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SECTORAL FINANCIAL ANALYSIS – LUXURY
PEER GROUP SHARE PRICE ANALYSIS

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Abstract

This thesis provides an in-depth analysis of the personal luxury goods sector, focusing on LVMH, Kering, Hermès, and Burberry. By integrating financial methods such as discounted cash flow, multiple, and share price analysis with industry-specific insights, the research highlights how capital structures differ between conglomerates and mono-brand companies, reflecting distinct growth strategies. Hermès emerges as a leader, driven by superior profitability, craftsmanship, and conservative financial practices. ESG has become a critical factor for luxury brands, though it is not directly linked to returns. Additionally, Capex allocation plays a key role in ensuring long-term success in this high-margin industry.

Keywords (Luxury, Financial Analysis, Insights, Fashion)

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1 Introduction

1.1 Background and Motivation

The luxury goods industry is characterized by high profit margins, brand-driven value, and resilience during economic downturns. However, it also faces significant challenges, including shifting consumer preferences, growing sustainability demands, and changing market conditions. This study focuses on four major players in the personal luxury goods market - LVMH, Kering, Hermès, and Burberry - to examine the financial and strategic factors that contribute to success and competitiveness in this industry.

With backgrounds in private equity and Mergers and Acquisitions (M&A), we were motivated to undertake this research due to our interest in understanding the key drivers behind industry leadership. The luxury sector is particularly appealing because of its ability to achieve consistent profitability and resilient growth, making it an interesting case for analysis, particularly from an investment perspective. The goal of this work is to find insights and trends in the luxury industry and to evaluate the performance of the four companies analyzed throughout the thesis.

The analysis combines financial evaluation methods such as Discounted Cash Flow (DCF), Comparable Company Analysis (CCA), and Comparable Transactions Analysis (CTA), along with an examination of historical Weighted Average Cost of Capital (WACC) and beta factors to assess risk and volatility. This quantitative analysis is paired with an exploration of key industry trends, including digital transformation, the rise of second-hand luxury, and regional demand shifts. The combination of these approaches offers a comprehensive insight into the financial performance and strategic positioning of the selected companies.

The findings reveal distinct strategies among the four companies. Hermès stands out for its consistent profitability, driven by its focus on craftsmanship, operational efficiency, and a

conservative financial approach. LVMH and Kering have adopted growth strategies centered on acquisitions and diversification, while Burberry faces challenges due to stagnant growth and operational inefficiencies. These differences highlight companies' diverse paths to navigate the competitive luxury market.

This research links financial performance with broader strategic considerations, emphasizing how companies balance tradition with innovation and exclusivity with accessibility. By addressing the sector's ongoing challenges, such as sustainability and changing consumer expectations, the analysis provides insights into how luxury brands can adapt while maintaining their competitive edge. The findings offer practical perspectives for industry stakeholders and investors seeking to understand the dynamics of this competitive and high-margin sector.

1.2 Methodology

To gain a comprehensive understanding of the industry, four leading companies in the personal luxury goods sector were analyzed: LVMH, Kering, Hermès and Burberry. These companies were specifically selected to compare different business models and market performances. LVMH and Kering are large conglomerates with extensive brand portfolios, while Hermès and Burberry operate as single-brand companies. In addition, two companies were selected that have shown outstanding performance in recent years (LVMH and Hermès) and two whose performance has been weaker (Kering and Burberry). The combination of these companies offers valuable insights into the dynamics and challenges of the luxury sector.

The quantitative data for the analysis was sourced exclusively from Bloomberg and CapitalIQ and includes financial statements, financial ratios, share prices, and other relevant financial information on the companies. Additionally, datasets from NYU Stern were utilized to analyze industry-level metrics across 94 sectors, focusing on beta factors, valuation multiples, and financial ratios, to provide a broader contextual understanding of the luxury industry, based on recent data from January 20, 2024. The data was prepared and analyzed in Excel. To ensure

comparability, an adjustment was made to reconcile the balance sheet dates of the companies analyzed, which differ – December, 31 for LVMH, Kering, and Hermès, and March, 30 for Burberry. This adjustment allows the financial years to be aligned so that nine months of the reporting period are identical. For consistency, all financial figures are expressed in USD.

Ten companies from the personal luxury goods sector were selected as peer group. Luxury companies such as Ferrari were intentionally avoided, as they operate exclusively in the luxury car sector and differ significantly in terms of both their margins and sector dynamics. Instead, only companies operating in the personal luxury goods sector were selected, including LVMH, Kering, Hermès, Burberry, L’Oréal, Compagnie Financiere Richemont, Prada, Moncler, Hugo Boss, Chanel, and Brunello Cucinelli.

The qualitative data was gathered through extensive research of company annual reports, industry reports, academic articles, and other relevant sources. To ensure a balanced and robust analysis, information from different sources were compared.

2 Financial Analysis

2.1 Margin Analysis

Margins are critical indicators of a company’s profitability and operational efficiency, providing insights into how well a company is managing its costs relative to its revenue. This is especially important in the luxury sector, where high margins are a characteristic of successful brands.

In 2023, the gross margins of luxury companies were around 71% (*see Appendix I*), which is exceptionally high compared to other industries. Comparing 94 other industries results in an average gross profit margin of 38.3%, significantly lower than the luxury industry. Even the software industry, known for its high margins averages “only” 62.6%. The high margin of the luxury industry is driven by the unique characteristics of luxury goods, which differentiate

themselves and their client base by creating high prices and scarcity to maintain brand image. For instance, Dior sells bags for \$2,780 while having production costs of only \$57 (Ryan 2024). Following the COVID-19 pandemic, all four companies improved their gross margins due to a catch-up effect where revenue increased through price raises, while fixed costs remained relatively stable. In addition to the traditional characteristics of luxury that have driven margins in recent years, as demonstrated in *Figure 2.1*, there has been a notable shift towards direct-to-consumer sales. This trend has led to an increase in retail and e-commerce, allowing businesses to interact more directly with customers and cut out intermediaries. As a result, revenue is generated primarily through higher-margin direct channels (D'Arpizio et al. 2021).

Gross Margin %	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	64.8%	65.3%	65.3%	66.6%	66.2%	64.5%	68.3%	68.4%	68.8%
Kering	61.1%	62.9%	73.2%	74.6%	74.1%	72.6%	74.1%	74.7%	76.3%
Hermès	66.1%	67.7%	70.1%	70.0%	69.1%	68.5%	71.3%	70.8%	72.3%
Burberry	70.1%	69.9%	69.4%	68.4%	67.4%	70.0%	70.6%	70.5%	67.7%
Peer Group	66.0%	66.8%	69.9%	69.3%	68.5%	68.6%	70.8%	70.8%	70.7%

Figure 2.1 Gross Margin

Source: Own Illustration based on data from CapitalIQ, using Excel

Hermès consistently achieves the best Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) margin, reaching 45.0% in 2023 (see *Figure 2.2*). This is a significant improvement from 2015, increasing by almost 10% due to efficient cost management. All companies, except Burberry, have improved their EBITDA margins post-COVID-19. Burberry's EBITDA margin decreased to 17.6% in 2023 from 21.1% in 2015, hindered by performance issues previously mentioned.

EBITDA Margin %	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	22.5%	22.5%	23.3%	25.0%	25.9%	25.7%	29.9%	29.4%	29.3%
Kering	18.3%	19.0%	29.8%	32.5%	33.2%	28.3%	32.0%	31.1%	28.6%
Hermès	35.8%	36.7%	39.0%	38.9%	37.8%	36.1%	42.6%	43.8%	45.0%
Burberry	21.1%	21.0%	21.2%	19.6%	19.8%	20.7%	21.6%	23.6%	17.6%
Peer Group	22.1%	20.7%	22.0%	21.0%	20.8%	20.2%	24.9%	26.6%	26.8%

Figure 2.2 EBITDA Margin

Source: Own Illustration based on data from CapitalIQ, using Excel

Notably, only Kering and LVMH have high amortizations, which can be seen in the difference between their Earnings before Interest, Taxes, and Amortization (EBITA) and Earnings before

Interest and Taxes (EBIT) margins due to their extensive portfolios of brands, trade names, license rights, and goodwill resulting from numerous acquisitions (*see Appendices 2 to 4*). This diversified brand portfolio helps spread operational risks and capitalize on different market segments while expanding revenues and market share.

Net Profit Margin %	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	10.0%	10.8%	12.6%	13.6%	13.4%	10.5%	18.7%	17.8%	17.6%
Kering	6.0%	6.6%	16.5%	27.2%	14.5%	16.4%	18.0%	17.8%	15.2%
Hermès	20.1%	21.2%	22.0%	23.6%	22.2%	21.7%	27.2%	29.0%	32.1%
Burberry	12.3%	10.4%	10.7%	12.5%	4.6%	16.0%	14.0%	15.8%	9.1%
Peer Group	12.2%	9.7%	11.8%	13.4%	8.8%	7.3%	14.0%	13.0%	13.1%

Figure 2.3 Net Profit Margin

Source: Own Illustration based on data from CapitalIQ, using Excel

A comparable picture to before emerges when analyzing net profit margins (*see Figure 2.3*). Hermès stands out with 32.1% in 2023, while Kering and LVMH are slightly above the peer group median with 15.2% and 17.6% respectively (*see Appendix 5*). The trend shows that all companies, except for Burberry, improved their net profit margin over the observation period. Another reason for Hermès' strong net profit margins is that it has low interest expenses, which results in an interest coverage of >100x. Interest coverage is calculated as EBIT divided by interest expense, as illustrated in *Figure 2.4*. This ratio is a widely used proxy to show how well a company can meet its interest obligations with its operating earnings. A comparison of this figure with other companies' post-pandemic financial profiles reveals that Hermès has a unique financial profile, characterized by low interest expenses. The higher interest expense for companies like LVMH and Kering can be attributed to the previously mentioned acquisitions, which resulted in increased debt levels. This also led to a rise in interest expenses in 2023 due to the ECB's increase in interest rates and terms of variable interest rates. For Burberry, this ratio emerged only after 2020, when the company issued a revolving credit facility to secure its liquidity during the COVID-19 pandemic. This was necessary due to the high sales exposure to mainland China and the restrictions there (Burberry 2020).

Interest Coverage	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	59.4x	44.3x	48.9x	63.1x	25.7x	22.8x	70.8x	55.0x	23.4x
Kering	12.1x	13.9x	23.5x	46.8x	27.6x	19.2x	33.0x	30.9x	13.1x
Hermès	NM	NM	NM	81.4x	97.0x	70.2x	112.4x	107.1x	102.8x
Burberry	268.6x	NM	NM	NM	17.2x	13.8x	16.9x	17.1x	7.7x
Peer Group	51.8x	68.2x	65.9x	65.9x	23.9x	16.0x	21.5x	23.7x	13.4x

Figure 2.4 Interest Coverage Ratio
 Source: Own Calculations based on data from CapitalIQ, using Excel

Overall interest coverage ratios remain notably high. Even Kering and Burberry, with the lowest coverage ratio, still outperform the median interest coverage ratio of 5.9x for other industries, due to high margins and the strong cash generation in the luxury segment (CSIMarket 2024). In general, there has been a noticeable shift in debt levels during the years 2018-2019, as can be seen in the peer group’s strong decrease in interest coverage. However, an interest coverage ratio of 2x is generally considered the minimum acceptable for a company with stable, consistent revenue, and all four companies and the peer group are well above this threshold (Maverick 2024). Despite rising interest rates, this currently poses no significant threat to their financial stability.

2.2 Profitability Analysis

Profitability metrics such as Return on Assets (ROA), Return on Equity (ROE), and Return on Invested Capital (ROIC) are essential for evaluating a company’s performance. These ratios reveal how efficiently a company uses its assets, equity, and capital, to generate profits, providing key insights into financial health and operational effectiveness. ROA measures the net profit generated from total assets, highlighting management’s efficiency in asset utilization. ROIC and ROE assess profitability from different financial perspectives, offering a comprehensive view of the company’s performance.

Return on Assets %	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	7.4%	7.5%	8.0%	8.6%	8.4%	5.1%	9.2%	10.1%	10.2%
Kering	4.4%	4.9%	6.8%	10.5%	12.3%	7.1%	10.6%	10.7%	7.9%
Hermès	19.5%	19.1%	19.2%	17.3%	16.1%	12.2%	18.1%	19.2%	19.0%
Burberry	11.2%	11.9%	12.7%	12.2%	9.7%	7.6%	9.1%	10.7%	7.4%
Peer Group	8.2%	8.4%	8.7%	9.8%	8.9%	5.8%	9.0%	9.9%	9.2%

Figure 2.5 Return on Assets Ratio

Source: Own Illustration based on data from CapitalIQ, using Excel

Figure 2.5 presents the ROA percentages for the four luxury fashion companies compared to the broader peer group. The ROA is calculated using Earnings Before Interest After Taxes (EBIAT) divided by total assets. The luxury industry, represented by the peer group, has a median ROA of 8-10% over the observed period. From 2015 to 2023, Hermès consistently achieved higher ROA compared to peers like LVMH, Kering, and Burberry. In 2015, Hermès recorded an impressive ROA of 19.5%, outperforming LVMH (7.4%), Kering (4.4%), and Burberry (11.2%). This trend continued, with Hermès maintaining ROA mostly above 16% and peaking at 19.2% in 2017 and 2022, while the other companies showed more fluctuation and lower averages. A general decline in ROA occurred around 2020 due to significant EBIT reductions, despite some companies stabilizing revenues. For instance, LVMH's ROA fell to 5.1% after EBIT dropped by 27.3%. Similarly, Hermès and Burberry experienced declines, partly due to IFRS 16 accounting changes, which added "Right of Use Assets" to their balance sheets, increasing assets and reducing ROA. By 2023, Hermès led decisively with a 19.0% ROA, reaffirming its strong financial performance.

Return on Equity %	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	16.4%	16.6%	20.0%	21.7%	21.5%	12.8%	28.9%	28.0%	26.7%
Kering	5.9%	7.5%	14.2%	23.4%	21.5%	19.5%	25.2%	26.1%	20.0%
Hermès	27.1%	27.2%	26.0%	26.8%	25.5%	19.9%	29.2%	30.9%	31.3%
Burberry	20.5%	17.3%	18.8%	23.5%	9.1%	27.1%	25.0%	31.2%	20.1%
Peer Group	17.2%	16.6%	19.6%	22.5%	19.4%	12.5%	19.2%	23.4%	22.0%

Figure 2.6 Return on Equity Ratio

Source: Own Illustration based on data from CapitalIQ, using Excel

ROE percentages from 2015 to 2023 further underline Hermès' strong financial performance (see Figure 2.6). The ROE is calculated by dividing the companies' earnings by their equity. In general, the luxury industry, represented by the peer group, consistently achieved relatively

high ROE ratios of up to 23.4% over the observed period. As a comparison, the average of other industries is “only” 14.0%. Hermès maintained its lead, with the highest ROE of 31.3% achieved in 2023. LVMH and Kering showed a rising trend in ROE, with LVMH peaking at 28.9% in 2021 and Kering at 26.1% in 2022, but their figures remained more variable. Burberry’s ROE fluctuated more significantly, reaching a low of 9.1% in 2019 but recovering to 20.1% in 2023. The high ROE for Hermès reflects its ability to generate substantial profits from shareholder’s equity. The growth in equity ratios for all companies is due to minor changes in the companies’ equity while net income increases over the years.

As can be seen, Hermès constantly outperforms its peers in profitability ratios. The reasons for that are difficult to capture quantitatively, but Hermès manages to achieve higher returns with fewer resources used. A way of demonstrating Hermès’ efficiency is when looking at sales per store or sales per employee. *Figure 2.7* and *Figure 2.8* show the average revenue per store and revenue per employee of the four companies.

Revenue per Store	2016	2017	2018	2019	2020	2021	2022	2023	CAGR
<i>LVMH</i>	10.1	11.7	11.7	12.3	10.9	13.1	14.9	15.6	
<i># of Stores</i>	3,948	4,374	4,592	4,915	5,003	5,556	5,664	6,097	6.4%
<i>Kering</i>	6.4	9.7	12.2	12.9	11.2	12.9	13.1	12.2	
<i># of Stores</i>	2,039	1,335	1,278	1,381	1,433	1,559	1,663	1,771	(2.0%)
<i>Hermès</i>	17.9	21.9	22.0	24.8	25.5	33.7	41.3	50.5	
<i># of Stores</i>	307	304	310	311	306	303	300	294	(0.6%)
<i>Burberry</i>	7.4	8.5	8.2	7.8	7.8	8.9	9.3	8.9	
<i># of Stores</i>	469	449	431	421	415	418	413	422	(1.5%)

Figure 2.7 Revenue per Store in \$ Millions

Source: Own Illustration based on data from CapitalIQ, using Excel

The figure reveals significant differences in the strategies and performance of LVMH, Kering, Hermès, and Burberry from 2016 to 2023. LVMH is the only company to consistently expand its store count, growing from 3,948 to 6,097 stores (CAGR 6.4%), while also achieving an 11.9% CAGR in revenue per store, reflecting its heavy investment in physical retail to drive growth. In contrast, Hermès nearly tripled its revenue per store from 17.9 to 50.5, the highest among its peers (CAGR 16.0%), despite slightly reducing its store count, emphasizing exclusivity, pricing power, and sales growth. Kering doubled its revenue per store from 6.4 to

12.2 by reducing its store count (CAGR -2.0%) and focusing on store profitability, leveraging fewer, more productive locations. Meanwhile, Burberry experienced minimal growth, increasing revenue per store modestly from 7.4 to 8.9 while reducing its store network (CAGR -1.5%), highlighting challenges in maintaining competitiveness. Overall, LVMH's aggressive expansion contrasts with Hermès and Kering's focus on enhancing store productivity, while Burberry's stagnation underscores its struggles in the competitive luxury market.

Revenue per Employee	2016	2017	2018	2019	2020	2021	2022	2023	CAGR
<i>LVMH</i>	295.2	352.5	343.5	368.8	363.0	415.8	431.7	446.5	
<i># of Employees</i>	134,476	145,247	156,088	163,309	150,479	175,647	196,006	213,268	6.8%
<i>Kering</i>	364.4	336.5	511.4	468.2	415.7	468.7	460.5	441.7	
<i># of Employees</i>	35,877	38,596	30,595	38,068	38,553	42,811	47,227	48,964	4.5%
<i>Hermès</i>	427.9	494.2	478.2	501.0	470.8	580.6	629.9	673.5	
<i># of Employees</i>	12,834	13,483	14,284	15,417	16,600	17,595	19,686	22,037	8.0%
<i>Burberry</i>	352.4	393.3	359.2	330.4	350.1	412.5	431.6	408.8	
<i># of Employees</i>	9,828	9,752	9,862	9,892	9,234	8,979	8,868	9,169	(1.0%)

Figure 2.8 Revenue per Employee in \$ Thousands

Source: Own Illustration based on data from CapitalIQ, using Excel

The second table also highlights differences in productivity among LVMH, Kering, Hermès, and Burberry from 2016 to 2023. LVMH steadily increased both revenue per employee, from \$295.2 to 446.5 thousand, and its workforce, from 134,476 to 213,268, reflecting its aggressive expansion strategy. Hermès achieved the highest revenue per employee of \$673.5 thousand in 2023, representing a CAGR of 6.7% from \$427.9 thousand in 2016. Kering's revenue per employee fluctuated, peaking in 2018, due to personnel layoffs of >20% in the same year. Burberry struggled, with revenue per employee growing only slightly, from 352.4 to 408.8, and its workforce shrinking from 9,828 to 9,169, reflecting challenges in driving growth and efficiency. Overall, Hermès and LVMH stood out for balanced growth, while Kering and Burberry showed mixed results.

The prior analysis highlights the operational profitability of the companies. To assess whether this translates into sustainable financial performance, it is important to consider metrics like Weighted Average Cost of Capital (WACC) and ROIC. Figure 2.9 illustrates the historical WACC of each of the companies, including the cost of equity, cost of debt and the respective

ROIC for each year. The ROIC is calculated using EBIAT divided by the average invested capital, including long-term debt, equity, short-term debt, and leases. Cost of equity was calculated by using the capital asset pricing model while the cost of debt was calculated by using the current bond rates of each year and company.

WACC Development	2015	2016	2017	2018	2019	2020	2021	2022	2023	H1 2024
LVMH	9.2%	8.0%	8.2%	11.0%	9.0%	6.8%	10.7%	10.9%	10.4%	11.6%
<i>Cost of Equity</i>	10.1%	8.6%	9.0%	11.9%	10.1%	7.8%	11.7%	11.8%	11.3%	12.6%
<i>Cost of Debt</i>	0.5%	0.3%	0.4%	0.4%	0.1%	(0.2%)	0.1%	2.6%	2.5%	2.9%
ROIC	12.4%	12.6%	13.4%	14.3%	13.2%	7.5%	13.4%	14.9%	14.7%	n/a
Kering	7.1%	7.1%	9.1%	11.4%	9.1%	7.7%	11.7%	10.2%	9.1%	9.9%
<i>Cost of Equity</i>	9.1%	8.5%	10.0%	12.2%	10.2%	8.8%	13.0%	11.8%	11.4%	13.0%
<i>Cost of Debt</i>	0.7%	0.6%	0.7%	0.6%	0.1%	(0.2%)	0.1%	2.8%	2.5%	3.2%
ROIC	6.0%	6.8%	9.6%	15.5%	17.6%	9.4%	13.8%	13.9%	9.8%	n/a
Hermès	7.4%	6.7%	6.9%	7.8%	7.4%	5.9%	9.5%	10.9%	10.6%	12.1%
<i>Cost of Equity</i>	7.4%	6.7%	6.9%	7.9%	7.5%	6.1%	9.6%	11.0%	10.7%	12.1%
<i>Cost of Debt</i>	0.3%	0.3%	0.3%	0.6%	0.1%	(0.3%)	0.2%	3.0%	2.7%	3.3%
ROIC	26.6%	26.0%	25.8%	22.4%	20.6%	15.1%	22.2%	23.5%	22.7%	n/a
Burberry	10.2%	12.4%	14.2%	13.1%	9.3%	10.1%	16.4%	12.5%	12.0%	9.5%
<i>Cost of Equity</i>	10.3%	12.5%	14.2%	13.1%	10.4%	12.9%	19.3%	14.2%	13.6%	11.4%
<i>Cost of Debt</i>	0.5%	0.1%	0.4%	0.8%	0.5%	0.1%	0.9%	4.4%	4.8%	4.0%
ROIC	15.8%	16.6%	18.5%	18.9%	13.1%	9.2%	11.0%	13.1%	9.1%	n/a

Figure 2.9 WACC & ROIC Development

Source: Own Illustration based on data from Bloomberg, using Excel

Over the analyzed period, WACC has generally increased for all companies except Burberry, which experienced a decline due to a change in its capital structure in 2021. This shift resulted in a higher reliance on debt financing, which lowered its overall cost of capital due to the comparatively lower cost of debt. In general, the WACC of the luxury industry and our peers is well above the average WACC of 8.2% for other industries. The main reason for this can be attributed to the higher cost of equity for luxury companies resulting from a much higher average beta factor due to the volatility of the sector. This becomes clear when looking at the average cost of equity of “only” 9.7% for other industries, compared to >11% for the analyzed four companies. A detailed analysis of historic beta factors later in the thesis will further illustrate this development.

Hermès, being entirely equity-financed, has seen a significant increase in its WACC, making it the most expensive company in H1 2024 (12.1%). This is due to the naturally higher risk of equity holders compared to debt holders. Although Hermès previously benefited from lower

beta factors, reducing its cost of equity, recent trends have aligned its beta factor with peers, leading to comparable equity costs. Compared to peers, Burberry has a much lower WACC of 9.5%, due to its high debt-to-equity ratio of 135.7% in 2023. LVMH, being also mainly equity financed, has a WACC of 11.6%. Kering has a debt-to-equity ratio of 111.3% with a WACC of 9.9%. The cost of debt is usually much smaller than the cost of equity, as can also be seen in *Figure 2.9*, leading to significant differences in cost of capital for the companies.

In 2015, Hermès reported an impressive ROIC of 26.6%, far exceeding LVMH's 12.4%, Kering's 6.0% and Burberry's 15.8%. Over the subsequent years, Hermès consistently maintained high ROIC figures, with the lowest being 15.1% in 2020. LVMH and Kering showed more variability and generally lower ROIC figures, with LVMH achieving its highest ROIC of 14.9% in 2022 and Kering reaching 17.6% in 2019. Burberry, while starting strong with a ROIC of 19.2% in 2015, experienced a notable decline, hitting a low of 9.2% in 2021 before recovering to 13.1% in 2022. Hermès is the only of the four companies to constantly double its ROIC compared to WACC.

2.3 Valuation Analysis

The differences in WACC become particularly important when looking at the valuation of the various companies. Especially, when conducting a Discounted Cash Flow (DCF) model, Burberry takes a massive advantage of future cash flows due to its relatively low WACC. On the flip side, Hermès, with the highest WACC of the four companies, has a massively reduced present value of its cash flows. To better understand the dynamics of each of the companies and put their current valuation into perspective, a full valuation, resulting from DCF, CCA, and CTA has been conducted.

Company	Case	EV	Equity Value	Current Price	Calc. Price	Difference
LVMH	Median	241,285	203,319		\$407.01	(46.8%)
	Downside	203,905	165,940	\$764.60	\$332.18	(56.6%)
	Upside	295,591	257,625		\$515.72	(32.6%)
Kering	Median	38,711	21,298		\$173.74	(52.1%)
	Downside	30,941	13,527	\$362.69	\$110.35	(69.6%)
	Upside	49,782	32,368		\$264.04	(27.2%)
Hermès	Median	69,232	77,048		\$735.68	(67.9%)
	Downside	57,396	65,212	\$2,292.94	\$622.67	(72.8%)
	Upside	87,239	95,055		\$907.62	(60.4%)
Burberry	Median	6,129	4,333		\$12.13	9.3%
	Downside	4,834	3,038	\$11.09	\$8.50	(23.3%)
	Upside	7,971	6,175		\$17.28	55.8%

Figure 2.10 DCF Analysis in \$ Millions (excl. price per share)

Source: Own Illustration based on data from CapitalIQ, using Excel

Figure 2.10 shows the valuation outcome of the DCF model of each of the four companies, using a market case, reflected by the “median”, which is based on market assumptions for future growth, a downside case, and an upside case. The growth rates and margins were forecasted using broker reports as well as performances of the past years for net working capital behavior and other cash flow metrics like Capex, Depreciation & Amortization, and stock options. Due to Burberry’s relatively low current market capitalization, paired with the low WACC, Burberry is the only company benefiting from an undervaluation of 9.3%. As mentioned before, discounting future cash flows of Hermès, leaves it with a significant overvaluation, due to its high current valuation and the high discount rate of future cash flows.

To highlight the importance of the discount rate, a sensitivity analysis of the share price was conducted for each company, based on the WACC. A detailed sensitivity analysis for each company can be found in *Appendices 6 to 9*.

WACC	7%	8%	9%	10%	11%	12%	13%
LVMH	37%	4%	(17%)	(31%)	(42%)	(50%)	(56%)
Kering	20%	(16%)	(38%)	(54%)	(65%)	(74%)	(81%)
Hermès	(26%)	(42%)	(52%)	(59%)	(64%)	(68%)	(71%)
Burberry	120%	60%	22%	(4%)	(23%)	(38%)	(49%)

Figure 2.11 Sensitivity Analysis

Source: Own Illustration based on data from CapitalIQ, using Excel

Figure 2.11 shows the impact of a change in WACC on the share prices of each of the four companies. As can be seen for Burberry for example, a WACC of around 10-11%, which would

be comparable to peers, would already lead to significant changes in the estimated share price. Similarly, a potential change in Hermès' capital structure with more debt would lead to a reduction of WACC and a better outcome in the DCF analysis.

For a better understanding of the valuation dynamics of the industry and to provide context, a multiple analysis of the four companies and a broader peer group in the luxury industry was conducted. The companies were analyzed on EV/Revenue and EV/EBITDA. The peer group consists of 10 larger listed luxury companies, including players like Moncler, Prada, and Brunello Cucinelli.

EV/Revenue	2015	2016	2017	2018	2019	2020	2021	2022	2023	H1 2024
<i>LVMH</i>	2.2x	2.6x	3.0x	3.0x	4.3x	6.3x	6.2x	4.7x	4.6x	4.4x
<i>Kering</i>	2.2x	2.6x	5.1x	4.0x	5.0x	6.3x	5.3x	3.2x	3.0x	2.9x
<i>Hermès</i>	6.5x	7.5x	8.0x	8.0x	9.7x	14.1x	17.5x	12.6x	14.4x	15.5x
<i>Burberry</i>	1.9x	2.2x	2.4x	2.4x	3.5x	3.4x	2.8x	3.0x	1.9x	1.5x
<i>Peer Group</i>	2.6x	2.8x	3.6x	3.4x	4.3x	6.2x	5.7x	4.2x	4.0x	4.2x

Figure 2.12 EV/Revenue Multiples

Source: Own Illustration based on data from CapitalIQ, using Excel

Figure 2.12 shows the EV/Revenue Multiples of the four companies compared to the broader peer group. EV/Revenue is particularly useful for evaluating companies with negative earnings or companies that undergo rapid growth. Higher multiples typically reflect higher growth potential, strong margins, or a premium market positioning. The luxury industry itself showed strong EV/Revenue growth in the past 9.5 years, growing from 2.6x in 2015 to currently 4.2x. An analysis of 94 other industries shows a median EV/Revenue multiple of “only” 2.5x, showcasing the strong position of the luxury industry in performing consistent revenue growth and profitable margins (Damodaran 2024b). Especially in the years 2019 to 2021, the luxury industry has seen a strong uptick in revenue multiples, resulting from resilient revenue performance and increasing firm values. Investors kept showing confidence in the industry to perform well in uncertain times to come. Of the four analyzed companies, Burberry is the only one, that has not been able to increase its valuation in the analyzed period. Burberry consistently struggles with revenue growth and profit margin expectations, which causes uncertainty among

investors and lowers the share price and thus EV. Hermès is the clear standout of the four companies. Through its premium pricing and robust demand, the company was able to score high multiples throughout the entire analyzed period, far exceeding all of its peers. With 15.5x EV/Revenue in the first half of 2024, Hermès even outperforms sectors like enterprise software, which are known for their high revenue multiples due to high growth expectations and a substantial portion of recurring revenues. The median EV/Revenue multiple for 351 analyzed software companies was “only” 10.7x, far below Hermès’ 15.5x. Despite industry headwinds, Hermès’ unique sales strategy, paired with strong pricing power, positions it for continued growth. The company demonstrated a strong Q1, 2024, with revenues climbing 17%. LVMH as the industry leader has only reported 2% organic growth in Q1, 2024 (Seeking Alpha 2024).

Looking at the EV/EBITDA multiples of the companies, a similar picture emerges. EV/EBITDA multiples are a key valuation method, as they eliminate the effects of capital structures, depreciation and amortization methods and varying tax regimes.

EV/EBITDA	2015	2016	2017	2018	2019	2020	2021	2022	2023	H1 2024
<i>LVMH</i>	10.0x	11.6x	13.0x	11.8x	16.6x	24.4x	20.7x	15.9x	15.7x	15.4x
<i>Kering</i>	12.2x	13.9x	17.0x	12.3x	15.0x	22.2x	16.5x	10.2x	10.4x	11.0x
<i>Hermès</i>	18.3x	20.5x	20.4x	20.7x	25.7x	38.9x	41.0x	28.7x	32.0x	34.9x
<i>Burberry</i>	8.8x	10.8x	11.4x	11.9x	17.6x	18.5x	11.6x	13.4x	9.6x	10.8x
<i>Peer Group</i>	11.5x	13.2x	16.4x	13.2x	18.1x	26.3x	22.5x	15.2x	14.3x	15.3x

Figure 2.13 EV/EBITDA Multiples

Source: Own Illustration based on data from CapitalIQ, using Excel

Figure 2.13 shows the EV/EBITDA multiples over the analyzed period. The valuation of the luxury industry grew over the past years, having its peak during COVID-19 with 26.3x EV/EBITDA. With 15.3x EV/EBITDA, the luxury industry trades well above the median of the 92 analyzed industries, trading at 12.5x in 2024. Again, Hermès is the clear leader of the peer group with an EV/EBITDA multiple of 34.9x in H1 2024 and peaking at 41.0x in 2021. With these multiples, Hermès currently trades higher than well-known tech companies like Microsoft, “only” trading at 12.4x EV/Revenue and 22.8x EV/EBITDA (CapitalIQ 2024).

As an addition to the DCF, a multiples analysis was conducted for each of the companies, consisting of both precedent transactions and comparable companies. *Figure 2.14* shows the conducted CCA based on data from June 30th, 2024. The calculated share prices are based on the EV/EBITDA multiples of the peer group, as for profitable companies in the luxury segment, EV/EBITDA serves as a good proxy for company valuations. Again, the median, as well as a downside and an upside case were calculated, consisting of the 25th and 75th percentile, respectively. When looking at the valuation of Hermès, it becomes clear how high the company is valued compared to its peers. Even the 75th percentile of the analyzed peer group is valued at a discount of -36.0% compared to Hermès. The table also shows the current low valuation of both Kering and Burberry, suffering from major stock losses in the past months.

Company	Case	EV	Equity Value	Calc. Price	Difference
LVMH	Median	408,261	370,295	\$741.27	(3.1%)
	Downside	321,594	283,628	\$567.77	(25.7%)
	Upside	589,953	551,987	\$1,104.98	44.5%
Kering	Median	83,347	65,933	\$537.85	48.3%
	Downside	65,654	48,240	\$393.52	8.5%
	Upside	120,440	103,026	\$840.43	131.7%
Hermès	Median	100,896	108,712	\$1,038.02	(54.7%)
	Downside	79,477	87,294	\$833.51	(63.6%)
	Upside	145,798	153,615	\$1,466.76	(36.0%)
Burberry	Median	7,592	5,796	\$16.22	46.2%
	Downside	5,980	4,184	\$11.71	5.6%
	Upside	10,971	9,175	\$25.68	131.5%
				EV/Revenue	EV/EBITDA
Peer Group	Median			4.2x	15.3x
	25th Percentile (Downside Case)			3.2x	12.0x
	75th Percentile (Upside Case)			5.2x	22.1x

Figure 2.14 Comparable Companies Analysis in \$ Millions (excl. calc. price per share)
 Source: Own Illustration based on data from CapitalIQ, using Excel

Finally, a CTA has been conducted, analyzing past transactions to determine market multiples for the industry. *Figure 2.15* illustrates the CTA conducted for the four companies. As with the previous analyses, the CTA includes a downside and an upside case to make a full valuation range possible. The CTA was performed using a total of 16 disclosed transactions over the past four years. The median EV/EBITDA multiples of these transactions amounted to 16.2x, which leads to higher valuations than both CCA and DCF. This is well in line with expectations, due

to the control premium paid for these transactions. Control premiums can go as high as +70%, making the CTA, on average, the highest valuation method (Corporate Finance Institute 2023). This is also underlined by the high EV/EBITDA multiple of 33.6x for the 75th percentile of the transaction group. Using the CTA as the valuation method shows an undervaluation for all of the analyzed companies, except for Hermès, again demonstrating its high valuation. With 34.9x EV/EBITDA, Hermès trades even higher than the 75th percentile of already acquired companies, where a control premium is already included.

Company	Case	EV	Equity Value	Calc. Price	Difference
LVMH	Median	432,774	394,808	\$790.34	3.4%
	Downside	314,858	276,892	\$554.29	(27.5%)
	Upside	899,609	861,643	\$1,724.86	125.6%
Kering	Median	88,351	70,938	\$578.67	59.5%
	Downside	64,279	46,865	\$382.30	5.4%
	Upside	183,656	166,242	\$1,356.12	273.9%
Hermès	Median	106,954	114,770	\$1,095.86	(52.2%)
	Downside	77,813	85,629	\$817.61	(64.3%)
	Upside	222,325	230,142	\$2,197.46	(4.2%)
Burberry	Median	8,048	6,252	\$17.50	57.7%
	Downside	5,855	4,059	\$11.36	2.4%
	Upside	16,729	14,933	\$41.80	276.8%
				EV/Revenue	EV/EBITDA
Peer Group	Median			1.9x	16.2x
	25th Percentile (Downside Case)			1.3x	11.8x
	75th Percentile (Upside Case)			3.2x	33.6x

Figure 2.15 Comparable Transactions Analysis in \$ Millions (excl. calc. price per share)
Source: Own Illustration based on data from CapitalIQ, using Excel

To put these valuation methods into perspective, a football field was created for each company, showing a range for each method and ultimately leading to a fair value calculated. Figure 2.16 shows an overview of the valuations of each company. For a detailed analysis, Appendices 10 to 13 present the graphical outputs of the valuation.

Company	Fair Value	Current Share price	Difference
LVMH	\$646.20	\$764.60	(15.5%)
Kering	\$430.09	\$362.69	18.6%
Hermès	\$956.52	\$2,292.94	(58.3%)
Burberry	\$15.28	\$11.09	37.8%

Figure 2.16 Football Field Summary Valuation Output
Source: Own Illustration based on data from CapitalIQ, using Excel

For the output, each of the valuation methods has been given an equal weight. This leads to an overvaluation for both LVMH and Hermès. Especially Hermès suffers from its high WACC, having a significant impact on its DCF method valuation. Due to recent share drops, both Kering and Burberry seem to be attractive as potential investments, eventually benefiting from turnaround moments. However, a huge portion of the analysis comes from the CCA and CTA, both reflecting past valuations, whereas the DCF is less promising for both companies due to decreasing revenues and profit margins.

2.4 Capex Analysis

A lot of the previously shown valuations are dependent on the Capex of the respective companies. Capex plays a fundamental role in shaping a company's financial health, cash flows and ultimately its market valuation. During periods of significant investment, Capex affects free cash flow, a critical driver for valuations. Conversely, restrained or optimized Capex can preserve liquidity, enhancing a company's ability to weather uncertain times.

The luxury industry maintains a relatively stable Capex/sales ratio of around 5% (*see Figure 2.17*), significantly higher than the average of other industries, which typically stands at around 3-4% (Damodaran 2024b). This underlines the significant market entry barriers and sustains competitiveness. Within the industry, Hermès and Burberry exhibit relatively low Capex/sales ratios, falling below the industry standard. In contrast, LVMH and Kering have significantly exceeded the industry average, especially over the past two years. While part of the higher Capex is due to LVMH's and Kering's business model, which evolves around acquiring various smaller brands, the increase in Capex also reflects their expansion focus over the past two years, which is expected to continue. For Kering, a substantial portion of the Capex increase results from strategic acquisitions of real estate assets of its Eyewear business. Kering Eyewear invested significantly in Paris, including three key buildings in luxury districts (Kering 2024). Similarly, LVMH invested heavily in its retail network expansion, particularly

for the brands Louis Vuitton, Tiffany, and Sephora with core acquisitions in London and Paris (LVMH 2024).

Capex as % of Sales	2015	2016	2017	2018	2019	2020	2021	2022	2023	H1 2024	CAGR
LVMH	5.7%	6.3%	5.1%	5.7%	5.3%	4.1%	4.3%	5.5%	7.7%	7.4%	
Capex	(2,191)	(2,502)	(2,598)	(3,059)	(3,202)	(2,264)	(3,164)	(4,632)	(7,362)	(6,893)	14.4%
Sales	38,734	39,692	51,196	53,613	60,229	54,619	73,030	84,625	95,228	92,644	10.8%
Kering	5.9%	5.2%	5.3%	6.2%	6.0%	5.6%	5.6%	5.2%	13.1%	12.4%	
Capex	(746)	(676)	(684)	(978)	(1,070)	(898)	(1,131)	(1,128)	(2,824)	(2,547)	15.5%
Sales	12,581	13,074	12,987	15,646	17,825	16,025	20,067	21,749	21,627	20,507	5.9%
Hermès	4.5%	4.3%	3.7%	5.4%	5.5%	4.9%	4.7%	3.5%	4.2%	4.2%	
Capex	(237)	(238)	(244)	(369)	(426)	(383)	(477)	(436)	(625)	(628)	12.2%
Sales	5,258	5,492	6,663	6,831	7,725	7,815	10,215	12,399	14,841	14,921	13.1%
Burberry	4.5%	2.7%	2.0%	2.3%	3.3%	3.0%	4.6%	4.3%	5.3%	5.7%	
Capex	(162)	(93)	(76)	(82)	(108)	(95)	(169)	(164)	(199)	(204)	2.8%
Sales	3,622	3,464	3,836	3,542	3,268	3,233	3,704	3,828	3,749	3,555	(0.2%)
Peer Group	5.7%	5.4%	4.7%	5.3%	5.5%	4.3%	4.6%	5.0%	5.7%	5.7%	

Figure 2.17 Capex/Sales Ratio in \$ Millions
 Source: Own Illustration based on data from CapitalIQ, using Excel

In contrast to its peers, Hermès has adopted a more conservative approach, holding back on rapid expansion and maintaining a steady Capex/sales ratio. This restraint is paired with exceptional efficiency, as Hermès is the only company among the four whose revenue growth outpaces its Capex over the past 9.5 years. This efficiency also explains Hermès’ higher valuation compared to its peers. Additionally, while LVMH and Kering focus their Capex on expanding retail networks, Hermès prioritized investments in production capacity, real estate projects for support functions, and logistics activities, aligning with its vertical integration strategy. This approach, particularly during uncertain times, provides strong financial stability and resilience, limiting cash outflows and ultimately enhancing investor confidence in Hermès (Hermès 2024).

2.5 Capital Structure Analysis

Finding the optimal capital structure is a complex task that requires strategic and financial considerations. Various capital structure theories influence and shape these decisions, such as pecking order theory (pecking order theory states that companies prefer internal funds to debt, and issue equity last) or trade-off theory (trade-off theory says companies balance debt’s tax benefits with financial distress risks to find an optimal capital structure). For the four luxury

companies observed, the capital structure is diverse. Hermès stands out with a historically low Debt/Equity (D/E) ratio of 13.5% in 2023, far below the peer group with 73.2% (see *Figure 2.18*). The company always had a conservative approach, rooted in its philosophy of love for craftsmanship and quality safety. This philosophy drives Hermès to produce most of its goods internally, reducing reliance on third-party suppliers. As a result, the company has greater control over its finances and can fund its operations internally (N. Chen 2023).

D/E Ratio %	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	32.1%	26.5%	38.2%	32.5%	65.9%	96.7%	71.3%	63.0%	62.2%
Kering	50.1%	45.3%	41.1%	39.0%	90.2%	80.4%	72.2%	80.3%	111.3%
Hermès	1.1%	0.9%	1.1%	21.3%	17.4%	22.8%	19.1%	15.5%	13.5%
Burberry	3.2%	2.0%	1.6%	2.5%	120.4%	87.3%	86.6%	96.6%	135.7%
Peer Group	21.3%	21.3%	22.2%	24.6%	78.0%	83.9%	74.0%	78.3%	73.2%

Figure 2.18 D/E Ratio

Source: Own Illustration based on data from CapitalIQ, using Excel

Although LVMH has higher D/E ratios, this can be justified by the company’s extensive brand portfolio and history of M&A. For example, the D/E ratio of LVMH increased by over 30% in 2020 due to bond issuance “totaling 10.7 billion euros to finance in particular the acquisition of Tiffany, which was completed on January 7, 2021” (LVMH 2021a, 247). Similarly, Kering’s D/E ratio increased to 111.3% in 2023 due to bond issuance, which was undertaken "to enhance its financial flexibility" (Kering 2024, 335) and to finance the acquisition of the perfume manufacturer Creed (Kering 2024). Consequently, Hermès applies the pecking order theory, financing operations with cash only, and puts less value on potential tax benefits through a more debt-focused structure. Overall, it can be seen that the D/E Ratio increased over the last 10 years, but this is primarily due to the obligation of reporting leases according to IFRS16.

The ratio of total debt to EBITDA shows the financial leverage of these companies illustrated in *Figure 2.19*. Hermès again has the lowest ratio at 0.3x in 2023. Hermès remains true to its highly profitable core business, which does not have high capital requirements and can therefore be financed from operating cash flow, especially as they have more than tripled their operating cash flow from 2016 to 2023. As a result, they have built up a large cash position of over \$11

billion over the years, accounting for more than 50% of total assets. This allows them to easily finance their investment activities and pay increasing dividends each year, while still leaving a substantial net cash flow. LVMH, for instance, maintains only a fraction of its total assets in cash, as it is used for its extensive acquisition strategy. Additionally, the acquisitions are financed through debt, which leads to a leverage ratio of 1.4x in 2023.

Total Debt/EBITDA	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>LVMH</i>	1.0x	0.9x	1.2x	0.9x	1.5x	2.7x	1.6x	1.4x	1.4x
<i>Kering</i>	2.7x	2.3x	1.6x	0.9x	1.6x	2.1x	1.5x	1.6x	2.7x
<i>Hermès</i>	0.0x	0.0x	0.0x	0.5x	0.4x	0.7x	0.4x	0.4x	0.3x
<i>Burberry</i>	0.1x	0.1x	0.0x	0.1x	2.0x	2.1x	2.3x	1.6x	2.1x
<i>Peer Group</i>	0.8x	0.7x	0.6x	0.7x	1.6x	2.5x	1.7x	1.6x	1.6x

Figure 2.19 Total Debt/EBITDA

Source: Own Illustration based on data from CapitalIQ, using Excel

Despite facing challenges in recent years, Burberry has maintained a high cash-to-assets ratio of +30% in the past. The challenges are not reflected in the balance sheet due to several cash-impacting events happening during the fiscal years. Due to the global pandemic, Burberry utilized its full revolving credit facility, refinanced this with commercial paper, and received support from the UK government through the Covid Corporate Finance Facility (Burberry 2021). Burberry historically had an extremely high cash ratio, which is necessary to satisfy investors with dividend payments. However, given economic uncertainty, drops in profits and higher debt obligations, Burberry is going to suspend dividend payments in 2024 and cash reserves are likely to go down (Bloomberg 2024).

The credit ratings reflect a similar picture of the companies' financial health. Credit ratings are used to assess a company's creditworthiness and ability to pay debt obligations (Kagan 2024). The company with the lowest credit rating is Burberry, with a Baa2 rating from Moody's (Burberry n.d.). Kering is rated A/A- by S&P (S&P Global 2024a), which positions it slightly better than Burberry. LVMH has improved its credit rating to A1 at Moody's with a stable outlook (LVMH 2024). Hermès, on the other hand, has no published credit rating because the company is practically debt-free and finances its business mainly through equity.

Altman Z-Score	2015	2016	2017	2018	2019	2020	2021	2022	2023
LVMH	2.7	2.7	2.9	3.3	2.9	2.6	3.7	3.8	4.3
Kering	1.8	1.9	1.7	2.7	2.6	2.7	3.5	3.2	2.5
Hermès	16.8	16.0	18.3	13.0	13.7	14.4	19.2	18.3	24.6
Burberry	8.6	8.3	8.1	8.5	8.3	4.2	3.9	4.3	4.2

Figure 2.20 Altman Z-Score
 Source: Own Illustration based on data from CapitalIQ, using Excel

The data in Figure 2.20 shows a comparable pattern applying the Altman Z-score. The Altman Z-score is a formula used to predict the likelihood of bankruptcy for publicly traded manufacturing companies, based on liquidity, leverage, profitability, solvency, and activity ratios. A Z-score above 3.0 is regarded as a "safe zone," while values between 1.8 and 3.0 are considered as a "gray zone" that should be avoided, as they may indicate the initial signs of financial challenges. In comparison to other companies, Hermès has an impressive Z-score of 24.6, which is far above the critical 3.0 mark. In 2023, LVMH and Burberry had Z-scores of 4.3 and 4.2 respectively. With a score of 2.5 in 2023, Kering is the weakest performer. It is the first time since 2017 that the company has shown a decline in this metric, indicating a moderate risk due to a higher debt levels and lower EBIT. Burberry has faced a continuous decrease in its Z-score, falling from 8.3 to 4.2 since 2019. However, it remains within the low insolvency risk range (Kenton 2024).

2.6 Market Share Development

To gain insights into the global market development of luxury goods from 2015 to 2023, the market share of our peer group in comparison to the overall personal luxury market has been analyzed. For this analysis, LVMH’s business divisions which are not allocated to the personal luxury goods market have been excluded.

It is apparent that the four companies represent a substantial portion of the overall personal luxury goods market, which has grown from 16.3% to 30.4% over the past nine years as illustrated in Figure 2.21. As such, the market development of these companies is of relevance to the personal luxury market.

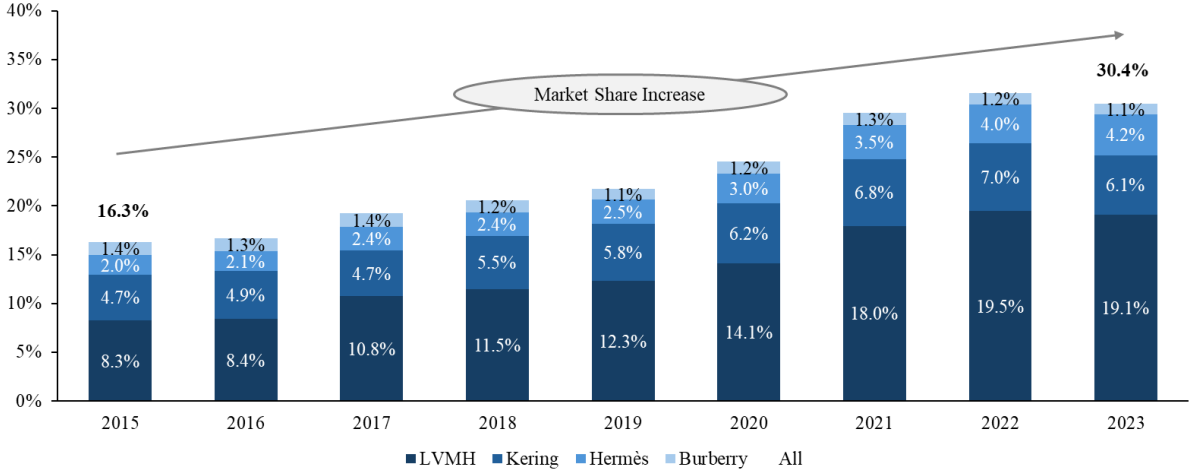


Figure 2.21 Market Share Development
 Source: Own Calculations based on data from CapitalIQ, and Statista using Excel

The growth in market share in recent years is primarily driven by LVMH, Kering, and Hermès, while Burberry’s sales have remained relatively static. LVMH, with a market share of 19.1%, is larger than the other three companies combined. Its dominance stems from a conglomerate structure and over 100 acquisitions in the past two decades, including major brands. Kering, following a similar inorganic growth strategy, holds a smaller market share of 6.1% in 2023. LVMH’s acquisition of Tiffany & Co. in 2021 significantly boosted its position. The \$15.8 billion deal, LVMH’s largest, transferred Tiffany & Co.’s 1.7% market share, helping LVMH compete more effectively in the jewelry segment. A turnaround strategy, including current marketing, price increases, and store redesigns, further drove sales growth post-acquisition (Hyo-jung and Jae-eun 2023).

As part of this analysis, the acquisitions made since 2019 were also evaluated to assess their impact on market growth and to make statements about organic and inorganic growth. Our analysis revealed that the majority of acquisitions had a minimal impact on growth over the past five years. In contrast, the acquisition of Tiffany & Co. was an exception in this respect and was a significant cause of inorganic growth.

To conclude, Hermès’ remarkable success as a mono-brand underscores its ability to consistently gain market share solely through organic growth, reaching 4.1% in 2023. In

contrast, LVMH and Kering rely more on acquisitions as a long-term strategy to drive expansion and maintain market dominance. Meanwhile, Burberry’s stagnant performance highlights its struggle to compete, further cementing Hermès’ position as an exceptional outlier in the luxury market.

2.7 Share Price Analysis

Although the companies analyzed operate within the same luxury industry, their share prices and performances have varied significantly over the past decade. This chapter examines the share price developments of LVMH, Kering, Hermès, and Burberry compared to the S&P Global Luxury Index, which serves as a reliable benchmark for the luxury sector (S&P Global 2024b). *Figure 2.22* presents the share price performance of the four companies compared to the S&P Global Luxury Index over the past 10 years.

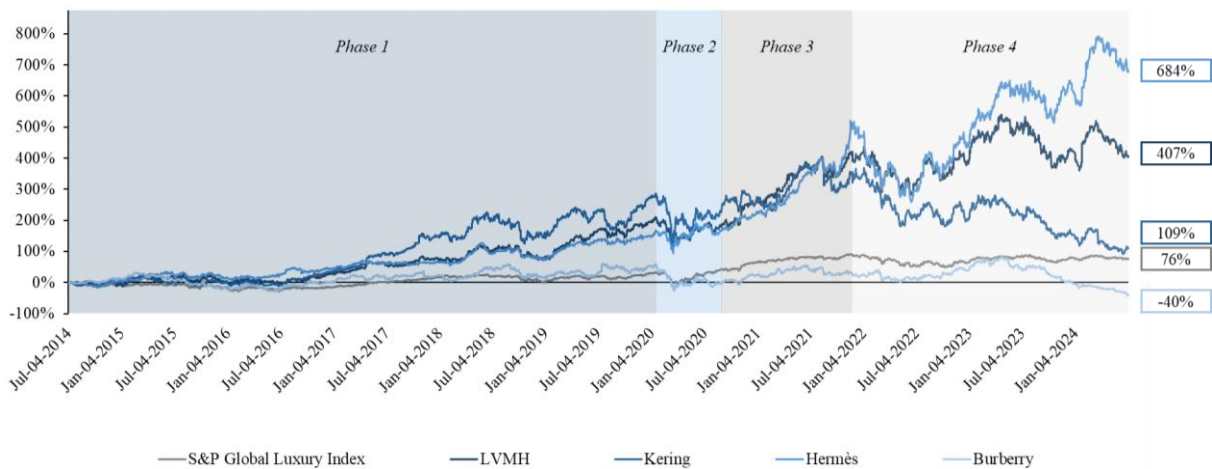


Figure 2.22 Share Price Performance
 Source: Own Illustration based on data from S&P CapitalIQ

In general, the four companies show different pictures of returns. Hermès stands out as the leader, with its stock increasing by nearly 700% over ten years, delivering an annual return of 22.9%, far exceeding both the market and its peers. LVMH follows with a total return of 407% (17.6% annually), while Kering and Burberry underperformed with annual returns of 7.7% and -5.0%, respectively.

The analysis identifies four key phases influencing the share prices. During the first phase, from 2015–2016, luxury brands were impacted by global economic disruptions, including China’s slowing GDP, the Greek debt crisis, and Brexit (Encyclopedia Pub 2022). The SSE Composite Index dropped by 43% in the brief period of only two months between June and August, 2015. While the S&P Global Luxury Index dropped by -17.5%, Hermès outperformed both the market and its peers with a 0.7% increase, reflecting strong sales growth and investor confidence. With 8.1% in 2015, Hermès’ sales growth was significantly higher than at competitors like Louis Vuitton, Dior or Gucci, which is part of the Kering conglomerate (Reuters 2016). LVMH and Kering moved more in line with the market with negative returns of -13.5% and -9.2%. Burberry was hit particularly hard, with a -26.2% decline due to weaker demand in China (Butler and Kollwe 2015).

After a couple of years of recovery, in late 2018, the U.S.-China trade war and concerns over rising interest rates led to another market sell-off (Frazee 2018). Again, the concerns around the Chinese market development led to a sharp drop in the luxury goods market, represented in falling stock prices for all four companies and showcasing the strong dependency of the luxury sector on the Asian, and especially Chinese market. The S&P Global Luxury Index declined by -13.8%, closely mirroring the peer group’s performance. In the same period, LVMH’s share price fell by -16.1%, Kering by -11.3%, Hermès by -14.3%, and Burberry by -14.1%.

The second phase covers the COVID-19 pandemic, which began in Q1 2020, causing panic sales and significant losses across markets. Luxury companies were particularly affected due to the industry’s reliance on travel, which accounts for up to 30% of revenue, and the critical role of Chinese consumers (Insignia 2020). As a result, the S&P Global Luxury Index dropped by -37.9% in Q1 2020, with Louis Vuitton, Kering, Hermès, and Burberry experiencing declines of -30.5%, -38.9%, -21.2%, and -50.0%, respectively. This sell-off mirrored the broader market, with the S&P 500 falling by -40.1%.

Despite the initial downturn, recovery began in Q2 2020. By December, the share price of LVMH, Kering, Hermès, and Burberry had increased by 77.4%, 66.2%, 67.6%, and 62.3%, respectively. However, Burberry's earlier steep decline resulted in a net 2020 market capitalization decrease of -18.8%, while Kering achieved a modest 1.6% gain. In contrast, LVMH and Hermès closed the year with strong increases of 23.4% and 32.0%, respectively, while the S&P Global Luxury Index ended 28.5% higher. This highlights the varying resilience of luxury companies during the pandemic.

Due to the significant financial support released by governments and central banks, the positive trend carried on into phase 3, the post-COVID-19 phase. Many industries reported record profits, which were mirrored in the performance of stock markets and other indices. From January, 2021 to February, 2022, the S&P 500 returned 12.5% compared to 6.2% for the S&P Global Luxury Index, which is also reflected in the performance of individual stocks. While LVMH and Hermès extended their lead with increases of 30.3% and 38.7% respectively over the period, Kering and Burberry fell further behind with increases of only 8.8% and 15.3%, respectively.

The final period, beginning in 2022 with the Russian invasion of Ukraine, brought further economic uncertainty as sanctions on Russia led to energy shortages and supply chain disruptions. While the S&P Global Luxury Index remained stable, increasing by just 0.2% between February, 2022 and July, 2024, Hermès outperformed significantly with a 73.5% share price increase. LVMH also posted a modest gain of 7.4%, whereas Kering and Burberry faced steep losses of -48.9% and -57.5%, respectively. Notably, Kering, which had led the peer group with a 160.8% cumulative increase by late 2018, ended the observed period with a total gain of “only” 109.4%.

To gain a better understanding of the volatility of each stock and the luxury industry, the 1-year beta factors of the peer group were calculated and are presented in *Figure 2.23*.

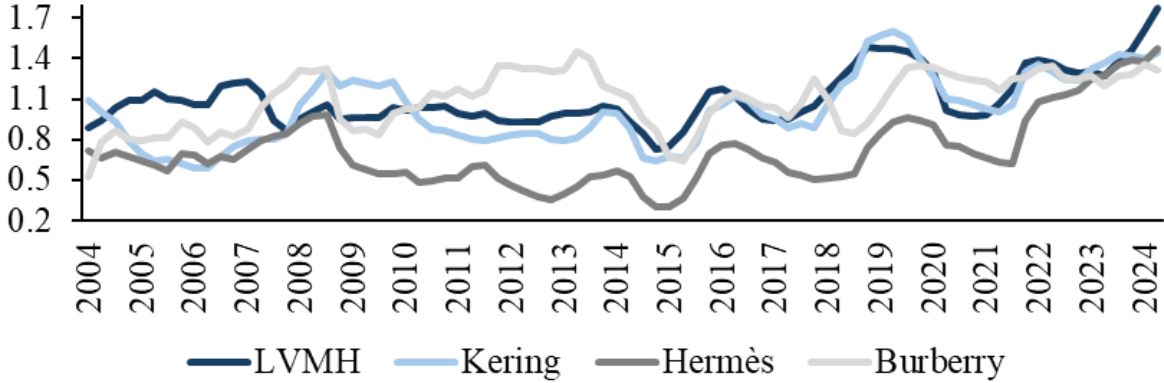


Figure 2.23 1-Year Beta Factor Analysis
Source: Own illustration based on data from S&P CapitalIQ

The luxury industry is well above the average and median beta factor of around 0.82. As a comparison, a data set of 94 industries has been analyzed. The relatively high beta factors of the four analyzed peers, at around 1.4 in H1 2024, underscores the volatile nature of the luxury industry, as the beta factor serves as a proxy for volatility. With a beta factor of 1.31 for Burberry to 1.77 for LVMH in Q2 2024, the peer group fluctuates much higher than other industries. As a comparison, the semiconductor industry, which is known for its volatility had an average beta factor of 1.43 in January, 2024 (Damodaran 2024a). The graph further demonstrates Hermès’ leadership with beta factors being as low as 0.25 in 2015, making the stock highly predictable, stable and attractive to investors. Until 2023, Hermès had constantly lower beta factors than its peers, being less dependent on overall market movements and sentiment.

As an addition to the previous beta factor analysis, the peer group was compared to both the S&P 500 and the S&P Luxury as the underlying market. Figure 2.24 shows the 10-year beta factor and correlation coefficient for each of the companies.

Date	Beta		Correlation Coefficient			
	S&P 500	S&P Luxury	LVMH	Kering	Hermès	Burberry
S&P 500	1.0000					
S&P Global Luxury		1.0000				
LVMH	0.7187	1.0299	1.0000			
Kering	0.7209	1.0504	0.7461	1.0000		
Hermès	0.5415	0.7908	0.7211	0.6216	1.0000	
Burberry	0.6540	0.9449	0.6332	0.6067	0.5081	1.0000

Figure 2.24 Beta Factors & Correlation Coefficient
 Source: Own illustration based on data from S&P CapitalIQ and onvista

Again, Hermès demonstrates a low beta factor of 0.54 towards the S&P 500 and even a beta factor of only 0.79 towards the S&P Luxury. LVMH and Kering show the highest overall correlation with both market movements and between each other.

Hermès’ success is rooted in its long-standing reputation for quality, established since the 19th century, and its ability to integrate with local cultures. Unlike many competitors, Hermès relies less on online campaigns, instead hosting exclusive events for top customers, fostering brand loyalty among the world’s wealthiest individuals. This approach, combined with "hunger marketing", where longer wait times for bespoke products enhance their allure, positions Hermès as a status symbol of luxury. Its craftsmanship and exclusivity have sustained demand, even as competitors face challenges, particularly in China (Y. Chen 2023).

While Hermès and LVMH continue to show revenue growth, brands like Gucci and Burberry struggle. Kering, Gucci’s parent company, reported a 10% sales drop in Q1 2024 and projected profits to fall by up to 45% in 2024, leading to its lowest share price since 2017 (Mimosa 2024). Burberry’s challenges are longstanding, with inconsistent revenue growth since 2016. The company’s debt from 2020 has become a burden as rising interest rates increase expenses. In July, 2024, Burberry issued a profit warning, replaced its CEO, and saw shares drop by -16.1%, reflecting its weakest performance since 2010 (Bishop 2024). Economic uncertainty and slowing global demand for luxury goods continue to divide the industry, with Hermès and LVMH outperforming weaker competitors like Burberry and Kering.

3 Insights and Trends

3.1 ESG as an Emerging Topic

Today, luxury brands are integrating sustainability into their core practices and core values, which are being driven by changes in consumer behavior. In particular, customers and investors are demanding more sustainability, with Gen Z acting as the primary driver. At first glance, luxury and sustainability appear to be contradictory, yet they are now more closely linked than ever before. Both concepts have several shared similarities, including higher prices, status symbols, high quality, and craftsmanship, which ensure long-lasting products. Furthermore, both serve as drivers for innovation and promote interdisciplinary cooperation for sustainable initiatives. An example of this is Hermès, which is a pioneer in sustainable biotech materials with its cooperation partner MycoWorks (Scullin 2021).

For luxury brands to succeed, it is essential that they align their values with those of their customers. The sale of luxury is based on the ability of brands to present narratives that resonate with their target audience. A case in point is Patagonia, a high-end outdoor brand that has repeatedly attracted attention in the past with new ESG-friendly initiatives and is now one of the most successful companies in the outdoor sector (Porsche Consulting 2023). The analyzed companies, LVMH and Kering, have also undergone a repositioning process in the past. With "Life 360", LVMH is pursuing a ten-year plan to achieve environmental goals focused on protecting biodiversity, fighting climate change, promoting a circular economy, and enhancing transparency in its product lifecycle (LVMH 2021b). Kering has also published a 10-year plan, "Kering for Nature", which aims to ensure carbon neutrality throughout its supply chain operations and 100% traceability of raw materials (Kering n.d.).

This strategic transition towards a sustainable supply chain is also demanded by the growing number of ESG regulations in the EU, including an outcome of the Green Deal, which includes

the Circular Economy Action Plan and the Strategy for Sustainable and Circular Textiles. This establishes uniform criteria for the evaluation of sustainable products, packaging and waste, as well as textile labels. Furthermore, the EU Digital Product Passport (DPP) mandates the implementation of a digital product passport for all products sold, thereby ensuring the traceability of the entire supply chain. It is scheduled for implementation between 2024 and 2030, with an increasing number of products being subject to the regulations over time. For imports of luxury goods subject to the regulations, this will have a significant impact on several levels. Companies will be required to conduct comprehensive due diligence on their entire supply chain, from the initial extraction of raw materials to the final disposal stage, in order to ensure compliance with the DPP. This is particularly relevant in the context of the regulation on deforestation-free supply chains, which requires the assessment of products such as leather, rubber, cocoa, soy, and palm oil to ensure that their extraction is not associated with deforestation (Baker McKenzie 2023).

Bloomberg's ESG score was employed, to assess the relevance of ESG considerations. This score compares companies within their sector, measuring three dimensions of what ESG stands for: environmental, social, and governance. The overall ESG score is a composite of these categories, providing a comprehensive assessment of a company's ESG performance.

In recent years, the ESG scores of all four analyzed companies have shown significant improvement (*see Figure 3.1*). This trend is driven not only by increasing pressure from investors but also by the growing importance of regulatory frameworks. However, many of these improvements have been implemented proactively, often preceding the enforcement of legal requirements. This indicates that companies view ESG not merely as an obligation but as an opportunity to enhance their brand and align with evolving consumer and shareholder expectations.

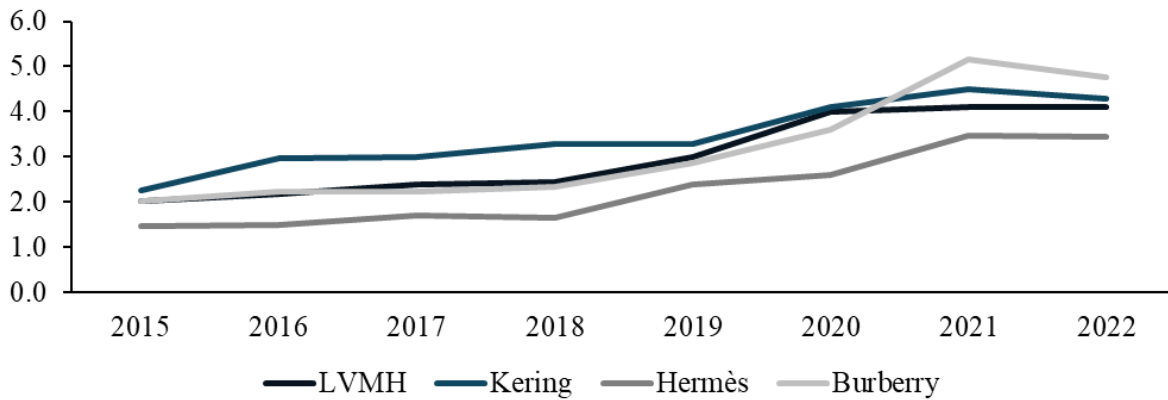


Figure 3.1 Development of ESG-Scores

Source: Own illustration based on data from Bloomberg

While all four companies have made notable progress in improving their ESG scores, differences remain. Burberry stands out with the highest ESG score, achieving "Leading" ratings across all dimensions, followed by Kering and LVMH, which also perform well above the industry median (*see Appendix 14*). Hermès, while slightly trailing in the ESG ranking, still achieves strong ratings compared to industry peers, underscoring its commitment to sustainability. A more in-depth analysis reveals no direct correlation between ESG scores and stock performance, as multiple factors drive share price movements. Hermès, despite its relatively lower ESG score within the group, has delivered outstanding financial performance and superior stock returns in recent years. In contrast, Burberry, the leader in ESG performance, has experienced financial challenges. This highlights that, while ESG performance is an important metric, there is no direct correlation between higher ESG scores and superior financial performance or stock market returns in the luxury sector.

From a financial perspective, the shift toward sustainability appears necessary due to the rising demand for ESG compliance. While this transition entails some marginal financial implications, such as higher costs for sourcing alternative materials and stricter compliance with labor conditions, the overall impact on profitability is limited. Luxury products, which remain high-margin items, can often absorb these additional costs without significant strain on financial

performance. ESG transformation can be resource-intensive in the future, however, it is a vital step for maintaining market relevance and securing investor confidence in the long term.

3.2 Debt is Primarily Used by Conglomerates

The choice of capital structure in the luxury segment is not a coincidence but is used specifically to support the respective business strategy. While Hermès, as a mono-brand company, ensures high stability and sustainable growth with its equity-financed structure, the conglomerates LVMH and Kering specifically rely on debt-financed growth to maintain their market leadership through inorganic expansion. Debt financing is often more favorable than equity financing due to the tax shield that allows interest payments to be deducted from taxable income. Debt financing is therefore particularly suited to an aggressive acquisition policy such as that pursued by LVMH and Kering as conglomerates, especially given the low interest rates of the last decade. Burberry, on the other hand, seeks to maintain financial flexibility through a balanced capital structure but has recently relied more heavily on debt financing due to external challenges. Mono-brands such as Hermès, on the other hand, generally have little need for debt as the luxury sector is characterized by high margins and strong cash flows. These characteristics allow companies to finance expansion primarily from free cash flow.

3.3 Capex as an Important Driver for Future Outlook

A critical factor influencing valuation is the Capex behavior of companies. Investors typically view high Capex and cash outflows with caution, especially during economic downturns, as these require additional capital and can strain financial flexibility. Hermès has consistently distinguished itself in this regard, spending less on Capex than its peers while achieving faster revenue growth. Furthermore, Hermès prioritizes Capex on operational improvements rather than aggressive expansion, which benefits its margins and positions the company well within the luxury sector. Luxury companies' stock performance is heavily reliant on a balance between

revenue growth and operational efficiency. Given the limited number of suppliers in the industry, operational improvements play a crucial role in driving future performance (Chan 2024).

In contrast, LVMH and Kering have adopted more aggressive strategies, allocating higher Capex toward acquisitions and retail network expansion. While this approach enables growth, it also introduces higher capital requirements and risks, particularly in uncertain economic times. Hermès' focus on vertical integration and its ability to achieve operational efficiencies with relatively low Capex make it a compelling investment for the future, especially for those seeking stability and long-term growth in the luxury sector. In general, luxury fashion brands made more acquisitions in the supply chain in 2023 as they seek greater control and better margins. For instance, LVMH has bought a majority stake in the Italian tannery Heng Long and made an investment in the leather and suede producer Robans. Luxury companies are likely to make even more acquisitions in the coming years as brands seek to strengthen their competitive advantage in terms of unique materials, production techniques and capacity (Seares 2023).

3.4 Hermès emerges as a Clear Winner

Following a comprehensive analysis of the four companies in question, Hermès has emerged as the clear leader. The company outperforms its competitors in nearly all key financial metrics. In particular, Hermès has achieved notable and constant growth in recent years. Over the past decade, sales have grown at a CAGR of 13.9%. This resulted in the highest EBITDA margins of 45.0% and a net profit margin of an impressive 32.1%. Furthermore, Hermès has a significantly higher ROIC than competitors, which is almost twice as high as their WACC. Due to its conservative approach to capital structure, Hermès has the best D/E ratio and the highest interest coverage ratios. This robust financial position allows the company to increase dividends while maintaining a high level of liquidity.

Hermès' success is also reflected in its share price performance. Over the past decade, the company's share has achieved annual returns of 22.9%, which is significantly higher than its competitors' market indices like the S&P Global Luxury Index or the S&P 500. As a mono-brand company, Hermès also benefits from lower capital requirements as it is not reliant on brand acquisitions for expansions like larger conglomerates.

Hermès valuation remains a challenge for many investors with conventional thinking. The company is currently priced at a significant premium to its peers with a P/E ratio of >50x, more than twice as expensive as LVMH. This reflects strong investor confidence but also exposes the company to higher risk if lofty expectations are not met. However, Hermès has consistently justified these expectations over the past years, as evidenced by its surging stock price, driven by robust performance, sustained demand, and resilient revenue growth. On top of that, Hermès is well positioned to keep benefiting from its industry-leading pricing power and vertical integration, potentially expanding its operating margin well above 40% (Seeking Alpha 2024).

A key factor behind Hermès' financial success is its consistent commitment to marketing its brand values, cultivated since the 19th century. Renowned for its exceptional quality and attention to detail, Hermès has built a first-class reputation that expanded globally with the rise of globalization. This heritage of craftsmanship remains central to its brand identity and continues to be highly valued worldwide.

Hermès' ability to adapt to local markets further enhances its success. Unlike many competitors that focus heavily on online campaigns, Hermès employs distinctive marketing strategies that prioritize personal relationships. The brand regularly invites top customers to exclusive events, fostering emotional connections and creating unique experiences. These events often result in high-value purchases and leave a lasting impression, strengthening long-term customer loyalty and reinforcing Hermès' exceptional market position.

On the other hand, investors may find an opportunity in a potential turnaround case like Burberry or Kering. With a valuation currently much lower than its peers due to declining revenue forecasts and margins, a shift in market sentiment could significantly boost Burberry's or Kering's share price, making it a speculative yet potentially rewarding investment.

4 Conclusion

This thesis provided a comprehensive examination of the financial and strategic dimensions of the luxury goods industry, focusing on the performance of LVMH, Kering, Hermès, and Burberry. The companies have been analyzed on profitability metrics, valuation methods, and industry trends.

The findings highlight Hermès as a clear outlier in terms of financial performance, driven by its dedication to craftsmanship, strong brand heritage, and minimal reliance on external financing. Its ability to achieve high margins and consistent revenue growth, coupled with its conservative Capex strategy, positions it as a leader in the industry. However, its premium valuation also presents risks, as it relies heavily on meeting market expectations. LVMH and Kering, on the other hand, have leveraged aggressive acquisition strategies to consolidate market share and diversify their portfolios, as evidenced by LVMH's transformative acquisition of Tiffany & Co. Burberry, in contrast, has struggled with stagnant sales, increasing debt levels, and inconsistent performance, underlining the challenges of adapting to changing market dynamics.

Reflecting on the research process, this thesis employed a mix of financial analyses, including DCF, CCA and CTA, alongside an evaluation of historical WACC and beta factors, to provide a robust framework for understanding company valuation and risk. This approach, combined with a broader exploration of market trends such as sustainability, digital transformation, and the rise of the second-hand luxury market, offered a holistic perspective on the industry's competitive landscape. New insights have been contributed by linking financial performance to broader strategic and market-level factors, demonstrating that long-term success in the luxury sector is contingent on a company's ability to balance tradition and innovation, exclusivity and accessibility, and profitability with sustainability. This integrated perspective not only enriches academic discourse but also provides actionable insights for industry stakeholders.

Recommendations for future research include deeper research into how sustainability practices influence brand equity in the luxury sector, a closer examination of emerging markets beyond China, and the role of digital transformation in maintaining competitiveness. As the luxury market continues to evolve, further investigation into how companies can maintain exclusivity while addressing changing consumer behaviors will be essential.

In conclusion, this thesis demonstrates that the luxury industry is at a crossroads, requiring companies to adapt to economic uncertainties, consumer demands, and technological advancements while preserving their unique value propositions. The insights presented here offer valuable guidance for navigating these complexities and ensuring sustainable growth in one of the world's most prestigious and competitive markets.

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6 Appendix

Appendix 1: Comparable Company Analysis Gross Profit Margin, FY2023 in \$ millions

(Source: Own Illustration based on data from CapitalIQ, using Excel)

Company	Sales	Gross Profit	Gross Profit Margin
LVMH	95,228	65,521	68.8%
Kering	21,627	16,499	76.3%
Hermès	14,841	10,730	72.3%
Burberry	3,893	2,690	69.1%
L'Oréal	45,521	33,619	73.9%
Compagnie Financiere Richemont	22,722	15,507	68.2%
Prada	5,224	4,202	80.4%
Moncler	3,299	2,543	77.1%
Hugo Boss	4,640	2,853	61.5%
Brunello Cucinelli	1,259	666	52.9%
Median	10,033	7,466	70.7%

Appendix 2: EBITDA Margin (Source: Own Illustration based on data from CapitalIQ, using Excel)

EBITDA Margin %	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>LVMH</i>	22.5%	22.5%	23.3%	25.0%	25.9%	25.7%	29.9%	29.4%	29.3%
<i>Kering</i>	18.3%	19.0%	29.8%	32.5%	33.2%	28.3%	32.0%	31.1%	28.6%
<i>Hermès</i>	35.8%	36.7%	39.0%	38.9%	37.8%	36.1%	42.6%	43.8%	45.0%
<i>Burberry</i>	22.2%	21.1%	21.0%	21.2%	19.6%	19.8%	20.7%	21.6%	23.6%

Appendix 3: EBITA Margin (Source: Own Illustration based on data from CapitalIQ, using Excel)

EBITA Margin %	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>LVMH</i>	19.0%	19.1%	19.9%	21.8%	21.7%	19.0%	26.9%	26.8%	26.8%
<i>Kering</i>	14.8%	16.0%	25.9%	29.7%	30.8%	25.0%	29.3%	28.3%	25.4%
<i>Hermès</i>	32.1%	32.8%	35.4%	35.2%	35.1%	32.9%	40.1%	41.6%	42.9%
<i>Burberry</i>	18.1%	16.7%	16.6%	17.3%	16.4%	16.7%	17.7%	18.5%	20.5%

Appendix 4: EBIT Margin (Source: Own Illustration based on data from CapitalIQ, using Excel)

EBIT Margin %	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>LVMH</i>	18.5%	18.6%	19.4%	21.3%	21.4%	18.7%	26.7%	26.5%	26.5%
<i>Kering</i>	14.2%	15.2%	24.9%	28.9%	30.1%	23.9%	28.4%	27.5%	24.3%
<i>Hermès</i>	32.1%	32.8%	35.4%	35.2%	34.4%	31.9%	40.0%	41.5%	42.9%
<i>Burberry</i>	17.5%	16.0%	16.3%	17.3%	16.4%	16.6%	17.7%	18.5%	20.5%

Appendix 5: Comparable Company Analysis Earnings Margin, FY2023 in \$ millions (Source: Own Illustration based on data from CapitalIQ, using Excel)

Company	Sales	Earnings	Earnings Margin
LVMH	95,228	4,765	5.0%
Kering	21,627	3,297	15.2%
Hermès	14,841	4,765	32.1%
Burberry	3,893	462	11.9%
L'Oréal	45,521	6,835	15.0%
Compagnie Financiere Richemont	22,722	2,732	12.0%
Prada	5,224	742	14.2%
Moncler	3,299	676	20.5%
Hugo Boss	4,640	286	6.2%
Median	1,259	127	10.1%
Median	10,033	1,737	13.1%

Appendix 6: Sensitivity Analysis LVMH (Source: Own Illustration based on data from CapitalIQ, using Excel)

		WACC				
		7.6%	9.6%	11.6%	13.6%	15.6%
Terminal Value Growth Rate	2.5%	(6.5%)	(35.7%)	(52.1%)	(62.6%)	(69.9%)
	3.0%	3.1%	(31.2%)	(49.6%)	(61.0%)	(68.8%)
	3.5%	14.9%	(26.0%)	(46.8%)	(59.3%)	(67.7%)
	4.0%	30.1%	(19.9%)	(43.6%)	(57.4%)	(66.4%)
	4.5%	50.1%	(12.5%)	(39.9%)	(55.2%)	(65.1%)

Appendix 7: Sensitivity Analysis Kering (Source: Own Illustration based on data from CapitalIQ, using Excel)

		WACC				
		5.9%	7.9%	9.9%	11.9%	13.9%
Terminal Value Growth Rate	2.5%	30.9%	(32.6%)	(61.7%)	(78.4%)	(89.2%)
	3.0%	57.4%	(23.4%)	(57.3%)	(75.8%)	(87.6%)
	3.5%	95.0%	(12.1%)	(52.1%)	(73.0%)	(85.8%)
	4.0%	152.7%	2.1%	(46.1%)	(69.7%)	(83.8%)
	4.5%	252.1%	20.5%	(38.9%)	(66.1%)	(81.7%)

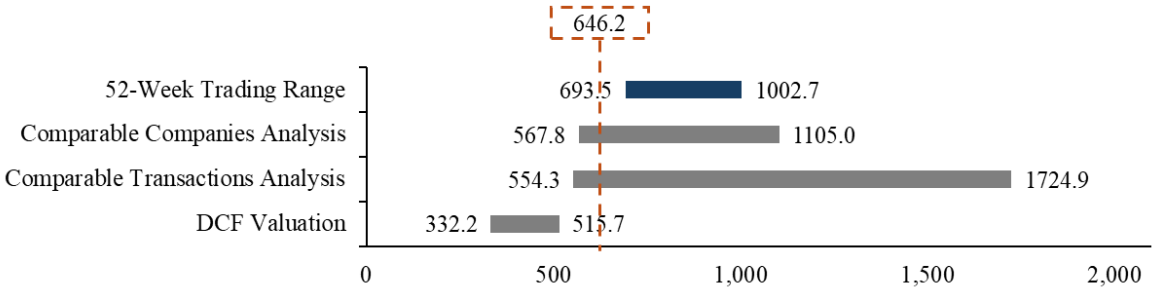
Appendix 8: Sensitivity Analysis Hermès (Source: Own Illustration based on data from CapitalIQ, using Excel)

		WACC				
		8.1%	10.1%	12.1%	14.1%	16.1%
Terminal Value Growth Rate	2.5%	(51.1%)	(63.2%)	(70.2%)	(74.8%)	(78.0%)
	3.0%	(47.3%)	(61.3%)	(69.1%)	(74.1%)	(77.6%)
	3.5%	(42.7%)	(59.2%)	(67.9%)	(73.4%)	(77.0%)
	4.0%	(37.0%)	(56.7%)	(66.6%)	(72.5%)	(76.5%)
	4.5%	(29.6%)	(53.7%)	(65.0%)	(71.6%)	(75.9%)

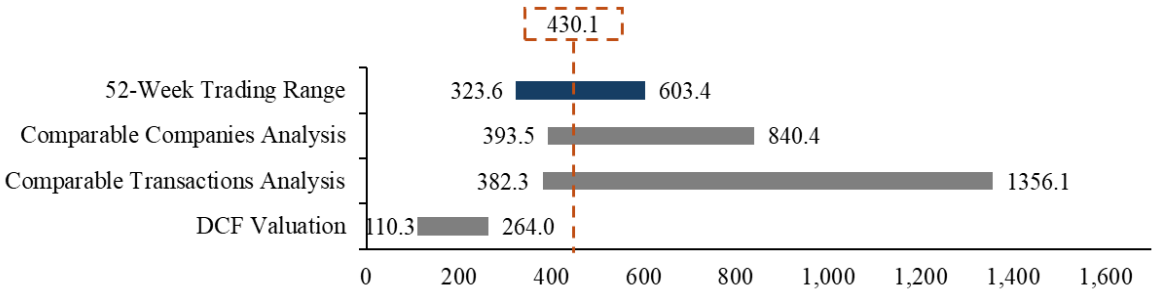
Appendix 9: Sensitivity Analysis Burberry (Source: Own Illustration based on data from CapitalIQ, using Excel)

		WACC				
		5.5%	7.5%	9.5%	11.5%	13.5%
Terminal Value Growth Rate	2.5%	179.8%	47.3%	(9.0%)	(40.1%)	(59.8%)
	3.0%	239.9%	65.7%	(0.6%)	(35.4%)	(56.9%)
	3.5%	330.8%	88.8%	9.3%	(30.1%)	(53.7%)
	4.0%	484.1%	118.5%	21.0%	(24.2%)	(50.2%)
	4.5%	797.6%	158.4%	35.1%	(17.3%)	(46.3%)

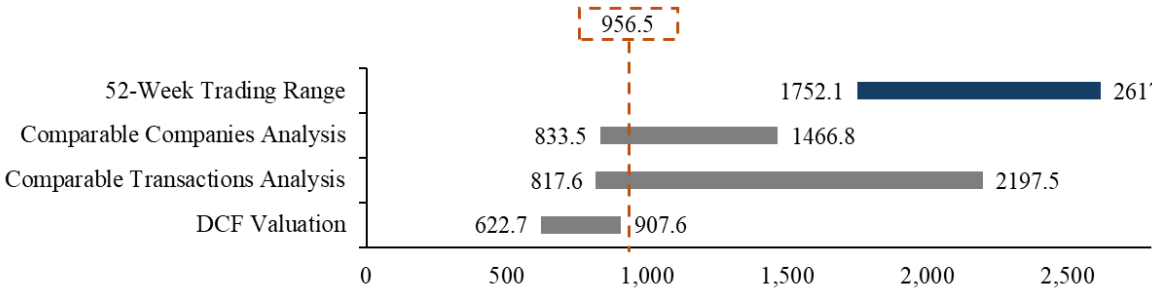
Appendix 10: Football Field Analysis LVMH (Source: Own Illustration based on data from CapitalIQ, using Excel)



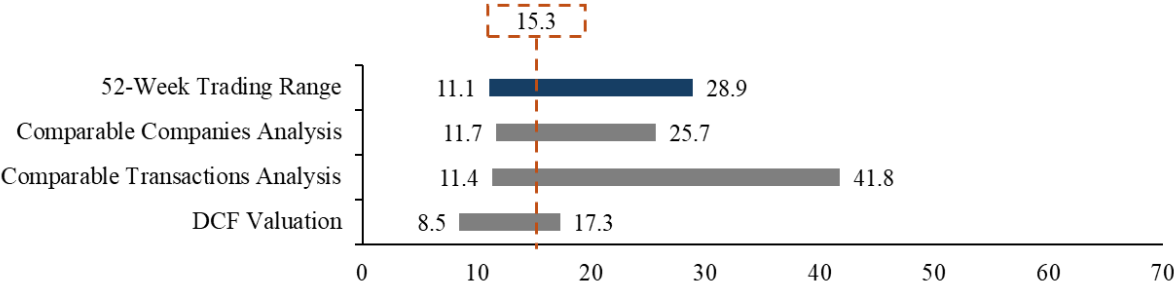
Appendix 11: Football Field Analysis Kering (Source: Own Illustration based on data from CapitalIQ, using Excel)



Appendix 12: Football Field Analysis Hermès (Source: Own Illustration based on data from CapitalIQ, using Excel)



Appendix 13: Football Field Analysis Burberry (Source: Own Illustration based on data from CapitalIQ, using Excel)



Appendix 14: Bloomberg ESG Score as of 01.10.2024 (Source: Own Illustration based on data from Bloomberg, using Excel)

Company	ESG Score	Environmental	Social	Governance
LVMH	4.27	3.95	3.51	5.85
Kering	4.26	3.95	3.65	5.99
Hermès	3.88	5.21	1.7	5.66
Burberry	4.29	3.78	2.42	8.31
LVMH	Leading	Leading	Leading	Above Median
Kering	Leading	Leading	Leading	Above Median
Hermès	Leading	Leading	Above Median	Above Median
Burberry	Leading	Leading	Leading	Leading