
| CAPEX | 137 | 152 | 173 | 197 | 222 | 250 |
| *% of total revenues* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* |
| **Intangibles before D&A and other adjustments** | **374** | **408** | **453** | **508** | **572** | **644** |
| D&A on historical intangible assets | - 92 | - 99 | - 108 | - 120 | - 135 | - 152 |
| *% of intangible assets opening balance, net* | *38.70%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* |
| D&A on forecasted intangible assets additions | - 27 | - 29 | - 34 | - 38 | - 43 | - 48 |
| *% of 50% of CAPEX* | *9.68%* | *9.68%* | *9.68%* | *9.68%* | *9.68%* | *9.68%* |
| **Total D&A** | **- 118** | **- 128** | **- 142** | **- 159** | **- 178** | **- 201** |
| **INTANGIBLE ASSETS CLOSING BALANCE, NET** | **256** | **280** | **311** | **349** | **394** | **443** |

***Table 7*** *CAPEX and D&A forecast on intangible assets, FY2025F-FY2030F.*

### 5.5.3. Right-of-Use Assets and Lease Liabilities

Right-of-use assets and the corresponding lease liabilities are modeled jointly, since new contracts create generally equal additions on both sides of the balance sheet. As lease activity during the pandemic was atypical, the projection is anchored in the FY2022-FY2024 average,

which represents a normalized post-pandemic level and provides a reliable measure of Hermès' structural lease exposure. Additions to right-of-use assets are projected on this basis, with depreciation derived consistently from the same reference period.

For lease liabilities, additions generally mirror those of right-of-use assets, while repayments are modeled as a constant share of the opening balance, calibrated on the FY2022-FY2024 average. This ensures coherence between assets and liabilities and reflects Hermès' long-term lease dynamics while mitigating temporary distortions.

| **LEASES** *in € million* | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|
| **ROU-ASSETS OPENING BALANCE, NET** | **1,786** | **1,876** | **1,995** | **2,157** | **2,360** | **2,604** |
| CAPEX | 460 | 512 | 582 | 660 | 746 | 841 |
| *% of total revenues* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* |
| **RoU-assets before D&A and other adjustments** | **2,246** | **2,387** | **2,577** | **2,817** | **3,106** | **3,444** |
| D&A on historical RoU-assets | - 328 | - 345 | - 367 | - 396 | - 434 | - 479 |
| *% of RoU-assets opening balance, net* | *18.38%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* |
| D&A on forecasted RoU-assets additions | - 42 | - 47 | - 53 | - 61 | - 69 | - 77 |
| *% of 50% of CAPEX* | *4.60%* | *4.60%* | *4.60%* | *4.60%* | *4.60%* | *4.60%* |
| **Total D&A** | **- 371** | **- 392** | **- 420** | **- 457** | **- 502** | **- 556** |
| **ROU-ASSETS CLOSING BALANCE, NET** | **1,876** | **1,995** | **2,157** | **2,360** | **2,604** | **2,888** |
| **LEASE LIABILITIES OPENING BALANCE, NET** | **2,113** | **2,226** | **2,370** | **2,557** | **2,790** | **3,067** |
| New leasing contracts | 460 | 512 | 582 | 660 | 746 | 841 |
| *% of total revenues* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* |
| Repayments | - 347 | - 368 | - 394 | - 428 | - 469 | - 517 |
| *% of lease liabilities opening balance, net* | *14.82%* | *14.82%* | *14.82%* | *14.82%* | *14.82%* | *14.82%* |
| **LEASE LIABILITIES CLOSING BALANCE, NET** | **2,226** | **2,370** | **2,557** | **2,790** | **3,067** | **3,391** |

***Table 8*** *RoU-assets and corresponding lease liabilities forecast, FY2025F-FY2030F.*

## 5.6. OPERATING WORKING CAPITAL FORECAST

Operating working capital is projected on the basis of historical turnover ratios and structural averages, ensuring consistency with Hermès' observed balance sheet dynamics.

Inventories and work-in-progress, the largest component, are measured relative to Days Inventory Outstanding (DIO). Between FY2019 and FY2024, DIO averaged 197.3 days, fluctuating between 173.8 and 210.8 days. To avoid distortions from temporary peaks, the

forecast assumes 204.0 days in FY2025 before stabilizing at the historical average from FY2026 onwards.

Trade and other receivables are projected using Days Sales Outstanding (DSO). After declining from 16.2 days in FY2020 to 10.9 days in FY2024, DSO is expected to improve further to 10.5 days by FY2030, preserving the recent structural trend without imposing aggressive assumptions.

Trade and other payables are derived from Days Payables Outstanding (DPO), which averaged 76.0 days between FY2019 and FY2024. The forecast holds this level constant, reflecting the absence of structural changes in supplier payment terms.

Other current assets and liabilities are projected as fixed shares of revenues, based on historical averages of 2.52% and 10.28% respectively. Current tax receivables and liabilities are modeled as constant shares of annual tax expense, consistent with Hermès' payment and prepayment patterns. Financial derivatives on both sides of the balance sheet are expressed as fixed shares of non-European revenues, reflecting Hermès' recurring hedging activity.

Deferred tax assets and liabilities are projected as constant shares of earnings before tax, calibrated on the FY2022-FY2024 average to capture the current statutory tax regime while excluding distortions from earlier periods.

This approach ensures that working capital is forecasted in a manner consistent with Hermès' historical behavior, capturing the structural drivers of inventories, receivables and payables while calibrating ancillary positions through stable ratios. The following table shows only forecast values for FY2025F to FY2030F, while full series including historical data are provided in *Appendix 16*.

| OPERATING WORKING CAPITAL *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| (+) Inventories and work-in-progress | 2,734 | 2,938 | 3,341 | 3,793 | 4,287 | 4,828 |
| *Days inventory outstanding* | *204.0* | *197.3* | *197.3* | *197.3* | *197.3* | *197.3* |
| (+) Trade and other receivables | 495 | 546 | 616 | 694 | 779 | 870 |
| *Days sales outstanding* | *10.9* | *10.9* | *10.8* | *10.7* | *10.6* | *10.5* |
| (+) Current tax receivables | 47 | 52 | 59 | 67 | 76 | 86 |
| *% of total revenues* | *0.28%* | *0.28%* | *0.28%* | *0.28%* | *0.28%* | *0.28%* |
| (+) Other current assets | 415 | 462 | 525 | 596 | 674 | 759 |
| *% of total revenues* | *2.52%* | *2.52%* | *2.52%* | *2.52%* | *2.52%* | *2.52%* |
| (+) Financial derivatives - assets | 165 | 185 | 212 | 243 | 277 | 314 |
| *% of non-European revenues* | *1.32%* | *1.32%* | *1.32%* | *1.32%* | *1.32%* | *1.32%* |
| (−) Trade and other payables | 1,019 | 1,133 | 1,288 | 1,462 | 1,653 | 1,861 |
| *Days payable outstanding* | *76.0* | *76.0* | *76.0* | *76.0* | *76.0* | *76.0* |
| (−) Current tax liabilities | 668 | 743 | 845 | 959 | 1,084 | 1,220 |
| *% of total revenues* | *4.05%* | *4.05%* | *4.05%* | *4.05%* | *4.05%* | *4.05%* |
| (−) Other current liabilities | 1,697 | 1,887 | 2,146 | 2,436 | 2,753 | 3,101 |
| *% of total revenues* | *10.28%* | *10.28%* | *10.28%* | *10.28%* | *10.28%* | *10.28%* |
| (−) Financial derivatives - liabilities | 116 | 130 | 149 | 170 | 194 | 220 |
| *% of non-European revenues* | *0.92%* | *0.92%* | *0.92%* | *0.92%* | *0.92%* | *0.92%* |
| **OPERATING WORKING CAPITAL** | 356 | 291 | 327 | 366 | 409 | 455 |
| ***Δ Operating working capital*** | ***- 293*** | ***- 65*** | ***36*** | ***40*** | ***43*** | ***46*** |
| (+) Deferred tax assets | 737 | 825 | 945 | 1,078 | 1,223 | 1,380 |
| *% of earnings before taxes* | *11.39%* | *11.39%* | *11.39%* | *11.39%* | *11.39%* | *11.39%* |
| (−) Deferred tax liabilities | 13 | 15 | 17 | 20 | 22 | 25 |
| *% of earnings before taxes* | *0.21%* | *0.21%* | *0.21%* | *0.21%* | *0.21%* | *0.21%* |
| **OTHER NON-CURRENT OPERATIONAL ITEMS** | 724 | 810 | 928 | 1,059 | 1,201 | 1,355 |
| ***Δ Other non-current operational items*** | ***- 200*** | ***86*** | ***118*** | ***131*** | ***142*** | ***154*** |

***Table 9*** *Operating working capital and other operational items forecast, FY2019-FY2030F.*

# 6. VALUATION

The valuation of Hermès relies on three complementary approaches. A DCF model serves as the primary method, deriving intrinsic value from the PV of FCFF. To complement this perspective, the EVA framework captures value creation relative to the cost of capital. Finally, a CCA based on forward-looking trading multiples provides a market-oriented benchmark. The triangulation of DCF, EVA and CCA enhances robustness and enables a comprehensive interpretation of results.

The following chapter presents each method in detail and concludes with a synthesis of the implied values, a sensitivity analysis and a comparison with market prices and analyst estimates.

## 6.1. DISCOUNTED CASH FLOW VALUATION

The DCF model is applied as the primary valuation method for Hermès, valuing the company on the basis of FCFF discounted at the WACC. The procedure involves estimating the discount rate, deriving FCFF from the forecast and calculating TV under both a perpetual growth and an exit multiple approach. The following chapter sets out these steps before presenting the implied enterprise and equity values together with a sensitivity analysis.

### 6.1.1. Weighted Average Cost of Capital

The WACC is the central discount rate used in the valuation of Hermès. It expresses the blended return requirements of equity and debt holders in proportion to their market values. Within this dissertation, the WACC serves a dual role, as it is applied both in the FCFF valuation and in the EVA framework, thereby ensuring methodological coherence across intrinsic approaches.

The starting point for the cost of equity is the risk-free rate. In line with European valuation practice, the yield on 10Y German federal bonds is used as the proxy, reflecting high liquidity, negligible default risk and a maturity profile consistent with long-term forecasts. At the valuation date, the yield was 2.70% (Deutsche Bundesbank, 2025).

The equity risk premium (ERP) is derived using a two-step weighted approach that links country-specific premia to Hermès' geographic revenue distribution. In the first step, country-

level premia are aggregated into regional blocks using nominal GDP weights, as Hermès discloses revenues only at the regional level. In the second step, these regional premia are weighted according to Hermès' FY2024 revenue split. This procedure reflects both the geographic diversification of Hermès' business model and the heterogeneity of regional risk premia. The resulting weighted ERP, based on Damodaran's (2025a) country risk premia derived from sovereign ratings and adjusted for relative equity market volatility, amounts to 6.01%, as summarized in *Table 10* and detailed in *Appendix 17*.

| REGION | REVENUE-WEIGHTED EQUITY RISK PREMIUM |
|---|---|
| Asia-Pacific (excl. Japan) | 2.44% |
| Japan | 0.50% |
| Americas | 1.62% |
| Europe (excl. France) | 0.78% |
| France | 0.49% |
| Middle East and Other | 0.18% |
| **TOTAL** | **6.01%** |

***Table 10*** *Revenue-weighted ERP by region, based on FY2024.*

The systematic risk of Hermès was assessed through two complementary approaches. In the first step, weekly stock returns from LSEG Workspace were regressed against the MSCI World Net Total Return Index (EUR) over a five-year horizon, yielding a raw beta of 1.06. Applying the Blume adjustment, to account for empirical mean reversion towards unity, results in an adjusted beta of 1.04.

In parallel, a peer-based estimation was conducted using Brunello Cucinelli and Moncler as the closest listed comparables identified in *Chapter 4.5*. Their levered betas were unlevered, averaged and subsequently relevered to Hermès' capital structure, producing a beta of 1.00. The effective corporate tax rate applied to the unlevering and relevering process for Hermès is documented in *Chapter 5.4*, while peer country tax rates were sourced from OECD (2025).

Both beta estimation approaches exhibit methodological limitations. The regression-based estimate may be distorted by Hermès' limited free float of 32.23% and concentrated ownership, which can bias observed price dynamics, while the peer-based approach, in turn, rests on a small sample and involves structural differences in scale and leverage. Nevertheless, their relevered betas converge around 1.00, which better reflects Hermès' diversified business

model, strong margins and minimal leverage. The peer-based estimate is therefore retained as the primary input for the cost of equity, with the regression result reported as a robustness check.

| PEER COMPANY | LEVERED BETA | D/E (MV) | TAX RATE | UNLEVERED BETA |
|---|---|---|---|---|
| Brunello Cucinelli | 1.11 | 13.81% | 27.81% | 1.01 |
| Moncler | 1.03 | 7.44% | 27.81% | 0.98 |
| **RELEVERED PEER BETA (Hermès)** | **1.00** | **0.82%** | **28.21%** | **1.00** |
| **DIRECT APPROACH (Hermès)** | **1.06** | | | |

***Table 11*** *Overview of beta estimation for Hermès.*

Combining the risk-free rate, the weighted ERP and the peer-based beta under the CAPM yields a cost of equity of 8.72%.

Hermès' conservative financial policy, marked by negligible external borrowings and persistent net cash positions, complicates the estimation of the cost of debt. As the Group's financial debt consists almost entirely of lease liabilities, the implied lease rate is backward-looking and unsuitable as a forward-looking proxy. In the absence of sufficiently liquid bond issues, a synthetic rating approach was applied following Damodaran (2025b). Hermès' EBIT-to-interest coverage ratio well above 100x implies an AAA rating and adding the corresponding default spread of 0.45% to the risk-free rate yields a pre-tax cost of debt of 3.15%. This exceptionally low figure reflects Hermès' negligible leverage and robust interest coverage.

A distinctive feature of Hermès' capital structure is the exceptionally high level of excess cash, defined as cash and cash equivalents minus 1-month of operating expenses for the respective period. Excess liquidity exhibits a risk-return profile close to the risk-free rate. Accordingly, the WACC is adjusted by attributing excess cash a return consistent with short-term euro money market instruments rather than the cost of equity. At the valuation date, the €STR was 2.01% (ECB, 2025a), providing an appropriate benchmark for the remuneration of cash holdings. This adjustment prevents overstating the cost of capital by aligning excess liquidity with its lower risk profile.

Based on market values of equity, debt and excess cash, the resulting WACC amounts to 8.39%.

| WACC COMPUTATION | |
|---|---|
| Market value of equity *in € million* | 251,044 |
| Market value of debt *in € million* | 2,061 |
| Market value of excess cash *in € million* | 9,553 |
| **TOTAL CAPITAL *in € million*** | **253,105** |
| Weight of equity | 95.41% |
| Weight of debt | 0.81% |
| Weight of excess cash | 3.77% |
| **TOTAL WEIGHT** | **100.00%** |
| Cost of equity | 8.72% |
| Cost of debt | 3.15% |
| Return on excess cash | 2.01% |
| Tax rate | 28.21% |
| **WACC** | **8.39%** |

***Table 12*** *Overview of WACC components.*

### 6.1.2. Free Cash Flow to the Firm

The computation of FCFF builds on the forecasted financial statements developed in *Chapter 5*. For the explicit forecast horizon FY2025F-FY2030F, FCFF is derived from after-tax EBIT (NOPAT), adding back D&A and deducting CAPEX, changes in operating working capital and other operational items. This phase establishes the foundation of the valuation, grounded in detailed financial forecasts aligned with Hermès' operating model.

Beyond FY2030F, the model enters a transition phase in which free cash flows are extrapolated rather than forecasted in full detail. Between FY2031F and FY2040F, a CAGR of 7.61% is applied. This assumption mirrors the revenue growth path for the same horizon and is based on the expectation that margins, reinvestment ratios and working capital intensity stabilize, leaving revenue growth as the dominant driver of cash flow generation.

The PV of FCFF across both phases, discounted at the WACC and with a fractional adjustment of the first forecast year to reflect the July 29, 2025 valuation date, amounts to €69,717 million before consideration of the TV.

| FCFF FC *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| **EBIT** | **2,734** | **7,137** | **8,158** | **9,293** | **10,526** | **11,867** |
| *Effective tax rate* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* |
| **NOPAT** | **1,963** | **5,124** | **5,857** | **6,671** | **7,556** | **8,519** |
| (+) Depreciation and amortization | 379 | 961 | 1,051 | 1,161 | 1,291 | 1,441 |
| (−) CAPEX | - 559 | - 1,454 | - 1,654 | - 1,877 | - 2,122 | - 2,390 |
| (−) Δ Operating working capital | 125 | 65 | - 36 | - 40 | - 43 | - 46 |
| (−) Δ Other operational items | 85 | - 86 | - 118 | - 131 | - 142 | - 154 |
| **FCFF** | **1,994** | **4,610** | **5,100** | **5,785** | **6,541** | **7,370** |
| *% growth* | *30.19%* | *-1.18%* | *10.63%* | *13.42%* | *13.07%* | *12.68%* |
| *Discount Factor* | *1.04* | *1.12* | *1.22* | *1.32* | *1.43* | *1.55* |
| **PV of FCFF** | **1,926*** | **4,109** | **4,194** | **4,389** | **4,579** | **4,760** |

* 42.75% of FY2025 FCFF from valuation date to year-end considered and discounted for 152 days.

| FCFF MID-TERM *in € million* | FY2031F | FY2032F | FY2033F | FY2034F | FY2035F | FY2036F | FY2037F | FY2038F | FY2039F | FY2040F | TV |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **FCFF** | **7,931** | **8,535** | **9,184** | **9,883** | **10,635** | **11,445** | **12,316** | **13,253** | **14,262** | **15,347** | **377,721** |
| *% growth* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | |
| *Discount Factor* | *1.68* | *1.82* | *1.97* | *2.14* | *2.32* | *2.51* | *2.72* | *2.95* | *3.20* | *3.47* | *3.47* |
| **PV of FCFF** | **4,726** | **4,692** | **4,658** | **4,625** | **4,591** | **4,559** | **4,526** | **4,493** | **4,461** | **4,429** | **109,007** |

***Table 13*** *FCFF forecast for Hermès.*

### 6.1.3. Terminal Value Estimation

The TV is estimated using two complementary approaches. The perpetual growth method assumes that FCFF expands at a constant rate of 4.16% beyond FY2040F, consistent with the long-term revenue trajectory outlined in *Chapter 5.1*, where growth converges to nominal GDP and revenue growth remains the primary driver of cash flow generation. Applying this assumption to the projected FY2040F FCFF of €15,347 million yields an undiscounted TV of €377,721 million, which corresponds to a PV of €109,007 million at the valuation date.

In addition, an exit multiple approach is applied. The EV/EBITDA multiple of 16.90x, derived from the peer group in *Chapter 6.3*, is based on forward-looking consensus estimates ensuring consistency with the forecast horizon. To reduce distortions from temporary market valuations, the peer median is used instead of a capitalization-weighted average. Applied to the projected FY2040F EBITDA of €27,712 million, this yields an undiscounted TV of €468,201 million and a PV of €135,118 million.

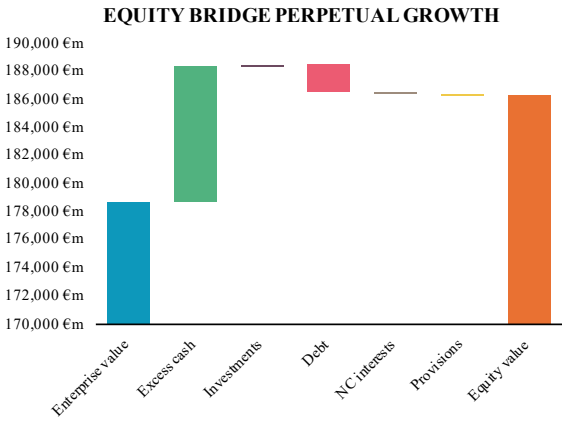
Both approaches yield alternative perspectives on long-term value, one rooted in macroeconomic fundamentals and the other reflecting prevailing market benchmarks.

### 6.1.4. Implied Share Price

The equity bridge translates enterprise value into equity value by adjusting for excess cash, investments, debt, non-controlling interests and provisions. Dividing the resulting equity value by the number of shares outstanding yields an implied share price of €1,764.78 under the perpetual growth approach and €2,012.12 under the exit multiple method. Relative to Hermès' market price of €2,378.00 as of July 29, 2025, both approaches indicate a downside potential of -25.79% and -15.39%, respectively.

| EQUITY BRIDGE PERPETUAL GROWTH *in € million* | | |
|---|---|---|
| **ENTERPRISE VALUE PERPETUAL GROWTH** | **178,724** | |
| (+) Excess cash | 9,553 | *H1/2025* |
| (+) Investments in associates | 229 | *H1/2025* |
| (-) Debt | - 2,061 | *H1/2025* |
| (-) Non-controlling interests | - 16 | *H1/2025* |
| (-) Provisions | - 122 | *H1/2025* |
| **EQUITY VALUE PERPETUAL GROWTH** | **186,306** | |
| Shares outstanding as of 29/07/2025 in million | 105.57 | |
| **IMPLIED SHARE PRICE AS OF 29/07/2025** | **1,764.78** | |
| Share price as of 29/07/2025 | **2,378.00** | |
| *Implied upside/downside in %* | *-25.79%* | |

| EQUITY BRIDGE EXIT MULTIPLE *in € million* | |
|---|---|
| **ENTERPRISE VALUE EXIT MULTIPLE** | **204,835** |
| (+) Excess cash | 9,553 |
| (+) Investments in associates | 229 |
| (-) Debt | - 2,061 |
| (-) Non-controlling interests | - 16 |
| (-) Provisions | - 122 |
| **EQUITY VALUE EXIT MULTIPLE** | **212,418** |
| Shares outstanding as of 29/07/2025 in million | 105.57 |
| **IMPLIED SHARE PRICE AS OF 29/07/2025** | **2,012.12** |
| Share price as of 29/07/2025 | **2,378.00** |
| *Implied upside/downside in %* | *-15.39%* |



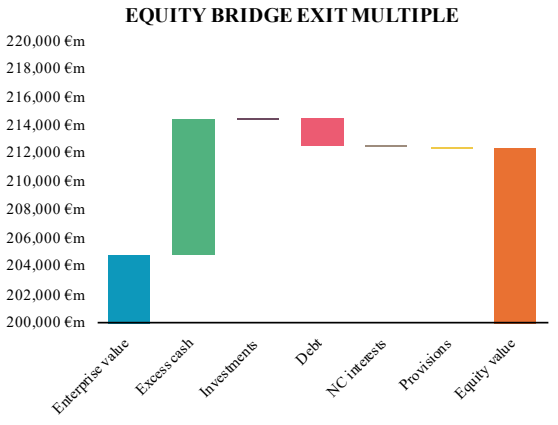




***Table 14*** *Equity bridge - perpetual growth and exit multiple approach - DCF.*

### 6.1.5. Sensitivity Analysis

The robustness of the valuation is tested through a sensitivity analysis with respect to the terminal assumptions and the discount rate. *Table 15* shows the variation of implied share prices under different combinations of WACC and perpetual growth rates, while *Table 16* presents the corresponding sensitivities when applying alternative exit multiples. The results confirm

that the valuation outcome is highly sensitive to changes in the terminal phase, with the implied share price ranging from €1,437.85 to €2,370.91 in the perpetual growth framework and from €1,778.58 to €2,295.29 in the exit multiple case.

| WACC | PERPETUAL GROWTH RATE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 3.36% | 3.56% | 3.76% | 3.96% | 4.16% | 4.36% | 4.56% | 4.76% | 4.96% |
| 7.89% | €1,785.59 | €1,835.11 | €1,889.42 | €1,949.26 | €2,015.51 | €2,089.27 | €2,171.88 | €2,265.04 | €2,370.91 |
| 7.99% | €1,743.86 | €1,790.59 | €1,841.74 | €1,897.95 | €1,960.04 | €2,028.97 | €2,105.93 | €2,192.41 | €2,290.30 |
| 8.09% | €1,703.94 | €1,748.08 | €1,796.29 | €1,849.18 | €1,907.44 | €1,971.94 | €2,043.75 | €2,124.18 | €2,214.89 |
| 8.19% | €1,665.72 | €1,707.45 | €1,752.95 | €1,802.74 | €1,857.48 | €1,917.93 | €1,985.04 | €2,059.98 | €2,144.18 |
| 8.29% | €1,629.08 | €1,668.58 | €1,711.55 | €1,758.50 | €1,809.99 | €1,866.71 | €1,929.52 | €1,999.44 | €2,077.76 |
| 8.39% | €1,593.95 | €1,631.35 | €1,671.99 | €1,716.29 | **€1,764.78** | €1,818.07 | €1,876.94 | €1,942.28 | €2,015.24 |
| 8.49% | €1,560.22 | €1,595.68 | €1,634.13 | €1,675.98 | €1,721.69 | €1,771.83 | €1,827.06 | €1,888.22 | €1,956.31 |
| 8.59% | €1,527.82 | €1,561.46 | €1,597.88 | €1,637.45 | €1,680.58 | €1,727.80 | €1,779.70 | €1,837.02 | €1,900.65 |
| 8.69% | €1,496.67 | €1,528.61 | €1,563.13 | €1,600.58 | €1,641.33 | €1,685.84 | €1,734.66 | €1,788.45 | €1,848.01 |
| 8.79% | €1,466.70 | €1,497.05 | €1,529.80 | €1,565.27 | €1,603.80 | €1,645.81 | €1,691.79 | €1,742.33 | €1,798.15 |
| 8.89% | €1,437.85 | €1,466.71 | €1,497.81 | €1,531.43 | €1,567.90 | €1,607.58 | €1,650.93 | €1,698.47 | €1,750.85 |

***Table 15*** *Sensitivity to WACC and perpetual growth rate - DCF.*

| WACC | EV/EBITDA EXIT MULTIPLE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 14.90 | 15.40 | 15.90 | 16.40 | 16.90 | 17.40 | 17.90 | 18.40 | 18.90 |
| 7.89% | €1,969.86 | €2,010.54 | €2,051.22 | €2,091.90 | €2,132.58 | €2,173.25 | €2,213.93 | €2,254.61 | €2,295.29 |
| 7.99% | €1,947.39 | €1,987.49 | €2,027.59 | €2,067.69 | €2,107.79 | €2,147.89 | €2,188.00 | €2,228.10 | €2,268.20 |
| 8.09% | €1,925.23 | €1,964.76 | €2,004.29 | €2,043.83 | €2,083.36 | €2,122.89 | €2,162.43 | €2,201.96 | €2,241.49 |
| 8.19% | €1,903.38 | €1,942.36 | €1,981.33 | €2,020.30 | €2,059.27 | €2,098.25 | €2,137.22 | €2,176.19 | €2,215.17 |
| 8.29% | €1,881.84 | €1,920.26 | €1,958.68 | €1,997.11 | €2,035.53 | €2,073.95 | €2,112.37 | €2,150.79 | €2,189.21 |
| 8.39% | €1,860.60 | €1,898.48 | €1,936.36 | €1,974.24 | **€2,012.12** | €2,049.99 | €2,087.87 | €2,125.75 | €2,163.63 |
| 8.49% | €1,839.66 | €1,877.01 | €1,914.35 | €1,951.69 | €1,989.04 | €2,026.38 | €2,063.72 | €2,101.06 | €2,138.41 |
| 8.59% | €1,819.01 | €1,855.83 | €1,892.65 | €1,929.46 | €1,966.28 | €2,003.09 | €2,039.91 | €2,076.73 | €2,113.54 |
| 8.69% | €1,798.65 | €1,834.95 | €1,871.25 | €1,907.55 | €1,943.84 | €1,980.14 | €2,016.44 | €2,052.73 | €2,089.03 |
| 8.79% | €1,778.58 | €1,814.36 | €1,850.15 | €1,885.94 | €1,921.72 | €1,957.51 | €1,993.29 | €2,029.08 | €2,064.86 |
| 8.89% | €1,778.58 | €1,794.06 | €1,829.35 | €1,864.63 | €1,899.91 | €1,935.19 | €1,970.47 | €2,005.75 | €2,041.04 |

***Table 16*** *Sensitivity to WACC and exit multiple - DCF.*

## 6.2. ECONOMIC VALUE ADDED VALUATION

As a complementary valuation approach, the EVA framework is applied alongside the DCF model. For FY2025F, the invested capital (IC) opening balance is set at €9,125 million, derived from the H1 FY2025 balance sheet by adding equity and debt and subtracting excess cash. EVA is defined as NOPAT minus the capital charge, with NOPAT taken from forecasted EBIT after tax and the capital charge determined by applying the WACC to IC. For FY2025F, EVA is calculated on a fractional basis to reflect the July 29, 2025 valuation date.

For the mid-term horizon FY2031F-FY2040F, EVA is extrapolated consistently with the revenue growth assumptions and discounting logic of the DCF model. With revenues expanding at an annual rate of 7.61%, NOPAT and IC grow proportionally, leading to steadily rising EVA over the period.

The PV of EVA up to FY2040F amounts to €64,302 million, before consideration of the TV.

| EVA FC *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| **INVESTED CAPITAL OPENING BALANCE** | **9,125** | **9,465** | **10,940** | **12,749** | **14,796** | **17,103** |
| (+) CAPEX | 545 | 1,454 | 1,654 | 1,877 | 2,122 | 2,390 |
| (+) Δ Operating working capital | - 122 | - 65 | 36 | 40 | 43 | 46 |
| (+) Δ Other operational items | - 83 | 86 | 118 | 131 | 142 | 154 |
| **INVESTED CAPITAL ENDING BALANCE** | **9,465** | **10,940** | **12,749** | **14,796** | **17,103** | **19,693** |
| *% growth* | | *15.59%* | *16.53%* | *16.06%* | *15.59%* | *15.14%* |
| **EBIT** | **2,665** | **7,137** | **8,158** | **9,293** | **10,526** | **11,867** |
| *Effective tax rate* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* |
| **NOPAT** | **1,913** | **5,124** | **5,857** | **6,671** | **7,556** | **8,519** |
| (−) Invested capital x WACC | - 794 | - 918 | - 1,069 | - 1,241 | - 1,435 | - 1,652 |
| **EVA** | **1,119** | **4,206** | **4,787** | **5,430** | **6,122** | **6,867** |
| *% growth* | | *275.73%* | *13.82%* | *13.42%* | *12.74%* | *12.18%* |
| *Discount factor* | *1.03* | *1.12* | *1.21* | *1.32* | *1.43* | *1.55* |
| **PV of EVA** | **1,082*** | **3,752** | **3,940** | **4,123** | **4,289** | **4,439** |

| INVESTED CAPITAL *in million* | H1 FY2025 |
|---|---|
| (+) Equity (BV) | 16,617 |
| (+) Debt (BV) | 2,061 |
| (−) Excess cash (BV) | - 9,553 |
| **INVESTED CAPITAL** | **9,125** |

* 42.75% of FY2025 EVA from valuation date to year-end considered and discounted for 152 days.

| EVA MID-TERM *in € million* | FY2031F | FY2032F | FY2033F | FY2034F | FY2035F | FY2036F | FY2037F | FY2038F | FY2039F | FY2040F | TV |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EVA** | **7,390** | **7,953** | **8,558** | **9,209** | **9,910** | **10,664** | **11,476** | **12,349** | **13,289** | **14,301** | **351,960** |
| *% growth* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | *7.61%* | |
| *Discount factor* | *1.68* | *1.82* | *1.97* | *2.14* | *2.31* | *2.51* | *2.72* | *2.95* | *3.19* | *3.46* | *3.46* |
| **PV of EVA** | **4,407** | **4,376** | **4,344** | **4,313** | **4,282** | **4,251** | **4,221** | **4,191** | **4,160** | **4,131** | **101,660** |

***Table 17*** *EVA forecast for Hermès.*

### 6.2.1. Terminal Value Estimation

The TV within the EVA framework is determined through the perpetuity of economic value added beyond FY2040F. EVA is assumed to grow at a constant rate of 4.16%, consistent with the long-term revenue trajectory outlined in *Chapter 5.1* and aligned with the assumptions applied in the DCF model. This reflects the expectation that margins, reinvestment requirements and capital intensity stabilize in the mature phase, making revenue growth the principal driver of incremental value creation. Applied to the projected FY2040F EVA of €14,301 million, this yields an undiscounted TV of €351,960 million and a PV of €101,660 million at the valuation date. The EVA-based TV thus provides a complementary perspective on long-term value creation, capturing it explicitly through the spread between operating returns and the cost of capital.

### 6.2.2. Implied Share Price

The equity bridge translates enterprise value into equity value by adjusting for excess cash, investments in associates, debt, non-controlling interests and provisions. Dividing the resulting equity value of €182,671 million by 105.57 million shares outstanding as of July 29, 2025, yields an implied share price of €1,730.34 under the EVA approach. Relative to Hermès' market price of €2,378.00 as of July 29, 2025, this corresponds to a downside potential of -27.24%.

| **EQUITY BRIDGE EVA** *in € million* | |
|---|---|
| **PV of EVA** | **165,963** |
| (+) Capital Invested in FY2025F | 9,125 |
| **ENTERPRISE VALUE** | **175,088** |
| (+) Excess cash | 9,553 |
| (+) Investments in associates | 229 |
| (-) Debt | - 2,061 |
| (-) Non-controlling interests | - 16 |
| (-) Provisions | - 122 |
| **EQUITY VALUE EVA** | **182,671** |
| Shares outstanding as of 29/07/2025 in million | 105.57 |
| **IMPLIED SHARE PRICE AS OF 29/07/2025** | **1,730.34** |
| Share price as of 29/07/2025 | **2,378.00** |
| *Implied upside/downside in %* | *-27.24%* |

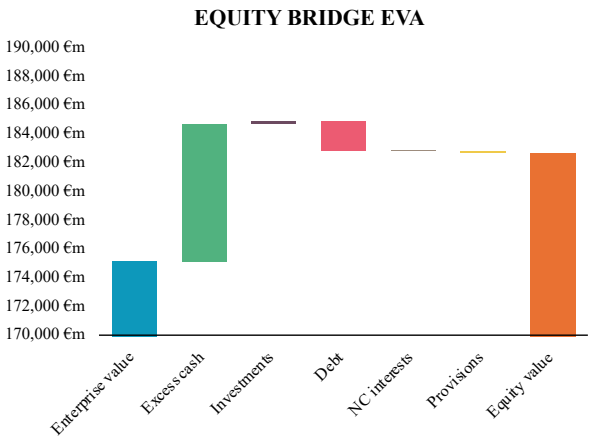



***Table 18*** *Equity bridge - perpetual growth - EVA.*

### *6.2.3.* Sensitivity Analysis

The EVA-based valuation was subjected to a sensitivity analysis with respect to the discount rate and the perpetual growth assumption. The results demonstrate that variations in terminal parameters exert a substantial influence on the valuation outcome, with the implied share price spanning a range from €1,419.55 to €2,289.51. This wide dispersion underscores the critical im portance of long-term assumptions in determining value under the EVA framework.

| WACC \ PERPETUAL GROWTH RATE | 3.36% | 3.56% | 3.76% | 3.96% | 4.16% | 4.36% | 4.56% | 4.76% | 4.96% |
|---|---|---|---|---|---|---|---|---|---|
| **7.89%** | €1,743.67 | €1,789.85 | €1,840.50 | €1,896.30 | €1,958.09 | €2,026.87 | €2,103.91 | €2,190.78 | €2,289.51 |
| **7.99%** | €1,704.77 | €1,748.35 | €1,796.05 | €1,848.48 | €1,906.38 | €1,970.65 | €2,042.42 | €2,123.08 | €2,214.37 |
| **8.09%** | €1,667.56 | €1,708.73 | €1,753.69 | €1,803.01 | €1,857.34 | €1,917.50 | €1,984.46 | €2,059.47 | €2,144.06 |
| **8.19%** | €1,631.93 | €1,670.85 | €1,713.28 | €1,759.72 | €1,810.77 | €1,867.15 | €1,929.74 | €1,999.62 | €2,078.14 |
| **8.29%** | €1,597.79 | €1,634.62 | €1,674.70 | €1,718.48 | €1,766.50 | €1,819.40 | €1,877.98 | €1,943.19 | €2,016.22 |
| **8.39%** | €1,571.02 | €1,605.90 | €1,643.80 | €1,685.11 | **€1,730.34** | €1,780.04 | €1,834.94 | €1,895.88 | €1,963.92 |
| **8.49%** | €1,533.60 | €1,566.67 | €1,602.53 | €1,641.56 | €1,684.19 | €1,730.95 | €1,782.46 | €1,839.50 | €1,903.00 |
| **8.59%** | €1,503.40 | €1,534.77 | €1,568.74 | €1,605.64 | €1,645.87 | €1,689.91 | €1,738.31 | €1,791.77 | €1,851.11 |
| **8.69%** | €1,474.37 | €1,504.15 | €1,536.35 | €1,571.28 | €1,609.28 | €1,650.80 | €1,696.33 | €1,746.49 | €1,802.04 |
| **8.79%** | €1,446.44 | €1,474.74 | €1,505.29 | €1,538.37 | €1,574.30 | €1,613.48 | €1,656.36 | €1,703.50 | €1,755.55 |
| **8.89%** | €1,419.55 | €1,446.46 | €1,475.46 | €1,506.82 | €1,540.83 | €1,577.84 | €1,618.27 | €1,662.61 | €1,711.47 |

***Table 19*** *Sensitivity to WACC and perpetual growth rate - EVA.*

## 6.3. RELATIVE VALUATION

In addition to the intrinsic valuation methods, a CCA is conducted to incorporate market-based information embedded in trading multiples capturing sentiment and risk factors not fully reflected in the DCF and EVA frameworks.

As outlined in *Chapter 4.5*, the first peer group consists of Brunello Cucinelli and Moncler. These companies represent the closest listed luxury peers for Hermès, as they share a brand-centric, vertically integrated business model and operate in similar demand dynamics within the high-end discretionary segment. Their growth and profitability profiles are also closer to Hermès than those of larger conglomerates such as LVMH or Kering. Nevertheless, they do not fully replicate Hermès' financial structure, particularly with respect to leverage.

To address these limitations, a second peer group was constructed on the basis of financial comparability, following Damodaran's (2012) reasoning that industry affiliation alone is insufficient when fundamentals diverge. This group comprises high-growth, high-margin firms with conservative balance sheets, namely Alpha IVF Group Bhd, Cbrain A/S, Cerillion PLC and TechnologyOne Ltd. While unrelated to the luxury sector, these companies better approximate Hermès' combination of sustained growth, extraordinary profitability and minimal leverage.

| PEER COMPANY | REVENUE CAGR (5Y) | GROSS PROFIT MARGIN | EBITDA MARGIN | ROE | D/E (BV) | D/E (MV) |
|---|---|---|---|---|---|---|
| **Hermès International SCA** | **17.12%** | **70.26%** | **45.54%** | **26.57%** | **12.55%** | **0.82%** |
| Alpha IVF Group Bhd | 20.73% | 60.59% | 46.94% | 29.01% | 11.87% | 1.66% |
| Cbrain A/S | 22.67% | 75.21% | 42.24% | 22.46% | 17.87% | 1.04% |
| Cerillion PLC | 18.46% | 75.47% | 49.73% | 31.46% | 5.77% | 0.64% |
| TechnologyOne Ltd | 12.19% | 74.35% | 42.52% | 31.12% | 15.73% | 0.50% |

***Table 20*** *Fundamentally comparable peers' analysis, FY2024, D/E (MV) as of July 29, 2025.*

For the companies within these peer groups, the 12-month forward EV/EBITDA, EV/Sales and P/E multiples are retrieved from LSEG Workspace, which computes these ratios on the basis of 12-month forward forecasts. Within each group, the multiples are weighted by market capitalization to reflect their relative importance and to mitigate distortions from smaller outliers. The resulting group-level multiples are applied to Hermès' 12-month forecasts for sales, EBITDA and net income. *Table 21* presents the market-capitalization-weighted results for the luxury peers, while *Table 22* reports those for the fundamentally comparable peers.

| MULTIPLES LUXURY PEERS | WEIGHT | EV/EBITDA | EV/SALES | P/E |
|---|---|---|---|---|
| Brunello Cucinelli SpA | 34.22% | 17.44 | 4.99 | 45.20 |
| Moncler SpA | 65.78% | 9.45 | 3.59 | 19.83 |
| **WEIGHTED MULTIPLE** | | **12.18** | **4.07** | **28.51** |
| Implied Enterprise Value *in € million* | | 94,435 | 71,460 | 135,226 |
| Implied Equity Value *in € million* | | 102,018 | 79,043 | 142,808 |
| **IMPLIED SHARE PRICE** *in €* | | **966.36** | **748.73** | **1,352.75** |

| NEXT 12 MONTHS | EBITDA | SALES | NET INCOME |
|---|---|---|---|
| FY2025F *in € million* | 7,285 | 16,506 | 4,694 |
| Fraction factor | 42.74% | 42.74% | 42.74% |
| **Attributable to FY2025F** | **3,113** | **7,055** | **2,006** |
| FY2026F *in € million* | 8,099 | 18,350 | 5,244 |
| Fraction factor | 57.26% | 57.26% | 57.26% |
| **Attributable to FY2026F** | **4,637** | **10,507** | **3,003** |
| **NEXT 12 MONTHS** *in € million* | **7,751** | **17,562** | **5,009** |

***Table 21*** *Weighted trading multiples and implied share prices - luxury peers.*

| MULTIPLES FUNDAMENTAL PEERS | WEIGHT | EV/EBITDA | EV/SALES | P/E |
|---|---|---|---|---|
| Alpha IVF Group Bhd | 9.18% | 11.51 | 5.39 | 18.11 |
| Cbrain A/S | 7.39% | 30.33 | 12.25 | 48.63 |
| Cerillion PLC | 12.51% | 16.35 | 7.52 | 24.98 |
| TechnologyOne Ltd | 70.93% | 41.37 | 18.27 | 76.86 |
| **WEIGHTED MULTIPLE** | | **34.69** | **15.30** | **62.89** |
| Implied Enterprise Value *in € million* | | 268,838 | 268,679 | 307,455 |
| Implied Equity Value *in € million* | | 276,421 | 276,262 | 315,038 |
| **IMPLIED SHARE PRICE** *in €* | | **2,618.38** | **2,616.87** | **2,984.18** |

| NEXT 12 MONTHS | EBITDA | SALES | NET INCOME |
|---|---|---|---|
| FY2025F *in € million* | 7,285 | 16,506 | 4,694 |
| Fraction factor | 42.74% | 42.74% | 42.74% |
| **Attributable to FY2025F** | **3,113** | **7,055** | **2,006** |
| FY2026F *in € million* | 8,099 | 18,350 | 5,244 |
| Fraction factor | 57.26% | 57.26% | 57.26% |
| **Attributable to FY2026F** | **4,637** | **10,507** | **3,003** |
| **NEXT 12 MONTHS** *in € million* | **7,751** | **17,562** | **5,009** |

***Table 22*** *Weighted trading multiples and implied share prices - fundamental peers.*

To derive a consolidated outcome, the two peer groups are combined on an equally weighted basis, as neither set is fully representative on its own. The blended multiples and implied share prices are shown in *Table 23*.

These outcomes confirm Hermès' pronounced premium relative to listed peers but also highlight the methodological difficulty of identifying a truly comparable reference group. As no single multiple can be regarded as fully representative, the equally weighted average of €1,881.21 is adopted as the relative valuation input and incorporated into the overall valuation framework in *Chapter 6.4*.

| MULTIPLES SUMMARY | WEIGHT | EV/EBITDA | EV/SALES | P/E |
|---|---|---|---|---|
| Luxury Sector Peers | 50.00% | 12.18 | 4.07 | 28.51 |
| Fundamentally Comparable Peers | 50.00% | 34.69 | 15.30 | 62.89 |
| **WEIGHTED MULTIPLES** | | **23.43** | **9.68** | **45.70** |
| Implied Enterprise Value *in € million* | | 181,637 | 170,070 | 221,341 |
| Implied Equity Value *in € million* | | 189,219 | 177,652 | 228,923 |
| **IMPLIED SHARE PRICE** *in €* | | **1,792.37** | **1,682.80** | **2,168.46** |

| NEXT 12 MONTHS | EBITDA | SALES | NET INCOME |
|---|---|---|---|
| FY2025F *in € million* | 7,285 | 16,506 | 4,694 |
| Fraction factor | 42.74% | 42.74% | 42.74% |
| **Attributable to FY2025F** | **3,113** | **7,055** | **2,006** |
| FY2026F *in € million* | 8,099 | 18,350 | 5,244 |
| Fraction factor | 57.26% | 57.26% | 57.26% |
| **Attributable to FY2026F** | **4,637** | **10,507** | **3,003** |
| **NEXT 12 MONTHS** *in € million* | **7,751** | **17,562** | **5,009** |

***Table 23*** *Blended multiples and implied share prices - combined peer groups.*

## 6.4. VALUATION SUMMARY

The final share price recommendation for Hermès results from a weighted average of the DCF, EVA and CCA approaches. The DCF framework, combining perpetual growth and exit multiple methods on an equally weighted basis, implies a base case value of €1,888.45 per share. The EVA method yields €1,730.34, while the CCA based on sector peers suggests a value of €1,881.21. As Hermès has no directly comparable peers in terms of business model, profitability and growth dynamics, the relative valuation is assigned only a 20% weight. By contrast, cash flow-based models capture the company's intrinsic value more reliably, reflecting Hermès' unique operating performance, capital allocation discipline and high margins. For this reason, the DCF and EVA approaches are each weighted at 40%.

The resulting weighted outcome is €1,823.75, corresponding to a downside of -23.31% relative to the share price of €2,378.00 as of July 29, 2025 and -23.57% relative to the 3-month average of €2,386.05. Even under optimistic assumptions, the implied valuation remains below market levels. This divergence indicates that Hermès trades at a structural premium that cannot be fully reconciled with fundamentals, reflecting brand scarcity and investor willingness to pay for long-term resilience.

A detailed overview of the valuation outputs across scenarios is presented in *Appendix 18.*

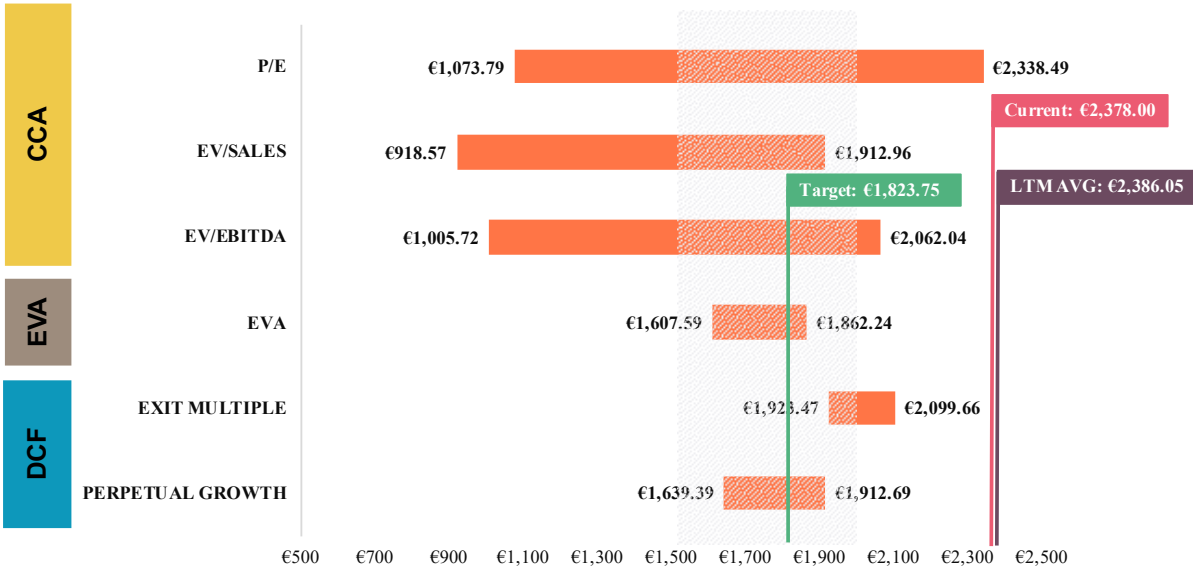



***Figure 19*** *Football field valuation summary (in €).*

## 6.5. COMPARISON WITH EQUITY RESEARCH REPORTS

To validate the findings of this dissertation, the implied share price of Hermès is contrasted with two equity research reports released on April 17, 2025 by Bank of America and JP Morgan. Both rely exclusively on DCF methodology and derive substantially higher target prices of €3,000.00 and €2,650.00, compared with the weighted fair value of €1,823.75 established in this dissertation.

A comparison of the valuation inputs in *Table 24* reveals methodological divergences. JP Morgan applies a lower discount rate, with a WACC of 7.00%, combined with a more optimistic perpetual growth rate of 4.50%, relative to the 8.39% WACC and 4.16% growth rate employed in this dissertation. Bank of America likewise assumes a slightly lower WACC of 8.00% but couples it with more aggressive growth parameters. Its mid-term growth rate of 10.80% and perpetual growth rate of 6.00% substantially exceed the assumptions of both this dissertation and JP Morgan. These more optimistic input assumptions materially elevate the TV and account for a significant proportion of the observed valuation gap.

| VALUATION INPUTS COMPARISON | BANK OF AMERICA | JP MORGAN | OWN ANALYSIS |
|---|---|---|---|
| Valuation date | 17/04/2025 | 17/04/2025 | 29/07/2025 |
| Valuation method | DCF | DCF | DCF, EVA and CCA |
| Explicit forecast period *in years* | 4.00 | 5.00 | 6.00 |
| Mid-term growth period *in years* | 4.00 | N/A | 10.00 |
| Mid-term growth rate *in %* | 10.80% | 6.50% | 7.61% |
| Perpetual growth rate *in %* | 6.00% | 4.50% | 4.16% |
| WACC *in %* | 8.00% | 7.00% | 8.39% |
| **TARGET PRICE** *in €* | **3,000.00** | **2,650.00** | **1,823.75** |

***Table 24*** *Comparative overview of valuation parameters - analyst reports vs. own analysis.*

The divergence becomes more pronounced when examining the short-term forecasts for FY2025F to FY2027F in *Appendix 19*. The forecasts in this dissertation project stronger revenue growth, while operating profitability remains broadly comparable, leaving EBIT at a similar level. The decisive difference arises from the treatment of investments. Bank of America and JP Morgan assume CAPEX ratios between 3.00% and 6.00% of revenues combined with lower D&A, whereas this dissertation applies a structurally higher CAPEX ratio of 7.93% together with elevated D&A. These assumptions reflect the sustained investments required to support Hermès' growth model. Although higher D&A partially mitigates the cash flow impact, the constantly higher investment intensity reduces FCFF, consistent with Hermès' ongoing workshop rollout and selective retail expansion documented in *Chapter 5.5*.

A further distinction lies in scope. While both analyst reports rely solely on DCF, this dissertation integrates a DCF valuation of €1,888.45 per share with an EVA approach and, at lower weight, a CCA. This triangulation captures Hermès' value drivers with greater depth.

# 7. CONCLUSION

By confronting valuation theory with the case of Hermès, this dissertation applied a triangulated framework of DCF, EVA and CCA to derive an intrinsic value of €1,823.75 per share, implying a 23.31% downside to the market price. The divergence from equity research arises primarily from more conservative assumptions on discount rate, growth and reinvestments, underscoring the importance of input consistency in valuation outcomes. While analysts recommend BUY, the evidence here indicates that Hermès trades above its fundamental value and supports a SELL recommendation.

# 8. APPENDIX

***Appendix 1*** *Hermès' historical income statement, FY2019-FY2024.*

| HISTORICAL INCOME STATEMENT *in € million* | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|---|
| **Revenue** | **6,883** | **6,389** | **8,982** | **11,602** | **13,427** | **15,170** |
| *% growth* | *15.38%* | *-7.18%* | *40.58%* | *29.17%* | *15.73%* | *12.98%* |
| Asia-Pacific (excl. Japan) | 2,590 | 2,915 | 4,251 | 5,556 | 6,273 | 6,648 |
| *% growth* | *20.87%* | *12.57%* | *45.83%* | *30.70%* | *12.90%* | *5.98%* |
| *% of total revenue* | *37.62%* | *45.62%* | *47.33%* | *47.89%* | *46.72%* | *43.82%* |
| Japan | 864 | 834 | 977 | 1,101 | 1,260 | 1,437 |
| *% growth* | *15.46%* | *-3.47%* | *17.15%* | *12.69%* | *14.44%* | *14.05%* |
| *% of total revenue* | *12.55%* | *13.05%* | *10.88%* | *9.49%* | *9.38%* | *9.47%* |
| Americas | 1,241 | 959 | 1,458 | 2,138 | 2,502 | 2,865 |
| *% growth* | *17.20%* | *-22.70%* | *52.03%* | *46.64%* | *17.03%* | *14.51%* |
| *% of total revenue* | *18.02%* | *15.01%* | *16.23%* | *18.43%* | *18.63%* | *18.89%* |
| Europe (excl. France) | 1,202 | 953 | 1,303 | 1,536 | 1,818 | 2,147 |
| *% growth* | *8.62%* | *-20.71%* | *36.73%* | *17.88%* | *18.36%* | *18.10%* |
| *% of total revenue* | *17.46%* | *14.92%* | *14.51%* | *13.24%* | *13.54%* | *14.15%* |
| France | 867 | 620 | 838 | 1,064 | 1,274 | 1,447 |
| *% growth* | *8.12%* | *-28.51%* | *35.16%* | *26.97%* | *19.74%* | *13.58%* |
| *% of total revenue* | *12.60%* | *9.70%* | *9.33%* | *9.17%* | *9.49%* | *9.54%* |
| Middle East and Other | 120 | 108 | 155 | 207 | 300 | 626 |
| *% growth* | *11.01%* | *-10.00%* | *43.52%* | *33.55%* | *44.93%* | *108.67%* |
| *% of total revenue* | *1.74%* | *1.69%* | *1.73%* | *1.78%* | *2.23%* | *4.13%* |
| Cost of sales | - 2,125 | - 2,013 | - 2,580 | - 3,389 | - 3,720 | - 4,511 |
| *% of revenue* | *30.87%* | *31.51%* | *28.72%* | *29.21%* | *27.71%* | *29.74%* |
| **Gross profit** | **4,759** | **4,376** | **6,402** | **8,213** | **9,707** | **10,659** |
| *% of revenue* | *69.13%* | *68.49%* | *71.28%* | *70.79%* | *72.29%* | *70.26%* |
| Sales and administrative expenses | - 1,816 | - 1,699 | - 2,137 | - 2,680 | - 3,169 | - 3,569 |
| *% of total revenue* | *26.38%* | *26.58%* | *23.79%* | *23.10%* | *23.60%* | *23.53%* |
| thereof communication expenses | - 357 | - 279 | - 421 | - 525 | - 607 | - 637 |
| *% of total revenue* | *5.18%* | *4.36%* | *4.69%* | *4.53%* | *4.52%* | *4.20%* |
| thereof salaries and other SG&A expenses | - 1,459 | - 1,420 | - 1,716 | - 2,155 | - 2,562 | - 2,932 |
| *% of total revenue* | *21.19%* | *22.22%* | *19.10%* | *18.57%* | *19.08%* | *19.33%* |
| Other income and expenses | - 156 | - 91 | - 171 | - 228 | - 223 | - 181 |
| *% of salaries and other SG&A expenses* | *10.67%* | *6.42%* | *9.97%* | *10.58%* | *8.70%* | *6.17%* |
| **EBITDA** | **2,787** | **2,587** | **4,094** | **5,305** | **6,315** | **6,909** |
| *% of total revenue* | *40.49%* | *40.48%* | *45.58%* | *45.72%* | *47.03%* | *45.54%* |
| Depreciation and amortization | - 448 | - 514 | - 563 | - 608 | - 665 | - 760 |
| **EBIT** | **2,339** | **2,073** | **3,531** | **4,697** | **5,650** | **6,149** |
| *% of total revenue* | *33.98%* | *32.44%* | *39.31%* | *40.48%* | *42.08%* | *40.53%* |
| Interest income | 19 | 11 | 12 | 67 | 332 | 409 |
| *% of average excess cash* $_{t-1}$ | *0.53%* | *0.25%* | *0.23%* | *0.90%* | *3.56%* | *3.92%* |
| Interest expenses | - 25 | - 30 | - 32 | - 46 | - 57 | - 59 |
| *% of average total lease liabilities* | *2.28%* | *2.19%* | *1.87%* | *2.50%* | *2.92%* | *2.86%* |
| Other financial result | - 62 | - 67 | - 76 | - 83 | - 85 | - 67 |
| **EBT** | **2,270** | **1,986** | **3,435** | **4,635** | **5,840** | **6,432** |
| *% of total revenue* | *32.98%* | *31.09%* | *38.24%* | *39.95%* | *43.49%* | *42.40%* |
| Income taxes | - 751 | - 613 | - 1,015 | - 1,305 | - 1,623 | - 1,845 |
| *% of EBT* | *33.08%* | *30.86%* | *29.55%* | *28.16%* | *27.79%* | *28.68%* |
| Net income from associates | 16 | 16 | 34 | 50 | 105 | 44 |
| **NET INCOME** | **1,535** | **1,390** | **2,454** | **3,380** | **4,322** | **4,631** |
| Non-controlling interests | - 7 | - 4 | - 9 | - 13 | - 11.00 | - 28 |
| *% of total net income* | *0.46%* | *0.30%* | *0.37%* | *0.38%* | *0.25%* | *0.60%* |
| **NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT** | **1,528** | **1,385** | **2,445** | **3,367** | **4,311** | **4,603** |

***Appendix 2*** *Hermès' forecasted income statement, FY2025F-FY2030F.*

| FORECASTED INCOME STATEMENT *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| **Revenue** | **16,506** | **18,350** | **20,867** | **23,687** | **26,775** | **30,154** |
| *% growth* | *8.81%* | *11.17%* | *13.72%* | *13.51%* | *13.04%* | *12.62%* |
| Asia-Pacific (excl. Japan) | 6,962 | 7,690 | 8,824 | 10,089 | 11,459 | 12,942 |
| *% growth* | *4.72%* | *10.46%* | *14.75%* | *14.33%* | *13.59%* | *12.94%* |
| *% of total revenue* | *42.18%* | *41.91%* | *42.29%* | *42.59%* | *42.80%* | *42.92%* |
| Japan | 1,651 | 1,794 | 1,914 | 2,037 | 2,163 | 2,296 |
| *% growth* | *14.87%* | *8.69%* | *6.65%* | *6.45%* | *6.20%* | *6.13%* |
| *% of total revenue* | *10.00%* | *9.78%* | *9.17%* | *8.60%* | *8.08%* | *7.61%* |
| Americas | 3,190 | 3,657 | 4,274 | 4,992 | 5,806 | 6,722 |
| *% growth* | *11.34%* | *14.63%* | *16.88%* | *16.79%* | *16.31%* | *15.79%* |
| *% of total revenue* | *19.33%* | *19.93%* | *20.48%* | *21.07%* | *21.68%* | *22.29%* |
| Europe (excl. France) | 2,396 | 2,620 | 2,901 | 3,199 | 3,511 | 3,842 |
| *% growth* | *11.61%* | *9.36%* | *10.70%* | *10.27%* | *9.76%* | *9.41%* |
| *% of total revenue* | *14.52%* | *14.28%* | *13.90%* | *13.51%* | *13.11%* | *12.74%* |
| France | 1,573 | 1,704 | 1,873 | 2,058 | 2,253 | 2,462 |
| *% growth* | *8.69%* | *8.34%* | *9.92%* | *9.89%* | *9.49%* | *9.26%* |
| *% of total revenue* | *9.53%* | *9.29%* | *8.98%* | *8.69%* | *8.42%* | *8.16%* |
| Middle East and Other | 734 | 885 | 1,082 | 1,313 | 1,582 | 1,890 |
| *% growth* | *17.30%* | *20.55%* | *22.19%* | *21.35%* | *20.51%* | *19.48%* |
| *% of total revenue* | *4.45%* | *4.82%* | *5.18%* | *5.54%* | *5.91%* | *6.27%* |
| Cost of sales | - 4,890 | - 5,436 | - 6,182 | - 7,017 | - 7,932 | - 8,933 |
| *% of revenue* | *29.63%* | *29.63%* | *29.63%* | *29.63%* | *29.63%* | *29.63%* |
| **Gross profit** | **11,616** | **12,914** | **14,685** | **16,669** | **18,843** | **21,220** |
| *% of revenue* | *70.37%* | *70.37%* | *70.37%* | *70.37%* | *70.37%* | *70.37%* |
| Sales and administrative expenses | - 4,043 | - 4,495 | - 5,112 | - 5,802 | - 6,559 | - 7,387 |
| *% of total revenue* | *24.50%* | *24.50%* | *24.50%* | *24.50%* | *24.50%* | *24.50%* |
| thereof communication expenses | - 756 | - 840 | - 956 | - 1,085 | - 1,226 | - 1,381 |
| *% of total revenue* | *4.58%* | *4.58%* | *4.58%* | *4.58%* | *4.58%* | *4.58%* |
| thereof salaries and other SG&A expenses | - 3,287 | - 3,655 | - 4,156 | - 4,718 | - 5,333 | - 6,006 |
| *% of total revenue* | *19.92%* | *19.92%* | *19.92%* | *19.92%* | *19.92%* | *19.92%* |
| Other income and expenses | - 288 | - 320 | - 364 | - 413 | - 467 | - 526 |
| *% of salaries and other SG&A expenses* | *8.75%* | *8.75%* | *8.75%* | *8.75%* | *8.75%* | *8.75%* |
| **EBITDA** | **7,285** | **8,099** | **9,210** | **10,454** | **11,817** | **13,308** |
| *% of total revenue* | *44.13%* | *44.13%* | *44.13%* | *44.13%* | *44.13%* | *44.13%* |
| Depreciation and amortization | - 888 | - 961 | - 1,051 | - 1,161 | - 1,291 | - 1,441 |
| **EBIT** | **6,397** | **7,137** | **8,158** | **9,293** | **10,526** | **11,867** |
| *% of total revenue* | *38.75%* | *38.89%* | *39.10%* | *39.23%* | *39.31%* | *39.36%* |
| Interest income | 211 | 240 | 281 | 322 | 365 | 414 |
| *% of average excess cash* $_{t-1}$ | *2.01%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Interest expenses | - 60 | - 63 | - 68 | - 74 | - 81 | - 89 |
| *% of average total lease liabilities* | *2.76%* | *2.76%* | *2.76%* | *2.76%* | *2.76%* | *2.76%* |
| Other financial result | - 71 | - 71 | - 71 | - 71 | - 71 | - 71 |
| **EBT** | **6,477** | **7,243** | **8,301** | **9,470** | **10,739** | **12,121** |
| *% of total revenue* | *39.24%* | *39.47%* | *39.78%* | *39.98%* | *40.11%* | *40.20%* |
| Income taxes | - 1,827 | - 2,043 | - 2,342 | - 2,672 | - 3,030 | - 3,419 |
| *% of EBT* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* | *28.21%* |
| Net income from associates | 44 | 44 | 44 | 44 | 44 | 44 |
| **NET INCOME** | **4,694** | **5,244** | **6,003** | **6,843** | **7,754** | **8,746** |
| Non-controlling interests | - 18 | - 21 | - 24 | - 27 | - 31 | - 34 |
| *% of total net income* | *0.39%* | *0.39%* | *0.39%* | *0.39%* | *0.39%* | *0.39%* |
| **NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT** | **4,676** | **5,223** | **5,980** | **6,816** | **7,723** | **8,711** |

***Appendix 3*** *Hermès' historical balance sheet, FY2019-FY2024.*

| HISTORICAL BALANCE SHEET *in € million* | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|---|
| Goodwill | 16 | 42 | 42 | - | 72 | 228 |
| Intangible assets | 184 | 221 | 258 | 213 | 225 | 237 |
| Right-of-use assets | 954 | 1,446 | 1,517 | 1,582 | 1,716 | 1,786 |
| Property, plant and equipment | 1,620 | 1,719 | 1,890 | 2,015 | 2,347 | 2,980 |
| Financial assets | 357 | 368 | 617 | 1,109 | 1,141 | 1,050 |
| Investments in associates | 79 | 49 | 51 | 54 | 200 | 238 |
| Deferred tax assets | 511 | 475 | 546 | 555 | 631 | 929 |
| Other non-current assets | 69 | 80 | 81 | 102 | 106 | 160 |
| **Non-current assets** | **3,791** | **4,401** | **5,002** | **5,630** | **6,438** | **7,608** |
| Inventories and work-in-progress | 1,133 | 1,289 | 1,449 | 1,779 | 2,414 | 2,797 |
| Trade and other receivables | 318 | 250 | 333 | 383 | 431 | 478 |
| Current tax receivables | 21 | 64 | 58 | 19 | 51 | 28 |
| Other current assets | 199 | 193 | 257 | 263 | 300 | 399 |
| Financial derivatives | 37 | 121 | 53 | 160 | 188 | 132 |
| Cash and cash equivalents | 4,384 | 4,733 | 6,696 | 9,225 | 10,625 | 11,642 |
| **Current assets** | **6,091** | **6,650** | **8,846** | **11,829** | **14,009** | **15,476** |
| **TOTAL ASSETS** | **9,881** | **11,051** | **13,848** | **17,459** | **20,447** | **23,084** |
| Share capital | 54 | 54 | 54 | 54 | 54 | 54 |
| Share premium | 50 | 50 | 50 | 50 | 50 | 50 |
| Treasury shares | - 509 | - 464 | - 551 | - 674 | - 698 | - 670 |
| Reserves | 5,256 | 6,212 | 7,141 | 8,795 | 10,742 | 12,464 |
| Foreign currency adjustments | 139 | 38 | 178 | 303 | 189 | 355 |
| Revaluation adjustments | 51 | 106 | 83 | 546 | 553 | 471 |
| Net income attributable to owners of the parent | 1,528 | 1,385 | 2,445 | 3,367 | 4,311 | 4,603 |
| **Equity attributable to owners of the parent** | **6,568** | **7,380** | **9,400** | **12,441** | **15,201** | **17,327** |
| Non-controlling interests | 8 | 11 | 12 | 16 | 2 | 7 |
| **Equity** | **6,576** | **7,391** | **9,412** | **12,457** | **15,203** | **17,334** |
| Borrowings and financial liabilities due in more than one year | 30 | 18 | 24 | 35 | 50 | 61 |
| Lease liabilities due in more than one year | 896 | 1,448 | 1,529 | 1,629 | 1,720 | 1,781 |
| Non-current provisions | 29 | 22 | 26 | 30 | 31 | 33 |
| Post-employment and other employee benefit obligations due in more than one year | 270 | 275 | 220 | 181 | 151 | 173 |
| Deferred tax liabilities | 25 | 22 | 15 | 20 | 2 | 5 |
| Other non-current liabilities | 33 | 36 | 46 | 103 | 106 | 68 |
| **Non-current liabilities** | **1,282** | **1,821** | **1,860** | **1,998** | **2,060** | **2,121** |
| Borrowings and financial liabilities due in less than one year | 21 | 25 | 1 | 2 | 1 | - |
| Lease liabilities due in less than one year | 196 | 196 | 248 | 268 | 289 | 332 |
| Current provisions | 101 | 100 | 115 | 133 | 134 | 96 |
| Post-employment and other employee benefit obligations due in less than one year | 18 | 28 | 40 | 15 | 16 | 16 |
| Trade and other payables | 480 | 448 | 535 | 777 | 880 | 832 |
| Financial derivatives | 47 | 29 | 122 | 74 | 45 | 161 |
| Current tax liabilities | 360 | 218 | 347 | 496 | 586 | 773 |
| Other current liabilities | 800 | 795 | 1,168 | 1,239 | 1,233 | 1,419 |
| **Current liabilities** | **2,023** | **1,839** | **2,576** | **3,004** | **3,184** | **3,629** |
| **TOTAL EQUITY AND LIABILITIES** | **9,881** | **11,051** | **13,848** | **17,459** | **20,447** | **23,084** |

## ***Appendix 4*** *Hermès' forecasted balance sheet, FY2025-FY2030F.*

| FORECASTED BALANCE SHEET[1] *in € million* | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F |
|---|---|---|---|---|---|---|
| Goodwill | 228 | 228 | 228 | 228 | 228 | 228 |
| Intangible assets | 256 | 280 | 311 | 349 | 394 | 443 |
| Right-of-use assets | 1,876 | 1,995 | 2,157 | 2,360 | 2,604 | 2,888 |
| Property, plant and equipment | 3,292 | 3,641 | 4,051 | 4,526 | 5,069 | 5,683 |
| Financial assets | 1,050 | 1,050 | 1,050 | 1,050 | 1,050 | 1,050 |
| Investments in associates | 238 | 238 | 238 | 238 | 238 | 238 |
| Deferred tax assets | 737 | 825 | 945 | 1,078 | 1,223 | 1,380 |
| Other non-current assets | 190 | 225 | 266 | 315 | 373 | 442 |
| **Non-current assets** | **7,866** | **8,482** | **9,246** | **10,144** | **11,178** | **12,353** |
| Inventories and work-in-progress | 2,734 | 2,938 | 3,341 | 3,793 | 4,287 | 4,828 |
| Trade and other receivables | 495 | 546 | 616 | 694 | 779 | 870 |
| Current tax receivables | 47 | 52 | 59 | 67 | 76 | 86 |
| Other current assets | 415 | 462 | 525 | 596 | 674 | 759 |
| Financial derivatives | 165 | 185 | 212 | 243 | 277 | 314 |
| Cash and cash equivalents | 13,822 | 15,947 | 18,115 | 20,508 | 23,205 | 26,243 |
| **Current assets** | **17,677** | **20,129** | **22,869** | **25,902** | **29,298** | **33,101** |
| **TOTAL ASSETS** | **25,544** | **28,611** | **32,115** | **36,046** | **40,476** | **45,454** |
| Share capital | 54 | 54 | 54 | 54 | 54 | 54 |
| Share premium | 50 | 50 | 50 | 50 | 50 | 50 |
| Treasury shares | - 670 | - 670 | - 670 | - 670 | - 670 | - 670 |
| Reserves | 14,293 | 16,246 | 18,230 | 20,446 | 22,983 | 25,875 |
| Foreign currency adjustments | 355 | 355 | 355 | 355 | 355 | 355 |
| Revaluation adjustments | 471 | 471 | 471 | 471 | 471 | 471 |
| Net income attributable to owners of the parent | 4,676 | 5,223 | 5,980 | 6,816 | 7,723 | 8,711 |
| **Equity attributable to owners of the parent** | **19,229** | **21,729** | **24,470** | **27,522** | **30,967** | **34,846** |
| Non-controlling interests | 18 | 21 | 23 | 26 | 30 | 33 |
| **Equity** | **19,247** | **21,750** | **24,493** | **27,548** | **30,996** | **34,880** |
| Borrowings and financial liabilities due in more than one year | 61 | 61 | 61 | 61 | 61 | 61 |
| Lease liabilities due in more than one year | 1,898 | 2,020 | 2,180 | 2,378 | 2,615 | 2,891 |
| Non-current provisions | 46 | 51 | 58 | 66 | 75 | 84 |
| Post-employment and other employee benefit obligations due in more than one year | 173 | 173 | 173 | 173 | 173 | 173 |
| Deferred tax liabilities | 13 | 15 | 17 | 20 | 22 | 25 |
| Other non-current liabilities | 68 | 68 | 68 | 68 | 68 | 68 |
| **Non-current liabilities** | **2,259** | **2,389** | **2,558** | **2,766** | **3,014** | **3,302** |
| Borrowings and financial liabilities due in less than one year | - | - | - | - | - | - |
| Lease liabilities due in less than one year | 328 | 349 | 377 | 411 | 452 | 500 |
| Current provisions | 193 | 215 | 244 | 277 | 314 | 353 |
| Post-employment and other employee benefit obligations due in less than one year | 16 | 16 | 16 | 16 | 16 | 16 |
| Trade and other payables | 1,019 | 1,133 | 1,288 | 1,462 | 1,653 | 1,861 |
| Financial derivatives | 116 | 130 | 149 | 170 | 194 | 220 |
| Current tax liabilities | 668 | 743 | 845 | 959 | 1,084 | 1,220 |
| Other current liabilities | 1,697 | 1,887 | 2,146 | 2,436 | 2,753 | 3,101 |
| **Current liabilities** | **4,037** | **4,472** | **5,065** | **5,731** | **6,466** | **7,272** |
| **TOTAL EQUITY AND LIABILITIES** | **25,544** | **28,611** | **32,115** | **36,046** | **40,476** | **45,454** |

[1] Other non-current assets are projected by applying the CAGR of FY2019-FY2024. Reserves are rolled forward by adding net income attributable to owners of the parent and subtracting dividends, with dividends estimated at a constant payout ratio of 57.57%, reflecting the stabilized FY2024 level. Non-controlling interests are held constant at 0.10% of equity attributable to owners of the parent, consistent with the FY2019-FY2024 average. Non-current provisions are maintained at 0.28% of revenues and current provisions at 1.17% of revenues, corresponding to the FY2019-FY2024 averages.

***Appendix 5*** *Nominal GDP by country and region (in $ billion), 2019-2030F. Source: S&P Global Market Intelligence (2025).*

| NOMINAL GDP *in $ billion* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | **21,476** | **21,757** | **25,794** | **26,015** | **26,353** | **27,260** | **28,047** | **29,790** | **31,801** | **33,921** | **36,040** | **38,247** |
| China | 14,572 | 15,103 | 18,191 | 18,308 | 18,270 | 18,748 | 19,232 | 20,376 | 21,707 | 23,103 | 24,455 | 25,828 |
| Hong Kong | 363 | 345 | 369 | 359 | 381 | 407 | 424 | 438 | 461 | 484 | 507 | 532 |
| Macao | 55 | 25 | 31 | 25 | 46 | 50 | 53 | 56 | 60 | 63 | 67 | 70 |
| South Korea | 1,751 | 1,744 | 1,942 | 1,799 | 1,839 | 1,870 | 1,790 | 1,852 | 1,926 | 1,999 | 2,073 | 2,150 |
| India | 2,836 | 2,675 | 3,167 | 3,346 | 3,638 | 3,909 | 4,187 | 4,601 | 5,069 | 5,584 | 6,148 | 6,770 |
| Malaysia | 365 | 337 | 374 | 408 | 400 | 420 | 445 | 475 | 504 | 535 | 565 | 600 |
| Singapore | 376 | 349 | 437 | 509 | 505 | 547 | 565 | 586 | 611 | 639 | 668 | 698 |
| Taiwan | 614 | 677 | 777 | 766 | 757 | 782 | 805 | 848 | 889 | 920 | 941 | 960 |
| Thailand | 544 | 500 | 506 | 496 | 516 | 526 | 546 | 557 | 574 | 594 | 616 | 640 |
| **Japan** | **5,118** | **5,054** | **5,039** | **4,262** | **4,213** | **4,026** | **4,186** | **4,373** | **4,521** | **4,709** | **4,828** | **4,995** |
| **Americas** | **26,908** | **25,992** | **29,177** | **32,248** | **34,525** | **36,082** | **37,235** | **38,728** | **40,254** | **41,970** | **43,706** | **45,554** |
| Argentina | 447 | 385 | 486 | 632 | 646 | 632 | 684 | 715 | 716 | 713 | 738 | 777 |
| Brazil | 1,873 | 1,476 | 1,671 | 1,952 | 2,191 | 2,171 | 2,126 | 2,187 | 2,297 | 2,414 | 2,543 | 2,680 |
| Canada | 1,744 | 1,656 | 2,022 | 2,190 | 2,173 | 2,241 | 2,225 | 2,333 | 2,436 | 2,542 | 2,658 | 2,792 |
| United States | 21,540 | 21,354 | 23,681 | 26,007 | 27,721 | 29,185 | 30,507 | 31,718 | 32,942 | 34,342 | 35,713 | 37,153 |
| Mexico | 1,304 | 1,121 | 1,317 | 1,466 | 1,794 | 1,853 | 1,693 | 1,775 | 1,864 | 1,959 | 2,054 | 2,152 |
| **Europe (excl. France)** | **17,154** | **16,501** | **18,920** | **19,135** | **20,253** | **21,251** | **21,825** | **22,681** | **23,540** | **24,442** | **25,379** | **26,352** |
| Germany | 3,958 | 3,937 | 4,351 | 4,167 | 4,527 | 4,659 | 4,745 | 4,912 | 5,083 | 5,252 | 5,416 | 5,576 |
| Austria | 443 | 434 | 481 | 472 | 513 | 521 | 534 | 552 | 572 | 591 | 610 | 628 |
| Belgium | 537 | 529 | 599 | 594 | 645 | 665 | 685 | 707 | 725 | 747 | 768 | 791 |
| Netherlands | 929 | 932 | 1,055 | 1,047 | 1,155 | 1,227 | 1,272 | 1,326 | 1,370 | 1,417 | 1,464 | 1,514 |
| Denmark | 345 | 356 | 408 | 402 | 407 | 429 | 450 | 474 | 493 | 513 | 533 | 554 |
| Spain | 1,404 | 1,289 | 1,462 | 1,448 | 1,621 | 1,722 | 1,800 | 1,886 | 1,962 | 2,038 | 2,117 | 2,201 |
| Greece | 207 | 191 | 218 | 219 | 244 | 257 | 267 | 280 | 289 | 299 | 309 | 320 |
| Italy | 2,020 | 1,906 | 2,181 | 2,106 | 2,305 | 2,372 | 2,423 | 2,505 | 2,566 | 2,634 | 2,705 | 2,779 |
| Norway | 409 | 368 | 503 | 596 | 483 | 484 | 504 | 521 | 538 | 555 | 573 | 592 |
| Poland | 603 | 606 | 689 | 696 | 810 | 909 | 980 | 1,041 | 1,102 | 1,167 | 1,235 | 1,305 |
| Portugal | 240 | 229 | 256 | 257 | 290 | 309 | 321 | 336 | 348 | 361 | 374 | 388 |
| Czech Republic | 257 | 251 | 291 | 302 | 343 | 345 | 360 | 377 | 391 | 406 | 422 | 439 |
| United Kingdom | 2,853 | 2,699 | 3,144 | 3,125 | 3,371 | 3,645 | 3,839 | 4,041 | 4,240 | 4,457 | 4,702 | 4,956 |
| Russia | 1,696 | 1,488 | 1,829 | 2,296 | 2,060 | 2,161 | 2,076 | 2,085 | 2,153 | 2,227 | 2,304 | 2,384 |
| Sweden | 532 | 545 | 637 | 580 | 585 | 610 | 620 | 649 | 677 | 705 | 732 | 761 |
| Switzerland | 722 | 741 | 815 | 829 | 895 | 937 | 947 | 991 | 1,029 | 1,074 | 1,114 | 1,163 |
| **France** | **2,723** | **2,646** | **2,968** | **2,797** | **3,057** | **3,162** | **3,211** | **3,318** | **3,418** | **3,527** | **3,638** | **3,755** |
| **Middle East and Other** | **1,804** | **1,712** | **2,071** | **2,228** | **2,257** | **2,334** | **2,320** | **2,418** | **2,530** | **2,650** | **2,779** | **2,919** |
| Australia | 1,386 | 1,363 | 1,656 | 1,725 | 1,742 | 1,797 | 1,772 | 1,841 | 1,915 | 1,995 | 2,084 | 2,182 |
| United Arab Emirates | 418 | 349 | 415 | 503 | 514 | 537 | 549 | 577 | 615 | 654 | 695 | 737 |

***Appendix 6*** *Real GDP growth rates by country and region (in % YoY), 2019-2040F and beyond. Source: S&P Global Market Intelligence (2025), retrieved from S&P Capital IQ Pro.*

| REAL GDP GROWTH *in %, YoY* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F-2040F | > 2040F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | **2.10%** | **-8.55%** | **8.24%** | **0.94%** | **11.42%** | **4.57%** | **3.01%** | **2.98%** | **3.32%** | **3.27%** | **3.18%** | **3.12%** | **2.82%** | **2.39%** |
| China | 6.07% | 2.34% | 8.56% | 3.11% | 5.38% | 5.00% | 3.95% | 3.96% | 4.22% | 4.06% | 3.70% | 3.38% | 3.69% | 2.96% |
| Hong Kong | -1.67% | -6.55% | 6.45% | -3.68% | 3.21% | 2.54% | 1.52% | 1.86% | 2.81% | 2.49% | 2.37% | 2.31% | 1.59% | 1.35% |
| Macao | -2.56% | -54.34% | 23.54% | -19.61% | 75.06% | 8.81% | 3.59% | 3.52% | 3.71% | 3.40% | 3.09% | 3.02% | 2.42% | 2.02% |
| South Korea | 2.31% | -0.70% | 4.61% | 2.73% | 1.40% | 2.03% | 1.03% | 1.45% | 2.10% | 2.11% | 1.95% | 1.84% | 1.64% | 1.31% |
| India | 3.87% | -5.78% | 9.69% | 7.61% | 9.19% | 6.46% | 6.20% | 6.27% | 6.47% | 6.48% | 6.49% | 6.50% | 5.10% | 4.82% |
| Malaysia | 4.41% | -5.46% | 3.32% | 8.86% | 3.56% | 5.11% | 4.10% | 3.80% | 4.00% | 4.00% | 4.00% | 4.00% | 3.70% | 2.85% |
| Singapore | 1.31% | -3.82% | 9.76% | 4.11% | 1.82% | 4.39% | 2.01% | 1.88% | 2.33% | 2.50% | 2.46% | 2.51% | 2.25% | 1.81% |
| Taiwan | 3.06% | 3.42% | 6.72% | 2.68% | 1.12% | 4.30% | 2.85% | 2.50% | 2.36% | 2.26% | 2.24% | 2.08% | 1.89% | 1.66% |
| Thailand | 2.12% | -6.05% | 1.54% | 2.63% | 2.01% | 2.53% | 1.80% | 1.60% | 1.91% | 2.10% | 2.29% | 2.40% | 3.10% | 2.74% |
| **Japan** | **-0.40%** | **-4.17%** | **2.70%** | **0.94%** | **1.49%** | **0.08%** | **0.55%** | **0.58%** | **0.63%** | **0.59%** | **0.52%** | **0.53%** | **0.76%** | **0.40%** |
| **Americas** | **0.66%** | **-5.75%** | **6.65%** | **3.74%** | **1.87%** | **1.49%** | **2.09%** | **2.24%** | **2.40%** | **2.29%** | **2.30%** | **2.24%** | **2.32%** | **2.23%** |
| Argentina | -2.00% | -9.90% | 10.44% | 5.27% | -1.61% | -1.72% | 5.50% | 4.52% | 3.96% | 3.24% | 3.13% | 2.97% | 2.74% | 2.39% |
| Brazil | 1.22% | -3.28% | 4.76% | 3.02% | 3.24% | 3.40% | 2.01% | 1.98% | 2.19% | 2.31% | 2.43% | 2.49% | 3.10% | 3.05% |
| Canada | 1.91% | -5.04% | 5.95% | 4.19% | 1.53% | 1.53% | 1.38% | 1.56% | 1.71% | 1.58% | 1.64% | 1.52% | 1.76% | 1.75% |
| United States | 2.58% | -2.16% | 6.06% | 2.51% | 2.89% | 2.80% | 1.83% | 1.74% | 1.98% | 2.12% | 2.12% | 2.12% | 1.67% | 1.81% |
| Mexico | -0.39% | -8.35% | 6.05% | 3.71% | 3.30% | 1.45% | -0.26% | 1.37% | 2.14% | 2.20% | 2.18% | 2.10% | 2.34% | 2.14% |
| **Europe (excl. France)** | **2.09%** | **-5.38%** | **6.22%** | **3.71%** | **1.02%** | **1.58%** | **1.45%** | **1.51%** | **1.52%** | **1.50%** | **1.43%** | **1.44%** | **1.29%** | **1.15%** |
| Germany | 0.99% | -4.10% | 3.67% | 1.37% | -0.26% | -0.23% | -0.05% | 0.92% | 1.45% | 1.20% | 0.95% | 0.69% | 0.90% | 0.73% |
| Austria | 1.76% | -6.32% | 4.80% | 5.28% | -0.96% | -1.17% | -0.26% | 0.78% | 1.62% | 1.18% | 1.07% | 0.87% | 1.24% | 0.98% |
| Belgium | 2.44% | -4.79% | 6.20% | 4.23% | 1.25% | 1.00% | 0.84% | 0.97% | 1.19% | 1.27% | 1.32% | 1.34% | 1.31% | 1.24% |
| Netherlands | 2.30% | -3.88% | 6.28% | 5.01% | 0.07% | 0.98% | 1.41% | 1.42% | 1.40% | 1.36% | 1.30% | 1.25% | 1.32% | 1.42% |
| Denmark | 1.71% | -1.78% | 7.38% | 1.54% | 2.50% | 3.68% | 2.90% | 1.85% | 1.64% | 1.45% | 1.45% | 1.45% | 1.49% | 1.38% |
| Spain | 1.96% | -10.94% | 6.69% | 6.18% | 2.67% | 3.15% | 2.50% | 1.82% | 1.71% | 1.63% | 1.61% | 1.62% | 1.28% | 1.17% |
| Greece | 2.28% | -9.20% | 8.65% | 5.74% | 2.33% | 2.27% | 2.03% | 1.76% | 1.31% | 1.49% | 1.42% | 1.43% | 1.12% | 0.90% |
| Italy | 0.43% | -8.87% | 8.93% | 4.82% | 0.72% | 0.73% | 0.44% | 0.84% | 0.57% | 0.68% | 0.70% | 0.70% | 0.60% | 0.65% |
| Norway | 1.12% | -1.28% | 3.91% | 3.25% | 0.07% | 2.10% | 2.14% | 1.72% | 1.55% | 1.35% | 1.33% | 1.33% | 1.44% | 1.25% |
| Poland | 4.58% | -2.04% | 6.93% | 5.26% | 0.14% | 2.85% | 3.24% | 3.10% | 3.04% | 2.94% | 2.83% | 2.74% | 2.17% | 1.58% |
| Portugal | 2.75% | -8.21% | 5.56% | 6.99% | 2.61% | 1.93% | 1.96% | 1.67% | 1.47% | 1.65% | 1.65% | 1.65% | 1.26% | 1.13% |
| Czech Republic | 3.57% | -5.31% | 4.03% | 2.85% | -0.06% | 1.11% | 1.62% | 1.79% | 1.90% | 2.00% | 2.00% | 2.00% | 1.73% | 1.42% |
| United Kingdom | 1.62% | -10.30% | 8.58% | 4.84% | 0.40% | 1.10% | 1.08% | 1.41% | 1.54% | 1.46% | 1.44% | 1.44% | 1.11% | 1.06% |
| Russia | 2.20% | -2.65% | 5.87% | -1.44% | 4.08% | 4.10% | 1.46% | 0.87% | 1.10% | 1.14% | 1.20% | 1.20% | 1.24% | 1.24% |
| Sweden | 2.55% | -2.01% | 5.94% | 1.46% | -0.11% | 0.97% | 1.86% | 2.17% | 1.88% | 1.71% | 1.70% | 1.69% | 1.46% | 1.44% |
| Switzerland | 1.16% | -2.29% | 5.57% | 3.13% | 0.74% | 1.27% | 0.88% | 1.61% | 1.20% | 1.80% | 1.20% | 1.80% | 1.01% | 0.76% |
| **France** | **2.08%** | **-7.59%** | **6.83%** | **2.62%** | **1.12%** | **1.07%** | **0.64%** | **1.02%** | **1.19%** | **1.26%** | **1.21%** | **1.21%** | **1.27%** | **1.20%** |
| **Middle East and Other** | **1.52%** | **-3.46%** | **4.88%** | **5.83%** | **2.84%** | **2.40%** | **2.81%** | **3.53%** | **3.48%** | **3.34%** | **3.27%** | **3.08%** | **2.41%** | **2.20%** |
| Australia | 1.94% | -1.96% | 5.41% | 4.14% | 2.06% | 1.04% | 1.63% | 2.08% | 2.30% | 2.33% | 2.29% | 2.27% | 2.26% | 2.12% |
| United Arab Emirates | 1.11% | -4.96% | 4.36% | 7.51% | 3.62% | 3.76% | 3.99% | 4.99% | 4.65% | 4.36% | 4.25% | 3.90% | 2.57% | 2.29% |

***Appendix 7*** *Region-weighted real GDP growth by country and region (in % YoY), 2019-2040F and beyond.*

| REGION-WEIGHTED REAL GDP GROWTH[1] *in %, YoY* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F-2040F | > 2040F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | **5.02%** | **0.51%** | **8.14%** | **3.64%** | **5.43%** | **4.90%** | **3.95%** | **4.00%** | **4.29%** | **4.20%** | **3.97%** | **3.77%** | **3.71%** | **3.12%** |
| China | 4.12% | 1.62% | 6.03% | 2.19% | 3.73% | 3.44% | 2.71% | 2.71% | 2.88% | 2.76% | 2.51% | 2.28% | 2.49% | 2.00% |
| Hong Kong | -0.03% | -0.10% | 0.09% | -0.05% | 0.05% | 0.04% | 0.02% | 0.03% | 0.04% | 0.04% | 0.03% | 0.03% | 0.02% | 0.02% |
| Macao | -0.01% | -0.06% | 0.03% | -0.02% | 0.13% | 0.02% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.00% | 0.00% |
| South Korea | 0.19% | -0.06% | 0.35% | 0.19% | 0.10% | 0.14% | 0.07% | 0.09% | 0.13% | 0.12% | 0.11% | 0.10% | 0.09% | 0.07% |
| India | 0.51% | -0.71% | 1.19% | 0.98% | 1.27% | 0.93% | 0.93% | 0.97% | 1.03% | 1.07% | 1.11% | 1.15% | 0.90% | 0.85% |
| Malaysia | 0.08% | -0.08% | 0.05% | 0.14% | 0.05% | 0.08% | 0.07% | 0.06% | 0.06% | 0.06% | 0.06% | 0.06% | 0.06% | 0.04% |
| Singapore | 0.02% | -0.06% | 0.17% | 0.08% | 0.03% | 0.09% | 0.04% | 0.04% | 0.04% | 0.05% | 0.05% | 0.05% | 0.04% | 0.03% |
| Taiwan | 0.09% | 0.11% | 0.20% | 0.08% | 0.03% | 0.12% | 0.08% | 0.07% | 0.07% | 0.06% | 0.06% | 0.05% | 0.05% | 0.04% |
| Thailand | 0.05% | -0.14% | 0.03% | 0.05% | 0.04% | 0.05% | 0.04% | 0.03% | 0.03% | 0.04% | 0.04% | 0.04% | 0.05% | 0.05% |
| **Japan** | **-0.40%** | **-4.17%** | **2.70%** | **0.94%** | **1.49%** | **0.08%** | **0.55%** | **0.58%** | **0.63%** | **0.59%** | **0.52%** | **0.53%** | **0.76%** | **0.40%** |
| **Americas** | **2.22%** | **-2.79%** | **6.05%** | **2.77%** | **2.76%** | **2.61%** | **1.78%** | **1.78%** | **2.02%** | **2.12%** | **2.13%** | **2.12%** | **1.81%** | **1.90%** |
| Argentina | -0.03% | -0.15% | 0.17% | 0.10% | -0.03% | -0.03% | 0.10% | 0.08% | 0.07% | 0.06% | 0.05% | 0.05% | 0.05% | 0.04% |
| Brazil | 0.09% | -0.19% | 0.27% | 0.18% | 0.21% | 0.20% | 0.11% | 0.11% | 0.13% | 0.13% | 0.14% | 0.15% | 0.18% | 0.18% |
| Canada | 0.12% | -0.32% | 0.41% | 0.28% | 0.10% | 0.09% | 0.08% | 0.09% | 0.10% | 0.10% | 0.10% | 0.09% | 0.11% | 0.11% |
| United States | 2.07% | -1.78% | 4.91% | 2.03% | 2.32% | 2.26% | 1.50% | 1.43% | 1.62% | 1.74% | 1.73% | 1.73% | 1.36% | 1.48% |
| Mexico | -0.02% | -0.36% | 0.27% | 0.17% | 0.17% | 0.07% | -0.01% | 0.06% | 0.10% | 0.10% | 0.10% | 0.10% | 0.11% | 0.10% |
| **Europe (excl. France)** | **1.64%** | **-5.93%** | **6.24%** | **3.16%** | **0.89%** | **1.35%** | **1.10%** | **1.33%** | **1.44%** | **1.39%** | **1.30%** | **1.27%** | **1.15%** | **1.04%** |
| Germany | 0.23% | -0.98% | 0.84% | 0.30% | -0.06% | -0.05% | -0.01% | 0.20% | 0.31% | 0.26% | 0.20% | 0.15% | 0.19% | 0.15% |
| Austria | 0.05% | -0.17% | 0.12% | 0.13% | -0.02% | -0.03% | -0.01% | 0.02% | 0.04% | 0.03% | 0.03% | 0.02% | 0.03% | 0.02% |
| Belgium | 0.08% | -0.15% | 0.20% | 0.13% | 0.04% | 0.03% | 0.03% | 0.03% | 0.04% | 0.04% | 0.04% | 0.04% | 0.04% | 0.04% |
| Netherlands | 0.12% | -0.22% | 0.35% | 0.27% | 0.00% | 0.06% | 0.08% | 0.08% | 0.08% | 0.08% | 0.07% | 0.07% | 0.08% | 0.08% |
| Denmark | 0.03% | -0.04% | 0.16% | 0.03% | 0.05% | 0.07% | 0.06% | 0.04% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% |
| Spain | 0.16% | -0.85% | 0.52% | 0.47% | 0.21% | 0.26% | 0.21% | 0.15% | 0.14% | 0.14% | 0.13% | 0.14% | 0.11% | 0.10% |
| Greece | 0.03% | -0.11% | 0.10% | 0.07% | 0.03% | 0.03% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.01% | 0.01% |
| Italy | 0.05% | -1.02% | 1.03% | 0.53% | 0.08% | 0.08% | 0.05% | 0.09% | 0.06% | 0.07% | 0.07% | 0.07% | 0.06% | 0.07% |
| Norway | 0.03% | -0.03% | 0.10% | 0.10% | 0.00% | 0.05% | 0.05% | 0.04% | 0.04% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% |
| Poland | 0.16% | -0.07% | 0.25% | 0.19% | 0.01% | 0.12% | 0.15% | 0.14% | 0.14% | 0.14% | 0.14% | 0.14% | 0.11% | 0.08% |
| Portugal | 0.04% | -0.11% | 0.08% | 0.09% | 0.04% | 0.03% | 0.03% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% |
| Czech Republic | 0.05% | -0.08% | 0.06% | 0.04% | 0.00% | 0.02% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.02% |
| United Kingdom | 0.27% | -1.68% | 1.43% | 0.79% | 0.07% | 0.19% | 0.19% | 0.25% | 0.28% | 0.27% | 0.27% | 0.27% | 0.21% | 0.20% |
| Russia | 0.22% | -0.24% | 0.57% | -0.17% | 0.42% | 0.42% | 0.14% | 0.08% | 0.10% | 0.10% | 0.11% | 0.11% | 0.11% | 0.11% |
| Sweden | 0.08% | -0.07% | 0.20% | 0.04% | 0.00% | 0.03% | 0.05% | 0.06% | 0.05% | 0.05% | 0.05% | 0.05% | 0.04% | 0.04% |
| Switzerland | 0.05% | -0.10% | 0.24% | 0.14% | 0.03% | 0.06% | 0.04% | 0.07% | 0.05% | 0.08% | 0.05% | 0.08% | 0.04% | 0.03% |
| **France** | **2.08%** | **-7.59%** | **6.83%** | **2.62%** | **1.12%** | **1.07%** | **0.64%** | **1.02%** | **1.19%** | **1.26%** | **1.21%** | **1.21%** | **1.27%** | **1.20%** |
| **Middle East and Other** | **1.74%** | **-2.57%** | **5.20%** | **4.90%** | **2.41%** | **1.66%** | **2.19%** | **2.77%** | **2.87%** | **2.83%** | **2.78%** | **2.68%** | **2.34%** | **2.16%** |
| Australia | 1.49% | -1.56% | 4.33% | 3.21% | 1.59% | 0.80% | 1.25% | 1.58% | 1.74% | 1.75% | 1.72% | 1.70% | 1.69% | 1.58% |
| United Arab Emirates | 0.26% | -1.01% | 0.87% | 1.69% | 0.82% | 0.87% | 0.94% | 1.19% | 1.13% | 1.08% | 1.06% | 0.98% | 0.65% | 0.58% |

[1] Region-weighted real GDP growth rates are obtained by weighting each country's real GDP growth with its share in the region's aggregate nominal GDP (weights sum to 100% per region). The resulting region-weighted real growth rates are subsequently converted into nominal terms by adding annual euro area inflation rates.

***Appendix 8*** *Region-weighted real GDP growth (in % YoY), 2019-2040F and beyond.*

| REGION-WEIGHTED REAL GDP GROWTH[1] *in %, YoY* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F-2040F | > 2040F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | 5.02% | 0.51% | 8.14% | 3.64% | 5.43% | 4.90% | 3.95% | 4.00% | 4.29% | 4.20% | 3.97% | 3.77% | 3.71% | 3.12% |
| **Japan** | -0.40% | -4.17% | 2.70% | 0.94% | 1.49% | 0.08% | 0.55% | 0.58% | 0.63% | 0.59% | 0.52% | 0.53% | 0.76% | 0.40% |
| **Americas** | 2.22% | -2.79% | 6.05% | 2.77% | 2.76% | 2.61% | 1.78% | 1.78% | 2.02% | 2.12% | 2.13% | 2.12% | 2.32% | 1.90% |
| **Europe (excl. France)** | 1.64% | -5.93% | 6.24% | 3.16% | 0.89% | 1.35% | 1.10% | 1.33% | 1.44% | 1.39% | 1.30% | 1.27% | 1.29% | 1.04% |
| **France** | 2.08% | -7.59% | 6.83% | 2.62% | 1.12% | 1.07% | 0.64% | 1.02% | 1.19% | 1.26% | 1.21% | 1.21% | 1.27% | 1.20% |
| **Middle East and Other** | 1.74% | -2.57% | 5.20% | 4.90% | 2.41% | 1.66% | 2.19% | 2.77% | 2.87% | 2.83% | 2.78% | 2.68% | 2.41% | 2.16% |

***Appendix 9*** *Inflation rates for euro area (in % YoY), 2019-2040F and long-term. Source: ECB (2025b).*

| INFLATION RATE *in %, YoY* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F-2040F | > 2040F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Euro area** | 1.20% | 0.30% | 2.60% | 8.40% | 5.50% | 2.40% | 2.00% | 1.60% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |

***Appendix 10*** *Region-weighted nominal GDP growth (in % YoY), FY2019-FY2040F and beyond.*

| REGION-WEIGHTED NOMINAL GDP GROWTH[1] *in %, YoY* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F-2040F | > 2040F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | 6.22% | 0.81% | 10.74% | 12.04% | 10.93% | 7.30% | 5.95% | 5.60% | 6.29% | 6.20% | 5.97% | 5.77% | 5.71% | 5.12% |
| **Japan** | 0.80% | -3.87% | 5.30% | 9.34% | 6.99% | 2.48% | 2.55% | 2.18% | 2.63% | 2.59% | 2.52% | 2.53% | 2.76% | 2.40% |
| **Americas** | 3.42% | -2.49% | 8.65% | 11.17% | 8.26% | 5.01% | 3.78% | 3.38% | 4.02% | 4.12% | 4.13% | 4.12% | 4.32% | 3.90% |
| **Europe (excl. France)** | 2.84% | -5.63% | 8.84% | 11.56% | 6.39% | 3.75% | 3.10% | 2.93% | 3.44% | 3.39% | 3.30% | 3.27% | 3.29% | 3.04% |
| **France** | 3.28% | -7.29% | 9.43% | 11.02% | 6.62% | 3.47% | 2.64% | 2.62% | 3.19% | 3.26% | 3.21% | 3.21% | 3.27% | 3.20% |
| **Middle East and Other** | 2.94% | -2.27% | 7.80% | 13.30% | 7.91% | 4.06% | 4.19% | 4.37% | 4.87% | 4.83% | 4.78% | 4.68% | 4.41% | 4.16% |

***Appendix 11*** *Hermès' revenue growth outperformance relative to weighted nominal GDP growth per region, FY2019-FY2040F and beyond.*

| OVERPERFORMANCE FACTOR *multiples* | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025F | FY2026F | FY2027F | FY2028F | FY2029F | FY2030F | 2031F-2040F[2] | > 2040F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | 2.36 | 15.51 | 4.27 | 2.55 | 1.18 | 0.82 | 2.42 | 2.38 | 2.34 | 2.31 | 2.27 | 2.24 | 1.50 | 1.00 |
| **Japan** | 19.38 | 0.90 | 3.24 | 1.36 | 2.07 | 5.66 | 2.61 | 2.57 | 2.53 | 2.50 | 2.46 | 2.42 | 1.56 | 1.00 |
| **Americas** | 5.02 | 9.11 | 6.02 | 4.18 | 2.06 | 2.90 | 4.46 | 4.33 | 4.20 | 4.07 | 3.95 | 3.83 | 1.96 | 1.00 |
| **Europe (excl. France)** | 3.03 | 3.68 | 4.15 | 1.55 | 2.87 | 4.82 | 3.27 | 3.19 | 3.11 | 3.03 | 2.96 | 2.88 | 1.70 | 1.00 |
| **France** | 2.48 | 3.91 | 3.73 | 2.45 | 2.98 | 3.92 | 3.27 | 3.19 | 3.11 | 3.03 | 2.96 | 2.88 | 1.70 | 1.00 |
| **Middle East and Other** | 3.74 | 4.41 | 5.58 | 2.52 | 5.68 | 26.73 | 4.84 | 4.70 | 4.56 | 4.42 | 4.29 | 4.16 | 2.04 | 1.00 |

[1] Region-weighted real GDP growth rates are obtained by weighting each country's real GDP growth with its share in the region's aggregate nominal GDP (weights sum to 100% per region). The resulting region-weighted real growth rates are subsequently converted into nominal terms by adding annual euro area inflation rates.

[2] To capture the progressive convergence between FY2030F and FY2040F, the representative constant outperformance factor was determined as the geometric mean of the FY2030F and FY2040F levels, ensuring a smooth approximation rather than reliance on single-year observations.

***Appendix 12*** *Overview of Hermès' revenue forecast assumptions by region, FY2025F-FY2040F and beyond.*

| FORECAST ASSUMPTIONS FY2030F-FY2040F | MEDIAN OVERPERFORMANCE FACTOR FY2019-FY2024 | ANNUAL OVERPERFORMANCE REDUCTION RATE FY2025F-FY2030F | REGION-WEIGHTED NOMINAL GDP GROWTH FY2030F-FY2040F | REVENUE SHARE FY2030F | OVERPERFORMANCE FACTOR FY2030F-FY2040F[1] | WEIGHTED REVENUE GROWTH FY2030F-FY2040F[2] |
|---|---|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | 2.45 | 1.50% | 5.71% | 42.92% | 1.50 | 3.67% |
| **Japan** | 2.65 | 1.50% | 2.76% | 7.61% | 1.56 | 0.33% |
| **Americas** | 4.60 | 3.00% | 4.32% | 22.29% | 1.96 | 1.89% |
| **Europe (excl. France)** | 3.35 | 2.50% | 3.29% | 12.74% | 1.70 | 0.71% |
| **France** | 3.36 | 2.50% | 3.27% | 8.16% | 1.70 | 0.45% |
| **Middle East and Other** | 4.99 | 3.00% | 4.41% | 6.27% | 2.04 | 0.56% |
| **TOTAL** | | | | **100.00%** | | **7.61%** |

| FORECAST ASSUMPTIONS >FY2040F | REGION-WEIGHTED NOMINAL GDP GROWTH >FY2040F | REVENUE SHARE >FY2040F | OVERPERFORMANCE FACTOR >FY2040F | WEIGHTED REVENUE GROWTH >FY2040F[2] |
|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | 5.12% | 42.92% | 1.00 | 2.20% |
| **Japan** | 2.40% | 7.61% | 1.00 | 0.18% |
| **Americas** | 3.90% | 22.29% | 1.00 | 0.87% |
| **Europe (excl. France)** | 3.04% | 12.74% | 1.00 | 0.39% |
| **France** | 3.20% | 8.16% | 1.00 | 0.26% |
| **Middle East and Other** | 4.16% | 6.27% | 1.00 | 0.26% |
| **TOTAL** | | **100.00%** | | **4.16%** |

[1] To capture the progressive convergence between FY2030F and FY2040F, the representative constant outperformance factor was determined as the geometric mean of the FY2030F and FY2040F levels, ensuring a smooth approximation rather than reliance on single-year observations.
[2] Weighted revenue growth rates are obtained by multiplying region-weighted nominal GDP growth with regional revenue share and the corresponding overperformance factor.

***Appendix 13*** *Consolidated historical and forecasted CAPEX and D&A on PP&E, intangible assets and RoU-assets, FY2019-FY2030F.*

| **CAPEX AND D&A OVERVIEW** *in € million* | **FY2019** | **FY2020** | **FY2021** | **FY2022** | **FY2023** | **FY2024** | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PP&E OPENING BALANCE, NET** | **1,422** | **1,620** | **1,719** | **1,890** | **2,015** | **2,347** | **2,980** | **3,292** | **3,641** | **4,051** | **4,526** | **5,069** |
| CAPEX | 318 | 263 | 332 | 323 | 699 | 822 | 711 | 791 | 899 | 1,020 | 1,153 | 1,299 |
| *% of total revenues* | *4.62%* | *4.12%* | *3.70%* | *2.78%* | *5.21%* | *5.42%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* |
| Depreciation and amortization | - 190 | - 205 | - 225 | - 259 | - 282 | - 320 | - 399 | - 441 | - 490 | - 546 | - 611 | - 684 |
| *% of PP&E opening balance, net + 50% of CAPEX* | *12.00%* | *11.70%* | *11.94%* | *12.62%* | *11.93%* | *11.60%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* |
| Other adjustments | 69 | 41 | 64 | 61 | - 85 | 131 | - | - | - | - | - | - |
| **PP&E CLOSING BALANCE, NET** | **1,620** | **1,719** | **1,890** | **2,015** | **2,347** | **2,980** | **3,292** | **3,641** | **4,051** | **4,526** | **5,069** | **5,683** |
| **INTANGIBLE ASSETS OPENING BALANCE, NET** | **142** | **184** | **221** | **258** | **213** | **225** | **237** | **256** | **280** | **311** | **349** | **394** |
| CAPEX | 81 | 108 | 118 | 96 | 109 | 126 | 137 | 152 | 173 | 197 | 222 | 250 |
| *% of total revenues* | *1.18%* | *1.69%* | *1.31%* | *0.83%* | *0.81%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* |
| Depreciation and amortization | - 46 | - 66 | - 87 | - 83 | - 95 | - 107 | - 118 | - 128 | - 142 | - 159 | - 178 | - 201 |
| *% of intangible assets opening balance, net + 50% of CAPEX* | *25.38%* | *27.70%* | *31.04%* | *27.10%* | *35.55%* | *37.19%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* |
| Other adjustments | 7 | - 5 | 6 | - 59 | - 2 | - 7 | - | - | - | - | - | - |
| **INTANGIBLE ASSETS CLOSING BALANCE, NET** | **184** | **221** | **258** | **213** | **225** | **237** | **256** | **280** | **311** | **349** | **394** | **443** |
| **ROU-ASSETS OPENING BALANCE, NET** | **983** | **954** | **1,446** | **1,517** | **1,582** | **1,716** | **1,786** | **1,876** | **1,995** | **2,157** | **2,360** | **2,604** |
| CAPEX | 174 | 843 | 260 | 327 | 470 | 310 | 460 | 512 | 582 | 660 | 746 | 841 |
| *% of total revenues* | *2.53%* | *13.19%* | *2.89%* | *2.82%* | *3.50%* | *2.04%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* |
| Depreciation and amortization | - 212 | - 243 | - 251 | - 266 | - 288 | - 333 | - 371 | - 392 | - 420 | - 457 | - 502 | - 556 |
| *% of RoU-assets opening balance, net + 50% of CAPEX* | *19.81%* | *17.67%* | *15.93%* | *15.83%* | *15.85%* | *17.80%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* |
| Other adjustments | 9 | - 108 | 62 | 4 | - 48 | 93 | - | - | - | - | - | - |
| **ROU-ASSETS CLOSING BALANCE, NET** | **954** | **1,446** | **1,517** | **1,582** | **1,716** | **1,786** | **1,876** | **1,995** | **2,157** | **2,360** | **2,604** | **2,888** |
| **TOTAL CAPEX** | **574** | **1,215** | **710** | **746** | **1,278** | **1,258** | **1,308** | **1,454** | **1,654** | **1,877** | **2,122** | **2,390** |
| *% of total revenues* | *8.33%* | *19.01%* | *7.90%* | *6.43%* | *9.52%* | *8.29%* | *7.93%* | *7.93%* | *7.93%* | *7.93%* | *7.93%* | *7.93%* |
| **TOTAL DEPRECIATION AND AMORTIZATION** | **- 448** | **- 514** | **- 563** | **- 608** | **- 665** | **- 760** | **- 888** | **- 961** | **- 1,051** | **- 1,161** | **- 1,291** | **- 1,441** |
| *% of total revenues* | *6.51%* | *8.04%* | *6.27%* | *5.24%* | *4.95%* | *5.01%* | *5.38%* | *5.24%* | *5.04%* | *4.90%* | *4.82%* | *4.78%* |

***Appendix 14*** *Detailed historical and forecasted CAPEX and D&A on PP&E and intangible assets, FY2019-FY2030F.*

| **PP&E** *in € million* | **FY2019** | **FY2020** | **FY2021** | **FY2022** | **FY2023** | **FY2024** | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PP&E OPENING BALANCE, NET** | **1,422** | **1,620** | **1,719** | **1,890** | **2,015** | **2,347** | **2,980** | **3,292** | **3,641** | **4,051** | **4,526** | **5,069** |
| CAPEX | 318 | 263 | 332 | 323 | 699 | 822 | 711 | 791 | 899 | 1,020 | 1,153 | 1,299 |
| *% of total revenues* | *4.62%* | *4.12%* | *3.70%* | *2.78%* | *5.21%* | *5.42%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* | *4.31%* |
| **PP&E before D&A and other adjustments** | **1,740** | **1,883** | **2,051** | **2,213** | **2,714** | **3,169** | **3,691** | **4,083** | **4,540** | **5,071** | **5,679** | **6,368** |
| D&A on historical PP&E | - 190 | - 205 | - 225 | - 259 | - 282 | - 320 | - 357 | - 394 | - 436 | - 485 | - 542 | - 606 |
| *% of PP&E opening balance, net + 50% of CAPEX* | *12.00%* | *11.70%* | *11.94%* | *12.62%* | *11.93%* | *11.60%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* | *11.97%* |
| D&A on forecasted PP&E additions | - | - | - | - | - | - | - 43 | - 47 | - 54 | - 61 | - 69 | - 78 |
| *% of 50% of CAPEX* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *5.98%* | *5.98%* | *5.98%* | *5.98%* | *5.98%* | *5.98%* |
| **Total D&A** | ***- 190*** | ***- 205*** | ***- 225*** | ***- 259*** | ***- 282*** | ***- 320*** | **- 399** | **- 441** | **- 490** | **- 546** | **- 611** | **- 684** |
| Write-ups | 61 | 74 | 69 | 81 | 44 | 113 | - | - | - | - | - | - |
| Impairments | - 11 | - 10 | - 46 | - 36 | - 90 | - 22 | - | - | - | - | - | - |
| FX and other adjustments | 19 | - 23 | 41 | - 16 | - 39 | 40 | - | - | - | - | - | - |
| **PP&E CLOSING BALANCE, NET** | **1,620** | **1,719** | **1,890** | **2,015** | **2,347** | **2,980** | **3,292** | **3,641** | **4,051** | **4,526** | **5,069** | **5,683** |

| **INTANGIBLE ASSETS** *in € million* | **FY2019** | **FY2020** | **FY2021** | **FY2022** | **FY2023** | **FY2024** | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INTANGIBLE ASSETS OPENING BALANCE, NET** | **142** | **184** | **221** | **258** | **213** | **225** | **237** | **256** | **280** | **311** | **349** | **394** |
| CAPEX | 81 | 108 | 118 | 96 | 109 | 126 | 137 | 152 | 173 | 197 | 222 | 250 |
| *% of total revenues* | *1.18%* | *1.69%* | *1.31%* | *0.83%* | *0.81%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* | *0.83%* |
| **Intangibles before D&A and other adjustments** | **224** | **292** | **339** | **354** | **322** | **351** | **374** | **408** | **453** | **508** | **572** | **644** |
| D&A on historical intangible assets | - 46 | - 66 | - 87 | - 83 | - 95 | - 107 | - 92 | - 99 | - 108 | - 120 | - 135 | - 152 |
| *% of intangible assets opening balance, net* | *32.65%* | *35.83%* | *39.31%* | *32.13%* | *44.66%* | *47.62%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* | *38.70%* |
| D&A on forecasted intangible assets additions | - | - | - | - | - | - | - 27 | - 29 | - 34 | - 38 | - 43 | - 48 |
| *% of 50% of CAPEX* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *9.68%* | *9.68%* | *9.68%* | *9.68%* | *9.68%* | *9.68%* |
| **Total D&A** | ***- 46*** | ***- 66*** | ***- 87*** | ***- 83*** | ***- 95*** | ***- 107*** | **- 118** | **- 128** | **- 142** | **- 159** | **- 178** | **- 201** |
| Write-ups | 13 | - | 6 | 8 | 6 | 4 | - | - | - | - | - | - |
| Impairments | - 6 | - 3 | - 9 | - 4 | - 3 | - 2 | - | - | - | - | - | - |
| FX and other adjustments | 1 | - 2 | - 9 | - 63 | - 5 | - 9 | - | - | - | - | - | - |
| **INTANGIBLE ASSETS CLOSING BALANCE, NET** | **184** | **221** | **258** | **213** | **225** | **237** | **256** | **280** | **311** | **349** | **394** | **443** |

***Appendix 15*** *Detailed historical and forecasted CAPEX and D&A on RoU-assets and corresponding lease liabilities, FY2019-FY2030F.*

| **LEASES** *in € million* | **FY2019** | **FY2020** | **FY2021** | **FY2022** | **FY2023** | **FY2024** | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ROU-ASSETS OPENING BALANCE, NET** | **983** | **954** | **1,446** | **1,517** | **1,582** | **1,716** | **1,786** | **1,876** | **1,995** | **2,157** | **2,360** | **2,604** |
| CAPEX | 174 | 843 | 260 | 327 | 470 | 310 | 460 | 512 | 582 | 660 | 746 | 841 |
| *% of total revenues* | *2.53%* | *13.19%* | *2.89%* | *2.82%* | *3.50%* | *2.04%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* |
| **RoU-assets before D&A and other adjustments** | ***1,157*** | ***1,797*** | ***1,706*** | ***1,844*** | ***2,052*** | ***2,026*** | **2,246** | **2,387** | **2,577** | **2,817** | **3,106** | **3,444** |
| D&A on historical RoU-assets | - 212 | - 243 | - 251 | - 266 | - 288 | - 333 | - 328 | - 345 | - 367 | - 396 | - 434 | - 479 |
| *% of RoU-assets opening balance, net* | *21.57%* | *25.47%* | *17.36%* | *17.53%* | *18.20%* | *19.41%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* | *18.38%* |
| D&A on forecasted RoU-assets additions | - | - | - | - | - | - | - 42 | - 47 | - 53 | - 61 | - 69 | - 77 |
| *% of 50% of CAPEX* | - | - | - | - | - | - | *4.60%* | *4.60%* | *4.60%* | *4.60%* | *4.60%* | *4.60%* |
| **Total D&A** | **- *212*** | **- *243*** | **- *251*** | **- *266*** | **- *288*** | **- *333*** | **- 371** | **- 392** | **- 420** | **- 457** | **- 502** | **- 556** |
| Impairments | - 7 | - 34 | - 15 | - 39 | - 5 | - 3 | - | - | - | - | - | - |
| FX and other adjustments | 16 | - 74 | 77 | 43 | - 43 | 96 | - | - | - | - | - | - |
| **ROU-ASSETS CLOSING BALANCE, NET** | **954** | **1,446** | **1,517** | **1,582** | **1,716** | **1,786** | **1,876** | **1,995** | **2,157** | **2,360** | **2,604** | **2,888** |
| **LEASE LIABILITIES OPENING BALANCE, NET** | **1,116** | **1,092** | **1,643** | **1,777** | **1,897** | **2,009** | **2,113** | **2,226** | **2,370** | **2,557** | **2,790** | **3,067** |
| New leasing contracts | 181 | 893 | 269 | 350 | 479 | 374 | 460 | 512 | 582 | 660 | 746 | 841 |
| *% of total revenues* | *2.63%* | *13.98%* | *2.99%* | *3.02%* | *3.57%* | *2.47%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* | *2.79%* |
| Expiry and early terminations | - 22 | - 48 | - 8 | - 10 | - 24 | - 70 | - | - | - | - | - | - |
| Repayments | - 203 | - 199 | - 212 | - 261 | - 277 | - 305 | - 347 | - 368 | - 394 | - 428 | - 469 | - 517 |
| *% of lease liabilities opening balance, net* | *18.17%* | *18.20%* | *12.90%* | *14.68%* | *14.60%* | *15.18%* | *14.82%* | *14.82%* | *14.82%* | *14.82%* | *14.82%* | *14.82%* |
| FX and other adjustments | 19 | - 95 | 85 | 40 | - 66 | 105 | - | - | - | - | - | - |
| **LEASE LIABILITIES CLOSING BALANCE, NET** | **1,092** | **1,643** | **1,777** | **1,897** | **2,009** | **2,113** | **2,226** | **2,370** | **2,557** | **2,790** | **3,067** | **3,391** |

***Appendix 16*** *Historical and forecasted operating working capital and other non-current operational items, FY2019-FY2030F.*

| **OPERATING WORKING CAPITAL** *in € million* | **FY2019** | **FY2020** | **FY2021** | **FY2022** | **FY2023** | **FY2024** | **FY2025F** | **FY2026F** | **FY2027F** | **FY2028F** | **FY2029F** | **FY2030F** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (+) Inventories and work-in-progress | 1,133 | 1,289 | 1,449 | 1,779 | 2,414 | 2,797 | 2,734 | 2,938 | 3,341 | 3,793 | 4,287 | 4,828 |
| *Days inventory outstanding* | *180.0* | *219.5* | *193.7* | *173.8* | *205.7* | *210.8* | *204.0* | *197.3* | *197.3* | *197.3* | *197.3* | *197.3* |
| (+) Trade and other receivables | 318 | 250 | 333 | 383 | 431 | 478 | 495 | 546 | 616 | 694 | 779 | 870 |
| *Days sales outstanding* | *15.9* | *16.2* | *11.8* | *11.3* | *11.1* | *10.9* | *10.9* | *10.9* | *10.8* | *10.7* | *10.6* | *10.5* |
| (+) Current tax receivables | 21 | 64 | 58 | 19 | 51 | 28 | 47 | 52 | 59 | 67 | 76 | 86 |
| *% of total revenues* | 0.28% | 0.66% | 0.68% | 0.33% | 0.26% | 0.26% | *0.28%* | *0.28%* | *0.28%* | *0.28%* | *0.28%* | *0.28%* |
| (+) Other current assets | 199 | 193 | 257 | 263 | 300 | 399 | 415 | 462 | 525 | 596 | 674 | 759 |
| *% of total revenues* | 2.89% | 3.07% | 2.51% | 2.24% | 2.10% | 2.30% | *2.52%* | *2.52%* | *2.52%* | *2.52%* | *2.52%* | *2.52%* |
| (+) Financial derivatives - assets | 37 | 121 | 53 | 160 | 188 | 132 | 165 | 185 | 212 | 243 | 277 | 314 |
| *% of non-European revenues* | 0.74% | 1.64% | 1.27% | 1.18% | 1.68% | 1.38% | *1.32%* | *1.32%* | *1.32%* | *1.32%* | *1.32%* | *1.32%* |
| (−) Trade and other payables | 480 | 448 | 535 | 777 | 880 | 832 | 1,019 | 1,133 | 1,288 | 1,462 | 1,653 | 1,861 |
| *Days payable outstanding* | 81.4 | 84.2 | 69.5 | 70.7 | 81.3 | 69.3 | *76.0* | *76.0* | *76.0* | *76.0* | *76.0* | *76.0* |
| (−) Current tax liabilities | 360 | 218 | 347 | 496 | 586 | 773 | 668 | 743 | 845 | 959 | 1,084 | 1,220 |
| *% of total revenues* | 4.90% | 4.52% | 3.14% | 3.63% | 4.03% | 4.48% | *4.05%* | *4.05%* | *4.05%* | *4.05%* | *4.05%* | *4.05%* |
| (−) Other current liabilities | 800 | 795 | 1,168 | 1,239 | 1,233 | 1,419 | 1,697 | 1,887 | 2,146 | 2,436 | 2,753 | 3,101 |
| *% of total revenues* | 9.97% | 12.48% | 10.93% | 10.37% | 9.21% | 8.74% | *10.28%* | *10.28%* | *10.28%* | *10.28%* | *10.28%* | *10.28%* |
| (−) Financial derivatives - liabilities | 47 | 29 | 122 | 74 | 45 | 161 | 116 | 130 | 149 | 170 | 194 | 220 |
| *% of non-European revenues* | 1.09% | 0.79% | 1.11% | 1.09% | 0.58% | 0.89% | *0.92%* | *0.92%* | *0.92%* | *0.92%* | *0.92%* | *0.92%* |
| **OPERATING WORKING CAPITAL** | 19 | 427 | 22 | 18 | 640 | 649 | 356 | 291 | 327 | 366 | 409 | 455 |
| ***Δ Operating working capital*** | ***- 66*** | ***408*** | ***- 449*** | ***40*** | ***622*** | ***9*** | ***- 293*** | ***- 65*** | ***36*** | ***40*** | ***43*** | ***46*** |
| (+) Deferred tax assets | 511 | 475 | 546 | 555 | 631 | 929 | 737 | 825 | 945 | 1,078 | 1,223 | 1,380 |
| *% of earnings before taxes* | 21.43% | 24.82% | 14.86% | 11.88% | 10.15% | 12.13% | *11.39%* | *11.39%* | *11.39%* | *11.39%* | *11.39%* | *11.39%* |
| (−) Deferred tax liabilities | 25 | 22 | 15 | 20 | 2 | 5 | 13 | 15 | 17 | 20 | 22 | 25 |
| *% of earnings before taxes* | 1.36% | 1.17% | 0.54% | 0.38% | 0.19% | 0.05% | *0.21%* | *0.21%* | *0.21%* | *0.21%* | *0.21%* | *0.21%* |
| **OTHER NON-CURRENT OPERATIONAL ITEMS** | 486 | 453 | 531 | 535 | 629 | 924 | 724 | 810 | 928 | 1,059 | 1,201 | 1,355 |
| ***Δ Other non-current operational items*** | ***61*** | ***- 33*** | ***78*** | ***4*** | ***94*** | ***295*** | ***- 200*** | ***86*** | ***118*** | ***131*** | ***142*** | ***154*** |

***Appendix 17*** *Region-weighted equity risk premia by country and region (in %), 2024. Sources: S&P Global Market Intelligence (2025), retrieved from S&P Capital IQ Pro; Damodaran (2025a).*

| EQUITY RISK PREMIUM | NOMINAL GDP 2024 *in $ million* | SHARE OF REGIONAL GDP *in* | COUNTRY EQUITY RISK PREMIUM *in* | REGION-WEIGHTED EQUITY RISK PREMIUM[1] *in %* |
|---|---|---|---|---|
| **Asia-Pacific (excl. Japan)** | **26,323,124** | **100.00%** | **5.52%** | **5.57%** |
| China | 18,743,803 | 71.21% | 5.25% | 3.74% |
| Hong Kong | 407,107 | 1.55% | 5.10% | 0.08% |
| Macau | 50,183 | 0.19% | 5.10% | 0.01% |
| South Korea | 1,712,793 | 6.51% | 4.94% | 0.32% |
| India | 3,912,686 | 14.86% | 7.46% | 1.11% |
| Malaysia | 421,972 | 1.60% | 5.98% | 0.10% |
| Singapore | 547,387 | 2.08% | 4.21% | 0.09% |
| Taiwan | 782 | 0.00% | 5.10% | 0.00% |
| Thailand | 526,411 | 2.00% | 6.57% | 0.13% |
| **Japan** | **4,026,211** | **100.00%** | **5.25%** | **5.25%** |
| **Americas** | **36,091,545** | **100.00%** | **8.55%** | **8.55%** |
| Argentina | 633,267 | 1.75% | 19.01% | 0.33% |
| Brazil | 2,179,412 | 6.04% | 7.91% | 0.48% |
| Canada | 2,241,253 | 6.21% | 4.21% | 0.26% |
| United States | 29,184,890 | 80.86% | 4.62% | 3.73% |
| Mexico | 1,852,723 | 5.13% | 7.03% | 0.36% |
| **Europe (excl. France)** | **21,272,297** | **100.00%** | **5.42%** | **5.54%** |
| Germany | 4,659,929 | 21.91% | 4.21% | 0.92% |
| Austria | 521,642 | 2.45% | 4.62% | 0.11% |
| Belgium | 664,564 | 3.12% | 5.10% | 0.16% |
| Netherlands | 1,227,544 | 5.77% | 4.21% | 0.24% |
| Denmark | 429,457 | 2.02% | 4.21% | 0.08% |
| Spain | 1,722,746 | 8.10% | 6.57% | 0.53% |
| Greece | 257,145 | 1.21% | 7.46% | 0.09% |
| Italy | 2,372,775 | 11.15% | 7.46% | 0.83% |
| Norway | 483,727 | 2.27% | 4.21% | 0.10% |
| Poland | 914,696 | 4.30% | 5.46% | 0.23% |
| Portugal | 308,683 | 1.45% | 5.98% | 0.09% |
| Czech Republic | 345,037 | 1.62% | 5.10% | 0.08% |
| United Kingdom | 3,643,834 | 17.13% | 5.10% | 0.87% |
| Russia | 2,173,836 | 10.22% | 8.66% | 0.89% |
| Sweden | 610,118 | 2.87% | 4.21% | 0.12% |
| Switzerland | 936,564 | 4.40% | 4.21% | 0.19% |
| **France** | **3,162,079** | **100.00%** | **5.10%** | **5.10%** |
| **Middle East and Other** | **2,289,272** | **100.00%** | **4.58%** | **4.38%** |
| Australia | 1,752,193 | 76.54% | 4.21% | 3.22% |
| United Arab Emirates | 537,079 | 23.46% | 4.94% | 1.16% |

[1] Region-weighted equity risk premia are obtained by weighting each country's equity risk premium with its share in the region's aggregate nominal GDP (weights sum to 100% per region).

***Appendix 18*** *Valuation outcomes by scenario (in €).*

| | |
|---|---|
| **Share price as of 29/07/2025** *in €* | 2,378.00 |
| **Last 3-month average share price** *in €* | 2,386.05 |

| | |
|---|---|
| **Shares outstanding** | 105,569,412 |

| SHARE PRICES *in €* | WEIGHT | PESSIMISTIC CASE | BASE CASE | OPTIMISTIC CASE |
|---|---|---|---|---|
| DISCOUNTED CASH FLOW - PERPETUAL GROWTH | 50.00% | 1,639.39 | 1,764.78 | 1,912.69 |
| *Implied upside/downside in % (share price as of 29/07/2025)* | | *-31.06%* | *-25.79%* | *-19.57%* |
| *Implied upside/downside in % (L3M average share price)* | | *-31.29%* | *-26.04%* | *-19.84%* |
| DISCOUNTED CASH FLOW - EXIT MULTIPLE | 50.00% | 1,923.47 | 2,012.12 | 2,099.66 |
| *Implied upside/downside in % (share price as of 29/07/2025)* | | *-19.11%* | *-15.39%* | *-11.70%* |
| *Implied upside/downside in % (L3M average share price)* | | *-19.39%* | *-15.67%* | *-12.00%* |
| **DISCOUNTED CASH FLOW - AVERAGE** | **40.00%** | **1,781.43** | **1,888.45** | **2,006.17** |
| *Implied upside/downside in % (share price as of 29/07/2025)* | | *-25.09%* | *-20.59%* | *-15.64%* |
| *Implied upside/downside in % (L3M average share price)* | | *-25.34%* | *-20.85%* | *-15.92%* |
| **ECONOMIC VALUE ADDED** | **40.00%** | **1,607.59** | **1,730.34** | **1,862.24** |
| *Implied upside/downside in % (share price as of 29/07/2025)* | | *-32.40%* | *-27.24%* | *-21.69%* |
| *Implied upside/downside in % (L3M average share price)* | | *-32.63%* | *-27.48%* | *-21.95%* |
| **COMPARABLE COMPANY ANALYSIS - MULTIPLES AVERAGE** | **20.00%** | **999.36** | **1,881.21** | **2,104.50** |
| *Implied upside/downside in % (share price as of 29/07/2025)* | | *-57.97%* | *-20.89%* | *-11.50%* |
| *Implied upside/downside in % (L3M average share price)* | | *-58.12%* | *-21.16%* | *-11.80%* |
| **WEIGHTED IMPLIED SHARE PRICE**[1] | | **1,555.48** | **1,823.75** | **1,968.27** |
| *Implied upside/downside in % (share price as of 29/07/2025)* | | *-34.59%* | *-23.31%* | *-17.23%* |
| *Implied upside/downside in % (L3M average share price)* | | *-34.81%* | *-23.57%* | *-17.51%* |

[1] The pessimistic and optimistic cases correspond to the 25th and 75th percentiles of the DCF and EVA sensitivity tables. For the CCA, they are based on the average of the 25th and 75th percentiles across EV/EBITDA, EV/Sales, and P/E multiples. Within the DCF, perpetual-growth and exit-multiple terminal values are equally weighted. The final aggregation assigns 40% to DCF, 40% to EVA, and 20% to CCA, thereby placing emphasis on intrinsic methods while retaining market multiples as a complementary benchmark.

***Appendix 19*** *Comparative overview of financial forecasts - analyst reports vs. own analysis.*

| FORECAST INPUT COMPARISON | FY | BANK OF AMERICA | JP MORGAN | OWN ANALYSIS |
|---|---|---|---|---|
| **Total revenue** *in € million* | FY2025F | 16,255 | 16,772 | 16,506 |
| | FY2026F | 17,636 | 18,483 | 18,350 |
| | FY2027F | 19,674 | 20,117 | 20,867 |
| | ***CAGR in %*** | ***10.02%*** | ***9.52%*** | ***12.44%*** |
| **Gross profit** *in € million* | FY2025F | 11,281 | 11,747 | 11,616 |
| | FY2026F | 12,345 | 12,944 | 12,914 |
| | FY2027F | 13,772 | 14,089 | 14,685 |
| | ***CAGR in %*** | ***10.49%*** | ***9.52%*** | ***12.44%*** |
| *Gross profit margin in %* | *FY2025F* | *69.40%* | *70.04%* | *70.37%* |
| | *FY2026F* | *70.00%* | *70.03%* | *70.37%* |
| | *FY2027F* | *70.00%* | *70.04%* | *70.37%* |
| **EBITDA** *in € million* | FY2025F | 7,258 | 7,589 | 7,285 |
| | FY2026F | 7,925 | 8,314 | 8,099 |
| | FY2027F | 8,880 | 9,070 | 9,210 |
| | ***CAGR in %*** | ***10.61%*** | ***9.32%*** | ***12.44%*** |
| *EBITDA margin in %* | *FY2025F* | *44.65%* | *45.25%* | *44.13%* |
| | *FY2026F* | *44.94%* | *44.98%* | *44.13%* |
| | *FY2027F* | *45.14%* | *45.09%* | *44.13%* |
| **EBIT** *in € million* | FY2025F | 6,475 | 6,817 | 6,397 |
| | FY2026F | 7,083 | 7,518 | 7,137 |
| | FY2027F | 7,933 | 8,199 | 8,158 |
| | ***CAGR in %*** | ***10.69%*** | ***9.67%*** | ***12.93%*** |
| *EBIT margin in %* | *FY2025F* | *39.83%* | *40.65%* | *38.75%* |
| | *FY2026F* | *40.16%* | *40.68%* | *38.89%* |
| | *FY2027F* | *40.32%* | *40.76%* | *39.10%* |
| **Net income** *in € million* | FY2025F | 4,602 | 4,560 | 4,676 |
| | FY2026F | 5,342 | 5,342 | 5,223 |
| | FY2027F | 5,958 | 5,841 | 5,980 |
| | ***CAGR in %*** | ***13.78%*** | ***13.18%*** | ***13.09%*** |
| *Net income margin in %* | *FY2025F* | *28.31%* | *27.19%* | *28.33%* |
| | *FY2026F* | *30.29%* | *28.90%* | *28.46%* |
| | *FY2027F* | *30.28%* | *29.04%* | *28.66%* |
| **CAPEX** *in € million* | FY2025F | - 1,024 | - 546 | - 1,308 |
| | FY2026F | - 988 | - 573 | - 1,454 |
| | FY2027F | - 1,102 | - 602 | - 1,654 |
| *CAPEX as % of revenue* | *FY2025F* | *6.30%* | *3.26%* | *7.93%* |
| | *FY2026F* | *5.60%* | *3.10%* | *7.93%* |
| | *FY2027F* | *5.60%* | *2.99%* | *7.93%* |
| **D&A** *in € million* | FY2025F | - 783 | - 772 | - 888 |
| | FY2026F | - 842 | - 796 | - 961 |
| | FY2027F | - 948 | - 871 | - 1,051 |
| *D&A as % of revenue* | *FY2025F* | *4.82%* | *4.60%* | *5.38%* |
| | *FY2026F* | *4.77%* | *4.31%* | *5.24%* |
| | *FY2027F* | *4.82%* | *4.33%* | *5.04%* |
| **Change in OWC** *in € million* | FY2025F | - 109 | - 267 | - 293 |
| | FY2026F | - 217 | - 285 | - 65 |
| | FY2027F | - 320 | 272 | 36 |

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