Company Update Report

LVMH

Consumer Discretionary

Ticker	MC-FR
Share price	€482.45
Intrinsic value	€588
Upside/(Downside)	22%
Recommendation	Buy

As at: 10 August 2026

Analyst thesis

Our recommendation is based on:

- LVMH Moët Hennessy Louis Vuitton SE's (LVMH's) diversified global exposure across soft and hard luxury, together with its luxury beverages business, provides resilience against changes in input costs and consumer demand trends.
- Strong equity market performance in recent years has supported spending by high-net-worth individuals through the wealth effect.
- The business is well-positioned to benefit from a recovery in demand for soft luxury, particularly within its Fashion and Leather Goods segment, should geopolitical tensions ease. However, this depends on successful brand innovation and development, as well as external forces that can influence consumer demand.
- Continued brand strength supports customer retention and reinforces long-term growth.
- The valuation level remains attractive based from a P:E perspective, but the market could be pricing in overarching geopolitical risk and its impact on markets, along with the luxury sector consumer's appetite for spending.

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Key highlights

In this report, we review LVMH's 1H26 results released in July 2026 and assess the impact on our outlook:

Financial results at a glance:

- Group revenue declined by 3% on a reported basis and grew by 2% on an organic basis, with foreign exchange headwinds being the driver of lower reported growth numbers.
- Revenue from Wines and Spirits was flat on a reported basis and up 5% on an organic basis, driven by stronger performance from champagne, some wines and cognacs.
- Fashion and Leather Goods revenue decreased by 5% on a reported basis and 1% organically, with an acceleration in performance in the second quarter. The segment experienced the expected volatility associated with its soft luxury nature during a period where hard luxury is more resilient.
- Perfumes and Cosmetics revenue lost 4% on a reported basis and was flat organically, supported by a robust innovation policy and a highly selective retail approach.
- Revenue from Watches and Jewellery rose by 3% on a reported basis and grew 9% organically, driven by strong brand equity during a period of subdued Swiss watch exports on a rolling 12-month basis, albeit with some recent trend recovery. Performance in the segment was also driven by jewellery, particularly through Tiffany & Co.
- Revenue from Selective Retailing inched lower by 2% on a reported basis and advanced 5% organically, with performance driven by sustained organic revenue growth from Sephora.
- The group's gross profit margin expanded from 66.8% to 67.1%, driven by good cost control.
- Operating profit saw a 4% decline, with the margin contracting from 22.6% to 22.5%, primarily driven by a margin contraction in Fashion and Leather Goods (34.1% versus 34.7%), which contributes about 71% of operating profit. All other segments saw margin expansion, showing that, although LVMH is sufficiently diversified from a revenue perspective, operating income is still primarily led by Fashion and Leather Goods' soft luxury exposure.
- Group net profit for the period was flat, with earnings per share moving slightly higher by 0.8%.
- Overall, the results were not surprising and were mostly in line with consensus expectations, given the group's exposure to soft luxury. However, management also highlighted that soft luxury remains the most volatile part of the luxury sector, while hard luxury, particularly jewellery, is more defensive, with strong brand equity supporting revenue gained by the sale of watches.

Management outlook

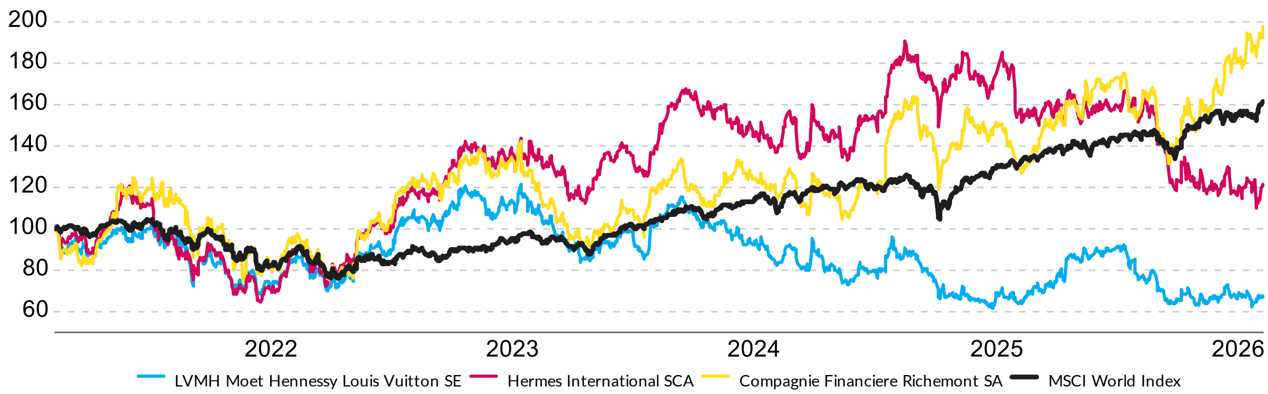
LVMH did not provide specific guidance, but the group highlighted that it remains confident in its operations and will maintain a strategy focused on continuously enhancing the desirability of its brands. Wines and Spirits improved, Selective Retailing delivered expected organic performance, Watches and Jewellery remained defensive, and Fashion and Leather Goods was softer. LVMH benefits from diversified exposure across these segments. The main contributor to operating profit remains soft luxury through Fashion and Leather Goods, which at this stage has been more volatile than jewellery and, at times, watches within the sector.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★☆☆	Expected three-year revenue CAGR is 3.4% and expected three-year EPS CAGR is 8.5%. We expect earnings growth over the next three years to be driven by: An improvement in demand dynamics within Wines and Spirits over the medium term. An inflection point for Fashion and Leather Goods as geopolitical risk subsides and demand for soft luxury improves. Continued strong performance from Watches and Jewellery should provide defensive growth within the diversified business, alongside Selective Retailing through Sephora's staple-like performance.
Valuation	★★★★☆	The share price is trading at a 22% discount to the intrinsic value (IV). The current NTM P:E of 19.6x is trading at a 15% discount to the five-year average NTM P:E of 23.1x.
Dividend	★★☆☆☆	LTM dividend yield of 2.7%. NTM dividend yield of 2.9%.
Issuance	★★★☆☆	Shares in issue decreased by 1% over the past five years.
Catalyst	Demand uplift in the regions of operations along with improving tourist spend and consumer confidence. Stock market outperformance, which typically impacts the customer base positively and improves demand. Continued innovation in brand and products throughout LVMH's businesses.	
Quality of earnings	★★★☆☆	Five-year average ROE of 23.6%. Five-year average operating margin of 24.9%. The group has recorded positive earnings growth in seven of the past 10 years. FY19/20 was impacted by Covid-19, while FY23/24 reflected weaker demand within the soft luxury space, a slowdown in the Swiss watch industry, and softer Wines and Spirits sales, the latter of which has since shown modest improvement.
Moat	★★★☆☆	Intangible assets through a portfolio of globally recognised luxury brands, resulting in a strong brand moat underpinned by a history of development and acquisition of its portfolio of brands. Large portfolio of brands, global reach, and vertical supply chain integration resulting in a scale moat.
Management and governance	★★★☆☆	Management has a proven track record of execution, supported by consistently strong ROA and ROE. The group has a concentrated ownership structure where Dior owns about 42%, with the Arnault family owning 98% of Dior and a separate 8% of LVMH itself. The company remains owner-managed, with the Arnault family retaining control since the late 1980s.
Balance sheet	★★★★☆	Net debt/EBITDA ratio is at 0.9x with the interest coverage ratio at 15.4x. Debt/assets ratio of 25.5%.
Risks	High competition in the luxury space poses a risk to the business, which needs to continually release new intellectual property to remain ahead of peers. High ownership concentration limits the voting ability of shareholders with regard to the business and where capital is allocated. Continued weak consumer sentiment in China and disruption in tourism due to geopolitical risk and conflicts. Being a discretionary company, product demand and earnings are impacted more than the average company by economic downturns.	

Source: FactSet

Graph 1: Five-year price (indexed to 100)



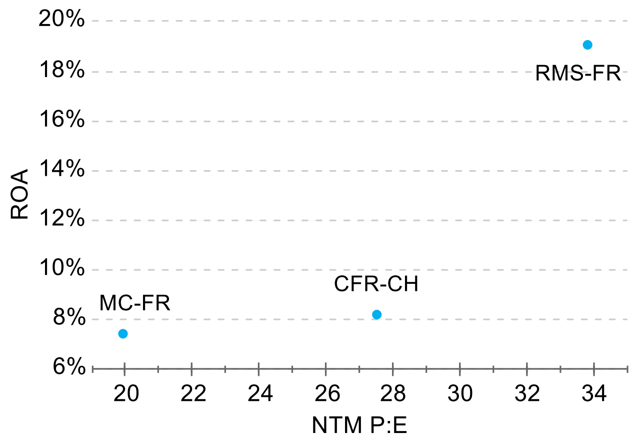
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
MC-FR	-25.2%	1.4%	2.1%	-10.3%	4.6%	-24.1%	-42.2%	-31.2%	215.2%
CFR-CH	16.7%	5.1%	26.8%	25.3%	52.2%	58.5%	49.7%	73.6%	240.9%
RMS-FR	-22.5%	7.0%	-1.0%	-22.6%	-22.2%	-18.4%	-16.1%	23.6%	322.4%
MSCI World	13.3%	3.2%	5.6%	10.4%	22.0%	44.2%	67.0%	66.0%	197.2%

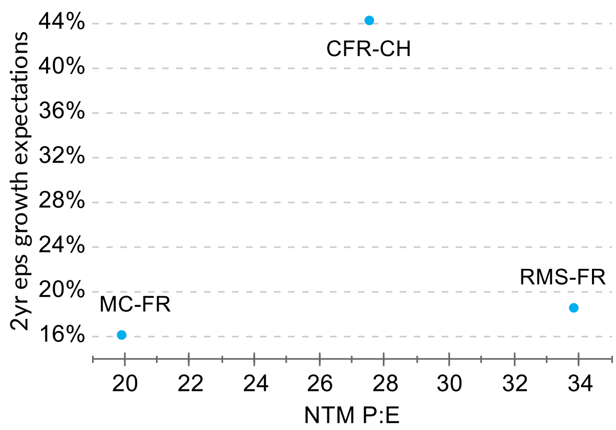
Source: FactSet

Graph 2: P:E vs 2Y average ROA



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

We valued LVMH using a DCF approach. In our base case, we assumed flat revenue growth in FY26, driven by expected weakness in Fashion and Leather Goods as a soft luxury component, along with some conservative softness in Wines and Spirits. Our bear case assumes lower revenue across the board, driven by weaker soft luxury performance, softer hard luxury performance and weakness across retailing and cosmetics, as continued geopolitical risk weighs on markets and luxury spending.

We applied NTM exit P:E multiples of 19x, 22x and 25x for the bear, base and bull cases, respectively, reflecting the post-Covid valuation environment. In the bear case, we use a level close to the lowest observed during the period. In the base case, we use a multiple slightly below the five-year average of 23x to account for the risk associated with LVMH's soft luxury exposure. The bull case uses a multiple closer to, but below, one standard deviation above the five-year average, assuming better performance and lower risk from soft luxury.

We weighted our scenarios towards the base case, given the impact of soft luxury through Fashion and Leather Goods, which accounted for about 47% of revenue in 1H26, and the expectation that this segment will perform more softly than hard luxury. Although LVMH has some hard luxury exposure, most of its exposure is outside the more defensive part of the luxury market.

On a weighted scenario basis, we still view LVMH as attractively priced, given its valuation, brand equity and diversification, although operating profit remains concentrated in one segment. This leads to an intrinsic value of €588 and upside of 22%.

Table 3: Valuation table

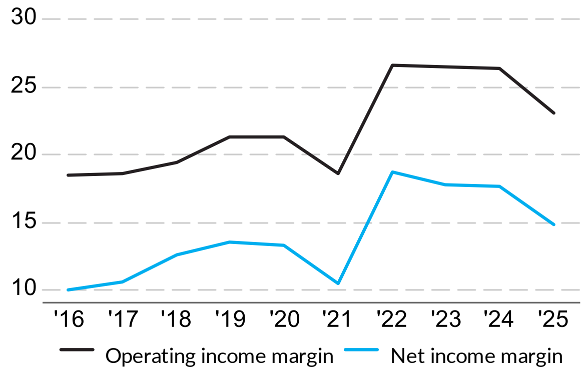
	Weight	IV	Upside/(Downside)
Bear	30%	€329	-32%
Base	60%	€675	40%
Bull	10%	€843	75%
Weighted		**€588**	**22%**
Consensus		€566	17%

Sources: PSG Wealth Research, FactSet

Graph 4: NTM P:E relative to benchmark

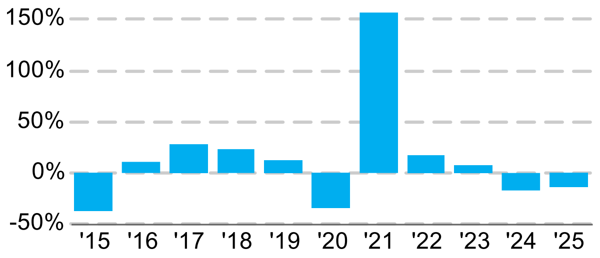
Source: FactSet

Graph 5: Profit margins (%)



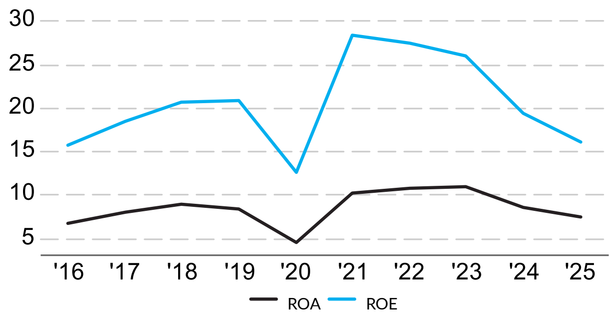
Source: FactSet

Graph 6: 10Y EPS year-on-year change



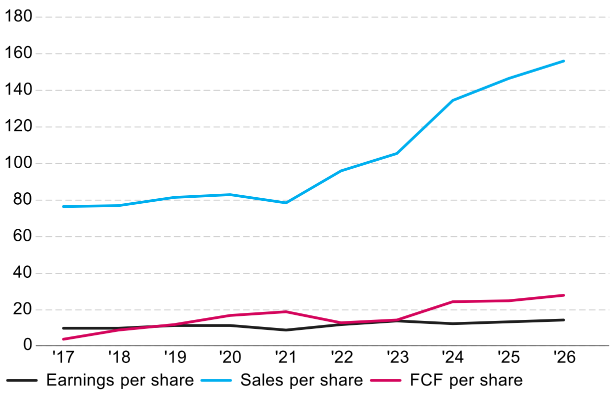
Source: FactSet

Graph 7: ROA and ROE (%)



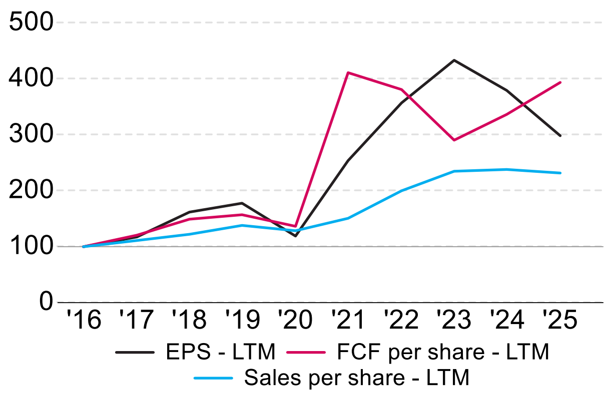
Source: FactSet

Graph 8: Sales, earnings and FCF per share (€)



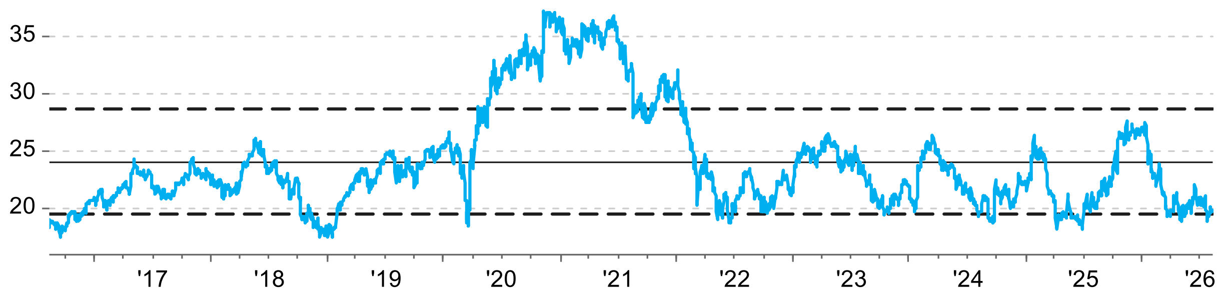
Source: FactSet

Graph 9: Sales, earnings and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income statement (€Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	64 215	79 184	86 153	84 683	80 807	-5%	1%	13%
Cost of sales	20 364	24 988	26 876	27 918	27 279	-2%	3%	11%
Gross income	43 851	54 196	59 277	56 765	53 528	-6%	0%	13%
EBIT	17 129	21 018	22 795	19 543	17 680	-10%	-6%	16%
EBITDA	22 186	26 628	28 755	26 092	24 302	-7%	-3%	13%
Net income	12 036	14 084	15 174	12 550	10 878	-13%	-8%	18%
EPS (€)	23.9	28.0	30.3	25.1	21.9	-13%	-8%	19%
Balance sheet (€Mn)	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	125 311	134 646	143 694	149 190	142 037	-5%	2%	6%
Total shareholders' equity	48 909	56 604	62 701	69 287	68 949	0%	7%	12%
Total liabilities	76 402	78 042	80 993	79 903	73 088	-9%	-2%	1%
Ratios	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**5Y Avg**		
Net debt/EBITDA	1.1	0.9	0.9	1.0	0.9	1.0		
Interest coverage	70.8	55.0	23.4	16.5	15.4	36.2		
Debt/assets (%)	27.5	26.1	26.8	27.3	25.5	26.6		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
CAGR	Compound annual growth rate
CFR-CH	Compagnie Financière Richemont SA
DCF	Discounted Cash Flow
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FY	Financial year
GP	Gross profit
LTM	Last 12 months (also known as trailing)
LVMH/MC-FR	LVMH Moët Hennessy Louis Vuitton SE
M	Month
MTD	Month-to-date
NTM	Next 12 months (also known as forward)
P:E	Price to earnings
RMS-FR	Hermès International SCA
ROA	Return on assets
ROE	Return on equity
Y/y	Year(s)
YTD	Year-to-date

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