A Work Project, presented as part of the requirements for the Award of a Master Degree in Economics / Finance / Management from the NOVA – School of Business and Economics.

LVMH Equity research - *Passionate about creativity*

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A Project carried out on the Master in (Economics/Finance/Management) Program, under the supervision of:

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Abstract

This equity research report evaluates LVMH Moët Hennessy Louis Vuitton SE, including its five main segments Fashion and Leather Goods, Wines and Spirits, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing, as well as the industry in which it operates. The valuation is primarily based on a discounted cash flow model with a sum-of-the-parts approach, and it is complemented by a relative valuation using trading multiples. The discounted cash flow analysis results in an estimated target share price of €711.92 as of December 31, 2026, implying an upside potential of 13.3% compared to the share price of €628.10 as of December 7, 2025. Consequently, the report arrives at a BUY recommendation.

Keywords

LVMH, Equity Research, Luxury Fashion, Luxury Goods

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This report is part of the LVMH equity research report (annexed), developed by Bianca Steppan (66006) and Niklas Roth (63909) and should be read as an integral part of it.

Table of Contents

Introduction

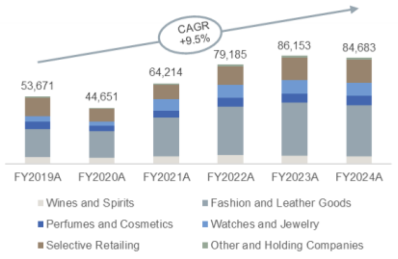
The joint report analyzes LVMH Moët Hennessy Louis Vuitton SE by examining the company, its industry, and its financial performance. Based on this comprehensive analysis, a discounted cash flow valuation and a relative valuation are conducted. The objective is to arrive at a BUY, HOLD, or SELL position for LVMH based on both qualitative and quantitative analysis.

This individual report focuses on the financial analysis and valuation components of the report. It begins with an assessment of LVMH's historical financial performance, especially with regard to profitability, liquidity, and financial stability. Next, the report continues with the valuation section, starting with the reformulation and forecasting of the financial statements. To estimate LVMH's intrinsic value as of December 31, 2026, a discounted cash flow (DCF) valuation is conducted, and a trading multiples analysis is applied as a complementary valuation tool. The resulting estimated value is compared with the current share price of €628.10, retrieved from LSEG on December 7, 2025, to derive a final investment recommendation.

The preceding part of the joint report, written by Niklas Roth, covers the company overview, industry overview and competitive landscape. These chapters provide the qualitative insights by analyzing LVMH's business model, business segments, market positioning and industry dynamics. The combination of the qualitative and the quantitative parts in this equity research report provides a complete and consistent investment perspective on LVMH.

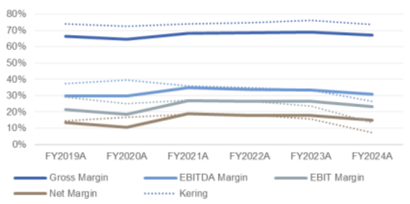
Financial Analysis

This chapter analyzes how LVMH performed in the past six years, focusing on revenue growth, profitability, liquidity, activity ratios and capital structure. Kering, one of LVMH's main competitors, was used as a benchmark.



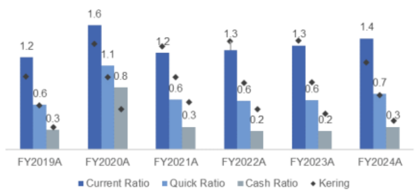
Graph 1: Group revenue FY19-FY24
Source: LVMH annual reports

Since revenue and profitability per segment were already investigated in the previous sections, this part focuses mainly on the overall group. Between FY19 and FY24, a revenue CAGR of 9.5% was achieved, with a decline in FY20 due to the COVID-19 pandemic, followed by a strong recovery supported by the Tiffany & Co. acquisition. However, from FY23 to FY24, revenue decreased slightly (-1.7%) reflecting an overall global slowdown after two years of post-pandemic growth. The uncertainties around the world as well as the weaker demand in China are further reasons for this decline. Over the years, the Fashion and Leather Goods segment consistently remained the largest contributor to total revenue, followed by Selective Retailing.



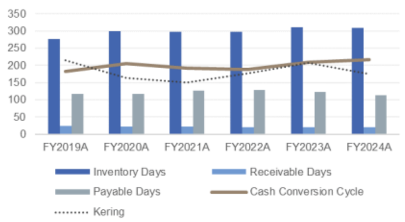
Graph 2: Profitability margins FY19-FY24
Source: Analysis based on annual reports

In general, LVMH's profitability margins are comparable to those of Kering and were even stronger in FY24, except for the gross margin. In FY24, LVMH's gross margin reached 67.0%, the EBITDA margin 31.0%, the EBIT margin 23.1% and the net margin 14.8%. Moreover, after the COVID-19 crisis and the acquisition of Tiffany & Co., the ratios have improved. The Fashion and Leather Goods segment has the highest profitability with an EBITDA margin of 44.2% in FY24, whereas the Perfumes and Cosmetics segment (14.5%) as well as the Selective Retailing segment (16.0%) operate with lower margins.



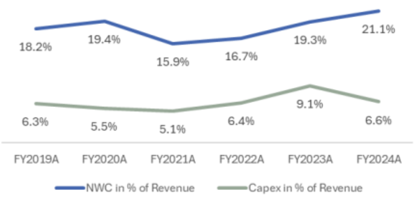
Graph 3: Liquidity ratios FY19-FY24
Source: Analysis based on annual reports

The liquidity ratios demonstrate LVMH's ability to handle its short-term obligations. The current ratio remained consistently above 1 with a value of 1.4 in FY24, verifying the minimum short-term financial equilibrium. There was a noticeable peak in FY20, likely due to the COVID-19 crisis and the higher cash holdings before the Tiffany & Co. acquisition, but the ratios later normalized. LVMH's ratios increased over recent years, while Kering's declined. In FY24, LVMH reported a higher current ratio, a similar quick ratio, but a lower cash ratio compared to Kering, indicating that it relies less on excess cash and manages liquidity more efficiently through operating cash flows.



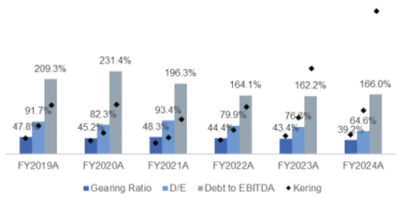
Graph 4: Activity ratios FY19-FY24
Source: Analysis based on annual reports

The activity ratios illustrate that LVMH had a relatively long average holding period of 309 days in FY24, which is plausible as parts of the Wines and Spirits inventory require extended aging. In contrast, the company is very good at collecting sales from its clients with an average collection period of 20 days in FY24, which is likely due to the high share of cash sales in its retail stores. The average payable period of 113 days in FY24 suggests a low risk of cash flow disruptions but could potentially strain supplier relationships. The cash conversion cycle lengthened from 188 days in FY22 to 217 days in FY24 due to a higher average holding period. Kering shows similarly high numbers, indicating comparable cash management efficiency across the luxury industry.



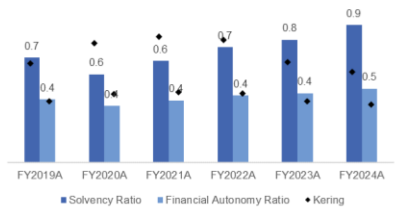
Graph 5: NWC and Capex FY19-FY24
Source: Analysis based on LVMH annual reports

The evolution of working capital and capital expenditures (capex) relative to revenue reflects the operational efficiency and investment intensity of LVMH. From FY19 to FY24, net working capital was between 15.9% and 21.1% of revenue and has slightly increased yearly since FY21. This indicates higher inventory levels and receivables. Capex ranged from 5.1% to 9.1% of revenue during that period. The peak in FY23 suggests higher investments in stores, digital infrastructure and production capacity, and the decline in FY24 shows that it returned to more normal levels.



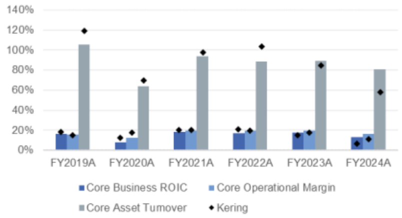
Graph 6: Capital structure FY19-FY24
Source: Analysis based on annual reports

To analyze the capital structure, the gearing ratio, net-debt-to-equity ratio and debt-to-EBITDA ratio were calculated. These show that LVMH is moderately leveraged. From FY19 to FY24, the gearing ratio decreased from 47.8% to 39.2%, while the net-debt-to-equity ratio declined from 91.7% to 64.6%. This indicates reduced financial risk for LVMH and a strengthening of the balance sheet in the past. Moreover, the debt-to-EBITDA decreased from 209.3% to 166.0% over the same period. The slight increase from FY23 to FY24 was mainly because of the lower EBITDA in FY24. In contrast, Kering's leverage increased significantly in recent years and remains at notably higher values than LVMH's. This demonstrates LVMH's greater financial resilience.



Graph 7: Capital structure (accounting) FY19-FY24
Source: Analysis based on annual reports

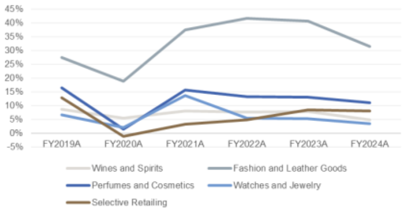
Furthermore, the solvency ratio and financial autonomy ratio were calculated, which are commonly used by banks and creditors. The solvency ratio of LVMH declined from 0.7 in FY19 to 0.6 in FY20, before recovering to 0.9 in FY24. A value above 1 would enable LVMH to meet its obligations using the capital that has been generated or invested by the firm. The financial autonomy ratio was 0.5 in FY24, above the recommended minimum of 0.3, and it has also steadily improved in recent years. Kering's ratios were quite similar, but they have shown a downward trend in recent years.



Graph 8: Core ROIC FY19-FY24
Source: Analysis based on annual reports

The return on invested capital (ROIC) was calculated with a one-year lag for the core as well as the non-core business. In FY24, the core business ROIC was 13.3%. The ROIC can be broken down into the operational margin and the asset turnover. For FY24, the core operational margin amounted to 16.5% and the core asset turnover to 80.7%. Compared to Kering, it can again be seen that LVMH's competitor is facing some challenges, while LVMH remains rather stable with core ROIC levels above the WACC.

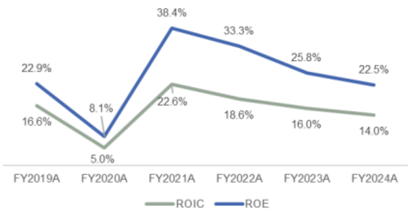
The return on invested capital for the core business was also calculated for each segment. There is a dip for all the segments in FY20 mainly due to effects of the pandemic. The Fashion and Leather Goods segment is not only the segment with



Graph 9: Core ROIC per segment FY19-FY24
Source: Analysis based on LVMH annual reports

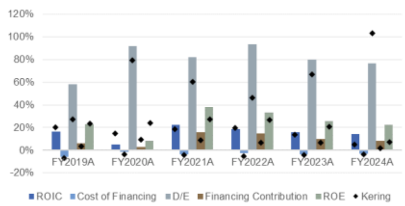
the highest contribution to total revenue, but it also creates the most value with a core ROIC of 31.6% in FY24, which consists of a core operating margin of 26.5% and a core asset turnover of 119.0%. The Wines and Spirits segment had a core ROIC of only 4.9% in FY24 with an operating margin of 16.6% and an asset turnover of 29.6%. One reason could be the high inventory and PPE requirements due to the nature of the business. The core ROIC of the Perfumes and Cosmetics segment amounted to 11.1% in FY24, consisting of an operational margin of 5.7% and an asset turnover of 194.7%. For the Watches and Jewelry segment, the core ROIC was 3.5% in FY24 with an operating margin of 10.5% and an asset turnover of 33.8%. The results indicate that this segment is destroying value as its core ROIC lies below its respective WACC. The low asset turnover of this segment is likely caused by its high intangible assets and goodwill after the Tiffany & Co. acquisition. The Selective Retailing segment had a core ROIC of 8.0% in FY24, consisting of an operating margin of 5.4% and an asset turnover of 147.6%.

The non-core business ROIC was 39.3% in FY24 with a non-core operational margin of 1.3% and a non-core asset turnover of 2,995.5%. Combining the two ROICs according to their weight in total invested capital results in a ROIC of 14.0% for FY24.



Graph 10: ROIC and ROE (incl. OCI) FY19-FY24
Source: Analysis based on LVMH annual reports

From there, the return on equity (ROE) can be calculated. In that case, it includes other comprehensive income (OCI). However, to get a comprehensive view of LVMH's profitability and value creation, the ROE and ROIC were also calculated excluding OCI. Including OCI captures the total performance of LVMH, also considering all gains and losses recognized directly in equity. By contrast, excluding OCI reflects pure operating performance more clearly. Both approaches follow a similar trend with a dip in FY20 due to the pandemic and a strong recovery in FY21 before slowly normalizing. ROE including OCI amounts to 22.5% in FY24 and ROE excluding OCI to 20.6%. Both values show that LVMH generates returns significantly above the cost of financing, creating value for shareholders. Kering shows low ROE values in FY24 with 7.2% (incl. OCI) and 7.5% (excl. OCI), but it had similar values to LVMH the years before that.



Graph 11: ROE decomposition (incl. OCI) FY19-FY24
Source: Analysis based on annual reports

ROE decomposition (excl. OCI)	FY19	FY20	FY21	FY22	FY23	FY24
ROIC	16.1%	7.6%	19.1%	16.7%	17.0%	12.8%
Cost of Financing	-5.7%	-1.9%	-3.1%	-2.6%	-3.7%	-2.8%
D/E	58.0%	91.7%	82.3%	93.4%	79.9%	76.6%
Financing Contribution	6.1%	5.2%	13.1%	13.2%	10.6%	7.7%
ROE	**22.2%**	**12.9%**	**32.2%**	**29.9%**	**27.5%**	**20.6%**

Table 1: ROE decomposition (excl. OCI) FY19-FY24
Source: Analysis based on LVMH annual reports

Valuation

The objective of this equity research report is to determine a target share price for December 31, 2026, and then to provide an investment recommendation based on the expected gains relative to the current share price of €628.10 (retrieved from LSEG on December 7th, 2025). The recommendation considers insights from the qualitative as well as the quantitative analysis. To derive the target share price, the discounted cash flow (DCF) method was applied as the main valuation approach. The explicit forecast period was set to ten years (FY25-FY35), after which LVMH is assumed to reach a steady state, reflected in the terminal value. Moreover, a complementary relative valuation was conducted to cross-check the results of the DCF and to provide an external market-based perspective of LVMH's valuation. Combining the two methods increases the reliability of the final recommendation.

After analyzing the group's business segments, it was decided to perform a Sum-of-the-Parts (SOTP) valuation due to the differences in margins, asset turnover and ROIC across segments. A consolidated approach would ignore important segment-level differences, while this one allows accounting for the different risks, profitability and maturity of each segment. As a result, the components of the Free Cash Flow to the Firm (FCFF) were forecasted at the segment level and then consolidated into group totals.

Reformulation of the Financial statements

To distinguish between operating and non-operating items, the financial statements were reformulated by classifying all items of LVMH's income statement and balance sheet as core, non-core or financial.

In the income statement, all items up to profit from recurring operations were considered core. It was decided to classify other operating income and expenses as non-core to exclude one-off effects, including restructuring costs and other non-recurring exceptional items. Moreover, other financial income and expenses related to available for sale financial assets were also treated as non-core. All lines related to net debt were classified as financial. The balance sheet reformulation follows the same logic, with most items classified as core or financial.

Forecast of the Financial Statements

LVMH's published financial statements provide a segment reporting, which was used to forecast the necessary items for a sum-of-the-parts valuation for each segment. This valuation focuses primarily on the five main operating segments, but also includes Other and Holding Companies, which represented 2.3% of the total revenue in FY24 and has operated at a loss the past years. Therefore, while it is included for completeness, this segment is not discussed in detail. The remaining items such as taxes, financial result and non-core items, were projected at the group level, and then all segment-level as well as group-level forecasts were integrated into the consolidated financial statements.

▪ Revenue Forecast

The revenue forecast is essential as many other variables depend on the forecasted numbers. As the first step, a regression analysis with the variables real GDP growth rate, inflation growth rate, high net worth individuals (HNWI) population growth and global market size growth was conducted to identify potential drivers. Across all segments, global industry market size was the most statistically significant variable and therefore, the forecast approach is based on external industry growth estimates, rather than macroeconomic indicators, as this approach best reflects the market-driven dynamics of the luxury sector. In the regressions that included global market size as the independent variable, an R^2 between 0.6 and 0.9 was obtained depending on the segment, providing solid explanatory power. Where industry forecasts were unavailable, GDP growth was used as the next best available variable, which was mainly used for the long-term growth rate beyond FY35.

Due to the differences in activities and available information between the segments, a bottom-up approach was chosen for the Wines and Spirits segment, whereas a top-down approach was applied for the others.

Wines and Spirits

Since data on sales volumes and average prices were available for the two sub-segments (Champagne and Wines, and Cognac and Spirits), the revenue forecast was ultimately based on the evolution of volumes and prices within each sub-segment. The overall market trends show that people are consuming less alcohol, but LVMH’s segment is expected to grow slightly, as customers tend to switch to more premium products, which benefits LVMH (Statista, 2024d). Furthermore, LVMH’s Deputy CEO Stephane Bianchi stated that the company can raise prices by about 2.0-3.0% per year. However, he also mentioned that this may be more difficult for cognac and beauty products (Reuters, 2025). Accordingly, a higher price increase was assumed for the Wines and Champagne sub-segment than for Cognac and Spirits. This approach results in a CAGR of 2.8% between FY25 and FY35.

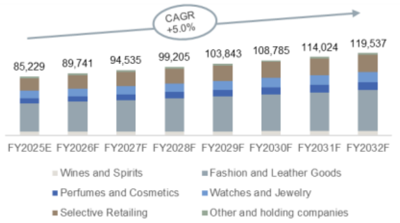
In summary, the Wines and Spirits segment is considered quite mature, with limited growth potential in the future, driven primarily by price increases and not volume expansion.

Segment	CAGR FY25 - FY35
Wines and Spirits	2.8%
Fashion and Leather Goods	5.3%
Perfumes and Cosmetics	6.1%
Watches and Jewelry	5.4%
Selective Retailing	4.3%

Table 2: Revenue CAGR FY25-FY35
Source: Financial model

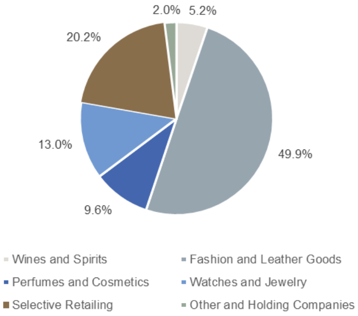
Other segments

For the remaining segments, a top-down approach was applied. Therefore, the corresponding market size forecasts from 2025 to 2030 were extracted from Euromonitor and the growth rates were cross-checked using insights from industry reports. Moreover, the following years (FY31-FY35) were projected using average expected growth rates and then it was validated whether the resulting growth rates meet the Bain & Company (2025) forecast for the personal luxury goods market until 2035. Finally, LVMH's expected market shares were incorporated and then the revenue projections were derived. Overall, a slight decrease of the market share in Asia is expected over the forecasting period because of the increased competition from local luxury brands (Statista, 2024a). Between FY25 and FY35, the Fashion and Leather Goods segment is projected to reach a CAGR of 5.3%, the Perfumes and Cosmetics segment of 6.1%, the Watches and Jewelry segment of 5.4% and the Selective Retailing segment of 4.3%.



Graph 12: Group revenue FY25-FY32
Source: Financial model

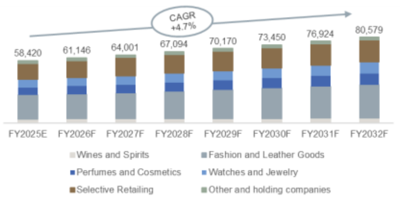
At the group level, total revenue is expected to reach €85,229m in FY25, showing a slight increase of +0.6% compared to FY24. Over the forecast period (FY25-FY35), revenue is projected to grow at a CAGR of 4.9%. In FY35, the revenue split remains similar to FY24. 5.2% of the revenue come from the Wines and Spirits segment, 49.9% from Fashion and Leather Goods, 9.6% from Perfumes and Cosmetics, 13.0% from Watches and Jewelry, 20.2% from Selective Retailing and 2.0% from Other and Holding Companies. Fashion and Leather Goods as well as Watches and Jewelry gain revenue share within LVMH until FY35, whereas the others will lose some percentage points, highlighting the increasing share of LVMH's most profitable division.



Graph 13: Revenue split FY35
Source: Financial model

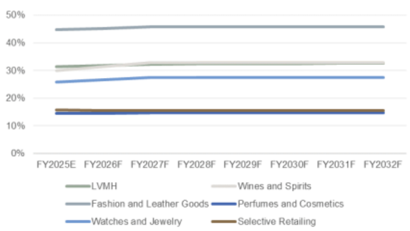
- ## Operating Expenses Forecast

The operating expenses, which include cost of sales, marketing and selling expenses, general and administrative expenses, as well as income (loss) from joint ventures and associates, were projected using the average operating-expenses-to-revenue-ratio over the past three financial years (FY22-FY24) from FY27 onwards. The years FY25 and FY26 serve as the transition years to gradually change from the FY24 values to the long-term average. This approach results in an overall EBITDA margin of 31.5% in FY25.

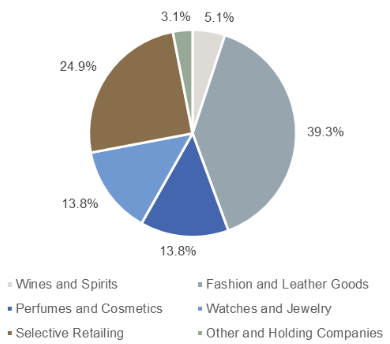


Graph 14: Group operating expenses FY25-FY32
Source: Financial model

The segment Wines and Spirits is expected to have an EBITDA margin of 29.9% in FY25 and of 32.9% from FY27 onwards, whereas the EBITDA margin of the Fashion and Leather Goods segment is 44.7% in FY25, which then stabilizes at around 45.7%. For the Perfumes and Cosmetics segment, the margin amounts to 14.5% in FY25 and to 14.7% after FY26. While the Watches and Jewelry segment shows an EBITDA margin of 25.9% in FY25 and 27.5% later on, the EBITDA margin of the Selective Retailing segment is 15.8% in FY25 and will stabilize at



Graph 15: EBITDA margins FY25-FY32
Source: Financial model



Graph 16: Cost split FY35
Source: Financial model

15.5%. These numbers confirm that the Fashion and Leather Goods segment maintain the highest margins, followed by Wines and Spirits and Watches and Jewelry, while Perfumes and Cosmetics remains the lowest-margin segment of LVMH.

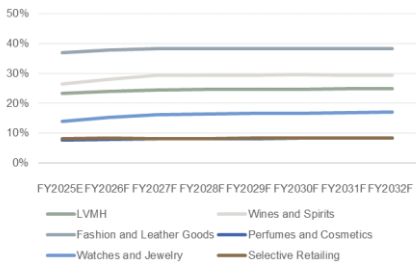
Comparing the revenue and cost share of the segments within LVMH in FY35, the Fashion and Leather Goods segment has a revenue share of 49.9% but only a cost share of 39.3%. By contrast, the Selective Retailing segment contributes 20.2% of revenue but 24.9% of costs, reflecting the higher operating expenses and lower EBITDA margin.

- ### Capex and D&A Forecast

Capital expenditures (capex) were forecasted as a percentage of segment revenues, using the average capex-to-revenue ratio over the past three financial years (FY22-FY24). It was calculated separately for acquisitions of property, plant and equipment (PPE) and acquisitions of intangible assets.

For PPE, the average capex-to-revenue ratio ranges from 3.0% to 6.8%, where Selective Retailing invests the lowest percentage of revenue and Watches and Jewelry the highest. For the intangible assets, the ratio lies between 0.5% and 1.1%. In total, capex amount to €6,007m in FY25. A considerable amount is allocated to Other and Holding Companies as this segment includes hospitality among other things, which is more asset intensive. The PPE of this division accounts for about a third of total PPE.

Depreciation, amortization and impairment (D&A) of right-of-use assets and of the intangible and tangible assets was projected using the average historical D&A in percentage of the respective asset base at the beginning of the financial year of the past three years. That was also calculated at the segment level. This approach ensures that depreciation grows in line with the development of each segment's assets and investment activity.



Graph 17: EBIT margins FY25-FY32
Source: Financial model

Incorporating D&A, the EBIT margin of LVMH is projected to reach 23.4% in FY25. Across the segments, the margins vary depending on the different nature of the businesses. The Fashion and Leather Goods segment again achieves the highest profitability with an EBIT margin of 37.1%, reflecting its strong pricing power. The EBIT margin of the Wines and Spirits segment is 26.4%, while Perfumes and Cosmetics (7.6%), Watches and Jewelry (13.9%) and Selective Retailing (8.1%) operate with lower profitability. The margins are expected to slightly improve over the years until FY35, supported by scale effects, efficiency gains and a normalization of costs.

Net Working Capital (NWC) Forecast

For the net working capital forecast, only inventories were disclosed at the segment level. To derive the other working capital items per segment, working capital assets and liabilities were first forecasted at the group level and then allocated to the segments according to their proportion of operating assets and other liabilities.

Inventories and work in progress were projected using the average inventory holding period in FY24 for each segment. Since LVMH does not disclose cost of sales per segment, operating expenses were used as a proxy.

Trade accounts receivable were forecasted using the average collection period, while trade accounts payable were based on the average payable period. Other current assets were assumed to also grow in line with revenue, as were current provisions and other liabilities since most items, such as deferred income and loyalty programs, are primarily driven by sales rather than cost of sales or operating expenses.

Other Financial Statements Items

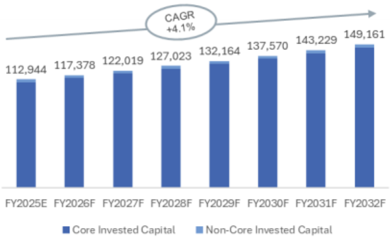
Goodwill was kept constant over the forecast period, as there are currently no indications of significant M&A activity or impairments. Right-of-use assets were projected to grow in line with revenue, and lease liabilities were assumed to grow in line with ROU assets. Income taxes were forecasted to grow with the tax expense, while other non-current liabilities were straight-lined as this position includes mainly tax uncertainties, which are expected to remain the same. Deferred tax assets and liabilities were kept constant as no major changes that would materially affect these items are expected over the forecast period.

The net debt-to-equity ratio is assumed to remain stable over the years, and the non-core items were held constant as they are volatile, irregular and non-essential to the operations of the company. This ensures that the valuation results are not distorted by exceptional items.

Income Statement

The core items of the income statement were forecasted at the segment level and then consolidated into the group income statement. The remaining items, such as non-core and financial results, were projected at the group level and then integrated into the consolidated income statement. The non-core result remains at €532m over the explicit forecasting period as its components are kept constant at the average of the last three financial years. The same applies to the total gains and losses recognized in equity. The interest costs and income were calculated using the corresponding asset or liability base times the interest rate, which leads to an expected financial result of -€1,081m in FY25. This results in a total comprehensive income of €13,716m in FY25 and a net income of €13,084m, which corresponds to a net margin of 15.4% in FY25 with a positive trend going forward.

- Balance Sheet

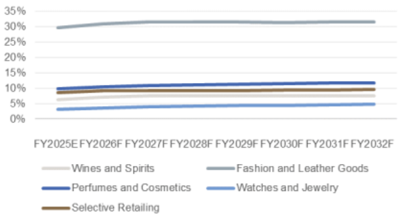


Graph 18: Invested Capital FY25-FY32
Source: Financial model

The items that were projected at the segment level were consolidated into the group balance sheet, and the rest was forecasted at the group level. The projected invested capital for FY25 is €112,944m, which represents an increase of 1.6% compared to the previous year. It consists of the core invested capital of €109,974m and the non-core invested capital of €2,970m, which remains relatively small and stable. By FY35 it is forecasted to reach €168,610m, implying a CAGR of 4.1% between FY25 and FY35.

Value creation

The core ROIC is projected to improve over the forecasting period, amounting to 13.2% in FY25 and starting to stabilize at around 15.6% by the end of the forecasting period. Including the positive non-core ROIC, the overall ROIC reaches 15.6% in FY35. The core operating margin increases from 16.7% in FY25 to 18.0% in FY35 and the core asset turnover from 79.1% to 86.7%. These ratios reflect efficiency improvements and better capital utilization.



Graph 19: Core ROIC FY25-FY32 per segment
Source: Financial model

At the segment level, the Wines and Spirits segment's core ROIC is expected to reach 6.2% in FY25, stabilizing at around 7.4%, whereas Fashion and Leather Goods is projected to achieve a core ROIC of 29.7% in FY25 and around 31.4% by the end of the forecasting period, driving LVMH's overall value creation. Moreover, the core ROIC of the Perfumes and Cosmetics segment is expected to be 9.8% in FY25 and about 12.0% at the end of the period, of Watches and Jewelry 3.2% and 5.1% and of Selective Retailing 8.5% and 9.6%.

New investments are expected to remain value-creating with RONIC averaging around 18.5% in the second half of the forecasting period, which is above the WACC levels. This indicates that LVMH will continue to create long-term shareholder value.

Furthermore, the continuous increase in return on equity (ROE) highlights LVMH's ability to generate higher returns for its shareholders through profitable growth and efficient capital use. The ROE excluding OCI is expected to stand at 19.4% in FY25 and at 23.0% in FY35, whereas the corresponding numbers for ROE including OCI amount to 20.3% and 23.7%, respectively.

Free Cash Flow to the Firm (FCFF)

After forecasting the key variables for each segment, the Free Cash Flow to the Firm (FCFF) was calculated individually for each segment from FY25 to FY35. The starting point was the EBIT of the segment, from which the tax expense was deducted using the effective tax rate. D&A was then added back, while Capex and the change in Net Working Capital were subtracted to arrive at the FCFF.

Weighted Average Cost of Capital (WACC)

WACC	
D/E	13.0%
rf-rate	2.8%
ERP	6.0%
Beta	
Wines and Spirits	0.4
Fashion and Leather Goods	1.2
Perfumes and Cosmetics	1.0
Watches and Jewelry	1.2
Selective Retailing	1.1
Cost of Equity	
Wines and Spirits	5.4%
Fashion and Leather Goods	10.0%
Perfumes and Cosmetics	8.6%
Watches and Jewelry	9.9%
Selective Retailing	9.3%
Cost of Debt	3.1%
tax rate	25.8%
WACC	
Wines and Spirits	5.1%
Fashion and Leather Goods	9.1%
Perfumes and Cosmetics	7.9%
Watches and Jewelry	9.0%
Selective Retailing	8.5%

Table 3: WACC calculation
Source: Financial model (Inputs: LSEG, Damodaran, Kroll, LVMH financial documents)

The weighted average cost of capital (WACC) was determined separately for each segment to account for differences in systematic risk (betas). However, since debt and equity are not available per segment, the same capital structure was applied across all segments, and it was assumed to remain constant over time. The equity value was derived by multiplying the number of outstanding shares by the latest closing price of LVMH as of December 7th, 2025, and for the net debt, the latest available book value of the half-year results FY25 was used as a proxy for the market value.

The capital asset pricing model (CAPM) was used to calculate the cost of equity. As the risk-free rate, the current yield on the German 10-year bond was used, which is consistent with common industry practice for the valuation of European companies. The betas were estimated as the average of the peer group betas for each segment and the industry betas published by Damodaran (2025a). This leads to a beta of 0.4 for Wines and Spirits, 1.2 for Fashion and Leather Goods, 1.0 for Perfumes and Cosmetics, 1.2 for Watches and Jewelry and 1.1 for Selective Retailing. As the SOTP approach is used in this valuation, it is possible to account for these different systematic risk values. In addition, an equity risk premium (ERP) of 6.0% was applied. When combining Damodaran's ERP of December 2025 (Damodaran, 2025d) with the country risk premium for France from January 2025 (Damodaran, 2025b), a value of 6.6% is obtained. However, since Kroll (2025) recommends a eurozone equity risk premium of 5.5% to 6.0%, the upper end was chosen to take both sources into account.

The cost of debt was estimated as the average of two approaches. First, the ratio of interest expense to total debt and second, the implied cost of debt derived from Damodaran's interest coverage ratio method (Damodaran, 2025e). The applied tax rate of 25.8% is the statutory tax rate extracted from LVMH's annual report.

After applying the WACC formula, a WACC of 5.1% was derived for Wines and Spirits, 9.1% for Fashion and Leather Goods, 7.9% for Perfumes and Cosmetics, 9.0% for Watches and Jewelry, and 8.5% for Selective Retailing. These values were used to discount the free cash flows of each segment in the discounted cash flow valuation.

Perpetuity Growth Rate (g)

Perpetuity Growth Rate	
Wines and Spirits	3.2%
Fashion and Leather Goods	3.1%
Perfumes and Cosmetics	3.2%
Watches and Jewelry	3.2%
Selective Retailing	3.3%

Table 4: Perpetuity growth rates per segment
Source: Financial model (Inputs: OECD, LVMH financial documents)

The perpetuity growth rate for the calculation of the terminal value was estimated separately for each segment taking into consideration their different region splits. At first, the real GDP values from 2035 to 2100 were retrieved from OECD (2025). Based on these data, a real GDP growth rate per region was obtained, which was 1.3% for France, 1.0% for Europe (excl. France), 1.3% for the United States, 1.0% for Japan, 1.0% for Asia (excl. Japan) and 1.6% for Other markets. These were then weighted according to the revenue weights of each segment resulting in an average long-term real GDP growth rate of 1.2% for Wines and Spirits, 1.1% for Fashion and Leather Goods, 1.1% for Perfumes and Cosmetics as well as for Watches and Jewelry, and 1.2% for Selective Retailing. To derive the nominal long-term growth rate, a long-term inflation target of 2.0% was applied. This results in a perpetuity growth rate of 3.2% for Wines and Spirits, 3.1% for Fashion and Leather Goods, 3.2% for Perfumes and Cosmetics and for Watches and Jewelry, and 3.3% for Selective Retailing. This approach takes the geographic exposure of LVMH's segments into account.

Discounted Cash Flow (DCF) Method

Having gathered all the information from the previous sections, each business segment's FCFF from FY27 to FY35 was discounted individually using its corresponding WACC. Furthermore, the terminal value was calculated using the FCFF of FY35 and the WACC as well as the perpetuity growth rate of the segment. Afterwards, the individual segment enterprise values were summed to arrive at the total enterprise value of the group.

Fashion and Leather Goods	FY2027F	FY2028F	FY2029F	FY2030F	FY2031F	FY2032F	FY2033F	FY2034F	FY2035F
EBIT	17,558	18,510	19,441	20,439	21,509	22,634	23,821	25,071	26,389
- Tax	(4,999)	(5,270)	(5,534)	(5,818)	(6,123)	(6,444)	(6,781)	(7,137)	(7,512)
+ D&A	3,409	3,593	3,784	3,978	4,184	4,402	4,632	4,874	5,129
- Capex	(2,706)	(2,853)	(2,998)	(3,152)	(3,316)	(3,490)	(3,673)	(3,865)	(4,068)
- Change in NWC	(371)	(502)	(497)	(526)	(552)	(580)	(601)	(632)	(665)
FCF	**12,891**	**13,478**	**14,196**	**14,921**	**15,701**	**16,522**	**17,397**	**18,310**	**19,272**
Discounted FCF	12,268	12,206	12,234	12,237	12,254	12,271	12,296	12,315	12,335
Terminal Value									152,158
WACC	9.1%								
g	3.1%								
Enterprise Value	**262,572**								

Table 5: Fashion and Leather Goods DCF
Source: Financial model

In addition, the Other and Holding Companies segment, which only accounts for about 2.6% of the revenue in FY26 and operates at a loss, was valued based on its book value as of December 31st, 2026, calculated as the difference between allocated segment assets and allocated segment liabilities. The amount was added to the enterprise value.

Finally, the book value as of December 31st, 2026, of non-core invested capital was added, and net debt (already including non-controlling interests) was deducted to derive the equity value of LVMH. The book values were used as proxies for the market values. Dividing the equity value by the total number of shares outstanding results in an implied share price of €711.92, corresponding to an upside potential of 13.3%.

Enterprise Value to Share Price	
Enterprise Value	**377,440**
Share projection period	38.93%
Share terminal value	61.07%
Book Value Non-Core Invested Capital	2,970
Book Value Other and Holding Companies	16,101
Net Debt	(43,343)
Equity Value	**353,168**
Total Shares outstanding	496.08
Price per Share	**711.92**
Current Share Price	628.10
Gain	**13.3%**

Table 6: Enterprise value to share price
Source: Financial model, LSEG

Sensitivity Analysis

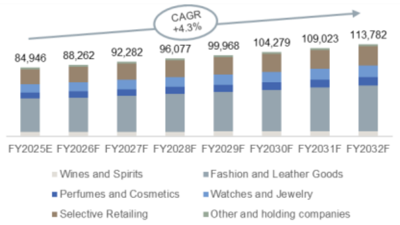
Since the DCF valuation depends on multiple assumptions that involve uncertainty, a sensitivity analysis was performed to check how changes in key variables affect the implied share price. It was decided to investigate the changes in share price in case of varying perpetuity growth rate or WACC of the Fashion and Leather Goods segment. Both variables have a major impact, especially as they are used for the terminal value calculation, which makes up a huge part of the enterprise value. Furthermore, the Fashion and Leather Goods segment was selected because it is the largest contributor to both LVMH's revenue and enterprise value. The results show that even moderate changes in the WACC and the perpetuity growth rate can lead to significant changes in the target share price.

711.92	7.6%	8.1%	8.6%	9.1%	9.6%	10.1%	10.6%
1.6%	748	708	675	647	622	601	583
2.1%	781	735	697	665	638	615	595
2.6%	821	767	723	687	656	630	607
3.1%	869	805	754	712	677	647	622
3.6%	930	852	791	742	701	667	639
4.1%	1,009	911	836	777	730	690	658
4.6%	1,114	987	893	821	764	718	680

Table 7: Sensitivity analysis Fashion and Leather Goods segment
Source: Financial model

Scenario Analysis

Additionally, a pessimistic scenario analysis was conducted to assess the potential effect of a slowdown in the Chinese luxury market, including increased competition from local brands, on LVMH's share price. After the post-COVID boom, the Chinese luxury market has experienced broader economic turbulence and a weak real estate market. This has weakened consumer confidence, and Chinese consumers now tend to save more and spend less (McKinsey, 2025b). Moreover, they buy more domestic luxury brands than in the past years such as Duanmu Liangjin, which take parts of LVMH's market share (Statista, 2024a).



Graph 20: Group revenue FY25-FY32 (pessimistic)
Source: Financial model

Enterprise Value to Share Price	
Enterprise Value	**354,293**
Share projection period	38.93%
Share terminal value	61.07%
Book Value Non-Core Invested Capital	2,970
Book Value Other and Holding Companies	16,099
Net Debt	(43,299)
Equity Value	**330,063**
Total Shares outstanding	496.08
Price per Share	**665.34**
Current Share Price	628.10
Gain	**5.9%**

Table 8: Enterprise value to share price (pessimistic)
Source: Financial model

For LVMH, the scenario mainly affects the Asia (excl. Japan) region, which represented about 28.0% of the total revenue in FY24. Decreasing the market size and the market share in this region for the segments Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry and Selective Retailing leads to a decline in expected revenue in FY25 by 0.3%, while the CAGR from FY25 to FY35 decreased from 4.9% to 4.3%. Moreover, the total EBITDA margin shrinks by about 0.2% in FY25. These changes in revenue and costs also flow through to other financial statement items as they are linked.

Overall, under this scenario, the implied share price is €665.34 as of December 31, 2026, which represents a 5.9% gain compared to the share price on December 7th, 2025. As a result, the recommendation would switch to HOLD, even when including the dividend yield of 2.1%. However, as the upside is still positive and the scenario is less likely than the baseline, the overall recommendation remains BUY.

Relative Valuation

To complement the DCF analysis, a relative valuation was performed using a peer group of comparable companies for each segment. The companies were selected by assessing different criteria such as operating margins, revenue CAGR of the past three years, and geography to best ensure that the final peers are a suitable match for each LVMH segment (see Appendix).

The valuation was based on the enterprise value (EV) multiples EV/EBITDA, EV/EBIT and EV/Revenue, where the peer actuals and estimates were retrieved from LSEG on December 7th, 2025. The enterprise value was calculated for each segment using the corresponding multiples and then they were summed up. In addition, the Other and Holding companies' segment was considered using its last available book value (half-year results FY25) and multiplying it with the industry price-to-book-value (PTV) from Damodaran (2025c). The industries Hotel/Gaming and Publishing & Newsletters were used as the other activities mainly consist of luxury hotels and luxury publishing companies among other things.

	EV/Revenue			EV/EBITDA			EV/EBIT		
	TTM	FY1	FY2	TTM	FY1	FY2	TTM	FY1	FY2
Implied Share Price									
High	1,904.81	1,941.97	1,858.28	2,143.85	2,297.37	2,296.36	2,661.25	2,851.08	2,861.44
75th Percentile	1,127.31	1,148.87	1,124.20	1,107.55	1,225.63	1,205.97	1,105.95	1,211.54	1,192.02
Average	**836.54**	**858.43**	**838.72**	**988.13**	**1,080.54**	**1,070.14**	**1,167.36**	**1,273.21**	**1,243.94**
Median	**550.90**	**569.89**	**563.90**	**720.96**	**776.54**	**767.81**	**1,011.67**	**1,100.07**	**1,002.60**
25th Percentile	405.63	431.24	435.38	599.66	680.14	667.04	718.62	795.76	752.30
Low	313.18	319.70	321.36	531.20	597.45	596.50	567.55	650.58	664.30

Table 9: Implied share price results multiples
Source: Financial model

The resulting enterprise value of the median forward-looking EV/EBITDA implies a share price of €776.54, whereas the actual current share price was €628.10 (retrieved from LSEG on December 7th, 2025). This indicates that LVMH is currently undervalued. It was decided to use EV/EBITDA as LVMH is profitable with stable margins, and EBITDA eliminates differences in D&A across peers. Moreover, forward-looking multiples better align with the principles of valuation as they focus on the future performance and expectations rather than historical results. The median was used as it reduces the impact of outliers.

Final recommendation

Combining the qualitative and quantitative analysis of LVMH provides a consistent picture of LVMH's long-term value creation potential. Both the DCF and the relative valuation indicate an upside potential for LVMH's shares. The company is expected to continue to grow and to be able to thrive in the future, creating value for its shareholders. This is further supported by the high core ROIC strengthened by the improved operating margins and asset turnover.

With an expected capital gain of 13.3% from December 7th, 2025, to December 31st, 2026, the analysis results in a BUY recommendation for LVMH shares. Furthermore, LVMH distributes dividends twice a year, once in early December and once in late April. Assuming LVMH maintains its payout policy, this would correspond to an interim dividend of €5.50 and a final dividend of €7.50, totaling a dividend of €13.00 per share. This represents a dividend yield of 2.1% and implies a total expected return of 15.4%.

Expected dividends per share	13.00
Dividend yield	**2.1%**
Capital gain (DCF)	**13.3%**
Total expected return	**15.4%**

Table 10: Total expected return
Source: Financial model

In addition, the recommendation is supported by the relative valuation, which suggests an undervaluation of LVMH at current market levels. In conclusion, LVMH combines resilience with growth potential, and it is well-positioned to deliver long-term shareholder value.