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LVMH – TIF ACQUISITION CASE STUDY

A Hesitated Deal

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Abstract

The purpose of this report is to study the acquisition of Tiffany and Co., by LVMH Moët Hennessy Louis Vuitton, in January 2021. It is divided in two parts: the Case Study and Teaching Note. The case starts with an overview of the luxury market and current trends, followed by a description of both companies. After, the deal, drivers, synergies, and risks are explored. On the teaching note, questions regarding financing, risks, motivations, and deal price fairness are presented, and conclusions are drawn. In the end there is an epilogue with what succeed in the years after the acquisition.

Keywords

Luxury Industry; LVMH Moët Hennessy Louis Vuitton; Mergers and Acquisitions; Strategy; Tiffany & Co.; Valuation; Watches & Jewellery.

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Tiffany – A Hesitated Deal

LVMH Moët Hennessy Louis Vuitton (LVMH), a French conglomerate, has been one of the biggest luxury empires since its inception. On the 7th of January 2021, it completed the acquisition of Tiffany & Co (TIF), a luxury jewellery company, for almost 15.8 billion dollars (13.3 billion euros). Up to January 2021, this was the largest M&A deal in the luxury sector. This deal would increase the number of *Maisons* under LVMH's control to 75, and ramp up its smallest segment, Watches & Jewellery. Both parties reached an agreement on the 29th of October 2020, and LVMH was set to buy 100% of Tiffany's shares with cash (agreed share price \$131.5). In October 2019, LVMH had already tried to acquire Tiffany (for \$135 per share), with the same goal of becoming a main player in the Watches and Jewellery segment, and compete with its biggest rival, Richemont. Back then, the market already felt positive about the acquisition, as LVMH's price went up after the announcement. However, in September 2020, due to the uncertainty caused by the pandemic, LVMH tried to exit the deal. This led to a litigation battle between the parties, which was later settled, and new deal terms were agreed on. Several questions remain unanswered. LVMH is already the biggest luxury conglomerate, so what were its motivations and which risks did it encounter? How did the litigation battle impact the deal terms? What made TIF so attractive and how could LVMH take advantage of TIF? Was the pricing fair, or is Tiffany under/overvalued?

The Luxury Market

Luxury goods are characterized for being scarce and expensive. High-end luxury goods are considered Veblen goods, which means that as the price of the goods increases, its demand also increases, since people perceive higher prices consistent with higher value. Also, due to the nature of the clients (wealthy individuals), the demand for these goods is not much affected by economic downturns, comparing to other industries.

Globally, the luxury market (experiences and goods) was estimated, by Bain & Company (Bain), to be worth 1.3 trillion euros, in 2019, and 1 trillion euros, in 2020. By the end of 2020, the Top 100 luxury goods companies had combined sales of 252 billion dollars (vs. 281 billion dollars in 2019), according to Deloitte. This decrease in sales was a result of the Covid-19 pandemic and all the subsequent effects (supply chain issues, stay-at-home restrictions, etc.).

According to McKinsey's report "The State of Fashion – Watches and Jewellery", in 2019, luxury fine jewellery (branded and unbranded) was worth 280 billion dollars (**Exhibit 1**). The fine jewellery market is expected to grow from 2019 to 2025 with CAGR 8-12% (**Exhibit 2**). Indeed, the branded jewellery market share is expected to go from less than 20% to 25-30% (**Exhibit 3**), in 2025, as a result of investments in the digital and direct-to-consumer channels.

Although the biggest players in the luxury industry are conglomerates, this market is highly fragmented, especially in the Watches and Jewellery segment, as there is a high need of capital upfront to enter (precious metals are expensive). The main groups in the luxury market are LVMH, Kering, Prada Group, Hermès International, Compagnie Financière Richemont SA, The Swatch Group AG, and Signet Jewelers Limited. In the Watches and Jewellery segment Richemont is the biggest player. **Exhibit 4** shows LVMH and Tiffany peers' description.

The Pandemic

The Covid-19 pandemic imposed several constraints in all areas of the economy. Governments faced both a financial and health crisis, budgets were under stress, businesses went bankrupt, people were laid off, and the regular consumer became more aware of expenditures. As expected, sales slumped in all industries. According to McKinsey, the fine jewellery sector suffered revenue declines of 10-15%, as the segment is strongly dependent on tourists, especially in-store purchases (**Exhibit 5**). The main reason for these losses was stated to be the slow digitalization of the sector, uncovered by the closure of stores due to restrictions.

The stock market closely followed the pandemic, and had its peak on the 14th of February 2020, before the first outbreak of Covid-19. Between that peak, and the low point on the 20th of March 2020, the S&P 500 fell 31.8%, the EURO STOXX fell around 33%. LVMH's stock price in that period saw a decline of 25%, and Tiffany's of 6% (**Exhibit 6**).

Moving from in-store purchases to Online Channels

Amid the pandemic, brands had to adapt, so several fashion-weeks around the world were broadcasted online, and companies initiated different programmes using AR¹ to showcase their products. Also, the rise of NFTs² presented an opportunity for these brands to authenticate products, and to get in the gaming business (which had been on the rise, and especially profitable during stay-at-home restrictions), by making available digital pieces to be worn by avatars. In fact, online channels are expected to grow at a CAGR³ of 9-12% (vs. in-store CAGR of 2-3%), until 2025 (**Exhibit 7**).

A different client /customer

The trends seen in this sector, such as the rise in the importance of sustainability, the shift to online channels, and the proliferation of luxury-resale, seem to be in line with the new profile of clients, the Gen-Alpha (born after 2010). Simplifying, the “new” client in the luxury sector is young and sustainable.

It is expected that 20-30% of fine-jewellery purchases, by 2025, will be influenced by the ethical standards of suppliers' practices, and environmental impact of activities (**Exhibit 3**). This will mean that firms need to increase transparency and improve manufacturing techniques/processes. Even countries have adhered to such practices and, to name a few,

¹ Augmented Reality

² Non-Financial Tokens

³ Compounded Annual Growth Rate

making it mandatory for fashion-models to show a doctor's certificate confirming good health, also banning furs, and disclosing human rights practices in the supply chain.

Another change coming in are lab-made diamonds. Gen-Z is highly worried with the well-being of workers, and companies' practices. The luxury jewellery sector has sometimes been under threat, due to the use of conflict diamonds⁴, and man-made diamonds remove the sourcing problem. It is important to note that even with the possible proliferation of man-made diamonds, real diamonds will always be a sign of prestige and status.

Furthermore, the Asian market will become one of the main clients for luxury. It was estimated that, in 2018, more than half of Chinese expenditures in luxury goods were outside mainland China, not only because shopping has become part of the travel experience, but also, due to lower prices in Europe. Due to Covid restrictions, there will be a shift from global traveller to local shopper. Plus, as the number of households with income above \$70,000 in Asia is expected to grow, and the pace of growth for this region is also higher (**Exhibit 2**), between 2019-2025, brands should take advantage of the untapped Asian market.

M&A in the sector

In the luxury sector, M&A is frequent. In 2019, according to Deloitte, 271 deals were closed, but personal luxury goods decreased in comparison to 2018 (218 deals) with Watches and Jewellery decreasing by 17. In 2020, there were 277 M&A completed deals (Watches and Jewellery increased by 1). The tendency in this sector, when M&A occurs, is for rivals to react with more acquisitions. In fact, the luxury market although fragmented, is slowly becoming an oligopoly, established through M&A deals, with LVMH, Kering and Richemont being some of the biggest conglomerates.

⁴ "Conflict diamonds, also known as 'blood' diamonds, are rough diamonds used by rebel movements or their allies to finance armed conflicts aimed at undermining legitimate governments." (Kimberly Process 2023)

LVMH – Description

LVMH Moët Hennessy Louis Vuitton is a French luxury conglomerate, founded in 1987, as a result of the merger between Moët Hennessy and Louis Vuitton. Moët & Chandon is one of the largest champagne producers in the world, and was founded in 1743, by Claude Moët. In 1971, it merged with Jas Hennessy & Co (or simply Hennessy), a French producer of cognac, founded in 1765, creating Moët Hennessy. In 1987, it merged with Louis Vuitton, establishing LVMH Moët Hennessy Louis Vuitton. Louis Vuitton was founded in 1854, in France, originally selling trunks, but quickly developed into a fashion house with bags, clothing, shoes, perfumes, jewellery and other accessories. The Moët Hennessy - Louis Vuitton merger was a 4 billion dollar deal, and LVMH's shares have been trading since its establishment on Euronext Paris. The company is included in the DJ-EuroStoxx 50, MSCI Europe, FTSE Eurotop 100, and CAC 40 indexes. As of 1st of January 2021, LVMH had a market capitalization of 313.500 billion dollars, ranking 19th in the biggest companies in the world by market cap.

LVMH operates worldwide in over 70 countries, and by the end of 2020 it had almost 170.000 employees and 5000 stores worldwide. With the acquisition of Tiffany, LVMH is now comprised of 75 houses (**Exhibit 8**), divided in different sectors: 26 in wines and spirits, 14 in fashion and leather goods, 14 in perfumes and cosmetics (3 belong to brands from fashion and leather goods), 8 in watches and jewellery, 6 in selective retailing, and 10 in other activities. Its biggest brands include Louis Vuitton, Hennessy, Dom Pérignon, Tag Heuer, and Sephora.

Board & Management

The conglomerate is a family-run business, owned by Bernard Arnault, a French businessman, who entered the luxury market in 1978, after several other ventures. He was involved in the Moët Hennessy – Louis Vuitton merger, and the then Louis Vuitton chairman (Henry Racamier), invited him to invest in the new LVMH's stock. Arnault was supposed to be an

advisor, but he had different visions than other directors. Arnault's goal was to represent the best luxury companies in the world, so he bought stock until he became the majority shareholder. He has been Chairman and CEO of the group since 1989. As of November 2020, Arnault family group owned 47.5% of the group. **Exhibit 9** shows the Board of Directors and ownership structure of LVMH in 2020.

Financial Performance

In 2019, LVMH had revenues of 53.67 billion euros, and in 2020 it had 44.65 billion euros in revenues (decrease of 17%). This decline was due to a fall in all segments of the business, with Selective Retailing having the biggest drop (-31%), mainly caused by the pandemic. Fashion and Leather Goods have consistently been the biggest segment, and Watches & Jewellery the smallest. LVMH's main distribution channels are boutiques and renowned retail centres. **Exhibit 10, 11, 12** provide the financial information for LVMH between 2017 and 2020.

M&A Strategy

Throughout the years, LVMH has been following a programmatic M&A strategy with a federation model. LVMH is, therefore, a decentralized/umbrella organization, which means each brand/house is autonomous, and there is a higher identity which all the comprised brands can relate to and thrive within. This allows for top managers to focus on the "bigger picture" and long-term strategy of the group, while middle and low-level managers also have decision making power, preventing competition between brands in the same segments. LVMH prioritises vertical integration across the value chain, both upstream (raw material extraction) and downstream (retailing), which helps in keeping the luxury/excellence of products. Furthermore, Arnault focuses on acquiring companies that are global, have volume, heritage and craftsmanship, typical characteristics of high-end luxury companies, which helps in the creation of synergies.

One of the most debated deals is the failed Gucci takeover. Between 1999 and 2001, LVMH tried to acquire Gucci, however, the deal did not go through as Gucci's CEO decided to sell stakes to PPR (today Kering), instead of LVMH. Among some of the companies LVMH has successfully acquired are Bulgari in 2011, Christian Dior in 2017, and Tiffany in 2021. This is what has enabled them to attain such a prestigious status and size.

Another key feature of LVMH's strategy is also knowing when to divest. In 2001, it acquired Donna Karan International, which focused on women's apparel, for 643 million dollars. LVMH ended up selling it to G-III Apparel group, in 2016, for 650 million dollars, as sales were not increasing as expected.

Ethical Practices

Regarding ethical practices, LVMH has been making constant adjustments to its business. Starting in 1992, after the Rio de Janeiro Earth Summit, LVMH created the Environment Department, and, in 1998, Hennessy became the first spirits producer to obtain the ISO 14001⁵ environmental certificate. In 2003, it joined the United Nations Global Compact, and, in 2005, LVMH's Watches & Jewellery division becomes a member of the Responsible Jewellery Council⁶. In 2018, it paired with Kering to support the well-being of fashion models, as labour conditions and standards haven't been the safest. More recently, in 2019, LVMH entered a partnership with UNESCO, to support the "Man and the Biosphere" programme.

Tiffany Description

Tiffany and Co. was founded in 1837, by Charles Lewis Tiffany, in New York City, and has grown to be an iconic luxury jewellery brand, operating worldwide. It had its IPO in May 1987, and was traded on the New York Stock Exchange. It was delisted, when acquired by LVMH,

⁵ "maps out a framework that a company or organization can follow to set up an effective environmental management system" (ISO 2023)

⁶ authority in the sector that aims to create a sustainable supply chain

in January 2021. The company designs, manufactures and sells jewellery, watches, fragrances, and others. By January 2020, Tiffany managed over 300 stores worldwide, had 14,000 employees, and revenues of 4.4 billion dollars.

Tiffany is a heritage brand, and its reputation precedes it. Its diverse product portfolio caters to different consumers: mass customers through the cheaper metals, and high-net-worth individuals through the more expensive gems. And, although the majority of clients are price insensitive, and buy Tiffany's products for sentimental value, the company had been struggling to attract young consumers due to being associated with "old money".

The way Tiffany has showcased its exclusivity, is through advertising. In 1961, Tiffany was featured in the movie "Breakfast at Tiffany's", starring the actress Audrey Hepburn. In 1967, Tiffany was appointed to produce the NFL Super Bowl Trophy, and, in 1978, the NBA Championship Trophy. In 1998, Tiffany trademarked their colour Tiffany Blue, also known as "1837 Blue", which has become part of the identity of the brand. Also, after the hiring of a new Chief Artistic Officer, Reed Krakoff, in 2017, new advertising campaigns in partnership with celebrities, i.e., Lady Gaga, a worldwide famous pop singer, Kendall Jenner, an international top model, and A\$AP Ferg, an American rapper, seemed to be well-taken by the public.

Board & Management

In 2017, CEO Frédéric Cuménil was dismissed, following weak sales results since its arriving at the company in 2015. After the layoff of Frédéric Cuménil, Alessandro Bogliolo was announced CEO, in hopes to turn around sales and capture a younger audience, which was successfully attained. It is important to note that both Cuménil and Bogliolo are European, which shows that TIF has had the intention of better attracting the European market and adopt European values. The board is composed of 50/50 men and women, with the oldest member being a director since 1984. **Exhibit 13** shows the board composition of TIF in 2020.

Reputational Crisis

Tiffany, despite its status, has suffered with mismanagement and litigation battles, which have hindered, even if momentarily, its prestige. In 2007, Tiffany entered a deal with Swatch, the world's largest watchmaker, to develop a collection of watches. However, both brands were not on the same page when it came to the design and ended up going to court, with Tiffany paying Swatch 449 million dollars, in 2013. Also, in July 2013, Ingrid Lederhaas-Okun, vice president at the time, was arrested for stealing more than 1.3 million dollars of jewellery. That same year, TIF filled a lawsuit against Costco (American wholesale retailer), for counterfeiting and trademark infringement, as it was selling diamond engagement rings with a "Tiffany" tag. The lawsuit was settled in 2021, with Costco paying 21 million dollars to TIF.

Financial Performance

Besides the above-mentioned problems, financial performance has also been inconsistent over the years. Since 2013, sales growth has been down to one-digit. In 2016, sales went down by 3.4%, as products became more expensive for foreign buyers, whose Tiffany mostly profits from, due to the rising of the dollar. In 2017, revenues decreased by 2.5%, which was justified by the modern/new customer preferences for discount retailers, and technology. Back in 2018, prior to the pandemic, the public was already mentioning the importance of digital channels. Besides, one must cater for the audience, and TIF has been unsuccessful in recreating the in-store experience online, compared to peers. In 2020, during Covid, sales went down by 0.4%, as stores closed, prior to 2018-2019 growth of 6.5%. **Exhibits 14** and **15** show the financial statements of TIF between 2017 and 2020.

Ethical Practices

Nevertheless, when it comes to ethical practices in the jewellery sector, Tiffany has been in the forefront. Although the company does not own nor operate mines, it depends on them (its main

supplier is De Beers), and believes responsible mining is of utmost importance, hence sustainability and transparency are crucial. For over 15 years it has been implementing strategies to ensure protection of human rights, on the mines it sources from, and the environment. In fact, Tiffany only buys diamonds directly from mines, or countries that are participants in the Kimberly Process⁷.

Also, in 2005, TIF was the first jewellery company to support the Earthworks' No Dirty Gold Campaign, which aims to improve human-rights in mine extraction/production sites. In 2006, Tiffany was a founding member of the Initiative for Responsible Mining Assurance (IRMA), a third-party certification on the sustainability of mine sites. In 2019, the firm launched the Diamond Source Initiative and became the first jewellery company to disclose the location it sources their diamonds from. In 2020, TIF launched the Diamond Craft Journey, a pioneering programme that outlines where in the world diamonds are crafted (cutting, polishing, grading, setting). That same year, TIF was able to trace 100% of the raw precious metals purchased.

The Deal

LVMH's acquisition of Tiffany has been a long process, starting in October 2019 and finishing in January 2021. The French conglomerate first submitted an unsolicited offer to acquire Tiffany & Co on Monday, the 28th of October 2019, for \$120 per share (vs. TIF previous Friday 25th October trading price: \$98.55), corresponding to 14.57 billion dollars. However, the bid was considered too low by Tiffany's board members, and LVMH was allowed access to confidential financial books. TIF's negotiation strategy to get a better price worked, and on Sunday, the 24th of November 2019, LVMH reached an agreement to acquire the company for \$135 per share (37% premium compared to 25th October 2019), that corresponded to an Equity Value of 16.44 billion dollars, and an EV/EBITDA of 16.6x. This transaction would be the

⁷ union that aims to reduce the flow of conflict diamonds

largest in history in the luxury sector. The Monday morning after the deal announcement, LVMH shares were trading 2% higher, which cemented shareholders' approval.

However, on Wednesday, the 9th of September 2020, LVMH called off the deal, which then led to a litigation battle. The decision to drop the deal was justified by mismanagement during the pandemic, as TIF was paying millions in dividends to shareholders despite financial losses, and recommendations from the French Government to postpone the deal (as France wrangled with the United States over trade tariffs). Tiffany countersued, on the grounds that it was not on infringements on any contract by paying dividends, mentioning their cash balances were strong, and that LVMH was breaching obligations in the merger. Furthermore, there were accusations that LVMH had not filed for antitrust approval in the European Union, to which LVMH justified with delays from the European Commission itself.

On the 27th of October 2020, the companies started negotiating new deal terms and, on the 28th, agreed on an all-cash deal of \$131.5 per share, valuing TIF's equity at 15.87 billion dollars. It corresponded to a 33.5% premium to the 25th of October 2019 TIF price, and 7% premium to the closing price on 26th of October 2020, the day prior media finding out about a possible renegotiation. Regarding deal terms, everything remained unchanged, except for the price; the settlement of the litigation; and the agreement on TIF's scheduled payment of the quarterly dividend of \$0.58 per share, to be declared in November 2020. This deal re-negotiation was prompted by strong desires from both parties to achieve closing. It is to note that, contrary to common practice, no break-up fee was defined when the deal was made, and LVMH did not ever seem to want to back-off from the deal, but to instead reduce the price it would pay for Tiffany. Still, being such a modest 2.7% reduction, due to Tiffany's losses and store closures, as well as dividend payments amid the Covid-19 pandemic, it shows that TIF was in a strong negotiating position.

The deal was completed on the 7th of January 2021, with LVMH effectively paying 16.008 billion dollars (or 13.2 billion euros⁸), for a 16.064 billion dollars valuation of TIF's Equity at that date, and 16.499 billion dollars for Enterprise Value. Tiffany was delisted from the New York Stock Exchange, after deal completion. **Exhibit 16** shows Tiffany and LVMH's share price during the deal process.

Deal Specifics

As mentioned, LVMH acquired 100% of Tiffany's operations. The price paid per share was \$131.5, which translated in a total of 16.008 billion dollars paid 100% in cash. To fund the transaction, LVMH issued 6 bonds denominated in euros, totalling 9 billion euros, and other 2 denominated in British sterling, corresponding to 1.55 billion pounds sterling. When the British sterling-denominated bonds were issued, swaps were used to convert them in euro-denominated borrowings. These 8 bonds totalled 10.7 billion euros, and the remaining 2.5 billion euros were paid with cash already available (**Exhibit 17**). LVMH's credit rating of A1 (Moody's) and A+ (S&P), were not much affected by the issuance of the bonds, only changing status from stable to negative. However, the status was quickly changed back to positive with Moody's vice president affirming: "Although the acquisition of Tiffany will increase LVMH's debt, we have maintained its stable outlook because we think its credit ratios will subsequently recover thanks to earnings growth and robust cash flow generation" (Moody's 2020).

For a smooth transition of the ownership of the company, Alessandro Bogliolo, Tiffany's CEO, remained in its position until the end of January, and Anthony Ledru, previously Executive Vice President at Louis Vuitton and formerly Senior Vice President of North America at Tiffany, after replaced him. However, Reed Krakoff, Chief Artistic Director, and Daniella Vitale, Executive Vice President and Chief Brand Officer, departed after transition of

⁸ exchange rate of 1 USD = 0.8211 EUR on January 7, 2021

responsibilities. Plus, Alexandre Arnault, previously CEO of RIMOWA, became Executive Vice President for Product and Communications at Tiffany, while Michael Burke, Chairman and CEO of Louis Vuitton, was appointed as Chairman of Tiffany Board of Directors (LVMH 2021).

Drivers, Synergies and Risks

As mentioned previously, Arnault focuses on acquiring companies with heritage, with an integrated value chain, and worldwide exposure. These are all characteristics of Tiffany & Co. and were mentioned to be the main drivers for the deal.

Both LVMH and TIF could have something to gain from the acquisition. On one hand, LVMH, by adding geographical (USA) and product diversification, would be in the forefront of the luxury Watches and Jewellery segment, doubling market share in its smallest segment. Back in 2019, when the deal was first announced, LVMH was expecting the Watches & Jewellery segment to increase from 8% to 16% of its total revenues. Plus, as the deal was financed with cash, LVMH's shareholders would not see ownership dilution, but instead would have their value increase, due to the added Tiffany's earnings to LVMH's books. On the other hand, Tiffany could access new designers and expand outside wedding rings and necklaces to Watches and other Accessories (strong categories for rivals such as Hermes and Richemont). Also, despite various advertisement campaigns, TIF was still struggling with young consumers and not taking advantage of the growing Asian market. However, LVMH had already captured Chinese consumers, and TIF could make use of their experience and know-how. Even more, Tiffany could reduce its US dependence (since dollar strength is reducing tourist spending) and further establish its position in the European markets. Synergies could then be achieved through the reduction of costs and economies of scale, as Tiffany would be able to integrate Bulgari and Tag Heuer's production processes. In 2019, the SDC Term-sheet from Refinitiv mentions an Accretive Expected Pro-Forma EPS After Synergies of 17.32 for the end of June 2020,

however, it only relates to the previous deal announced on the 24th of November 2019 (\$135 per share). When the new deal was announced in 2020, no synergies were quantified.

Nevertheless, in the past, LVMH had already tried to acquire an American company, and failed to deliver the promised results. In 2001, it acquired Donna Karan International, which focused on women's apparel, for 643 million dollars. Donna Karan was sold to G-III Apparel group, in 2016, for 650 million dollars, as sales were not increasing as expected. Another of the few American brands that LVMH owns is Marc Jacobs, which has had some turbulent path as well, but continues to be under Arnault's umbrella. The same route could potentially be in sight for Tiffany under LVMH's authority.

Furthermore, even though the world was reopening in 2021, after the Covid-19 hit, restrictions remained worldwide, which continuously hindered economies and political climates. Fear of a recession was felt among people and, even though the rich are not highly affected by economic crisis, spending patterns could change.

Learning experience?

Although LVMH has been growing through successful M&A activities, when it comes to American brands, it has not had the best experiences. Has it learned from the past mistakes with Donna Karan? Can the French conglomerate integrate TIF in its portfolio, or will the cultural differences get in the way?

Teaching Note

Learning Objectives

The case might be used in courses that touch upon mergers, acquisitions and restructuring, as it gives the opportunity to explore: a) the characteristics of the global luxury market, b) the motivations and risks behind the deal between LVMH and TIF, c) challenges and

disagreements on deal-terms and deal completion, d) the valuation of TIF and synergies obtained, and e) the deal financing and implications on credit ratings.

Case Synopsis

LVMH, the world's biggest luxury conglomerate, acquired Tiffany, a renowned luxury jewellery company, on the 28th of October 2020, for \$131.5 per share (vs. previous trading price: \$122,97 per share). The deal was completed on the 7th of January 2021, and LVMH paid in total 16.1 billion dollars for 100% of Tiffany's equity. This was the biggest deal in the luxury segment, up to January 2021, and was financed completely with cash.

Suggested outline of discussion:

- 1- What were the challenges faced by Tiffany and Co. that contributed to its downturn?
- 2- If synergies were undisclosed, then what are LVMH's motivations behind this deal?
- 3- What risks may LVMH incur with such acquisition?
- 4- Why was the deal financed with cash? What is the rationale behind issuing bonds in Sterling? Discuss pros and cons and relation with credit rating.
- 5- What is Tiffany and Co.'s value as a standalone company?
- 6- Was the deal price fair?
- 7- Was the deal accretive or dilutive?

Case Analysis

What were the challenges faced by Tiffany and Co. that contributed to its downturn?

Tiffany has always been associated with excellence on the consumer side. However, its financial performance has fluctuated over time, which can be explained by several factors. First, in recent years TIF had been selling more silver products, and other cheaper options, than

premium jewellery, which in turn diminishes the value of the brand (**Exhibit 14**). Second, Tiffany had been trying to enter the Asian market for quite some time. It had opened stores in China, Japan and South Korea, and although its growth in that region is increasing, the brand is still not one of the main players in that region. Another issue faced by TIF, are the changes in consumer preferences. Gen-Z is disrupting the long-lasting trends of “worshiping the old-money” look and is now more worried about sustainability and ethical practices. Although Tiffany is in the forefront of ethical practices and has one of the most successful processes of diamond tracing, its image is still associated with old-fashioned ways. The company has struggled to turn to technology and cater to the new consumer. Furthermore, Tiffany being an American company, it sees its revenues go down when the dollar is stronger (which has been verified), as the products become more valuable and foreigner costumers buy less. Lastly, it is true that the Covid pandemic impacted all areas of the economy worldwide. Contrary to what one may think, Tiffany did extremely well, considering market conditions. Its sales went down by 0.41%, compared to LVMH’s 17% reduction.

If synergies were undisclosed, then what are LVMH’s motivations behind this deal?

TIF was already in the forefront of regulations and initiatives on sustainable mining. It has a high customer loyalty, and a diverse portfolio that caters to different consumers. Besides those, TIF was still unattractive to young consumers and its profitability was decreasing. Some of the perks of being included in the French conglomerate could include attract young costumers, increase exposure in the Asian market, take advantage of technological evolutions and reducing costs by integrating Bulgari and Tag Heuer processes.

LVMH could have as motivations increase exposure to the American market, as it only has 3 other American brands in a 75 brands realm. Or, possibly just the increase in market share in the watches and jewellery segment, as it is the smallest, and finally compete with Richemont. Another option could simply be hubris, as LVMH might believe it will better manage TIF, and

is overly confident regarding its success. The only mention to an accretive deal is done on the SDC term-sheet from Refiniv. However, that estimate was considered for the deal happening in 2019, not the revised deal in 2020. This is something one must keep in mind, when doing the analysis.

What risks may LVMH incur with such acquisition?

LVMH could leverage its position by acquiring Tiffany. In fact, it would increase market share in its smallest segment (Watches and Jewellery), which consequently would enable it to compete with the biggest player, Richemont.

However, several factors could potentially affect the success of the deal. First, LVMH may struggle to integrate TIF in its portfolio. LVMH has only acquired 3 other American brands in the Fashion segment, Marc Jacobs (1997), Donna Karan (2001), and Fendi (2001). Both Marc Jacobs and Fendi still remain under LVMH's umbrella. However, Donna Karan was sold, after the French conglomerate stated a decline in sales and profitability, and that it wanted to focus on its core luxury brands. Although Tiffany had already had 2 European CEOs, the cultural clash might be too intense, and scare off current employees. Arnault had already said he wanted to "de-Americanise" the company, but TIF could potentially suffer the same fate as Donna Karan. Second, the pandemic intensified tension between countries. Governments had budgets under stress, and people did not feel safe under such market conditions. TIF's sales could be impacted due to consumers changing spending patterns, given future uncertainty regarding worlds' economy. Lastly, one might consider legal risks. The acquisition of Tiffany involved a litigation battle over several issues, one of them being the failure of delivering notice to the European Commission. However, by the time LVMH and TIF signed on the new deal terms, the European commission had already been notified of the merger and did not oppose to the transaction. Still, other legal problems may arise, as it was a somewhat lengthy negotiation.

Why was the deal financed with cash? What is the rationale behind issuing bonds in Sterling? Discuss pros and cons and relation with credit rating.

In Mergers and Acquisitions, deals can be financed through cash, equity, or a combination of both. When the firm is deciding between financing a deal with cash or stock, it must consider its cash balances, tax implications, the stock market performance, and strategic goals. Some of the perks of a cash acquisition include the fact that they are usually taxable, so sellers are subject to capital gains tax, and that cash acquisitions do not dilute control. Also, companies tend to pay with cash when it's believed that the deal is a bargain, however, this is usually incorrect and uncertain. However, to raise debt, the company needs to analyse its capital structure. Companies may prefer a stock acquisition if the deal is perceived to be overvalued, or if sellers want to avoid capital gains tax. Plus, if the acquirer is not optimistic about synergy creation, and the deal turns out to be "bad", it might be easier to hide the bad results with a stock acquisition than with cash. The acquirer company's EPS also needs to be taken into consideration, as raising debt and issuing shares can impact it negatively.

LVMH is a financially sound company. It has had an operating margin constant at 20% throughout the years and, in 2020, it had a cash ratio of 0.818, a current ratio of 1.56, and a quick ratio of 0.93 (**Exhibit 13**). All these metrics show the financial strength of the French conglomerate. In order to finance the acquisition, LVMH issued 8 bonds totalling 10.7 billion euros, and used 2.5 billion euros from cash accounts, which did not translate in dilution for existing shareholders. The interest rates associated varied from 0.375% to 1.125%, with some having a floating rate (**Exhibit 17**).

LVMH had high credit ratings, which enabled it to access debt funding. It is also true that when companies issue debt, credit ratings change. However, LVMH kept its A1 and A+ ratings from Moody's and S&P, only changing momentarily from Stable to Negative, but returning to Stable in a couple of months. Regarding EPS, LVMH did see a decrease due to a lower net income,

caused both by lower revenues, and an increase of net financial expenses. Also, the issuance in Sterling could mean that LVMH wanted to take advantage of the lower rates at that time (Bank of England had cut rates to near-zero levels during Covid-19), while offsetting any potential negative impact of currency fluctuations between the euro and dollar.

What is Tiffany and Co.'s value as a standalone company?

The standalone value of a company refers to its value as an independent entity. The most common methods used for valuation are the Discounted Cash Flow Model (DCF), and Multiple Analysis. Both a DCF and Multiple based valuation (comparable companies and transactions) were used to evaluate Tiffany as a standalone company.

A DCF is a financial valuation method that involves estimating future unlevered free cash flows, that the business is believed to generate, and discounting those cash flows at a discount rate called WACC (weighted average cost of capital). The unlevered free cash flows are cash flows available to all investors and represent the amount of cash generated by the company's operations, after deducting capital expenditures required to maintain the company's asset base. The WACC reflects the average cost of capital, considering a tax shield. DCFs are seen as subjective, as the calculations depend on the analyst's assumptions for the future. In order to value Tiffany using a DCF model, a constant Debt to Equity Ratio was assumed. The WACC was calculated based on market values of Equity and Debt, with the formula: $WACC = rE * \frac{Equity}{Equity+Net\ Debt} + rD * \frac{Net\ Debt}{Equity+Net\ Debt} * (1 - tax\ rate)$. Equity was calculated as the product between the trading price on the day before the announcement (26th October 2020) and the number of shares outstanding. Net Debt was calculated as Short-Term debt plus Long-Term Debt minus Cash and Cash Equivalents. The rE corresponds to the cost of equity and was computed based on the Capital Asset Pricing Model ($rE = \beta E * Mkt\ Premium + rf$). The βE is the equity Beta of Tiffany and measures the systematic risk associated with the company

compared to the overall market. The Beta was taken from Bloomberg, as Tiffany was listed during the time of the acquisition. The Mkt Premium refers to the Market Risk premium, which is a measure of the additional expected return that investors demand for investing in the stock market compared to investing in a risk-free asset, such as US government bond, Damodaran's US Equity Risk Premium value was used. The rf is the risk-free rate, which is the return expected on a risk-free asset and, for this analysis, the 10Y US Treasury Bond from October 2020 was used. The rD is the pre-tax cost of debt and, due to the economic landscape (inconstant interest rates), it was calculated as the sum of the risk free-rate and the credit spread for Tiffany's debt. As TIF did not issue bonds recently, Richemont 12-year bonds were used, compared to 10-year US treasury bond). The WACC calculation gave a result of 7.27% (**Exhibit TN1**). To forecast Tiffany's Unlevered future free cash flows, historical values are used to get an overview of the real performance of the company. The main assumptions used include: 1) revenue growth increasing until it reaches 7% in 2025 (Bain mentions 8-12% CAGR (2019-2025), but TIF has not seen such high rates), and from 2025 onwards decreasing to 3%; 2) for gross margin, as it was relatively constant overtime, an average of the previous 3 years was used; 3) the same logic of using the previous 3 years average was used for EBITDA, D&A and CAPEX + Acquisitions; 4) 3% was set as the terminal growth rate to adjust for inflationary expectations. The value of Tiffany as a standalone company was \$197.98 per share, which corresponds to an upside of 61% compared to the \$122.97 trading price, and 51% compared to purchase price (**Exhibit TN2**). A sensitivity analysis was computed and the EV of Tiffany ranges from 24.16 billion dollars (\$188.3 per share) to 26.69 billion dollars (\$209.1 per share), which means that it is highly dependent on the analyst's assumptions (**Exhibit TN3**).

A Multiple Analysis can be done using comparable companies or precedent transactions. For the comparable companies' approach, one must first find similar companies in size, growth, and industry, and multiples are calculated based on market prices. With precedent transactions,

similar M&A deals in the sector are analysed. This last includes a premium that market prices do not include, so the two methods are not directly comparable. Also, precedent transactions look back in the past, the data used is outdated, hence, multiples may be preferred as they correspond to today's market sentiment. The comparable companies used were: The Swatch Group, Prada, Moncler, Kering, Hermes, Richemont and Burberry, and they were chosen based on business model, financial performance, and geographical area of operations.

For the valuation based on multiples, the median of both EV/EBIT and EV/EBITDA were considered. The results are \$125.54 and \$165.41 (**Exhibit TN4**). For precedent transactions, data between 2016 and 2018 was gathered. **Exhibit TN5** shows the transactions used. The median for EV/EBITDA is 18.8x, which gives an implied share price for TIF of \$190.67. This method shows a projection similar to the DCF, but since it includes premiums paid on those transactions and outdated data, results are not precise.

Was the deal price fair?

To evaluate if the deal price was fair, one can look at the DCF, or Trading Multiples and Transaction Multiples, to arrive to a conclusion. The previously elaborated DCF and Multiples calculated can be used to answer this question. The price estimated from those methods, should be compared to the price LVMH paid for TIF (\$131.5). According to the DCF, we get a valuation of TIF of \$197.98. The trading price before the deal announcement, on the 26th of October 2020, was \$122.97. We can induce that TIF was undervalued by the market. The price paid by Arnault is lower than the projection, so Arnault undervalued TIF, which seems to be a positive sign for LVMH. When looking at the multiples-based valuations, we get more similar results to the price paid by Arnault. The EV/EBIT gives a valuation of \$125.54, which is close to 135.5\$, but undervalued when comparing to EV/EBITDA. When comparing to the minimum and maximum EV/EBITDA of the past transactions, we get a range of \$100-\$242, and the price paid for TIF (\$131.5) is in that range.

After the deal was announced in October 2020, TIF's price in the stock market got very close to the \$131.5 paid by LVMH. This shows that the market believed the deal was to happen and that it was a fair price.

Was the deal accretive or dilutive?

In M&A, it is said that a deal is accretive if the earnings per share ($EPS = \text{Net Income} / \text{Shares Outstanding}$) of the combined company is higher than the acquiring company standalone EPS, and dilutive if otherwise. An analysis based on Price to Earnings ($P/E = \text{Price per share} / \text{EPS}$) can also be done, and if the P/E ratio of the acquirer is higher than the P/E ratio of the target (considering the acquisition price), the deal is said to be accretive.

LVMH's EPS in 2020, before the deal, was 9.32. To calculate the combined company EPS, one must add net incomes of both companies with the expected value of synergies. Since synergies in this case are unknown, only net incomes were considered, and this sum was divided by LVMH's outstanding shares, as none were issued for the completion of the deal. We get to an EPS of 10.39. This increase shows the deal was accretive for LVMH (**Exhibit TN6**). Still, as the EPS made available on the SDC Tear-sheet is 17.32, considering synergies, the result gotten here is much smaller, although still being accretive.

For the P/E analysis, the date considered was 26th October 2020 (before the acquisition). LVMH's price was 421.75€, and P/E was 45.25. TIF's price was \$122.97 and P/E was 27.63. When considering the price paid for TIF, we get a P/E for TIF of 29.55. In conclusion, given that the P/E ratio of the acquirer is higher than the P/E ratio of the target considering the acquisition price, the deal results in EPS accretion (**Exhibit TN7**).

Epilogue

Two years after Tiffany's acquisition, the world has changed from recovering of the Covid-19 pandemic, to being under war in eastern Europe. In fact, in 2021, the world was already

showing signs of recovering from the pandemic, with the global luxury market being worth 1.14 trillion euros (12% below 2019, but 14% higher than 2020). The Top 100 luxury companies had combined sales of 305 billion dollars (21.5% increase from 2020), according to Deloitte. The trends seen previously (buying pre-owned goods, interest in sustainability, use of online features, and growing Asian market) continue to be significant.

The year of 2022 was marked by fear of a new recession, caused by both the pandemic and the war in Ukraine-Russia, with central banks rising interest rates to keep inflation down. The war has impacted the luxury goods market, not only because brands have been shutting down stores in Russia, showing displeasure with the situation, but also because prices of raw materials have been fluctuating, with a tendency to increase year over year.

When it comes to the now expanded LVMH conglomerate, its revenue levels have surpassed pre-pandemic ones, being that in 2021 revenues were 64.2 billion euros, and in 2022, 79.18 billion euros. From 2020 to 2021, the Watches and Jewellery segment had one of the biggest increases (164.4%). It is important to note that LVMH has acquired Pedemonte (jewellery producer), in November 2022, which shows its commitment in becoming a main player in the Jewellery and Watches Segment. Also, on the 13th of April 2023, LVMH announced that it is to buy a French jewellery producer, Platinum Invest, to further improve manufacturing capacity of the segment. Financial details of the deal were not publicized.

Regarding changes in Tiffany's business model, LVMH has been trying to de-Americanise the company. With Alexandre Arnault, son of the CEO Bernard Arnault, as the executive Vice-president of production and communication, several advertisement campaigns have been published to attract young consumers. Most of those campaigns were publicized by worldwide singers, such as Beyonce and Jay-Z. Also, a special partnership was made with Nike, to create a collab-sneaker with Tiffany's blue colour. However, some of these campaigns have not produced the desired outcomes, specifically the "Not your mother's", which received backlash

from older consumers. When it comes to products, Tiffany launched a line of men's engagement rings for the first time, as well as a unisex collection (Lock Collection), which cements their commitment to attract younger consumers and cater to the growing popularity of gender fluid fashion. It is important to note that the risk of employees leaving TIF did materialize, and as of March 2022, only 1/3 of the original workforce was still present.

On the 28th of February 2022, Cartier, owned by the giant Richemont, filed a lawsuit against Tiffany, owned by LVMH, accusing employees of the company of stealing information of future collections/products. The complaint was removed in March 2023, but the lawsuit seems to be a sign of the growing competition in the sector.

On the 24th of April 2023, LVMH became the first European company to exceed the 500-billion-dollar mark in market value. The surge in the share price came after the announcement of a 17% rise in first-quarter sales earlier that month.

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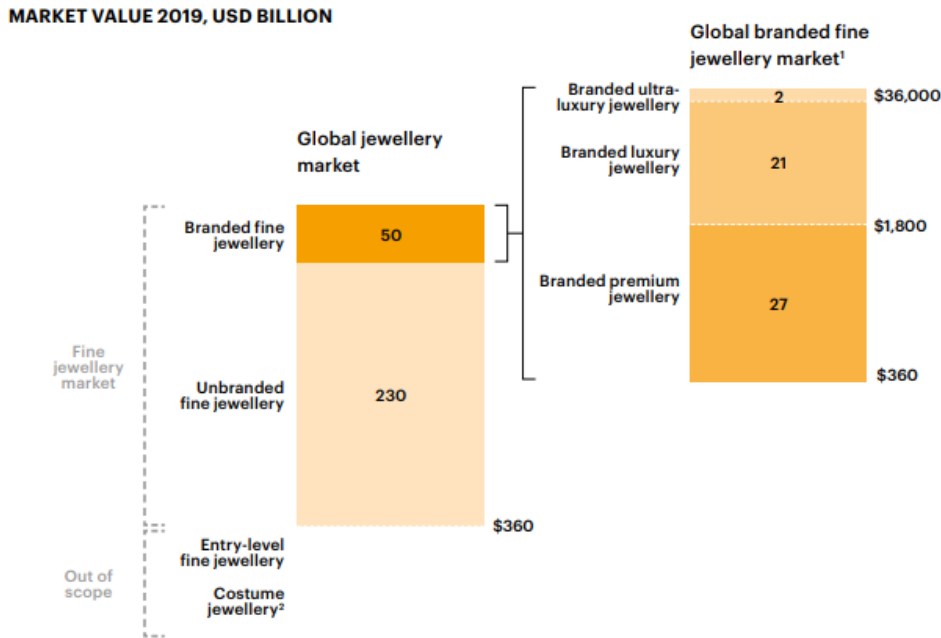
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Case Study Exhibits

Exhibit 1 – Market values of the fine jewellery market



Source: McKinsey “The State of Fashion – Watches and Jewellery”

Exhibit 2 – Global Branded fine Jewellery market expected CAGRs

MARKET VALUE, USD BILLION

	2019	2025F	CAGR (2019-2025F)
Total branded fine jewellery market	50	80-100	8-12%
Geographic region			
Asia	24	42-53	10-14%
Europe	11	16-20	5-9%
Americas	13	18-22	4-7%
Other	2	4-5	6-10%
Price position			
Ultra-luxury (>\$36,000)	2	4-5	6-10%
Luxury (\$1,801-\$36,000)	21	35-44	9-13%
Premium (\$360-\$1,800)	27	41-51	7-11%

Source: McKinsey “The State of Fashion – Watches and Jewellery”

Exhibit 3 – Market shares in the global fine jewellery market

		2019	2025F	CAGR (2019-2025F)
Overall market	Branded and unbranded fine jewellery market value ¹	\$280 billion	\$340-360 billion	+3-4%
	Branded fine jewellery market value in Asia ²	\$24 billion	\$42-53 billion	+10-14%
Consumer preferences	Share of branded fine jewellery segment ²	18%	25-30%	+8-12%
	Share of sustainability-driven fine jewellery purchases	5-10%	20-30%	+25-35%
Channel	Share of online sales	13%	18-21%	+9-12%

Source: McKinsey “The State of Fashion – Watches and Jewellery”

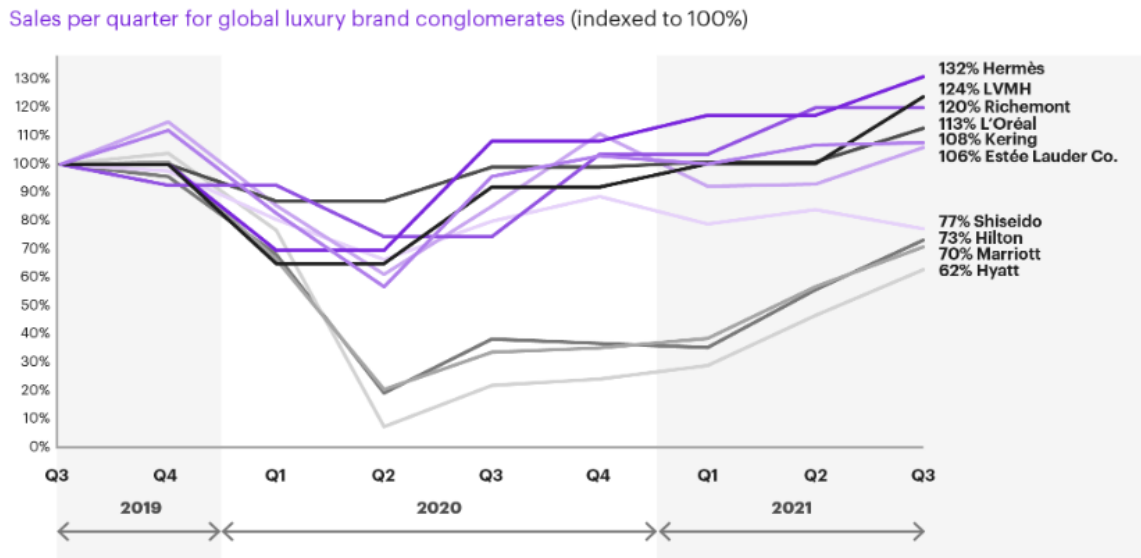
Exhibit 4 – Tiffany peer’s description

Burberry	Burberry is a British luxury fashion brand, established in 1856, mostly known for its trench coats, and distinctive check patterns. The brand offers a wide range of products (apparel, accessories, fragrances, and cosmetics), through its own stores, concession, outlets and online channels.
Compagnie Financière Richemont SA	Richemont is a Swiss luxury goods conglomerate, established in 1988. Richemont's portfolio includes brands such as Cartier, Van Cleef & Arpels, Piaget, Jaeger-LeCoultre, Panerai, Montblanc, etc. The group focuses on sectors like jewellery, watches, leather goods, writing instruments, and fashion.
Hermès International S.A.	Hermès is a French luxury brand, founded in 1837. It is known worldwide for the iconic Birkin and Kelly handbags, but also sells leather goods, ready to wear fashion, etc.
Kering Group	Until 2013, it was known as Pinault-Printemps-Redoute (PPR), founded in 1996, by François Pinault, in France. The Kering Group is today a global luxury goods conglomerate. Its portfolio includes brands such as: Gucci, Saint Laurent, Balenciaga, and Bottega Veneta. It has a diverse range of products spanning fashion, leather goods, jewellery, and watches.
Moncler	Moncler is an Italian luxury fashion brand, founded in 1952, renowned for its premium down jackets and winterwear. The brand markets its products through boutiques, retailers, and e-commerce platforms.
Signet Jewelers Limited	Signet Jewelers is a retail jeweller headquartered in Ohio. It was founded in 1987 as a merger between Signet Group plc and Sterling Jewelers Inc. Its main geographies include the United States, the United Kingdom, and Canada. Its brands include Kay Jewelers, Zales, Jared, and Piercing Pagoda, etc. It operates both physical stores and online platforms.
The Prada Group	The Prada Group is an Italian luxury fashion conglomerate known for its iconic Prada brand. It was founded in 1913, by Mario Prada, and today it aggregates brands like Miu Miu, Church's, and Car Shoe. Its products range from fashion, fragrances, leather goods, footwear and jewellery.

<p>The Swatch Group AG.</p>	<p>Swatch is a Swiss multinational conglomerate, established in 1983. Some of its brands include Swatch, Omega, Longines, Tissot, Breguet, Blancpain, and Hamilton, among others. The group is involved in the production and distribution of watches, watch movements, components, and other watch-related products.</p>
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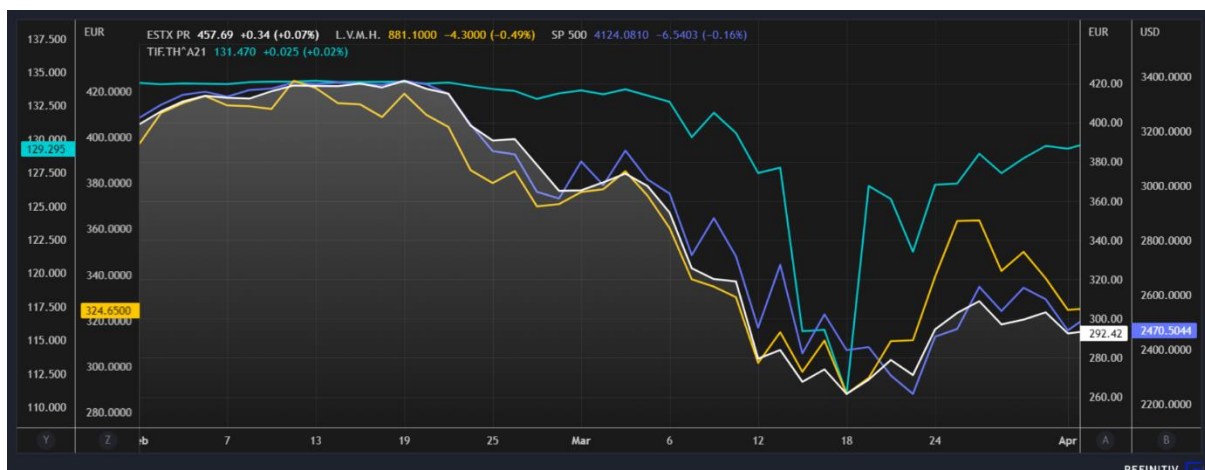
Source: Bloomberg and Yahoo Finance

Exhibit 5 – Luxury companies’ sales variation from Q3 2019



Source: Capital IQ: Kearney analysis; McKinsey & Co.

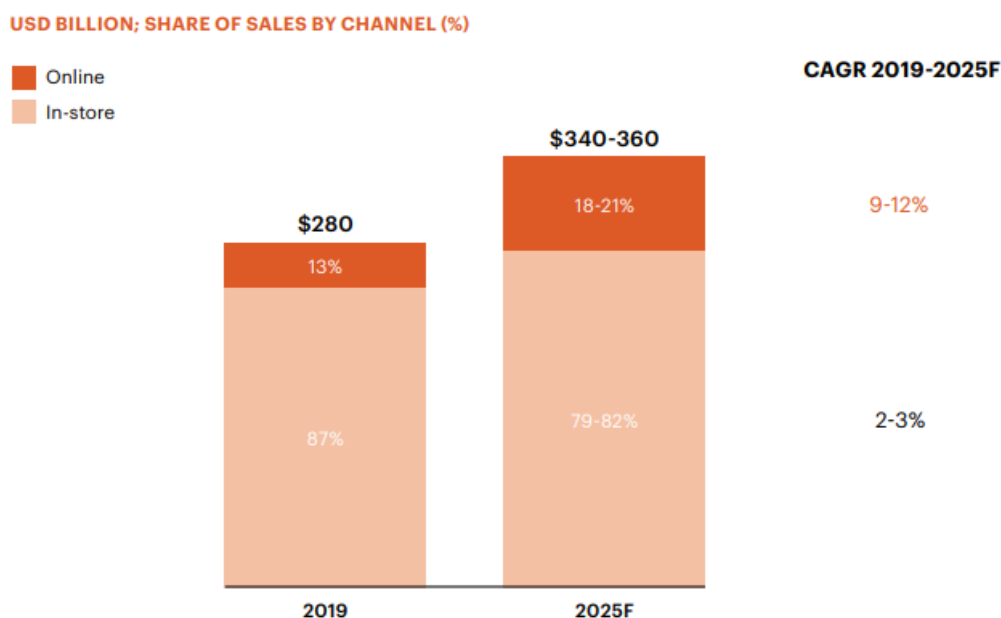
Exhibit 6 – Stock price chart of LVMH, TIF, Eurostoxx and S&P.



Date	.STOXXE	LVMH.PA	.SP500	TIF.TH^A21
	Close	Close	Close	Close
20/3/2020	278,85	311	2304,9163	125,54
14/2/2020	418,59	414,95	3380,1574	134,27
Change	33,38%	25,05%	31,81%	6,50%

Source: Refinitiv

Exhibit 7 – Share of online fine jewellery sales and expected CAGRs



Source: McKinsey “The State of Fashion – Watches and Jewellery”

Exhibit 8 – LVMH’s Maisons

Sector	Brand	Description
Wines & Spirits	Domaine Des Lambrays	Vineyard located in Burgundy, founded in 1365, acquired in 2014.
	Château D’Yquem	Vineyard located in Sauternes, founded in 1593, acquired in 1999
	Dom Pérignon	Vineyard located in Epernay, founded in 1668, apart of Moët Hennessy group
	Ruinart	Vineyard located in Reims, founded in 1729, apart of Moët Hennessy group

Moët & Chandon	Vineyard located in Epernay, founded in 1743, apart of Moët Hennessy group
Hennessy	Vineyard located in Cognac, founded in 1765, apart of Moët Hennessy group
Veuve Clicquot	Vineyard located in Reims, founded in 1772, acquired in 1987
Château Galoupet	Vineyard located in La Londe-les-Maures, founded in 1792, acquired in 2019
Ardbeg	Distillery located in Edinburgh, founded in 1815, apart of Glenmorangie plc (acquired in 2004)
Château Cheval Blanc	Vineyard located in Saint-Émilion, founded in 1832, acquired in 1998
Glenmorangie	Distillery located in Edinburgh, founded in 1843, acquired in 2004
Krug	Vineyard located in Reims, founded in 1843, acquired in 1999
Mercier	Vineyard located in Epernay, founded in 1858, acquired in 1987
Chandon	Group of vineyards worldwide, founded in 1959, apart of Moët Hennessy group
Newton Vineyard	Vineyard located in California, founded in 1977, acquired in 2001
Cloudy Bay	Vineyard located in New Zealand, founded in 1985, apart of Veuve Clicquot group
Colgin Cellars	Winery located in California, acquired in 2017
Belvedere	Distillery located in Poland, founded in 1993, acquired in 2002
Terrazas De Los Andes	Vineyard located in Argentina, founded in 1996, apart of Moët & Chandon group
Bodega Numanthia	Vineyard located in Spain, founded in 1998, acquired in 2008
Cheval Des Andes	Vineyard located in Argentina, founded in 1999, apart of Moët & Chandon group
Woodinville	Distillery located in Washington, founded in 2010, acquired in 2017
Ao Yun	Vineyard located in China, founded in 2013, launched by LVMH
Clos19	E-commerce company founded in 2017
Volcan De Mi Tierra	Vineyard/Distillery in Mexico, founded in 2017 as an alliance between LVMH and the Gallardo family.
Eminente	Distillery in Cuba, founded in 2020, by LVMH.

Fashion & Leather Goods	Loewe	Founded in 1846 in Spain, acquired in 1996
	Moynat	Founded in 1849 in France, acquired in 2010
	Louis Vuitton	Founded in 1854 in France, apart of the 1987 merger
	Berluti	Founded in 1895 in France, acquired in 1993
	Rimowa	Founded in 1898 in Germany, acquired in 2016
	Patou	Founded in 1914 in France, acquired in 2018
	Loro Piana	Founded in 1924 in Italy, acquired in 2013
	Fendi	Founded in 1925 in Italy, acquired in 2001
	Celine	Founded in 1945 in France, acquired in 1996
	Christian Dior	Founded in 1947 in France, acquired in 2017
	Emilio Pucci	Founded in 1947 in Italy, acquired in 2000
	Givenchy	Founded in 1952 in France, acquired in 1998
	Kenzo	Founded in 1970 in France, acquired in 1993
	Marc Jacobs	Founded in 1984 in the United States of America, acquired in 1997
Perfumes & Cosmetics	Stella by Stella McCartney	Skincare brand launched in 2020, from partnership between LVMH and Stella McCartney in 2019
	Guerlain	Perfume, Skincare and Makeup brand founded in 1828, acquired in 1994
	Acqua di Parma	Perfume brand founded in 1916, acquired in 2001
	Parfums Christian Dior	Perfume, Skincare, and Makeup brand founded in 1947
	Givenchy Parfums	Perfume, Skincare, Makeup brand founded in 1957
	Loewe Perfumes	Perfume brand founded in 1972
	Benefit Cosmetics	Makeup brand founded in 1976, acquired in 1999
	Make Up For Ever	Makeup brand founded in 1984, acquired in 1999
	Kenzo Parfums	Perfume brand founded in 1988
	Fresh	Skincare brand founded in 1991, acquired in 1999
	KVD beauty	Makeup brand founded in 2008, acquired in 2020 through Kendo (incubator owned by Sephora - owned by LVMH)

	Maison Francis Kurkdjian	Perfume brand founded in 2009, acquired in 2017
	Cha Ling	Skincare brand founded in 2016 by LVMH
	Fenty Beauty by Rihanna	Skincare and Makeup brand founded in 2017 through Kendo
Watches & Jewellery	Chaumet	Jeweller, founded in 1780 in Paris, acquired in 2012
	Tiffany & Co.	Jeweller, founded in 1837 in New York, acquired in 2021
	Tag Heuer	Watchmaker, founded in 1860 in Switzerland, acquired in 1999
	Zenith	Watchmaker, founded in 1865 in Switzerland, acquired in 1999
	Bulgari	Jeweller, founded in 1884 in Italy, acquired in 2011
	Fred	Jeweller, founded in 1936 in Paris, acquired in 1995
	Repossi	Jeweller, founded in 1957 in Paris, acquired in 2015
	Hublot	Watchmaker, founded in 1980 in Switzerland, acquired in 2008
Selective Retailing	Le Bon Marché Rive Gauche	Department store in Paris, founded in 1852, acquired in 1984
	La Grande Epicerie de Paris	Gourmet supermarket, founded in 1923, by Le Bom Marché
	Starboard Cruise Services	Onboard retailer, founded in 1958, acquired in 2000
	DFS	Luxury travel retailer, founded in 1960, acquired in 1996
	Sephora	Cosmetic retailer, founded in 1969, acquired in 1997
	24S	Online retail store, founded in 2015 by LVMH
Other Activities	Cova	Coffee shop in Milan, founded in 1987, acquired in 2013
	Royal Van Lent	Dutch yacht builder, founded in 1849, acquired in 2008
	Jardin D 'Acclimatation	Attraction Park in Paris, founded in 1860, acquired in 2018
	Les Echos	French media outlet, founded in 1908, acquired in 2007
	Le Parisien	French news media brand, founded in 1944, acquired in 2015
	Connaissance Des Arts	Cultural magazine, founded in 1952, acquired in 2000
	Investir - Le Journal des Finances	French financial journal, founded in 1974 (apart of Les Echos group)
	Belmond	Luxury travel (hotels, trains, etc), founded in 1976, acquired in 2018
	Radio Classique	French radio station, founded in 1983, acquired in 2007

	Cheval Blanc	Collection of guest properties, founded in 2006
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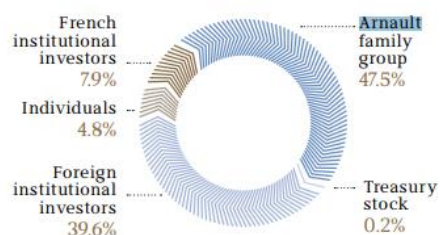
Source: LVMH website

Exhibit 9 – LVMH board of directors and ownership structure

Name	Position
Bernard Arnault	Chairman and Chief Executive Officer
Antonio Belloni	Group Managing director
Antoine Arnault	
Delphine Arnault	Member of the Ethics & Sustainable Development Comitee
Dominique Aumont	Director representing employees
Nicolas Bazire	
Marie - Veronique Belloeil-Melkin	Director representing employees
Sophie Chassat	Independet Director
Charles de Croisset	Lead Director; Independent director; Member of the Performance Audit commitee; Member of the Nominations & Compensation Comitee;
Diego Della Valle	Independet Director
Clara Gaymard	Independet Director; Member of the Performance Audit commitee
Irirs Knobloch	Independet Director
Marie-Josée Kravis	Independet Director; Member of the Nominations & Compensation Comitee
Marie-Laure Saulty de Chalon	Independet Director; Member of the Ethics & Sustainable Development Comitee
Yves-Thibault de Silguy	Independet Director; Member of the Performance Audit commitee; Member of the Nominations & Compensation Comitee; Member of the Ethics & Sustainable Development Comitee
Natacha Valla	Independet Director
Hubert Védrine	Independet Director; Member of the Ethics & Sustainable Development Comitee

SHAREHOLDER STRUCTURE⁽¹⁾

(November 2020)



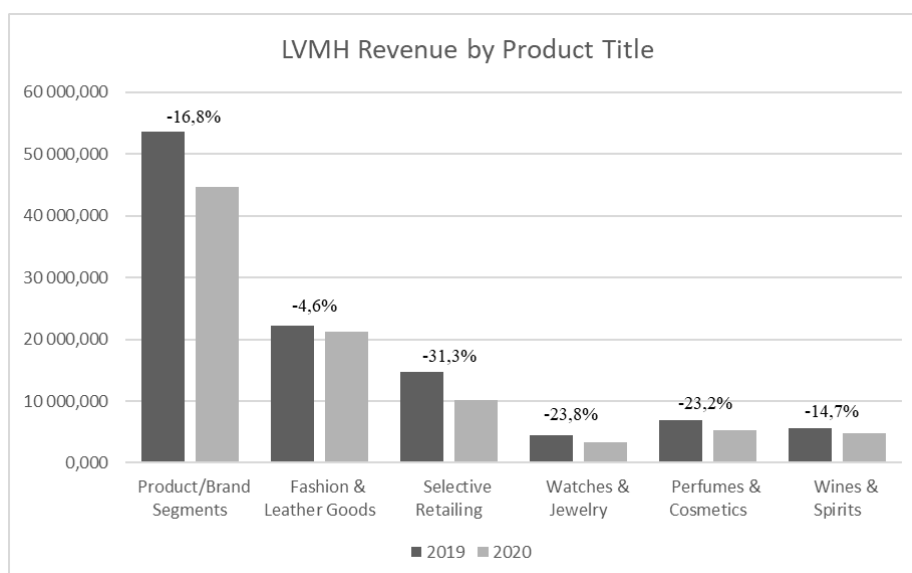
(1) Voting rights: Arnault family group 63.4%; Other 36.6%.

Source: LVMH Annual Report 2020

Exhibit 10 – LVMH Income Statement

In Millions of EUR except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019	FY 2020 12/31/2020
Revenue	42 636,00	46 826,00	53 670,00	44 651,00
Product/Brand Segments	42 636,00	46 826,00	53 670,00	44 651,00
Fashion & Leather Goods	15 472,00	18 455,00	22 237,00	21 207,00
Selective Retailing	13 311,00	13 646,00	14 791,00	10 155,00
Watches & Jewelry	3 805,00	4 123,00	4 405,00	3 356,00
Perfumes & Cosmetics	5 560,00	6 092,00	6 835,00	5 248,00
Wines & Spirits	5 084,00	5 143,00	5 576,00	4 755,00
Other Activities & Eliminations	-596	-633	-174	-70
Eliminations	—	—	—	—
+ Sales & Services Revenue	42 636,00	46 826,00	53 302,00	44 651,00
+ Other Revenue	—	—	368	—
- Cost of Revenue	14 783,00	15 625,00	18 123,00	15 871,00
+ Cost of Goods & Services	14 783,00	15 625,00	18 123,00	15 871,00
Gross Profit	27 853,00	31 201,00	35 547,00	28 780,00
+ Other Operating Income	0	0	0	0
- Operating Expenses	19 737,00	21 347,00	24 302,00	20 766,00
+ Selling, General & Admin	19 557,00	21 221,00	24 071,00	20 433,00
+ <i>Selling & Marketing</i>	16 395,00	17 755,00	20 207,00	16 792,00
+ <i>General & Administrative</i>	3 162,00	3 466,00	3 864,00	3 641,00
+ Research & Development	130	130	140	139
+ Other Operating Expense	50	-4	91	194
Operating Income (Loss)	8 116,00	9 854,00	11 245,00	8 014,00
- Non-Operating (Income) Loss	62	365	531	650
+ Interest Expense, Net	137	117	397	316
+ <i>Interest Expense</i>	171	161	447	366
- <i>Interest Income</i>	34	44	50	50
+ Other Investment (Inc) Loss	-13	-18	-8	-12
+ Foreign Exch (Gain) Loss	0	0	0	0
+ (Income) Loss from Affiliates	3	-23	-28	42
+ Other Non-Op (Income) Loss	-65	289	170	304
Pretax Income	8 054,00	9 489,00	10 714,00	7 364,00
- Income Tax Expense (Benefit)	2 214,00	2 499,00	2 932,00	2 409,00
+ Current Income Tax	2 401,00	2 555,00	3 222,00	2 621,00
+ Deferred Income Tax	-187	-56	-290	-212
- (Income) Loss from Affiliates	—	—	—	—
Income (Loss) from Cont Ops	5 840,00	6 990,00	7 782,00	4 955,00
- Net Extraordinary Losses (Gains)	0	0	0	0
+ Discontinued Operations	0	0	0	0
+ XO & Accounting Changes	0	0	0	0
Income (Loss) Incl. MI	5 840,00	6 990,00	7 782,00	4 955,00
- Minority Interest	475	636	611	253
Net Income, GAAP	5 365,00	6 354,00	7 171,00	4 702,00
- Preferred Dividends	0	0	0	0

- Other Adjustments	0	0	0	0
Net Income Avail to Common, GAAP	5 365,00	6 354,00	7 171,00	4 702,00
	0	0	0	0
Net Income Avail to Common, Adj	5 478,30	6 472,40	7 337,30	5 057,50
Net Abnormal Losses (Gains)	113,3	118,4	166,3	355,5
Net Extraordinary Losses (Gains)	0	0	0	0
	0	0	0	0
Basic Weighted Avg Shares	502 412,70	502 825,50	503 218,90	503 679,30
Basic EPS, GAAP	10 680,00	12 640,00	14 250,00	9 330,00
Basic EPS from Cont Ops, GAAP	10 680,00	12 640,00	14 250,00	9 330,00
Basic EPS from Cont Ops, Adjusted	10 905,50	12 875,40	14 580,50	10 035,90
	0	0	0	0
Diluted Weighted Avg Shares	504 010,30	503 918,10	503 839,50	504 210,10
Diluted EPS, GAAP	10 640,00	12 610,00	14 230,00	9 320,00
Diluted EPS from Cont Ops, GAAP	10 640,00	12 610,00	14 230,00	9 320,00
Diluted EPS from Cont Ops, Adjusted	10 864,80	12 844,90	14 560,10	10 025,10



Source: Bloomberg

Exhibit 11 – LVMH Balance Sheet

In Millions of EUR except Per Share 12 Months Ending	FY 2017 12/31/2017	FY 2018 12/31/2018	FY 2019 12/31/2019	FY 2020 12/31/2020
Total Assets				
+ Cash, Cash Equivalents & STI	4 253,00	5 276,00	6 406,00	20 715,00
+ Cash & Cash Equivalents	3 738,00	4 610,00	5 673,00	19 963,00
+ ST Investments	515	666	733	752
+ Accounts & Notes Receiv	2 736,00	3 222,00	3 450,00	2 756,00
+ Accounts Receivable, Net	2 736,00	3 222,00	3 450,00	2 756,00

+ Notes Receivable, Net	0	0	0	0
+ Inventories	10 888,00	12 485,00	13 717,00	13 016,00
+ Raw Materials	4 517,00	4 784,00	5 017,00	7 045,00
+ Work In Process	1 370,00	1 700,00	1 900,00	0
+ Finished Goods	5 001,00	6 001,00	6 800,00	5 971,00
+ Other Inventory	0	0	0	0
+ Other ST Assets	3 184,00	2 568,00	2 937,00	3 486,00
+ Prepaid Expenses	599	646	708	596
+ Derivative & Hedging Assets	496	123	180	968
+ Deferred Tax Assets	—	—	—	—
+ Taxes Receivable	1 527,00	1 261,00	1 461,00	1 348,00
+ Misc ST Assets	562	538	588	574
Total Current Assets	21 061,00	23 551,00	26 510,00	39 973,00
+ Property, Plant & Equip, Net	13 862,00	15 112,00	30 942,00	30 745,00
+ Property, Plant & Equip	23 991,00	26 323,00	46 026,00	48 374,00
- Accumulated Depreciation	10 129,00	11 211,00	15 084,00	17 629,00
+ LT Investments & Receivables	789	1 100,00	915	739
+ LT Investments	789	1 100,00	915	739
+ LT Marketable Securities	—	—	—	—
+ Other LT Assets	34 043,00	34 537,00	38 140,00	37 214,00
+ Total Intangible Assets	30 794,00	30 981,00	33 246,00	33 054,00
+ <i>Goodwill</i>	<i>13 837,00</i>	<i>13 727,00</i>	<i>16 034,00</i>	<i>16 042,00</i>
+ <i>Other Intangible Assets</i>	<i>16 957,00</i>	<i>17 254,00</i>	<i>17 212,00</i>	<i>17 012,00</i>
+ Deferred Tax Assets	1 741,00	1 932,00	2 274,00	2 325,00
+ Derivative & Hedging Assets	246	257	782	110
+ Investments in Affiliates	639	638	1 074,00	990
+ Misc LT Assets	623	729	764	735
Total Noncurrent Assets	48 694,00	50 749,00	69 997,00	68 698,00
Total Assets	69 755,00	74 300,00	96 507,00	108 671,00
	0	0	0	0
Liabilities & Shareholders' Equity	0	0	0	0
+ Payables & Accruals	7 567,00	8 310,00	9 197,00	8 288,00
+ Accounts Payable	4 539,00	5 314,00	5 814,00	5 098,00
+ Accrued Taxes	2 927,00	2 891,00	3 260,00	3 074,00
+ Other Payables & Accruals	101	105	123	116
+ ST Debt	4 530,00	5 027,00	9 783,00	12 801,00
+ ST Borrowings	2 777,00	4 031,00	5 757,00	9 198,00
+ ST Lease Liabilities	—	0	2 172,00	2 163,00
+ <i>ST Finance Leases</i>	<i>—</i>	<i>0</i>	<i>—</i>	<i>—</i>
+ Current Portion of LT Debt	1 753,00	996	1 854,00	1 440,00
+ Other ST Liabilities	2 892,00	3 496,00	3 643,00	4 229,00
+ Deferred Revenue	803	919	1 042,00	891
+ Derivatives & Hedging	45	166	138	604
+ Misc ST Liabilities	2 044,00	2 411,00	2 463,00	2 734,00
Total Current Liabilities	14 989,00	16 833,00	22 623,00	25 318,00
+ LT Debt	7 046,00	6 005,00	15 474,00	24 730,00
+ LT Borrowings	7 046,00	5 593,00	5 101,00	14 065,00
+ LT Lease Liabilities	—	412	10 373,00	10 665,00

+ LT Finance Leases	—	412	—	—
+ Other LT Liabilities	17 343,00	17 505,00	20 045,00	19 794,00
+ Accrued Liabilities	0	0	0	0
+ Pension Liabilities	625	605	812	784
+ Deferred Compensation	94	89	96	86
+ Deferred Revenue	0	0	0	0
+ Deferred Tax Liabilities	4 989,00	5 036,00	5 498,00	5 481,00
+ Derivatives & Hedging	229	283	712	146
+ Misc LT Liabilities	11 406,00	11 492,00	12 927,00	13 297,00
Total Noncurrent Liabilities	24 389,00	23 510,00	35 519,00	44 524,00
Total Liabilities	39 378,00	40 343,00	58 142,00	69 842,00
+ Preferred Equity and Hybrid Capital	0	0	0	0
+ Share Capital & APIC	2 766,00	2 450,00	2 471,00	2 377,00
+ Common Stock	152	152	152	152
+ Additional Paid in Capital	2 614,00	2 298,00	2 319,00	2 225,00
- Treasury Stock	530	421	403	260
+ Retained Earnings	25 268,00	28 816,00	32 844,00	35 363,00
+ Other Equity	1 465,00	1 448,00	1 674,00	-68
Equity Before Minority Interest	28 969,00	32 293,00	36 586,00	37 412,00
+ Minority/Non Controlling Interest	1 408,00	1 664,00	1 779,00	1 417,00
Total Equity	30 377,00	33 957,00	38 365,00	38 829,00
Total Liabilities & Equity	69 755,00	74 300,00	96 507,00	108 671,00

Source: Bloomberg

Exhibit 12 – LVMH Liquidity Ratios

	2017	2018	2019	2020
Cash Ratio	0,284	0,313	0,283	0,818
Current Ratio	1,405	1,399	1,172	1,579
Quick Ratio	0,466	0,505	0,436	0,927

Source : Bloomberg

Exhibit 13 – Tiffany Board of directors

Name	Age	Director Since	Principal Occupation	Independent	Audit Committee	Compensation Committee & Stock Option Sub-Committee	Corporate Social Responsibility Committee	Dividend Committee	Finance Committee	Nominating/ Corporate Governance Committee	Other Public Company Boards
Alessandro Bogliolo	55	2017	Chief Executive Officer ("CEO") of Tiffany & Co.				✓	✓			0
Rose Marie Bravo	69	1997	Retired CEO of Burberry Limited	✓		Chair				✓	1
Hafize Gaye Erkan	41	2019	President of First Republic Bank	✓	✓						1
Roger N. Farah	67	2017	Chairman of the Board of Tiffany & Co.; Former Co-CEO of Tory Burch LLC	✓		✓	✓			Chair	2
Jane Hertzmark Hudis	60	2019	Group President of The Estée Lauder Companies Inc.	✓							0
Abby F. Kohnstamm	66	2001	Retired Executive Vice President and Chief Marketing Officer at Pitney Bowes Inc.	✓		✓	✓			✓	0
James E. Lillie	58	2017	Vice Chairman of Mariposa Capital	✓	✓		Chair		✓		2
William A. Shutzer	73	1984	Senior Advisor of Evercore Partners						Chair		0
Robert S. Singer	68	2012	Consultant for IDG Capital	✓	Chair				✓		2
Annie Young-Scrivner	51	2018	CEO of Godiva Chocolatier	✓		✓	✓		✓		1

Source: Tiffany Annual Report 2020

Exhibit 14 – Tiffany Income Statement

In Millions of USD except Per Share 12 Months Ending	FY 2017 01/31/2017	FY 2018 01/31/2018	FY 2019 01/31/2019	FY 2020 01/31/2020
Revenue	4 001,80	4 169,80	4 442,10	4 424,00
Product/Brand Segments	4 001,80	4 169,80	4 442,10	4 424,00
+ Sales & Services Revenue	4 001,80	4 169,80	4 442,10	4 424,00
- Cost of Revenue	1 511,50	1 559,10	1 631,10	1 662,10
+ Cost of Goods & Services	1 511,50	1 559,10	1 631,10	1 662,10
Gross Profit	2 490,30	2 610,70	2 811,00	2 761,90
+ Other Operating Income	0	0	0	0
- Operating Expenses	1 769,10	1 801,30	2 020,70	2 029,30
+ Selling, General & Admin	1 769,10	1 801,30	2 020,70	2 029,30
+ Research & Development	0	0	0	0
+ Prov For Doubtful Accts	—	—	—	—
+ Other Operating Expense	0	0	0	0
Operating Income (Loss)	721,2	809,4	790,3	732,6
- Non-Operating (Income) Loss	44,6	48,9	46,8	42,3
+ Interest Expense, Net	46	42	39,7	38,5
+ <i>Interest Expense</i>	46	42	39,7	38,5
- <i>Interest Income</i>	0	0	0	0
+ Foreign Exch (Gain) Loss	0	0	0	0
+ (Income) Loss from Affiliates	—	—	—	—
+ Other Non-Op (Income) Loss	-1,4	6,9	7,1	3,8
Pretax Income	676,6	760,5	743,5	690,3

- Income Tax Expense (Benefit)	230,5	390,4	157,1	149,2
+ Current Income Tax	184,4	293,6	178,4	142,6
+ Deferred Income Tax	46,1	96,8	-21,3	6,6
+ Tax Allowance/Credit	—	—	—	—
Income (Loss) from Cont Ops	446,1	370,1	586,4	541,1
- Net Extraordinary Losses (Gains)	0	0	0	0
+ Discontinued Operations	0	0	0	0
+ XO & Accounting Changes	0	0	0	0
Income (Loss) Incl. MI	446,1	370,1	586,4	541,1
- Minority Interest	—	—	—	—
Net Income, GAAP	446,1	370,1	586,4	541,1
- Preferred Dividends	0	0	0	0
- Other Adjustments	0	0	0	0
Net Income Avail to Common, GAAP	446,1	370,1	586,4	541,1
	0	0	0	0
Net Income Avail to Common, Adj	476	516,1	589,6	558,2
Net Abnormal Losses (Gains)	29,9	146	3,2	17,1
Net Extraordinary Losses (Gains)	0	0	0	0
	0	0	0	0
Basic Weighted Avg Shares	125 100,00	124 500,00	122 900,00	121 100,00
Basic EPS, GAAP	3 570,00	2 970,00	4 770,00	4 470,00
Basic EPS from Cont Ops, GAAP	3 570,00	2 970,00	4 770,00	4 470,00
Basic EPS from Cont Ops, Adjusted	3 805,00	4 145,40	4 797,40	4 609,40
	0	0	0	0
Diluted Weighted Avg Shares	125 500,00	125 100,00	123 500,00	121 600,00
Diluted EPS, GAAP	3 550,00	2 960,00	4 750,00	4 450,00
Diluted EPS from Cont Ops, GAAP	3 550,00	2 960,00	4 750,00	4 450,00
Diluted EPS from Cont Ops, Adjusted	3 788,20	4 127,10	4 775,90	4 590,60

Source: Bloomberg

Revenue by product	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jewellery collection	56%	50%	50%	47%	59%	52%	52%	53%	54%	55%
Engagement jewellery	28%	31%	30%	30%	29%	28%	28%	26%	26%	26%
Designer jewellery	16%	19%	20%	23%	12%	13%	13%	14%	12%	12%

Source: TIF Annual Reports

Exhibit 15 – Tiffany Balance Sheet

In Millions of USD except Per Share 12 Months Ending	FY 2017 01/31/2017	FY 2018 01/31/2018	FY 2019 01/31/2019	FY 2020 01/31/2020
Total Assets				
+ Cash, Cash Equivalents & STI	985,8	1 291,20	855,3	897,4
+ Cash & Cash Equivalents	928	970,7	792,6	874,7
+ ST Investments	57,8	320,5	62,7	22,7
+ Accounts & Notes Receiv	226,8	231,2	245,4	240
+ Accounts Receivable, Net	226,8	231,2	245,4	240
+ Notes Receivable, Net	0	0	0	0
+ Inventories	2 157,60	2 253,50	2 428,00	2 463,90
+ Raw Materials	806,3	821,4	781,8	776,8
+ Work In Process	101,9	117,5	161,9	154,6
+ Finished Goods	1 249,40	1 314,60	1 484,30	1 532,50
+ Other Inventory	0	0	0	0
+ Other ST Assets	203,4	207,4	230,8	274,2
+ Derivative & Hedging Assets	13,9	4,7	7,9	20,7
+ Deferred Tax Assets	0	0	—	0
+ Misc ST Assets	189,5	202,7	222,9	253,5
Total Current Assets	3 573,60	3 983,30	3 759,50	3 875,50
+ Property, Plant & Equip, Net	931,8	990,5	1 026,70	2 201,50
+ Property, Plant & Equip	2 455,70	2 718,10	2 892,20	4 262,00
- Accumulated Depreciation	1 523,90	1 727,60	1 865,50	2 060,50
+ LT Investments & Receivables	36,4	22,5	36,3	39,3
+ LT Investments	36,4	22,5	36,3	39,3
+ Other LT Assets	555,8	471,8	510,5	543,8
+ Total Intangible Assets	38,4	39,1	38,7	38,4
+ <i>Goodwill</i>	38,4	39,1	38,7	38,4
+ <i>Other Intangible Assets</i>	0	0	0	0
+ Deferred Tax Assets	301,8	188,2	215,8	225,2
+ Derivative & Hedging Assets	0	0	0	0
+ Misc LT Assets	215,6	244,5	256	280,2
Total Noncurrent Assets	1 524,00	1 484,80	1 573,50	2 784,60
Total Assets	5 097,60	5 468,10	5 333,00	6 660,10
	0	0	0	0
Liabilities & Shareholders' Equity	0	0	0	0
+ Payables & Accruals	326	498,5	507,4	552,4
+ Accounts Payable	108,6	201,5	217,1	261,3
+ Accrued Taxes	22,1	89,4	21,4	16,4
+ Interest & Dividends Payable	—	—	—	—
+ Other Payables & Accruals	195,3	207,6	268,9	274,7
+ ST Debt	228,7	120,6	113,4	350,7
+ ST Borrowings	228,7	120,6	113,4	147,9
+ ST Lease Liabilities	0	0	0	202,8
+ <i>ST Finance Leases</i>	0	0	0	0
+ <i>ST Operating Leases</i>	—	—	—	202,8

+ Current Portion of LT Debt	0	0	—	—
+ Other ST Liabilities	78,1	105,7	97,3	67,3
+ Deferred Revenue	0	0	0	0
+ Derivatives & Hedging	8,9	28,3	27,4	5,5
+ Misc ST Liabilities	69,2	77,4	69,9	61,8
Total Current Liabilities	632,8	724,8	718,1	970,4
+ LT Debt	878,4	882,9	883,4	1 892,50
+ LT Borrowings	878,4	882,9	883,4	884,1
+ LT Lease Liabilities	0	0	0	1 008,40
+ <i>LT Finance Leases</i>	0	0	0	0
+ <i>LT Operating Leases</i>	—	—	—	1 008,40
+ Other LT Liabilities	558	612,2	600,6	461,8
+ Accrued Liabilities	0	0	0	0
+ Pension Liabilities	318,6	287,4	312,4	374,5
+ Deferred Revenue	45,9	40,5	31,1	0
+ Derivatives & Hedging	0	0	0	0
+ Misc LT Liabilities	193,5	284,3	257,1	87,3
Total Noncurrent Liabilities	1 436,40	1 495,10	1 484,00	2 354,30
Total Liabilities	2 069,20	2 219,90	2 202,10	3 324,70
+ Preferred Equity and Hybrid Capital	0	0	0	0
+ Share Capital & APIC	1 191,40	1 257,20	1 276,60	1 388,50
+ Common Stock	1,2	1,2	1,2	1,2
+ Additional Paid in Capital	1 190,20	1 256,00	1 275,40	1 387,30
- Treasury Stock	0	0	0	0
+ Retained Earnings	2 078,30	2 114,20	2 045,60	2 207,60
+ Other Equity	-256,2	-138	-204,8	-273,2
Equity Before Minority Interest	3 013,50	3 233,40	3 117,40	3 322,90
+ Minority/Non Controlling Interest	14,9	14,8	13,5	12,5
Total Equity	3 028,40	3 248,20	3 130,90	3 335,40
Total Liabilities & Equity	5 097,60	5 468,10	5 333,00	6 660,10

Source: Bloomberg

Exhibit 16 – Tiffany and LVMH share price between 2019 and 2021


	Date	LVMH.PA Close	TIF.TH^A21 Close
Deal Completion	08/1/2021	525,3	131,47
	07/1/2021	515,3	131,47
	06/1/2021	502,3	131,47
Renegotiation	29/10/2020	403,8	130,81
	28/10/2020	402,15	129,87
	27/10/2020	418,85	128,93
	26/10/2020	421,75	122,97
Deal Cancelation	10/9/2020	404,35	114,32
	09/9/2020	404,05	113,975
	08/9/2020	404,4	121,815
Agreement	26/11/2019	407,35	133,21
	25/11/2019	404,25	133,27
	22/11/2019	396,25	125,5
Deal Announcement	29/10/2019	380,25	126,77
	28/10/2019	382,1	129,73
	25/10/2019	383,95	98,53

Source: Refinitiv

Exhibit 17 – Bonds Issued by LVMH

Nominal amount	Maturity	Initial effective interest rate (%)	Floating-rate swap	December 31, 2020 (EUR millions)
GBP 850,000,000	2027	1.125	Total	970
EUR 1,250,000,000	2024	-	-	1,251
EUR 1,250,000,000	2026	-	-	1,244
EUR 1,750,000,000	2028	0.125	-	1,734
EUR 1,500,000,000	2031	0.375	-	1,487
GBP 700,000,000	2023	1.000	Total	788
EUR 1,500,000,000	2025	0.375	-	1,494
EUR 1,750,000,000	2022	floating	-	1,754
Total bonds and EMTNs issued during the fiscal year				10,722

Source: LVMH Annual Report 2020

Teaching Notes – Exhibits

Exhibit TN1 – WACC calculations

WACC Assumptions		
Rf Rate	0,79%	10Y US Treasury Bond on 28th October 2020
Beta	1,20	Tiffany's Beta from Bloomberg 2020
Mkt Risk Premium	5,94%	Damodaran US Equity Risk Premium
Cost of Equity	7,92%	CAPM formula
Cost of Debt (pre tax)	1,51%	
Total Equity	14903,96	Price* shares Outstanding
Net Debt	1345,80	Net Debt FY2020
WACC	7,36%	

Pre-Tax Cost of Debt Calculation		
12-year bond Richemont	1,60%	Peer of Tiffany (issued in 2018)
YTM US Treasury (26 Oct 2018)	0,88%	
Credit Spread	0,72%	YTM Richemont Bond (2018) - YTM US Treasury(2018)
Pre-Tax Cost of Debt	1,51%	Credit Spread + Rf
From Refinitiv		

Exhibit TN2 – DCF Analysis

DCF			1	2	3	4	5	6	7	8	9	10
	Historical	Historical	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income Statement (Millions USD)												
Revenue	4442,1	4424	4512,48	4692,98	4927,63	5223,29	5588,92	5812,47	6044,97	6286,77	6475,37	6669,63
Growth %	6,53%	-0,41%	2,00%	4,00%	5,00%	6,00%	7,00%	4,00%	4,00%	4,00%	3,00%	3,00%
Cost of Sales	1631,1	1662,1	1679,84	1744,47	1839,13	1945,17	2081,59	2166,27	2251,85	2342,16	2412,65	2484,79
Gross Profit	2811	2761,9	2832,64	2948,51	3088,50	3278,11	3507,32	3646,20	3793,12	3944,61	4062,73	4184,84
Gross margin	63,28%	62,43%	62,77%	62,83%	62,68%	62,76%	62,75%	62,73%	62,75%	62,74%	62,74%	62,74%
EBITDA	1019,3	1300,8	1154,03	1218,98	1329,67	1367,33	1474,28	1541,09	1593,25	1660,73	1711,36	1760,82
EBITDA margin	22,95%	29,40%	25,57%	25,97%	26,98%	26,18%	26,38%	26,51%	26,36%	26,42%	26,43%	26,40%
D&A	229	259,7	240,48	255,84	273,50	284,34	306,37	319,22	330,81	344,65	354,99	365,42
% sales	5,16%	5,87%	5,33%	5,45%	5,55%	5,44%	5,48%	5,49%	5,47%	5,48%	5,48%	5,48%
EBIT	790,3	1041,1	913,55	963,14	1056,17	1082,99	1167,91	1221,87	1262,44	1316,08	1356,37	1395,40
Margin %	17,79%	23,53%	20,25%	20,52%	21,43%	20,73%	20,90%	21,02%	20,88%	20,93%	20,95%	20,92%
Tax Expense (Benefit)	157,1	149,2	195,24	205,84	225,72	231,45	249,60	261,14	269,81	281,27	289,88	298,22
Statutory Tax Rate	21,13%	21,61%	21,37%	21,37%	21,37%	21,37%	21,37%	21,37%	21,37%	21,37%	21,37%	21,37%
NOPLAT	633,20	891,90	718,31	757,30	830,45	851,54	918,31	960,73	992,63	1034,81	1066,49	1097,18
CapEx + Acq	-282,10	-320,60	-290,85	-302,48	-317,61	-336,66	-360,23	-374,64	-389,62	-405,21	-417,37	-429,89
% Sales	-6,35%	-7,25%	-6,45%	-6,45%	-6,45%	-6,45%	-6,45%	-6,45%	-6,45%	-6,45%	-6,45%	-6,45%
D&A	229	259,7	240,48	255,84	273,50	284,34	306,37	319,22	330,81	344,65	354,99	365,42
ΔNWC	205,4	326,2	251,27	274,78	308,75	307,99	335,66	352,00	361,85	378,21	389,77	400,65
% Sales	4,62%	7,37%	5,57%	5,86%	6,27%	5,90%	6,01%	6,06%	5,99%	6,02%	6,02%	6,01%
Unlevered FCFF	938,90	1146,00	998,37	1040,84	1112,81	1164,55	1249,25	1302,59	1351,21	1406,46	1449,07	1491,83
TV												34218,11
WACC			7,36%									
TGR			3,00%									
Discount Factor			1,00	0,87	0,81	0,75	0,70	0,65	0,61	0,57	0,53	0,49
PV of FCFF			998,37	903,03	899,28	876,58	875,88	850,66	821,93	796,88	764,74	733,34
PV of TV												16820,54
Debt			2243,20									
Cash			897,40									
Enterprise Value			25341,23									
Equity Value			23995									
# Shares Outstanding			121,20									
Price Target			197,98									
Current Price (26/10/2020)			122,97									
Upside/Downside			61%									
Purchase Price			131,5									
Upside/Downside			51%									

Exhibit TN3 - Sensitivity analysis

Sensitivity Analysis											
Enterprise Value			Perpetual growth rate								
			2,50%	2,75%	3,00%	3,25%	3,50%				
WACC	7,21%	\$	24 372,05	\$	25 257,17	\$	26 247,42	\$	27 362,71	\$	28 628,31
	7,26%	\$	24 112,90	\$	24 974,98	\$	25 938,26	\$	27 021,65	\$	28 249,11
	7,31%	\$	23 859,15	\$	24 699,00	\$	25 636,27	\$	26 688,99	\$	27 879,86
	7,36%	\$	23 610,64	\$	24 429,01	\$	25 341,23	\$	26 364,43	\$	27 520,18
	7,41%	\$	23 367,20	\$	24 164,82	\$	25 052,88	\$	26 047,68	\$	27 169,69
	7,46%	\$	23 128,69	\$	23 906,26	\$	24 771,00	\$	25 738,45	\$	26 828,06
	7,51%	\$	22 894,96	\$	23 653,14	\$	24 495,39	\$	25 436,49	\$	26 494,95
	7,56%	\$	22 665,86	\$	23 405,30	\$	24 225,82	\$	25 141,55	\$	26 170,04
Price Target			Perpetual growth rate								
			2,50%	2,75%	3,00%	3,25%	3,50%				
WACC	7,21%	\$	189,99	\$	197,29	\$	205,46	\$	214,66	\$	225,10
	7,26%	\$	187,85	\$	194,96	\$	202,91	\$	211,85	\$	221,97
	7,31%	\$	185,75	\$	192,68	\$	200,42	\$	209,10	\$	218,93
	7,36%	\$	183,70	\$	190,46	\$	197,98	\$	206,42	\$	215,96
	7,41%	\$	181,69	\$	188,28	\$	195,60	\$	203,81	\$	213,07
	7,46%	\$	179,73	\$	186,14	\$	193,28	\$	201,26	\$	210,25
	7,51%	\$	177,80	\$	184,05	\$	191,00	\$	198,77	\$	207,50
	7,56%	\$	175,91	\$	182,01	\$	188,78	\$	196,33	\$	204,82

Exhibit TN4 – Multiples Valuation

Multiples										
Companies	Tiffany	LVMH	Kering	Hermes	Moncler	Richemont SA	Swatch Group	Burberry	Prada	Median
2y correlation with LVMH				0,8251	0,8377	0,8175	0,7842	0,6647	0,7112	0,2081
5y sales growth		-0,27%	4,47%	2,50%	6,08%	15,86%	4,67%	-7,70%	0,86%	-7,62%
EV/EBITDA FY2020		13,53	13,48	16,45	35,26	22,36	8,86	21,02	7,73	24,41
EV/EBIT FY2020		22,61	17,48	16,43	23,18	44,12	34,54	17,22	208,14	13,64

From Refinitive

With Median

TIF	EV/EBIT	EV/EBITDA
Implied Enterprise Value (in millions)	\$ 16 561,08	\$ 21 393,53
Total Debt	\$ 2 243,20	\$ 2 243,20
Cash	\$ 897,40	\$ 897,40
Implied Equity Value (in millions)	\$ 15 215,28	\$ 20 047,73
Shares Outstanding (in millions)	121	121
Implied Share Price	\$ 125,54	\$ 165,41

Exhibit TN5 – Precedent Transactions Valuation

Date Announced	Target Company	Bidder Company	Transaction Value (in billions)	EV/EBITDA
September 2018	Gianni Versace S.r.l.	Michael Kors Holdings Limited	\$ 2,12	22,0x
April 2017	Christian Dior S.E.	LVMH Moët Hennessy Louis Vuitton S.E.	\$ 13,20	15,6x
March 2018	Yoox Net-A-Porter	Richemont	\$ 3,30	23,6x
April 2016	SMCP S.A.	Shandong Ruyi Technology Group Co., Ltd.	\$ 1,50	12,4x
December 2018	Belmond Ltd.	LVMH Moët Hennessy Louis Vuitton S.E.	\$ 3,20	22,9x
May 2017	Kate Spade & Company	Coach, Inc.	\$ 2,40	10,4x
Median			\$ 2,80	18,8x

With Median

Tiffany	EV/EBITDA	min	max
EBITDA (real 2020)	\$ 1 300,80	\$ 1 300,80	\$ 1 300,80
Implied EV (millions)	\$ 24 455,04	\$ 13 528,32	\$ 30 698,88
Net Debt (in millions)	\$ 1 345,80	\$ 1 345,80	\$ 1 345,80
Implied Equity Value (in millions)	\$ 23 109,24	\$ 12 182,52	\$ 29 353,08
Shares Outstanding	121,20	121,20	121,20
Implied Share Price	\$ 190,67	100,52	242,19

Exhibition TN6 – LVMH and TIF EPS calculations

	2018	2019	2020	2020
	Historic LVMH	Historic LVMH	Historic LVMH	Combined LVMH+ TIF
Net income	6354	7171	4702	5243,1
Shares Outstanding	503,8858049	503,9353479	504,5064378	504,5064378
EPS	12,61	14,23	9,32	10,39253339

Exhibition TN7 – LVMH and TIF P/E calculations

	2020	2020	2020
	LVMH 26th Oct 2020	TIF 26th Oct 2020	TIF acquisition price
Price per share	421,75	122,97	131,5
EPS	9,32	4,45	4,45
P/E	45,25	27,63	29,55