

Company Update Report

LVMH Unsponsored ADR

Consumer Discretionary

Ticker	LVMUY-US
Share price	\$136
Intrinsic value	\$165
Upside/(Downside)	21%
Recommendation	Buy

As at: 15 Oct 2025

Analyst thesis

Our recommendation is based on:

- Its diversified global exposure in both soft and hard luxury along with exposure to luxury beverages provides some stability against shocks from input costs and demand trends.
- A positive wealth effect has supported high-net-worth individuals given the performance of the markets the past three years.
- The business appears to have reached an inflection point across regions and segments positioning it well to recover and drive growth in revenue and margin (GP, operating and net income) expansion.
- Continued brand strength has been a driver in maintaining its customer base and retain growth.

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Key highlights

In this report, we review LVMH's 3Q25 results, released in October 2025, and evaluate their implications on our view.

Financial results at a glance:

- During the period, group revenue was up 1% and beat market expectations. This has been a signal of a turning point in the business within a sector where the market had luxury fatigue set in.
- Wines and spirits (7% of revenue) were up 1%, boosted by the performance of wines while cognac's performance was hindered by the trade tensions between China and the US, which remains a key market for the category.
- Fashion and leather goods (46% of revenue) was down 2%, sequentially improving from 2Q25's 9% decline, driven by improved tourist spend, particularly in Japan. Brand strength has been the highlight of performance with new lines and partnerships boosting segment performance.
- Perfumes and cosmetics (11% of revenue) were up 2%, where new releases from Dior and Givenchy played a hand in performance. This has highlighted brand strength in the segment being a driver.
- Watches and jewelry (13% of revenue) was up 2% driven primarily by jewelry through Tiffany & Co. Watch performance has been mixed with the general trend in the sector being negative as seen in Swiss watch export reports.
- Selective retailing (22% of revenue) was up 7% primarily through the performance of Sephora. The segment continues to be a stellar performer with its position in Sephora being the highlight.
- Regionally, revenue over the third quarter was split as 27% Asia excluding Japan, 25% United States, 18% Europe excluding France, 14% Other Markets, 8% France and 8% Japan.

Management's outlook:

LVMH has not released any specific guidance, but management's outlook remains cautiously optimistic as they remain confident in maintaining a strategy focus on enhancing brand desirability. We have seen that brand equity in the luxury space continues to be paramount along with the consistent release of quality products. LVMH has reached its inflection point segmentally where demand through the brand strength is picking up and showcased in performance.

Sector outlook

LVMH's diversity and brand equity have positioned it as one of the leading luxury brands in the sector. Due to its diversity, it is typically a litmus test for the performance of overall sector. The relevant stock for us to read through to would be Richemont which has a higher exposure to watches and jewelry. Richemont has brand strength in the watch space but given where we have seen Swiss watch exports trend to over the last twelve months, when the company releases results, we will have an idea on whether jewelry played large support or if watches defied the trend of the Swiss watch exports.

The luxury sector is poised for good performance as seen with LVMH as tourist spend and local demand continue to drive growth. The momentum pickup may be related to the overall strong performance of markets and the wealth effect on high-net-worth individuals, the customer base for the sector. Although we have seen tariffs impact the sector through increased Swiss product tariffs which directly affect watch exports and the luxury space, this impact has been limited on LVMH given its lower relative exposure to watches and the performance of its jewelry products.

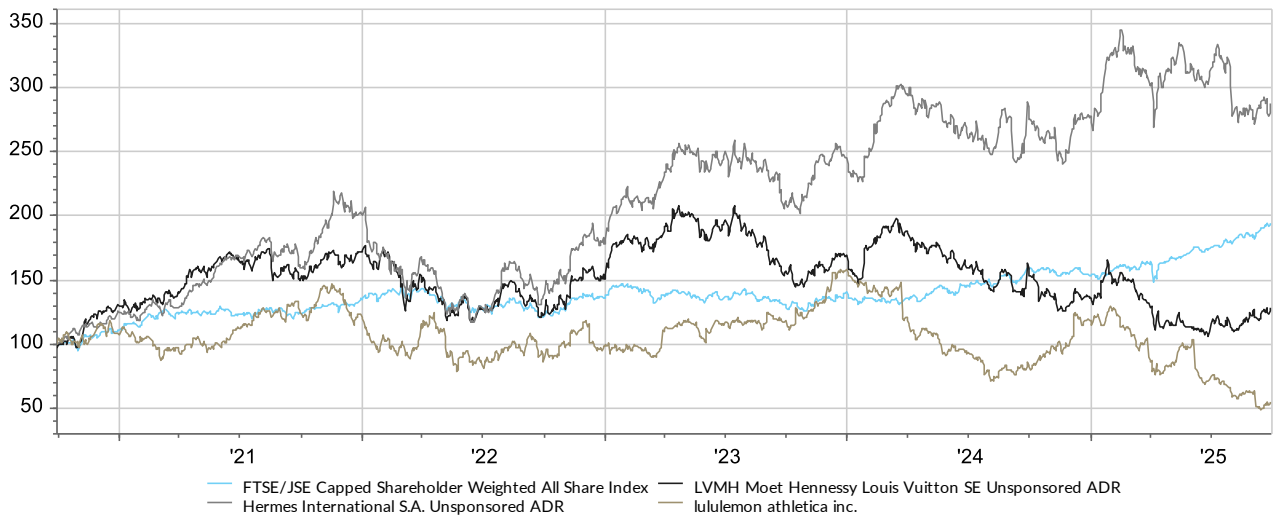


Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 1% and expected three-year EPS CAGR is 1.7% We however expect EPS to grow by a CAGR of 10% from 2025 onwards. Over the long term LVMH was able to grow its sales per share at a CAGR of 8.5% over the past 15 years in a reasonably stable manner. We expect earnings growth over the next three years to be driven by: Demand normalisation in brands and an uptick in tourist spend as higher markets benefits high net worth individuals.
Valuation	★★★★☆	The share price is trading at a 21% discount to the IV. Current NTM P:E of 24.9x is trading at a -22% discount to the five-year average P:E of 31.8x.
Dividend	★★★★☆	LTM dividend yield 2.4% NTM dividend yield 2.2%
Issuance	★★★★☆	Shares issued have decreased by 1% in the past five years.
Catalyst		Local demand uplift in Asia, Europe and the US. Market outperformance typically impacts the customer base positively and improves demand.
Quality of earnings	★★★★☆	Five-year average ROE 22.9%. Five-year average operating margin 24.3%. Seven of the past ten years had both positive earnings with growth. FY19/20 was Covid and FY23/24 was due to Luxury fatigue in leather goods, a struggling Swiss. watch industry and weak demand in wines and spirits.
Moat	★★★★☆	Luxury brand equity resulting in a brand moat. Its large portfolio of brands, global reach and vertical supply chain integration resulting in a scale moat.
Management and governance	★★★★☆	The group has had controversies related labour which is a general risk in the luxury space. Management has a history of executing well on strategies along with maintaining strong returns on assets and equity. The group has a concentrated ownership structure where Dior owns 42% but the Arnault family owns 98% of Dior and a separate 7% of LVMH. However, it is still founder managed with the Arnault family being present since taking control of the company in the late 80s.
Balance sheet	★★★★☆	Net debt/EBITDA ratio 1x, interest coverage ratio 16.5x. Debt/assets is 27.3%.
Risks		High competition in the luxury space poses a risk to business that needs constant release of new intellectual property to continue to be ahead of peers. High ownership concentration limits the voting ability of shareholders with regards to the business and where capital is allocated. Being a discretionary company, product demand and earnings are impacted more than the average company by economic downturns. Regulation: Labour laws can impact costs, tariffs on materials or products can impact demand and costs, ESG non-/compliance can impact perception and brand equity.

Source: FactSet

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



Source: FactSet

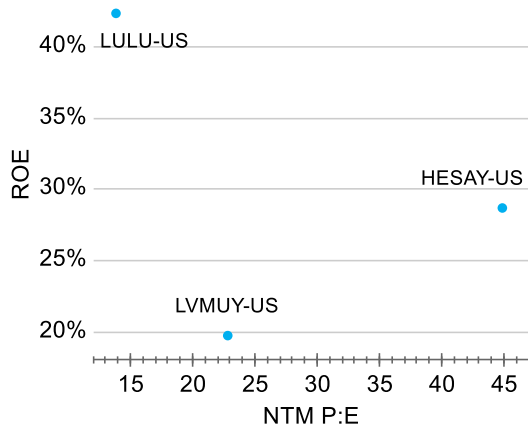


Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
LVMUY-US	4.1%	11.2%	21.3%	19.6%	-2.5%	-1.9%	12.7%	41.7%	273.0%
LULU-US	-55.8%	-4.9%	-26.1%	-34.9%	-41.0%	-55.2%	-41.4%	-52.0%	228.2%
HESAY-US	-2.3%	-4.0%	-16.5%	-12.1%	1.4%	31.1%	89.0%	157.8%	512.2%
MSCI world	13.0%	-0.3%	6.0%	21.7%	13.1%	45.9%	74.6%	79.0%	165.5%

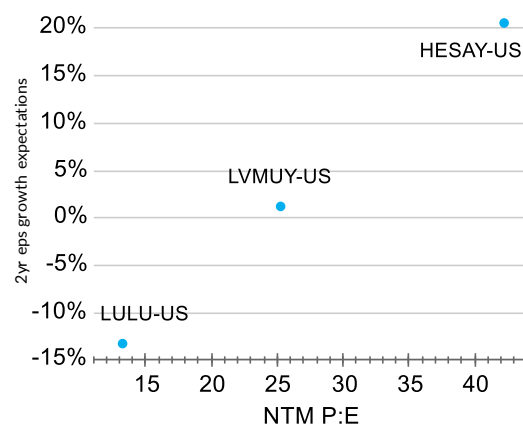
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

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



Source: FactSet

Valuation

We valued LVMH using a DCF approach. We have assumed muted growth over FY25 in contrast to FY24's 2% decline. We view a flat revenue performance in this period as positive as the business reaches its inflection point in performance due to demand shifts in the luxury space.

We have applied a NTM exit P:E of 19x, 23x and 28x respectively for the bear, base and bull cases to reflect one standard deviation below the 10-year average, the 10-year average and one standard deviation above the 10-year average multiples. We have skewed our scenarios to the bull case given that we view the stock as having reached an inflection point in demand that will aid in normalising revenue growth and margins as well and the earnings and price multiple more probably trending to a higher-than-average scenario.

Given the current lower base, and the expectations of growth that picks up momentum in the medium term, we view LVMH as attractively priced and recommend a Buy.

Table 3: Intrinsic value and revenue estimates vs consensus

	Weight	IV (\$)	Up-/ (downside)	Revenue growth estimates				
				2025est	2026est	2027est	2028est	2029est
Bear	20%	77	-43%	-5%	-4%	-3%	-1%	0%
Base	50%	166	22%	0%	2%	4%	5%	6%
Bull	30%	220	62%	4%	5%	6%	7%	8%
Weighted		165	21%	0%	2%	3%	5%	5%
Consensus		134	-2%	-5%	3%	6%	-	-

Source: FactSet

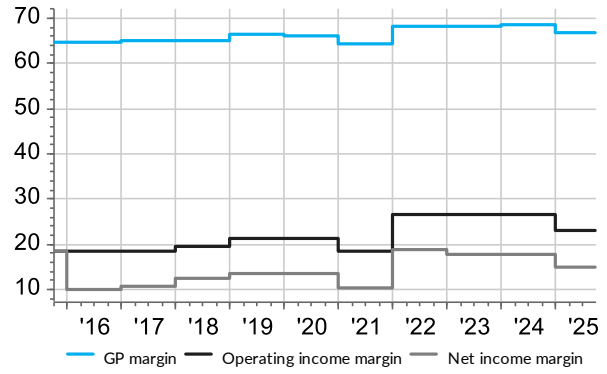


Graph 4: NTM P:E relative to benchmark



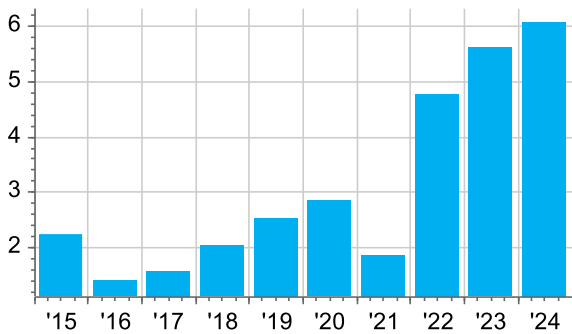
Source: FactSet

Graph 5: Profit margins (%)



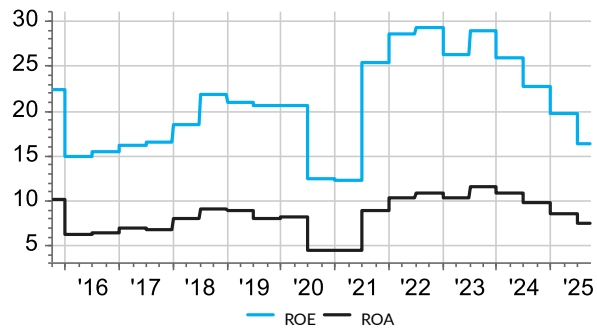
Source: FactSet

Graph 6: 10Y EPS



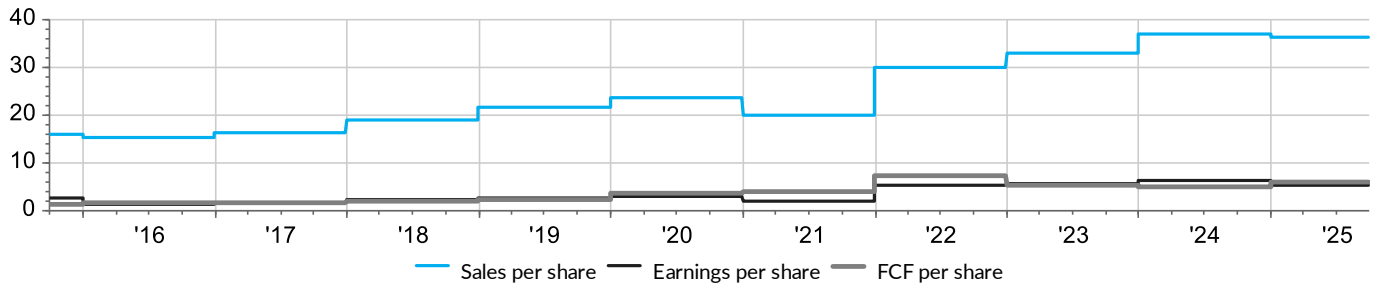
Source: FactSet

Graph 7: ROE and ROA (%)



Source: FactSet

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



Source: FactSet

Graph 9: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (€Mn)	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	1Y Growth	3Y CAGR	5Y CAGR
Revenue	44 651	64 215	79 184	86 153	84 683	-2%	10%	10%
Cost of sales	15 895	20 364	24 988	26 876	27 918	4%	11%	9%
Gross income	28 756	43 851	54 196	59 277	56 765	-4%	9%	10%
EBIT	8 323	17 129	21 018	22 795	19 543	-14%	4%	11%
EBITDA	13 086	22 186	26 628	28 755	26 092	-9%	6%	10%
Net income	4 702	12 036	14 084	15 174	12 550	-17%	1%	12%
EPS (Rand)	9	24	28	30	25	-17%	2%	12%
Balance sheet (€Mn)	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	1Y Growth	3Y CAGR	5Y CAGR
Total assets	108 671	125 311	134 646	143 694	149 190	4%	6%	9%
Total shareholders equity	38 829	48 909	56 604	62 701	69 287	11%	12%	13%
Total liabilities	69 842	76 402	78 042	80 993	79 903	-1%	2%	7%
Ratios	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	5Y Avg		
Net debt/EBITDA	1.3	1.1	0.9	0.9	1.0	1.1		
Interest coverage	22.7	70.8	55.0	23.4	16.5	37.7		
Debt/assets (%)	34.5	27.5	26.1	26.8	27.3	28.4		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
ADR	American Depository Receipts
CAGR	Compound annual growth rate
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 twelve months (also known as trailing)
LVMH	Louis Vuitton Moët Hennessey
M	Month
MTD	Month to date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
Y/y	Years (s)
YTD	Year to date



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