

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

LVMH EQUITY RESEARCH  
A NEW LUXURY ERA - THE FUTURE DYNAMICS  
OF THE LUXURY MARKET

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## **Abstract**

LVMH has undoubtedly a leading position in the Luxury Market with a representation of 14% of the whole market. It is also the highest luxury conglomerate operating in five main business segments: luxury and leather goods, watches and jewelry, perfumes and cosmetics, wines and spirits, and selective retailing. The group definitely benefits from competitive positioning through their strategic alliances, joint ventures, and M&A which are generated of value and will continue to impulse their market share growth. In addition to this, there are new drivers arising such as the importance of Asia as a market, the leading position of the US as a key location, the impulse in the online channel, and finally the high penetration in the new generations in this market. Also, the economic outlook of the following years with low-interest rates, low unemployment rates, and a higher HNWI segment will confirm the wealth growth and therefore leverage LVMH performance. With this being said, we strongly believe that LVMH will continue to be a leader in this market as so our target price is 767€. Our recommendation is to hold the stock.

**Keywords:** Luxury Market, Fashion and Leather Goods, LVMH, E-commerce.

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This report is part of the Equity Research- LVMH report\_45902\_46326 (annexed) and should be read as an integral part of it.

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# Introduction

As a preliminary note, we would like to mention that there are no statistics or information organized by independent entities on the Luxury Market, more specifically Personal Luxury goods. In this sense, after a search for the main consulting firms, we were able to find information produced by the specialized team of Bain and Company. Due to the quality of information and the team that produces it, we chose to use this source not only to evaluate past performance and analyze the market itself but also to elaborate on the future projections.

## Market Overview

LVMH has been a leader in the worldwide **luxury market** (market share of 14%) which mainly operates in the **Personal Luxury Goods Segment** through the fashion and leather, perfumes and cosmetics and watches and jewelry goods (accounting for 70% of the total sales).

The global luxury market includes both luxury goods and experiences. This market in the post-pandemic scenario is still below the 2019 levels with an expectation to reach a market value of 1,1 trillion € by the end of 2021. This is due to the relevance of drivers such as the tourism flows. Personal Luxury Goods account for 22% of the total market of luxury being a highly relevant segment (Exhibit 1).

Exhibit 1: Global Luxury Market 2020



Source: Statista

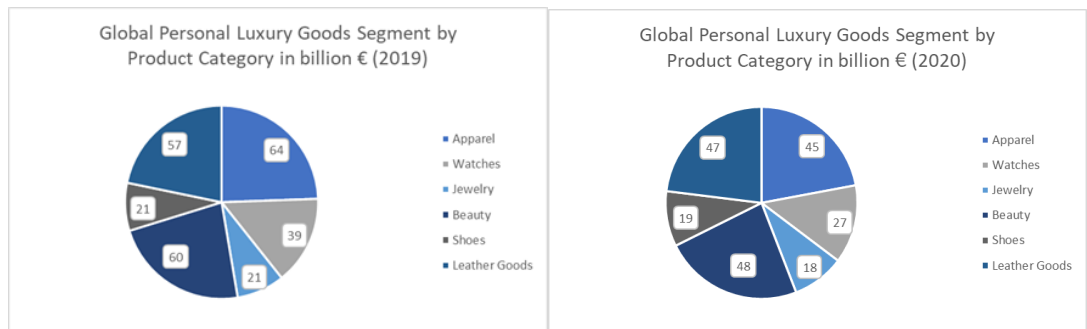
## The Personal Luxury Industry

The personal luxury goods industry includes categories such as leather goods, shoes, jewelry, watches, beauty, and apparel products. Considering the 2019 values, the most relevant category in this segment was **jewelry** which outperform both with a growth of 9% (at constant exchange rate) followed by **leather goods** and **beauty**. Also, geographically speaking, the market experienced sustained growth across the **Asia-Pacific region** (mainland China, Southeast Asia, Japan), but growth was more modest in Europe, the Americas, and the rest of the world (Exhibit 2).<sup>1</sup>

<sup>1</sup> <https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/>

With the COVID-19 pandemic, the market has been highly affected, impacting both the growth dynamics of each category and the regional distribution of the revenues (Exhibit 3).

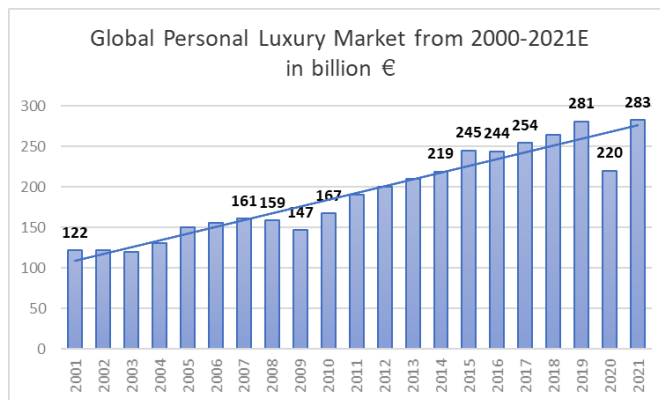
Exhibit 2 & 3: Global Personal Luxury Goods Segment by Category 2019 & 2020



Source: Statista

In 2021 the personal luxury goods segment has experienced a V-shape recovery scenario. After a contraction of 22% in 2020 concerning the 2019 global segment dimension, the industry is showing recovery signs with an expected **rebound** in 2021 of **283 billion €**. Additionally, according to the Bain & Company study, the market is expected to grow by **360-380 billion €** by 2025, assuming a **sustained growth of 6%-8% annually** (Exhibit 4).<sup>2</sup>

Exhibit 4: Global Personal Luxury Market 2000-2021 E



Source: Bain & Company

This new luxury era has been driven by the resurgence of local consumption, the impactful position of China and US markets, and the power of the online channel. The new generation of customers meaning, **Gen Z (1997 – 2012)** and **Y (1981-1996)** will continue to be the center of the growth of this market accounting for **70% of the market by 2025**.

### ▪ Regional Highlights

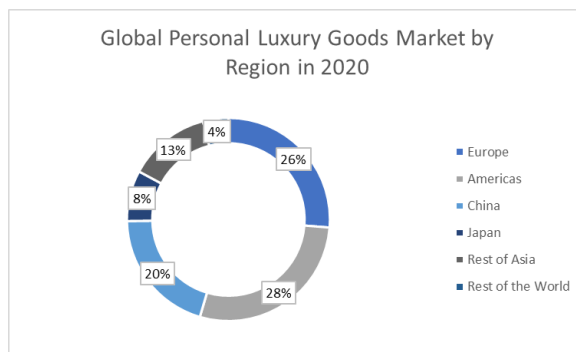
In terms of regions, in the first quarter of this year China was already driving the recovery due to the acceleration of domestic spending on luxury – extraordinary momentum. Chinese customers doubled their consumption of its regional market since pre-covid years. The US has been also leading the recovery. The renewed consumer confidence, financial stimulus, and rapid vaccine deployment have been crucial for the return of luxury consumption in the US.

According to the most recent report from Bain (November 2021), the **US** has definitely a leading position being the largest luxury market with a representation of **31% of the global market** (89 billion€). China is now representing over **21% of the global market** (60 billion €). The Middle East was also a successful region with Dubai and Saudi Arabia being the biggest contributors.

<sup>2</sup> <https://www.bain.com/insights/personal-luxury-goods-sales-are-set-to-beat-their-pre-covid-levels-snap-chart/>

The other regions, mainly Europe, Japan, and the Rest of Asia have still not reached pre-covid levels. Their recovery is highly dependent on the reopening of global travel and the normalization of tourism flows.<sup>3</sup> Finally, Japan is only expected to achieve pre-crisis results by 2023 and Europe by 2024. Concluding, the Covid-19 pandemic is reshaping the regional distribution of the personal luxury market. In 2019-2020, the main characters were Americas (28%) and Europe (26%), as shown in Exhibit 5. Present-day in 2021, the picture changes with Europe being surpassed by Asia (China). This definitely highlights the importance of tourism shopping for Europe.

Exhibit 5: Global Luxury Goods Market by Region 2020



Source: Statista

### ▪ Distribution Channels

The online channel will continue to be a fast-growing channel in this market, highly boosted by the new necessity created during lockdown - buying online – which allows for the acquisition of new customers – the online costumers. From 2019 to 2020 there was a 50% increase in online consumption which will continue to grow by 27% from 2020 to 2021, reaching 62 million € in 2021 thanks to these newly acquired customers. Online and mono-brand stores combined have been the key channels that are leading the recovery of 2021 and will continue contributing to the midterm growth of the market (Exhibit 6).

According to Statista studies, 80% of the worldwide luxury sales are made offline while 20% of the sales are made online. This is because the e-commerce market is emerging in Luxury - luxury was slow to adapt to digital ways of selling.

The luxury market is not as developed as the retail market, for example. Amazon is already providing excellent service and customers deposit higher expectations for this market as luxury is intrinsically linked with premium and high quality. On the other hand, e-commerce will have a significant role in targeting the attention of the millennial generation (Generation Y) which is looking for the convenience of online shopping aligned with the digital brand experience. Additionally, the pandemic was an enabler to boost the importance of e-commerce business as many of the physical shops had to close during the lockdown.

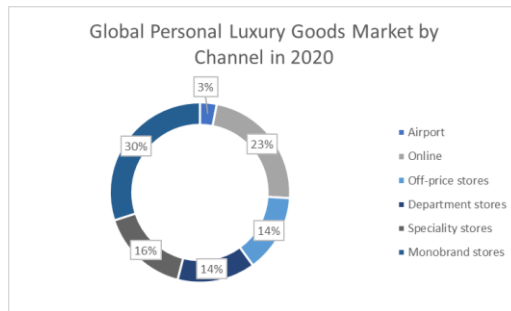
E-commerce is still underdeveloped in this industry. However, there is a huge potential for the development of this sales channel. E-commerce has fundamentally changed the structure of trading goods. The penetration of internet-enabled devices and the increase of online stores had led to a change within the retail landscape. But also had a major influence on shopping

<sup>3</sup> <https://www.bain.com/about/media-center/press-releases/2021/luxury-report-2021/>



behavior. Luxury companies have now the challenge to adapt to this new reality and highly develop their online channel. However, the growth of this channel has shown that the luxury companies are already adapting and progressing at a fast pace.

Exhibit 6: Global Personal Luxury Goods Market By Channel in 2020



Source: Statista

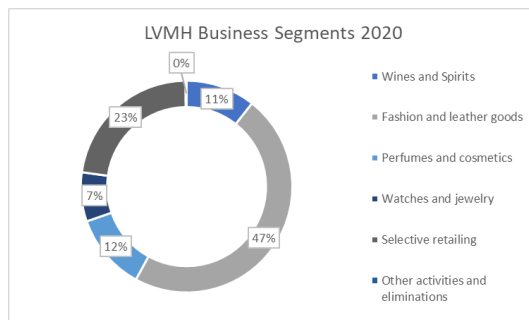
### ▪ A new generation a new purpose

More than ever before, the growing universe of luxury clients has high expectations of brands. They want customization and alignment with their values, a strong voice on social problems, and actual action and responsibility when it comes to sustainability, in addition to products.

## Company Overview

LVMH, as mentioned before, is a French group that operates in the luxury industry in six main business segments: wines & spirits, fashion & leather goods, perfumes & cosmetics, watches & jewelry, selective retailing, and other activities. From previous acquisitions (Tiffany, 2020) and the historical performance of the business segments, we expect that both fashion & leather goods and watches jewelry will benefit from sustainable revenue growth rates in the next 10 years.

Exhibit 7: LVMH Business Segments 2020



Source: Financial Report 2020

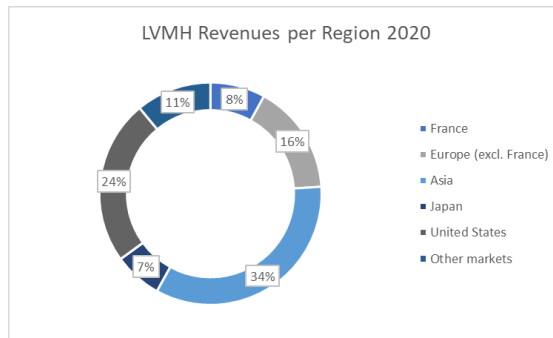
The conglomerate counts with a presence in 80 countries worldwide through 75 Maisons and 5 003 stores which employed 150 479 workers worldwide.

Additionally, it is known as the world-leading luxury group as a combined result of successful alliances among several high-value companies. LVMH has a portfolio of brands of excellence in the market such as Christian Dior, Moët & Chandon, Fendi, Celine, Louis Vuitton, Givenchy, and others.

In their geographical distribution, the main markets are Asia (excluding Japan) and the United States. From the industry analysis made in the previous section and the historical growth analyzed we believe that the Asian (excluding Japan) and American markets will surely be

leading growth for this luxury conglomerate.

Exhibit 8: LVMH Revenues by Region



Source: Financial Report 2020

In terms of competitors, LVMH's main competitors are luxury conglomerates such as Compagnie Financière Richemont SA, Estée Lauder Companies, Kering SA, and PVH Corp. These have much smaller dimensions as well as different operating luxury business segments. For this reason, we considered that the best approach for the comparables analysis would be to conduct a sum-of-parts considering all the relevant players in each business segment (described in the next section).

The group as a whole has been presenting an incredible evolution of their sales until 2020 when the covid-19 had imposed not only, major changes in the operations of the business but also, an impact on sales in the lockdown period. From the last 4 years, the group has registered a compounded annual growth of 8%. The operating profit has also presented a growth from 18% to 21% over these years. During 2020, like many other businesses, the luxury business saw its sales decreasing. LVMH especially had a decrease of 15% concerning 2019 and their operating margin saw a decrease of 14%. However, due to forecasts of both intra-business aspects and macro-aspects, which will be discussed in the following section, LVMH will recover from this unfortunate event and increase its overall revenues by 6% CAGR in the next 10 years.

## Operating Model

LVMH has established a six-pillar operational model that contributes to the Group's long-term performance by combining profitable growth, sustainability, and a dedication to excellence.

- **Decentralized organization:** ensure that Maisons are both autonomous and receptive. This allows for building closing relationships with their customers, making effective decisions, and implementing an entrepreneurial approach within their employees.
- **Internal growth:** LVMH boosts the development of the Maisons safeguarding and promoting creativity where staff plays a critical role.
- **Vertical integration:** This ensures control of every stage of the value chain, from sourcing to production facilities. It also guarantees strict control of each Maison's brand image.
- **Creation of synergies:** Sources are shared at a group level. LVMH shared strengths as a group is used to benefit each Maison individually.
- **Securing expertise for the long term:** Maisons have implemented numerous tools to pass on expertise and promote artisanal and creative skills in the next generation.
- **Balance across business segments and geographies:** Group is well-positioned to withstand the impact of changing economic factors.

# Business Segments

## Wines and Spirits

The operations of LVMH in Wines and Spirits are divided between the Champagne and Wines segments and Cognac and Spirits segments. The Wines & Spirits business segment has gained a position in the market by the strong portfolio of 26 prestigious and powerful brands such as Moët & Chandon or Dom Pérignon. For this business segment's success, it is essential to maintain its robust innovative approach by launching new and novel products and constantly enhancing its customers' experiences. Additionally, LVMH benefits from a strong and powerful international distribution network partially thanks to the joint venture with Diageo spirits group, which allows for their luxury products to be sold in several retailers worldwide. These key drivers – innovation, customer experience, and a powerful distribution network- will continue to drive the growth of this segment.

In 2019, revenue for the Wines and Spirits business group represented 10% of the LVMH group's total revenue. After years of continuous growth, the global pandemic challenged the business on every level. From 2019 to 2020 the segment's revenues decreased by 15%.

LVMH had to contend with the nearly complete elimination of earnings from airports and cruise ship sales, as well as the closure of restaurants, bars, and nightclubs regularly. In this extremely difficult environment, the Wines and Spirits business segment will maintain its pre-covid growth record of 3% compounded annual growth for the next ten years.

## Fashion and Leather Goods

For LVMH this business segment has been, over the years, the most fruitful. The fashion and leather goods segments are highly fragmented, and LVMH has established itself as one of the most powerful international groups. This segment is composed of strong brands such as Christian Dior, Loewe, Marc Jacobs, Celine, Emilio Pucci, and others and all these brands compete in several product categories and geographic areas. These brands benefit not only from synergies within the group such as great designers and manufactory facilities but also the freedom to be independent of each other allowing for their unique essence. This business segment has exclusive control of its distribution as most of the stores are owned by the group. This permits for strict control of the brand image benefits from distribution margins, and close relations with the customers.

The leather and fashion segment's revenues represented 36% of total revenues in 2017, arriving at 47% in 2020. This segment showed great resilience against the global crisis, being the less affected with respect to the others. Regardless of the closure of stores for several months, the revenues of this segment decreased by only 5%. The developments of digital presence in the online channel were crucial for these results. In the next years, the Fashion and leather goods growth will be driven by the demand from the next generations for exclusive products made by talented designers and the continuous developments of the online channel.

## Perfumes and Cosmetics

The perfumes and cosmetics business segment represented 13% of the total LVMH revenues in 2019. Over time, the segment has kept a steady percentage of revenues, growing at the same rate as the company. Famed by more iconic brands such as Christian Dior Perfumes and

Guerlain and young brands such as Benefit, LVMH has built a solid portfolio of 14 brands. The constant investments in R&D are vital for the cosmetics business and have been a key to success. Additionally, they benefit from the group's synergies which permit shared services of design and advertising, essentials for a competitive advantage in this market. In terms of their distribution, the segment benefits from "selective retailing" channels, and certain brands also sell in their own stores.

During covid, the segment was affected by the decrease in international traveling spending. The revenues decline by 23% from 2019 to 2020. However, the development of digital presence, the expansion of the distribution channel, and the continuous investment in innovation and excellence will allow for the good performance of this segment for the next 10 years.

## Luxury Watches and Jewelry

The Luxury Watches and Jewelry business segment counts with 7 renowned brands such as TAG Heuer, Bvlgari, Hublot, Chaumet, and others. This is the most recent business segment of the group and presents 8% of the total revenues. The main focuses of this segment are the quality of their product lines and the efficiency of their retail networks. During covid, the closure of their shops and suspension of international traveling enhanced the need for the development of the online channel in the specific segment. Although the segment suffered a contraction of 24% of their revenues, this will recover and achieve the same levels of growth before the health crisis, highly driven by the continued momentum of the Jewelry Market in China and the further result of the development of the online channel.

## Selective Retailing

The Selective Retailing business segment is composed of 5 relevant brands including DFS and Sephora. These brands can be divided into two subsegments: travel retailing and "selective retailing". The first subsegment is highly dependent on tourism cycles which can definitely explain the drop of 31% of sales in 2020 marked by travel restrictions. The second subsegment includes Sephora, a market leader since 2016 which has shown unstoppable digital progress aligned with their solid track record of in-store shopping.

Selective Retailing is the second biggest segment in terms of revenues, representing 28% of the total revenues in 2019. The next years will be marked by the result of further investment in other points of sale (in-store shopping) in key markets – North America and China- and the solidification of the omnichannel beauty experience through more investment in the online shopping channel.

## Other Activities

In addition to all the segments above, LVMH also owns other businesses which include Les Echos group, La Samaritaine, Royal Van Lent, and LVMH Hotel Management (LVMH hotels under Cheval Blanc brand, Belmond and Le Jardin d'Acclimatation). From the group's point of view, these businesses benefit from vertical integration however, these are not profitable and LVMH does not provide any explanation on this issue. For this reason, we will not consider as relevant the analysis of this segment for the forecast estimations.

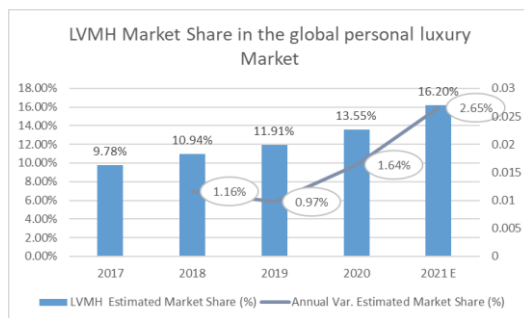
# Revenue Drivers Methodology

LVMH is unquestionable the market leader in Luxury Personal Goods and has shown a continued trend of strengthening its market share. This has not only contributed to the continued strengthening of its portfolio products through a frequent M&A activity but also more importantly its ability to innovate and surprise its customer base with new products and experiences. This **leading profile** gives us great confidence in the preparation of revenues projections based on **market share strengthening** and **EBIT margin improvements**. Other players such example, Channel, Gucci, and Hermès are far away in terms of Sales and Stock Market Capitalization.

## Performance of LVMH in the Personal Luxury Goods

Our approach began by focusing on analyzing LVMH's competitive position. Based on the information disclosed by Bain and Company for the historical time range of our analysis (2017-2029) on the **Personal Luxury Goods Market**. We analyzed the market share of our company, considering only **3 Personal Luxury Segments: fashion & eather Goods, perfumes and cosmetics, and watches at jewelry**.

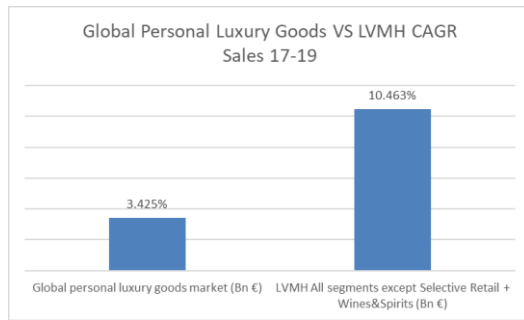
Exhibit 9: LVMH Market Share in the Global Personal Luxury Market



Source: Own Estimations

The findings are clear, LVMH is not only an undisputed leader (12% in 2019 and is estimated to achieve 16% in 2021) but has also **consistently increased its share** (1.67 percentage points annual gain on average). Its **sales in these business segments** grew on a compound annual growth rate (CAGR) during 2017-2019 of **10%** versus the **Personal Luxury Goods Market** which grew **3.4%** (CAGR 2017-2019). It should be reported that the year 2020 was materially affected by the Covid-19 pandemic, so we thought it was **better not to consider this year's performance to avoid eventually wrong conclusions**. The **Wine&Spirits** and **Selective Retail segments**, despite having customer interactions, have different dynamics than the Luxury Personal Goods, so go they are **treated in our analysis separately** (were not considered as pure Luxury Personal Goods). Its **performance is more cyclical**, linked with other sectors such as **Travel and Leisure**.

Exhibit 10: Global Personal Luxury Goods VS LVMH Sales



Source: Own Estimations

## The competitive Advantages of LVMH

To better understand LVMH's competitive position in the luxury market we identified the main drivers, and, in this sense, we concluded that there are essentially **4 competitive advantages**:

- **M&A**

Over the last 4 years, on average, the Company has engaged in 3 acquisitions or joined ventures with third strategic parties that have improved its competitive position. LVMH's sounding financial position was the pillar for sustainably buying products and customers.

More recently, LVMH invested in two notable luxury companies during the pandemic. Tiffany was purchased by LVMH in January 2021, bolstering the company's jewelry division with the acquisition of one of the world's most legendary jewelry companies. LVMH made a bold move in August 2021 when it acquired a majority share in Off-White, a pioneering streetwear brand. These two companies exemplify LVMH's commitment to diversification, ensuring that its brands appeal to consumers with both traditional and avant-garde preferences.<sup>4</sup>

Exhibit 11: LVMH M&A Activities

M&A Activity	Wines and Spirits	Fashion and Leather Goods	Perfumes and cosmetics	Watches and jewellery	Selective retailing	Total Number of Deals	Impact of Deals
2017	Colgin Cellars (60% Stake), Woodinville Whiskey Company		Christian Dior			3	
2018		Jean Patou	Britain's Designer Parfums Ltd			2	Fashion & Leather = 11% out of the 20% growth of the segment 9M vs 2017
2019	Chateau du Galoupe	Stella McCartney (Join Venture); Gabriela Hearst (Join Venture)	Fenty (Join Venture)			4	
2020	Whistlepig Whiskey (minority stake)			Tiffany & Co.		2	Chateau du Galoupe = 2% increase structure vs 2019; Tiffany's acquisition = 2.1x growth structure Impact vs 2020; Whistlepig Whiskey = 1% growth structure impact vs 2020
2021 9M	Off-White	Emilio Pucci (acquired the 33% left)	Officine Universelle Buly 1803	Repossi (increased stake by 69%)		4	2021 deals will impact the overall growth of the segments in 2022
# of Deals	4	4	5	2			

Source: MarketLine

- **Geographical Focus & Segment Mix**

Total focus on growth geographies such as USA and Asia, in particular China, responsible for 90% of the growth of Luxury Products Market.<sup>5</sup> Also, the mix of the segments is a quite important driver of its market share, fashion & leather goods (fast-growing segment) accounts for more than 66% of revenues of Luxury Personal Goods.

- **Distribution Channels & E-commerce**

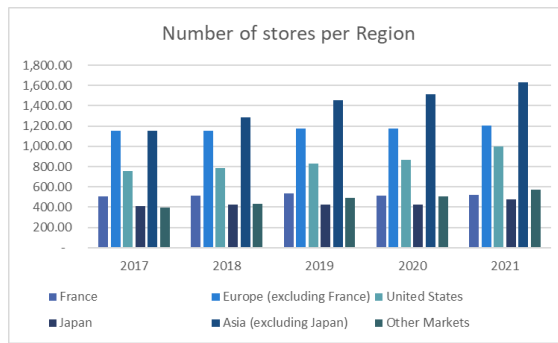
Own channels (store network) with sustained growth (growth of high single digits stores in the

<sup>4</sup> <https://www.nasdaq.com/articles/why-lvmhs-future-looks-luxuriously-lush>

<sup>5</sup> <https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/>

USA and China) as 70% of sales are made within the group and with a tendency to increase in the years to come.

Exhibit 12: Number of Stores per Region



Source: Financial Report 2020 & 2021

Increased penetration of e-commerce, which in this sector has no impact on the selling price is even more profitable. Online will become the single biggest channel for personal luxury goods in the coming years, making up 28%–30% of the global market in 2025.

### ▪ Leading Positioning Analysis

The analysis of LVMH's competitive position in the Luxury Personal Goods Market signals to us that the company will continue to grow faster than other players constantly strengthening their share, given their penetration into the younger generation. They are the primary engine of growth in the coming years as generation Y and Z will be steady buyers of luxury. By 2025 they will make up 70% of the market.

## Macroeconomics Overview

Next, we focus our attention on the projection of the next decade of the Luxury Personal Goods Market. The starting point was the Bain and Company study that points to a growth of **6-8%** (CAGR) by 2025. This projection is not unrelated to the fact that in the coming years we have the main economic blocs implementing expansionary policies, after a robust recovery of 2021 after Covid locked down. The environment of low historic interest rates, low unemployment levels, and growth in the HNWI segment supports a leveraged growth in the Luxury industry compared to global wealth growth (World GDP); looking backward Luxury Products Market grew by more than 2 times the rate of World GDP's growth. To be more precise, in the last decade GDP grew about 2.5% (2010-2020 negatively influenced by the Financial Crisis), in the same period the Luxury Products Market grew **5.3%** (CAGR) (leveraged growth 2x higher compared to GDP growth). This trend in our outlook will remain with less expression, the 2022-2032 projections point to a CAGR of 2.7% of the World GDP and 4.7% of the Luxury Personal Goods Market (leveraged growth approximately 1.74 x compared to GDP growth).

It should be noted that we consider that there will be 2 relevant periods: **Growth 2022-2025** (as a reflection of expansionary policies in place in the USA and UE) 7.5% and **2025-2030 market consolidation** with a CAGR of 4.4% (lower leverage against GDP). For the purpose of the revenues forecast and going in line with the data analyzed in the Bain and Company study, we used the period of 2022-2030 to forecast revenues.

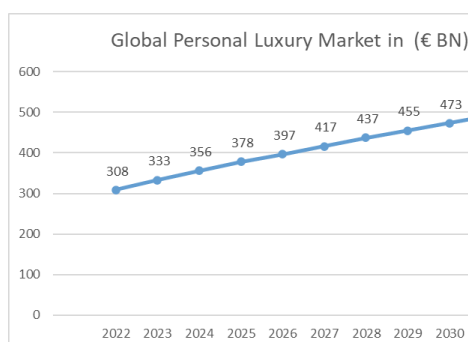
## Projection of Personal Luxury goods categories

To better understand the growth Luxury Personal Goods Market, we move forward with a projection for the 3 main market segments, supported by the history of each segment. **Leather** and **jewelry** businesses are the ones that sustainably have **higher growth rates** (high single digits to low double digits), while the **watches** and **beauty** grow to **mid-single digits (Exhibit 14)**.

Once again, we are assuming 2 different periods: i) **accelerated growth (2022-2025)** and **stabilization and normalization (2025-2030)**. In fact, after 2025 we understand that we should project a less expressive growth with a tendency towards a normalization. The origin of this approach is a set of the following drivers:

- An economic hard landing in China or relevant changes in growth paradigm (Asia)
- The slowdown in Europe (Post-EU recovery Package)
- Cost of Energy Transition (Global)
- Costs of Sustainability (Global)

Exhibit 13: Global Personal Luxury Market Forecasted



Source: Own Estimations

Exhibit 14: Sales Growth by Product (Luxury Market)

By Product (Sales Gr	2022	+ % (Y)	2023	+ % (Y)	2024	+ % (Y)	2025	+ % (Y)	2026	2027	2028	2029	2030
Leather	9.5%	0.5%	10.0%	0.3%	10.3%	0.3%	10.5%	0.0%	10.5%	10.5%	10.5%	10.5%	10.5%
Jewelry	8.5%	0.5%	9.0%	0.3%	9.3%	0.3%	9.5%	0.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Watches	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Beauty	5.0%	0.0%	5.0%	0.0%	5.0%	0.3%	5.3%	0.0%	5.3%	5.3%	5.3%	5.3%	5.3%

Source: Own Estimations & Bain and Company

## Analysing other drivers

After we projected the evolution of the Personal Luxury Goods Market as a whole and the segments, we analyzed the other dimensions such as the evolution of the main geographies, channels, and penetration of e-commerce. These variables are critical for preparing the projection exercise for LVMH. As regards the regions, we can conclude that **the Asian market will be the engine of the consumption of personal luxury products**, however, the **USA will also maintain its attractiveness** with **Europe gradually diluting its importance**. Sales channels will evolve to **50/50 retail and wholesalers**. Although the big event will be the digital transformation of the Luxury business, e-commerce. In 2030 we are anticipating a penetration rate of 65%, with Brands' websites to be prominent channels versus the e' trailers and retailers (Exhibit 15).

Exhibit 15: Sales Growth by region and channel



	2022	+ % (Y)	2023	+ % (Y)	2024	+ % (Y)	2025	+ % (Y)	2026	2027	2028	2029	2030
<b>By Region (most relevant)</b>													
Europe	27.0%	2.0%	28.0%	1.0%	28.0%	0.0%	28.0%	0.0%	28.0%	28.0%	28.0%	28.0%	28.0%
USA	32.0%	1.0%	33.0%	1.0%	34.0%	1.0%	35.0%	1.0%	36.0%	37.0%	38.0%	39.0%	40.0%
Asia	35.0%	3.0%	38.0%	3.0%	41.0%	3.0%	44.0%	3.0%	47.0%	6.0%	50.0%	9.0%	53.0%
<b>By Channel</b>													
Wholesale	60.0%	-2.0%	58.0%	-1.0%	57.0%	-1.0%	56.0%	-2.0%	54.0%	52.0%	50.0%	48.0%	46.0%
Retail	40.0%	2.0%	42.0%	1.0%	43.0%	1.0%	44.0%	2.0%	46.0%	4.0%	48.0%	6.0%	50.0%
<b>E commerce</b>													
Penetration Share ' Channel	26.9%	5.0%	31.9%	4.0%	35.9%	4.0%	39.9%	5.0%	44.9%	49.9%	54.9%	59.9%	64.9%
Brand websites	21.9%	5.0%	26.9%	5.0%	31.9%	5.0%	36.9%	5.0%	41.9%	10.0%	46.9%	15.0%	51.9%

Source: Own Estimations & Bain and Company

## Revenue Forecast Approaches

Focusing attention on LVMH's revenue projection, we chose to take three approaches:

- Empirical Approach** (based on historical growth drivers): Simple analysis assuming that past performance is replicable in the next decade and considering the qualitative exposure of several drivers in the ranges of revenue (Exhibit 16).

Exhibit 16: Empirical Approach Matrix and Results

	Macroeconomic Drivers				Organic Growth E-commerce		Mergers and Acquisitions		Hight Net Individuals Gen Y and Z		Historic Performance	
	Medium/High	Low	High	Low/Medium	Medium	Medium/High	High	Medium	High	High	Low	High
Wines and Spirits	Medium/High	Low	High	Low/Medium	Medium	Medium/High	High	Medium	High	2.0%	5.0%	
Fashion and Leather Goods	Medium	High	Medium/High	High	Medium	Medium/High	High	Medium	High	7.0%	12.0%	
Perfumes and cosmetics	Low/Medium	Medium	Medium/High	Medium	Medium	Medium/High	Medium	Medium	Medium	3.0%	4.0%	
Watches and jewelry	Medium	Medium	High	High	Medium	High	High	High	High	3.0%	6.0%	
Selective retailing	High	Low	Low	Medium	High	Low	Medium	Medium	Medium	2.0%	4.0%	

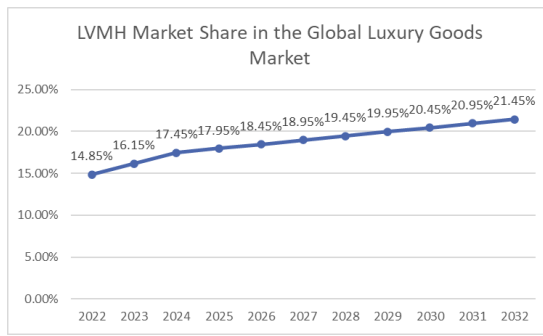
  

	Average 17-20		Contribution per Segment		
	% Revenues	All Segments	Luxury Goods	Revenue Growth (Low) %	Revenue Growth (High) %
Wines and Spirits	11%	na	na	0.2%	0.5%
Fashion and Leather Goods	41%	66%	66%	4.1%	6.1%
Perfumes and cosmetics	13%	20%	20%	0.6%	1.3%
Watches and Jewelry	8%	14%	14%	0.2%	0.5%
Selective Retailing	27%	na	na	0.5%	1.4%
				5.7%	9.79%
				7.76%	

Source: Own Estimations

- Top Down** (Personal Luxury Goods Sector Performance + GDP): Starting from the total market estimate (2022-2030), we used LVMH's market share performance to achieve Total Revenues projection of the leather, watches and jewelry and perfumes and cosmetics segments, assuming an average share growth of (0.7% per year during 2017-2021 performance) until 2025 and then, in subsequent years a more moderate competitive position for LVMH. For the Wines & Spirits and Selective Retail Segments we assumed that both will growth in line with GDP + a Growth Multiple (Exhibit 17).

Exhibit 17: LVMH Future Market Share & Top-Down Method Result



	2022	2023	2024	2025	2026	2027	2028	2029	2030
Global Personal Luxury Goods market (Mn €)	305,640	327,025	346,627	367,426	385,629	401,262	413,300	425,699	438,470
LVMH Estimated Market Share (%)	14.85%	16.15%	17.45%	17.95%	18.45%	18.95%	19.45%	19.95%	20.45%
Var. %	1.3%	1.3%	1.3%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
market share increase = 80% of the last 4 years average									
Forecast Revenue   Luxury Goods	45,389	52,818	60,493	65,960	71,187	76,041	80,389	84,929	89,669
Forecast Revenue   Wines & Spirits	6,489	6,853	7,120	7,323	7,553	7,780	8,013	8,254	8,501
Growth (multiple x GDP Growth multiple)	150.0%	140.0%	130.0%	120.0%	120.0%	120.0%	120.0%	120.0%	120.0%
Forecast Revenue   Selective Retail	11,788	12,401	12,848	13,233	13,630	14,039	14,460	14,894	15,341
Growth (multiple x GDP Growth multiple)	6.50%	5.20%	3.60%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
LVMH Total Revenues Forecast (Mn €)	63,666	72,072	80,461	86,527	92,371	97,860	102,862	108,077	113,512

Source: Own Estimations

**3. Bottom-Up** (Segments Performance - Luxury Goods): Using expectations for the market performance of leather, watches jewelry, and beauty businesses we were able to get estimate LVMH's business portfolio performance (2022-2030) by assuming an average increasing market share of 1% (2022-2030). This exercise is more comprehensive than the other 2 and enables us to present a scenario for EBIT and EBITDA margins future trends more effectively. Being this said, this was the approach used to forecast total revenues from the future period (Exhibit 18).

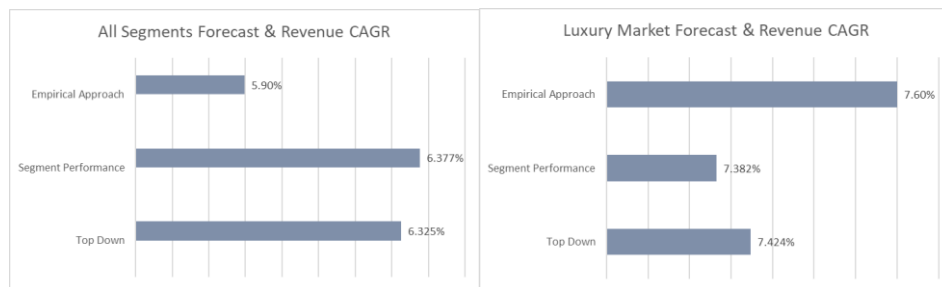
Exhibit 18: LVMH Future Market Share & Top-Down Method Result

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Relative Performance vs Industry	130.0%	130.0%	130.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Fashion and leather goods	34,005	38,426	43,546	48,119	53,171	58,355	63,607	68,855	74,019
Watches and jewelry	9,401	10,134	10,941	11,625	12,352	13,031	13,659	14,338	14,935
Perfumes and cosmetics	7,260	7,258	7,906	8,224	8,525	8,900	9,258	9,600	9,937
Forecast Revenue   Luxury Goods (Mn €)	50,666	56,079	62,495	68,175	74,401	80,668	86,892	92,980	99,031
Implicit Market Share (%)	16.5%	17.1%	18.0%	18.6%	19.3%	20.1%	21.0%	21.8%	22.6%
Annual Var. Estimated Market Share (%)	0.3%	0.6%	0.9%	0.5%	0.7%	0.8%	0.9%	0.8%	0.7%
LVMH Total Revenues Forecast (Mn €)	68,743	75,333	82,462	88,742	95,585	102,488	109,366	116,128	122,873

Source: Own Estimations

The outcome of the three approaches points to reasonably approximate Revenues CAGR (2022-2030). The first graph represents our market estimations and the second our estimations for LVMH.

Exhibit 19: Three Methods Variation & Final CAGR Revenues Growth



Source: Own Estimations

To some extent supports the consistency of revenues projections. Having said this, we would like to highlight that final Revenue projections affirm LVMH's unquestionable leadership in the Luxury Personal Goods Market.