Elphinstone Research Group



Equity Research Report

LVMH Moët Hennessy Louis Vuitton SE

(Euronext Paris: MC)

Q3 2026

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LVMH

Date: 05/08/2026
Ticker: MC
Exchange: Euronext Paris
Sector: Luxury Goods

Current Price: €479.70
Target Price: €604.72
Recommendation: BUY

Executive Summary

LVMH is a global luxury conglomerate comprising over 75 Maisons across six business divisions and holds an estimated 20% share of the global personal luxury goods market. The Group remains financially robust, with a 22% operating margin, €4.1bn of operating free cash flow in H1 FY 2026 and declining net financial debt.

Weakness in the company predominantly comes from adverse foreign-exchange effects, a slight decline in demand within its key Fashion & Leather Goods division and a gradual recovery in the global luxury market rather than deterioration in the Group's underlying financial position. Nevertheless, underlying trends are beginning to improve: LVMH maintained positive organic growth in Q1 FY 2026, while demand strengthened across the US and Asia. These improving regional trends, alongside an initial recovery in Fashion & Leather Goods, suggest that luxury demand may be approaching an inflection point.

Given our research, our DCF implies a base-case fair value of €604.72 per share versus a current share price of €479.70, representing approximately 26% upside. Relative valuation also suggests that LVMH's current discount to peers reflects weaker sector demand and depressed luxury spending rather than a material deterioration in the Group's underlying fundamentals. Key upside catalysts include the commercial rollout of new creative leadership across core Maisons and further improvement in Selective Retailing profitability, while the main risks remain FX-related margin pressure and a prolonged slowdown in Chinese luxury demand.

Investment Thesis

LVMH offers attractive upside because earnings appear close to a cyclical trough, while underlying demand trends are beginning to stabilise across key luxury markets. A gradual recovery in Fashion & Leather Goods, alongside improving Selective Retailing profitability following the DFS portfolio reshaping, should support a recovery in Group margins and free-cash-flow generation.

Although part of LVMH's valuation discount to peers is justified by its broader product mix and lower scarcity economics relative to Hermès, our analysis suggests that a meaningful portion of the discount reflects cyclical weakness in Chinese and aspirational luxury demand rather than structural deterioration. Continued investment in its core Maisons, global scale and pricing power should support long-term earnings resilience, while our DCF and relative valuation analysis both indicate that the current share price does not fully reflect LVMH's recovery potential.

Company Overview

LVMH Moët Hennessy Louis Vuitton is the world's leading diversified luxury-goods group, comprising more than 75 Maisons across six sectors: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewellery, Selective Retailing and Other Activities. Its portfolio includes some of the industry's most recognised brands, including Moët & Chandon and Hennessy; Louis Vuitton, Christian Dior, Loro Piana, Celine, Loewe and Fendi; Parfums Christian Dior and Guerlain; Tiffany & Co., Bulgari and TAG Heuer; and Sephora, the Group's principal Selective Retailing brand.

LVMH operates as a decentralised business model, preserving the creative autonomy, heritage and individual positioning of each Maison while leveraging economies of scale, vertical integration and tightly controlled distribution. The group also benefits from geographic diversification. In FY2025, Europe, the United States and Asia excluding Japan each contributed approximately 26% of Group revenue, limiting reliance on any single major luxury market. Its channel strategy combines directly operated boutiques, selective retailing through Sephora and DFS, e-commerce and controlled wholesale distribution, supported by a global network of more than 6,280 stores. This channel mix expands customer reach while allowing control over pricing, brand presentation and customer experience.

In FY2025, LVMH generated revenue of €80.8 billion and profit from recurring operations of €17.8 billion, representing an operating margin of 22.0%. Although its portfolio, geographic reach and distribution channels provide substantial diversification, Fashion & Leather Goods remains the Group's principal revenue and earnings engine.

Revenue Architecture

Figure 1.1 illustrates the evolution of LVMH's revenue by business group between FY2019 and FY2025. The Group's revenue architecture is anchored by Fashion & Leather Goods, which has remained its largest business segment throughout the period. Its substantial expansion since 2020, supported by the scale and brand strength of Louis Vuitton, Christian Dior and other leading Maisons, has increased the Group's exposure to its highest-value luxury category.

Selective Retailing represents the second major component of Group revenue. The division experienced a sharp contraction in 2020 as travel restrictions and store closures affected DFS and other retail operations, before recovering strongly from 2021 onwards. Growth has subsequently been supported by Sephora's international expansion and continued momentum across its beauty retail operations.

The remaining divisions provide additional diversification across product categories. Wines & Spirits remained comparatively stable during the post-pandemic recovery before weakening after 2022 as demand normalised and destocking affected key markets. Perfumes & Cosmetics and Watches & Jewellery recorded sustained recovery after 2020, although their revenue contribution remains smaller than that of Fashion & Leather Goods and Selective Retailing.

Overall, LVMH's revenue mix combines category and channel diversification with a clear concentration in Fashion & Leather Goods. This structure supports strong brand economics and pricing power, although it also makes Group performance increasingly sensitive to demand trends within the personal luxury goods market.

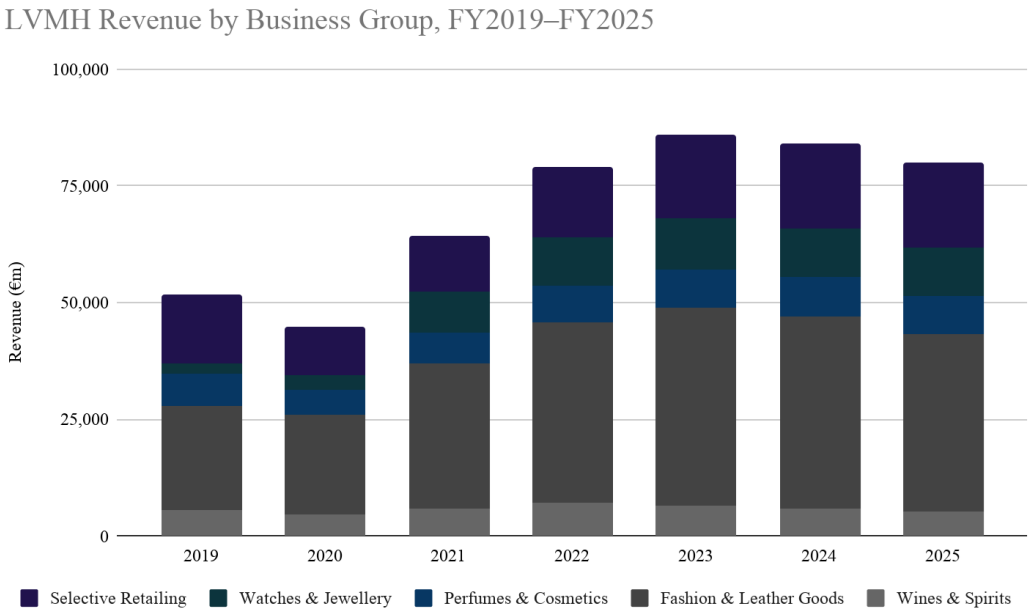


Figure 1.1 LVMH Revenue by Business Group, FY2019 - FY2025
Source: LVMH annual reports and company filings. Note: Excludes Other Activities and intersegment eliminations.

Geographic & Channel Distribution

Geographical Distribution

LVMH maintains a globally diversified revenue base, reducing its reliance on any single domestic market. Asia, excluding Japan, remained one of the Group's largest geographic exposures throughout the period. However, its contribution to Group revenue declined after peaking around 2020–2021, reflecting weaker luxury demand in China and a gradual rebalancing of the Group's regional sales mix.

The United States remained a comparatively stable contributor, accounting for approximately one-quarter of revenue across much of the period. Its share increased notably in 2021, supported by strong post-pandemic consumer demand, before remaining broadly stable in subsequent years.

In Europe, excluding France, revenue contribution weakened during 2020–2021 before recovering from 2022 onwards. This recovery was supported by the return of international tourism and improved domestic luxury spending. France and Japan remained smaller but relatively established markets within the Group's geographic mix.

Meanwhile, the growing contribution from other markets, particularly in 2024–2025, suggests that LVMH is broadening its exposure across emerging and less mature luxury markets. Overall, the Group's geographic diversification provides some protection against country-specific demand weakness, although its continued exposure to Asia means that performance remains sensitive to Chinese consumer confidence and luxury spending trends.

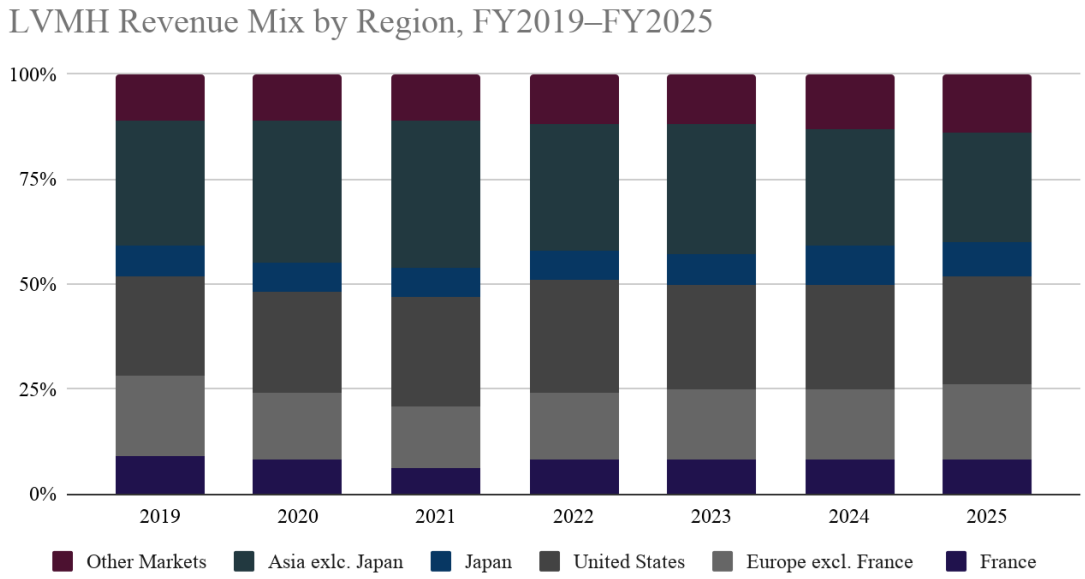


Figure 1.2 LVMH Revenue by Region, FY2019 - FY2025
Source: LVMH annual reports and company filings. Note: Excludes Other Activities and intersegment eliminations.

Distribution Channel

LVMH operates different distribution models across its business groups. Within Wine & Spirits, Moët Hennessy uses a globally controlled network combining proprietary distribution with joint ventures, including its partnership with Diageo, which accounted for 21% of Champagne and Cognac sales in 2025. Fashion & Leather Goods relies heavily on directly operated boutiques, enabling LVMH to retain retail margins, protect exclusivity and maintain control over pricing and the customer experience. Perfumes & Cosmetics and Watches & Jewellery use selective mixed-distribution models combining chosen third-party retailers, directly operated stores and expanding digital channels, balancing market reach with brand control. Selective Retailing adds further channel diversification through Sephora's omnichannel beauty platform and DFS's exposure to international travel spending. Overall, LVMH's channel strategy prioritises controlled distribution over maximum sales volume, supporting pricing power and brand equity, although its exposure to travel retail and third-party partners introduces some sensitivity to tourism and external distribution conditions.

Segment Performance & Growth Drivers

Business Group	Revenue 2019 (€m)	Revenue 2024 (€m)	Margin 2019	Margin 2024
Wine & Spirits	5,576	5,862	31.0%	23.1%
Fashion & Leather Goods	22,237	41,060	33.0%	37.1%
Perfumes & Cosmetics	6,835	8,418	10.0%	8.0%
Watches & Jewellery	4,405	10,577	16.7%	14.6%
Selective Retailing	14,791	18,262	9.4%	7.6%

Source: LVMH FY2019 and FY2024 results. Divisional operating margin calculated as profit from recurring operations divided by divisional revenue.

Wines & Spirits

Revenue increased only modestly from €5.6 billion in 2019 to €5.9 billion in 2024, while operating margin declined from 31.0% to 23.1%. The business initially benefited from strong champagne and cognac demand, constrained supply and Hennessy's value strategy. In 2022, LVMH explicitly highlighted price increases as a mechanism that offset weakness in China.

Momentum reversed in 2023–2024 as cognac demand normalised in the United States, retailer inventories remained elevated and China's recovery proved weaker than expected. In 2024, organic revenue declined 8% and recurring operating profit fell 36%, with adverse currencies adding further pressure. The division therefore represented the largest negative component of the Group margin bridge.

Fashion & Leather Goods

Fashion & Leather Goods was LVMH's principal growth engine. Revenue rose from €22.2 billion to €41.1 billion and operating margin increased from 33.0% to 37.1%. Louis Vuitton and Christian Dior led the expansion, supported by iconic product lines, product innovation, selective price increases, disciplined distribution and continued investment in flagship stores and communications.

Celine, Loewe, Loro Piana, Rimowa and other Maisons broadened the division's growth base. Organic growth reached 47% in 2021, 20% in 2022 and 14% in 2023 before declining approximately 1% in 2024. Although demand softened and adverse currencies affected profit in 2024, divisional profitability remained exceptionally high.

Perfumes & Cosmetics

Revenue increased from €6.8 billion to €8.4 billion, but operating margin declined from 10.0% to 8.0%. Growth was supported by Christian Dior's Sauvage, J'adore and Miss Dior franchises, together with Guerlain, Givenchy and Fenty Beauty. Selective distribution and limited discounting protect brand equity, while innovation maintains consumer interest.

However, the category requires sustained product development, marketing and distribution expenditure, limiting operating leverage. In 2024, organic revenue increased 4% while recurring operating profit declined 6%. The representative product basket also indicates materially less pricing flexibility than in iconic Leather Goods.

Watches & Jewellery

Revenue increased from €4.4 billion in 2019 to €10.6 billion in 2024. A significant part of this expansion was structural because Tiffany & Co. was consolidated from 2021. Tiffany's high-jewellery strategy and store renovation programme were complemented by Bulgari's Serpenti franchise and innovation at TAG Heuer, Hublot, Chaumet and Fred.

Despite strong revenue growth, operating margin declined from 16.7% to 14.6%, reflecting acquisition mix, store expenditure and communications investment. In 2024, recurring operating profit fell 28% amid softer demand, adverse currencies and continued investment. Reported historical growth should therefore not be treated as entirely organic.

Selective Retailing

Revenue increased from €14.8 billion to €18.3 billion, but the period contained two contrasting stories. Sephora delivered a strong post-pandemic recovery through store expansion, e-commerce, market-share gains and effective brand curation. In 2024, Sephora achieved double-digit growth in both revenue and profit.

DFS remained below its 2019 level because international travel and Asian tourism recovered unevenly. This prevented the division from translating revenue growth into broader margin expansion: operating margin declined from 9.4% to 7.6%. Sephora's strength only partly offset the structural pressure affecting travel retail.

Industry Overview

Industry Structure and Business Models

While luxury goods are high-end products that consumers buy primarily for their quality, craftsmanship, exclusivity and/or brand prestige, luxury brands vary beyond simple product categories. Luxury goods include Leather Goods, apparel, footwear, watches and jewellery, among other items. Luxury brands typically make two key strategic choices: whether to specialise in one or a few product categories or diversify, and whether to maintain scarcity by limiting supply (e.g. Hermès, Richemont, Ferrari) or appeal to a broader mass-affluent market (e.g. Dior, Chanel). LVMH is a diversified player, itself the product of multiple mergers, and is a remarkably diversified business for a luxury-goods company.

This distinction is important for investors because the two models have different earnings sensitivities: diversified groups such as LVMH benefit from scale and portfolio breadth but are more exposed to changes in aspirational luxury demand, while scarcity-led players such as Hermès tend to demonstrate greater pricing resilience and structurally higher margins.

LVMH sits firmly within the diversified model, with exposure spanning Fashion & Leather Goods, Wines & Spirits, Watches & Jewellery, Perfumes & Cosmetics and Selective Retailing. As a result, its earnings are more closely linked to the broader luxury cycle, creating greater downside during periods of discretionary weakness but potentially stronger operating leverage as sector demand recovers.

This is reflected in declining revenue from €86.2bn in 2023 to €80.8bn in 2025, while EBIT margin fell from 26.5% to 22.0% as the company experienced operating deleverage. This reinforces the idea that, for a diversified luxury conglomerate, a bullish thesis is more dependent on an overall luxury-cycle recovery than for its ultra-luxury peers.

By contrast, companies such as Hermès are well known for their customer waiting lists. This business model deliberately restricts supply relative to demand in order to maintain pricing power and brand exclusivity. Scarcity-led players such as Hermès and Ferrari are characterised by unusually high margins and often trade at premium P/E multiples to peers. While companies such as LVMH declined through 2023–2025, these ultra-luxury players continued growing; for example, Hermès grew 8.9% in FY2025.

Luxury Goods: a 2026 Outlook

Sell-side consensus continues to point to three key drivers into 2026: a broad luxury-market expansion of around 4–5%, a return to modest Chinese growth, and potential multiple expansion supported by EPS recovery, with luxury-goods forward P/E trading at an approximately 20% premium as of 01/01/26.

Despite the recent rotation in discretionary spending, we believe LVMH's current share price may not fully reflect its underlying earnings strength and long-term recovery potential. Its sub-20x forward P/E remains below its 10-year average and below several luxury peers (see p. 23), suggesting that the market is still pricing in a relatively cautious recovery.

Luxury Demand Trends

Demand for luxury goods can be divided into three main geographies: America, Europe and China. Beyond having differing expected growth rates, each geography has differing industry-wide challenges and tailwinds as we head out of the post-Covid recovery.

Europe - consensus: modest growth

Home to many of the best-known luxury brands, demand is supported by a strong international interest in European luxury groups and brands such as LVMH, Richemont and Hermès. Europe's strength through 2023-2024 was supported by international shoppers, including through tourism and tax-free luxury spending (which rose ~15% in that period). However, this tourism boost has since normalised. As discussed on the previous page, the slowdown has most affected diversified and lower-end luxury brands, while ultra-luxury supply-constrained brands such as Richemont have still delivered high-single-digit growth through 2025.

European demand, however, has a low-single-digit consensus growth outlook, due to weakening tourist flows, a weakening high-end consumer confidence, and various headwinds affecting local discretionary spending. For LVMH, modest European growth should provide a relatively stable demand base, although the region is unlikely to be the principal driver of a broader earnings recovery.

Americas/US - consensus: strongest expectations for developed market

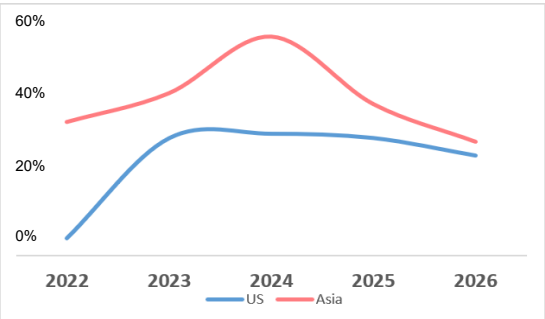
While Bain's recent 2026 report describes US luxury demand as "surging", the market remains exposed to several macro factors, including import tariffs and FX uncertainty. Nevertheless, US consumers have proved their resilience, with Richemont's FY26 Americas revenue up 17%, and even lower-end luxury seeing double-digit growth. McKinsey predicts US CAGR through 2030 to be 3-5%. For LVMH, continued US resilience provides an important offset to slower European growth and an uneven Chinese recovery, although tariffs and FX remain key risks to demand and margins.

Asia/China - consensus: recovery story

After a slowdown in 2023, followed by a stabilisation in 2024, H2 of 2025 marked a recovery. Bain and McKinsey identify China as one of the faster-growing major luxury markets through 2030. (est. 4-6% CAGR). **In 2026 H1,** Asia ex-Japan has seen a faster recovery. For LVMH, this has meant a 7% YoY growth in Q1. For LVMH, China remains the largest potential swing factor: a sustained recovery would disproportionately support Fashion & Leather Goods and strengthen the case for a broader earnings rebound.

Below are LVMH's sales for 2022-2026, illustrating an Asia boom and slowdown (2024-25) followed by the appearance of a topline turnaround as of H2 2025, accelerating since Q1 2026.

LVMH % YoY Revenue Growth - Asia versus U.S. FY2022-2026



Quarterly growth since Q1 2025

Region	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Asia	-11.00%	-6.00%	2.00%	1.00%	7.00%
United States	-3.00%	0.00%	3.00%	1.00%	3.00%

Key Industry Debates

Industry Debate #1 – Luxury spending trends in China versus the United States

China's high-end market is approximately half the size of the US as of 2026, at around $60bn versus $130bn. According to McKinsey, however, China's luxury market is expected to grow at a slightly higher rate of 4–6% p.a. through to 2030, compared with 3–5% p.a. in the US. As an emerging luxury market, China has greater room for growth and a potentially larger long-term addressable market, although luxury spending patterns and consumer tastes are also changing.

In China, homegrown brands such as Laopu Gold, often described as the "Hermès of gold", have been identified by McKinsey as benefiting from culturally distinctive storytelling and stronger local consumer relevance. This sits alongside growing competition for Western luxury brands. Furthermore, some studies suggest that Chinese affluent consumers may place relatively less emphasis on scarcity and exclusivity than traditional European luxury consumers, which could create challenges for brands whose positioning relies heavily on these characteristics. For LVMH, China therefore represents both a major recovery opportunity and a structural competitive risk: stronger market growth could support earnings, but increasing competition from domestic brands may limit the extent of the recovery captured by Western luxury groups.

Industry Debate #2 – Is diversity really our strength?

Some luxury companies, such as Ferrari, maintain a highly focused business model. Others, like LVMH, itself formed through the merger of Louis Vuitton and Moët Hennessy, operate as diversified luxury conglomerates with exposure across multiple product categories. LVMH is therefore a much broader play and can act as a proxy for the luxury-goods sector as a whole. The question in 2026 is whether this diversification remains an advantage. During 2023–2025, a downturn in aspirational spending disproportionately affected diversified luxury groups such as LVMH. This positions LVMH primarily as a cyclical recovery investment, with outperformance increasingly dependent on a broader recovery in international and aspirational luxury demand. Diversification therefore reduces single-brand and category risk, but also increases LVMH's exposure to the broader luxury cycle, making a recovery in global luxury spending particularly important to the upside case.

Industry Debate #3 – Is the luxury recovery broadening beyond ultra-high-net-worth consumers?

Recent luxury-market resilience has been concentrated among ultra-high-net-worth consumers, while aspirational spending has remained comparatively weaker. This has benefited scarcity-led brands such as Hermès, whose customer base is less sensitive to changes in discretionary spending, while diversified groups such as LVMH have faced greater pressure from softer aspirational demand. The key question for 2026 is whether the luxury recovery broadens beyond the wealthiest consumers. If aspirational demand improves alongside stronger consumer confidence and discretionary spending, LVMH could benefit disproportionately given its broader customer exposure and greater sensitivity to the overall luxury cycle. However, if growth remains concentrated among ultra-high-net-worth consumers, scarcity-led players may continue to outperform. For LVMH, a broader recovery in aspirational spending would therefore strengthen the case for earnings normalisation and provide greater operating leverage across its core Fashion & Leather Goods division.

Sources: McKinsey/BoF 'The State of Fashion' (2026), Bloomberg Intelligence Global Luxury Goods: 2026 Outlook

Macro Overview

Currency / FX

LVMH's global revenue base creates significant EUR/USD exposure as well as exposure to Asian currencies, meaning exchange-rate movements can materially affect reported revenue and operating margins. A weaker euro can support reported earnings when overseas revenues are translated back into euros, while euro appreciation has the opposite effect. FX is particularly relevant in 2026 as favourable prior-year hedges expire, increasing exposure to underlying currency movements.

Tariffs / Trade Policy

US tariffs on European luxury goods create a margin-versus-volume trade-off for LVMH. The Group's strong brand equity and pricing power should allow it to offset part of the additional cost through pricing, although higher prices could weigh on aspirational demand. Tariffs may also influence where consumers choose to purchase luxury goods, potentially affecting the balance between US, European and travel-retail sales.

Rates / Consumer Spending

Interest rates affect LVMH primarily through consumer wealth, confidence and financial-market performance rather than through direct borrowing costs. Luxury demand tends to be resilient among the wealthiest consumers but more sensitive among aspirational buyers. A supportive equity and property environment would therefore favour discretionary spending, while weaker consumer confidence or tighter financial conditions could delay the expected luxury recovery.

Gold Price / Product Mix

Watches & Jewellery accounts for roughly 12% of LVMH sales, limiting the Group's direct exposure to precious-metal price movements. More important is the effect on consumer spending patterns. Elevated gold prices have coincided with a shift in Chinese consumer wallets towards gold-heavy jewellery and away from traditional luxury categories such as handbags and Leather Goods. This is particularly relevant for LVMH given the high profitability of Fashion & Leather Goods. A decline in gold prices could therefore support a reallocation of spending towards traditional luxury categories.

Macro Takeaway

The macro backdrop remains an important swing factor rather than the core investment thesis. FX, tariffs, consumer wealth and gold prices could influence the timing and magnitude of LVMH's earnings recovery, but the longer-term investment case remains more dependent on the luxury cycle, brand momentum and execution across the Group's key Maisons.

Competitive Landscape

Core Peer Universe

Company	Sector Overlap	Investment Relevance
Hermès	Fashion and Leather Goods	Benchmark for scarcity, pricing power and margins
Kering	Diversified Fashion and Leather Goods	Closest listed conglomerate peer and concentration-risk comparison
Prada	Fashion and Leather Goods	Benchmark for brand momentum and creative execution
Moncler	Fashion and Leather Goods	Benchmark for brand focus, full-price retail execution and maintaining exclusivity within luxury fashion
Richemont	Jewellery and Watches	Benchmark for Tiffany, Bulgari and hard luxury

No single company replicates LVMH's full portfolio. The peer group is therefore selected according to category overlap, luxury positioning, global customer exposure and direct retail presence.

Competitive Landscape

Financial Performance

Company	FY 2025 Revenue (€m)	5 Year Revenue CAGR FY 2020–FY 2025	Operating Margin	Implication for LVMH
LVMH (Reference Case)	80,807	4.70%	22.0%	LVMH's strong operating margins are supported by its large scale and diversified premium brands across the luxury-goods market; however, LVMH still faces slower current momentum.
Hermès	16,000	12.14%	41.00%	Hermès' superior growth and 41% operating margin demonstrate the earnings premium associated with its scarcity-led model. By contrast, LVMH trades off some margin potential in exchange for category diversification, scale and broader product availability
Kering	14,675	-3.62%	11.11%	Kering's weaker growth and margins illustrate the downside of flagship-brand concentration, reinforcing the relative resilience of LVMH's multi-Maison model
Richemont	21,399	13.88%	20.9%	Richemont's stronger recent growth provides a relevant benchmark for LVMH's Watches & Jewellery Division and highlights the execution upside at Tiffany and Bulgari

Competitive Landscape

Financial Performance

Company	FY 2025 Revenue (€m)	5 Year Revenue CAGR FY 2020–FY 2025	Operating Margin	Implication for LVMH
Prada	5,700	10.61%	23.2%	Prada's stronger recent growth highlights the value of brand momentum, particularly through Miu Miu, while LVMH's broader portfolio reduces reliance on a single fashion cycle.
Moncler	3,130	8.89%	29.2%	Moncler demonstrates the margin and growth potential of focused brand execution; LVMH trades some of this focus for greater diversification and lower single-brand risk.

Competitive Landscape

Competitive Positioning

Division	Relative Competitive Positioning	Key Advantage	Relative Weakness	Investment Implication
Fashion and Leather Goods	Leading Diversified Platform	Scale, Louis Vuitton/Dior brand equity, pricing power, distribution	Hermès has stronger scarcity economics; Prada stronger recent brand momentum	Remains LVMH's key earnings moat, but growth depends on sustaining desirability at LV and Dior
Wines & Spirits	Strong Premium Position	Champagne portfolio, Hennessy, global distribution	Cognac weakness and slower category growth	Brand strength supports pricing, but near-term earnings depend more on demand normalisation
Watches and Jewellery	Strong Challenger	Tiffany and Bulgari offer substantial global growth potential	Richemont and leading watchmakers retain stronger hard-luxury/specialist positioning	Upside exists, but the division is less competitively dominant than F&LG
Perfumes and Cosmetics	Differentiated, but Sub-scale	Luxury brand portfolio plus Sephora distribution ecosystem	L'Oréal/Estée Lauder have greater specialist scale and product-development depth	Strategically valuable distribution advantage, but weaker category leadership limits margin potential
Selective Retailing	Leading in prestige beauty retail	Sephora scale, loyalty ecosystem, brand relationships and highly available consumer data	Ulta has a broader mass + prestige proposition in the US	Sephora provides a differentiated growth platform and strengthens LVMH's wider beauty ecosystem

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Competitive Landscape

Key Competitors by Segment

Company	Focus	Competitive Threat / Read-through
Hermès	Fashion	Hermès competes for the same high-end customers, but has a tighter scarcity model, which gives it more perceived prestige.
Kering	Fashion	Both compete for the same customers: Kering is slightly more volatile, while LVMH is typically perceived as more stable
Prada	Fashion	Prada, particularly Miu Miu, has stronger appeal among younger consumers than several LVMH fashion Maisons.
Moncler	Fashion	Focused full-price retail execution demonstrates the margin benefits of concentrated brand management and provides a benchmark for LVMH's fashion maisons.
Pernod Ricard	Beverages	Pernod Ricard's broader premium spirits portfolio competes for the same high-income consumer wallet, although LVMH retains stronger positioning in champagne and cognac
Rémy Cointreau	Beverages	Both compete for the same affluent customers, with Rémy Cointreau cognac offering direct competition to LVMH's Hennessy cognac portfolio
Richemont	Hard Luxury	Richemont's watch and jewellery portfolio benefits from stronger specialist positioning and perceived exclusivity than LVMH's Watches & Jewellery division

Competitive Landscape

Key Competitors by Segment

Company	Focus	Competitive Threat / Read-through
L'Oréal	Cosmetics	L'Oréal's greater R&D scale and specialist beauty expertise increase innovation pressure on LVMH's Perfumes & Cosmetics portfolio
Estée Lauder	Cosmetics	Estée Lauder challenges LVMH in the premium skincare industry, particularly with its moisturizers and creams.
Ulta	Selective Retailing	Ulta is perceived as more of a "one-stop shop", where customers can buy both prestige and mass market cosmetics. This gives them an advantage over Sephora, as Sephora is more heavily concentrated in prestige beauty

Why Hermès Trades at a Premium

Hermès commands a material valuation premium to LVMH because its deliberately constrained supply, exceptional brand scarcity and high full-price sell-through support structurally superior margins and stronger recent growth. LVMH sacrifices some of this scarcity premium in exchange for substantially greater scale and diversification. Consequently, Hermès represents an appropriate upper-bound valuation benchmark rather than a directly achievable group multiple for LVMH.

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SWOT Analysis

STRENGTHS	WEAKNESSES
• Leading Luxury Brand Portfolio with Globally recognised Maisons including Louis Vuitton, Dior, Tiffany and Bulgari that support strong brand equity, premium pricing and customer loyalty • Scale and Diversification: Multiple sources of revenue exposure generated across fashion, jewellery, beauty, wine & spirits and selective retailing sector reducing single-category risk and providing greater investment possibilities compared to peers • Pricing power: LVMH's strong branding supports selective price increases whilst retaining demand • Controlled Distribution and Sephora ecosystem; Direct retail and ownership of Sephora allows strong control over pricing, customer service customer data and product distribution	• Earnings concentration in Fashion & Leather Goods; Despite group diversification, profitability remains heavily dependent on Louis Vuitton, Dior and the broader F&LG division. • FX sensitivity ; Currency movements can materially affect reported revenue and margins • Lower Scarcity in comparison to Hermès ; Compared to its peer Hermès, LVMH is able to achieve smaller scarcity premium and margin due to its greater scale
OPPORTUNITIES	**THREATS**
• Shifting away from an over-reliance on Asian markets and expanding in underpenetrated luxury markets such as India, the Middle East and other developing Luxury markets, to further reduce risk of reliance on specific markets • Strategic acquisition and portfolio investments; with strong cash flow generation to increase investments in other divisions. • Hard-luxury expansion , further growth at Tiffany and Bulgari could increase Watches & Jewellery earnings contribution and narrow the competitive gap with Richemont.	• LVMH's expansion into the Indian cosmetics market is being impeded by other selective retailers such as Nykaa. Given that India is often seen as an area of significant growth, losing out on this area could hurt LVMH's revenue there • Chinese luxury demand slowdown - a prolonged weakening in Chinese consumer confidence and discretionary spending could pressure volumes and growth across LVMH's major luxury divisions. • Changing brand momentum: shifts in consumer preferences toward faster-growing brands such as Prada or Miu Miu could weaken desirability at key maisons, particularly Louis Vuitton and Dior. • Intensifying competition: Hermès, Richemont, Prada and specialist category leaders continue to set higher benchmarks in scarcity, hard luxury, brand momentum and category expertise.

Financials

Segment Economics & Business Financials (LVMH)

The disclosed financials offer good visibility of revenues, with gross revenue being split into five reporting segments: Fashion & Leather Goods, Wines & Spirits, Watches & Jewellery, Perfumes & Cosmetics, and Selective Retailing.

LVMH's economics are heavily driven by a premium-skewed segment mix, with a significant share of value and profitability concentrated in Fashion & Leather Goods.

- **Fashion & Leather Goods (~mid-to-high 40s% of revenue, ~mid-to-high 30s% OM):** core profit driver, commanding the largest revenue share and consistently generating the highest operating margins.
- **Selective Retailing (~low-20s% of revenue, ~high-single-digit % OM):** the second-largest revenue contributor, characterised by lower margin profiles but showing strong recovery in share since 2020.
- **Watches & Jewellery (~low-to-mid teens %, ~mid-teens % OM):** solid margin contributor that experienced a structural step-up in revenue share and margin profile beginning in 2021.
- **Perfumes & Cosmetics (~10% of revenue, ~high-single-digit % OM):** highly stable revenue share with consistent, albeit lower, operating margins compared to hard luxury goods.
- **Wines & Spirits (~high-single-digit %, ~20–30% OM):** traditionally a high-margin segment that has recently faced compression, seeing a noticeable contraction in both revenue share and operating margins through to 2025A.

At the group level, this mix supports ~22–26% total operating margins, with overall performance primarily driven by the sustained dominance of the Fashion & Leather Goods segment.

Revenue Share

	2019A	2020A	2021A	2022A	2023A	2024A	2025A
Fashion & Leather Goods	41.43%	47.50%	48.11%	48.81%	48.95%	48.49%	46.74%
Wines & Spirits	10.39%	10.65%	9.30%	8.97%	7.66%	6.92%	6.63%
Watches & Jewelry	8.21%	7.52%	13.96%	13.36%	12.65%	12.49%	12.98%
Perfumes & Cosmetics	12.74%	11.75%	10.29%	9.75%	9.60%	9.94%	10.12%
Selective Retailing	27.56%	22.74%	18.30%	18.76%	20.76%	21.57%	22.71%
Total LVMH Margin	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Operating Margin Trends

	2019A	2020A	2021A	2022A	2023A	2024A	2025A
Fashion & Leather Goods	33.00%	33.90%	41.60%	40.60%	39.90%	37.10%	35.00%
Wines & Spirits	31.00%	29.20%	31.20%	30.40%	31.90%	23.10%	19.00%
Watches & Jewelry	16.70%	9.00%	18.70%	19.10%	19.80%	14.60%	14.40%
Perfumes & Cosmetics	10.00%	1.50%	10.40%	8.50%	8.60%	8.00%	8.90%
Selective Retailing	9.40%	(2.00%)	4.50%	5.30%	7.80%	7.60%	9.70%
Total LVMH Margin	21.40%	18.60%	26.70%	26.60%	26.50%	23.10%	22.00%

Financials

Our baseline DCF model assumes the Fashion & Leather Goods (F&LG) division will remain LVMH's primary engine for long-term free cash flow generation, given its highly resilient premium pricing power. Rather than underwriting an aggressive return to the unsustainable post-COVID "super-cycle" peaks, our valuation models a highly disciplined, structured expansion toward a normalised group operating margin of 24.5% by 2030E. This steady trajectory is built on measurable balance sheet optimisations and structural portfolio adjustments, moving away from capital-intensive physical footprints to unlock immediate, compounding free cash flow conversion.

Income Statement forecast						
(EUR in millions)	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	80807.00	83862.00	88675.64	93019.45	96790.26	99897.91
YoY growth (%)	(4.58%)	3.78%	5.74%	4.90%	4.05%	3.21%
EBIT	17755.00	18868.95	20395.40	21859.57	23229.66	24474.99
Operating Margin (%)	22.00%	22.50%	23.00%	23.50%	24.00%	24.50%

We expect LVMH’s earnings to recover gradually from the 2025 cyclical trough, driven by a structural transition away from aggressive physical footprint expansion toward regional productivity optimisation and retail network efficiency. Our model assumes capital expenditure moderates to approximately 5.5% of revenue. This lower capital intensity should improve free-cash-flow conversion, while slower expansion of the asset base may gradually moderate depreciation growth. Concurrently, the strategic disposal of DFS’s underperforming, high-lease-intensity travel retail operations in Greater China should reduce the cash-flow burden associated with travel retail, supporting an improvement in Selective Retailing’s margin profile as the business mix shifts further toward Sephora and improving consolidated cash-flow conversion.

The projected 250 basis point operating margin expansion to 24.5% by 2030E is underpinned by three key operational drivers. First, the dominant Fashion & Leather Goods segment is positioned for a steady recovery, stabilising at a 3.5% to 4.5% CAGR as product cycles refresh and the core ultra-high-net-worth demographic absorbs selective price increases. Second, the Wines & Spirits division is expected to experience gradual margin normalisation toward its historical baseline as destocking cycles in the US and Cognac-related trade pressures in China are absorbed. Finally, as consolidated top-line growth recovers toward 5.75% in 2027E, this could generate operating leverage across LVMH’s relatively fixed, lease-heavy selling and marketing cost base, supporting a gradual recovery in Group operating profitability without relying on significant promotional activity.

Discounted Cash Flow Analysis

Assumptions	
WACC	7.40%
TGR	2.5%

Income Statement		2019A	2020A	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	(€MM)	53,670.0	44,651.0	64,215.0	79,184.0	86,153.0	84,683.0	80,807.0	83,862.0	88,675.6	93,019.4	96,790.3	99,897.9
growth rate	*(%)*		*(16.80%)*	*43.82%*	*23.31%*	*8.80%*	*(1.71%)*	*(4.58%)*	*3.78%*	*5.74%*	*4.90%*	*4.05%*	*3.21%*
EBIT	(€MM)	11,504.0	8,305.0	17,151.0	21,055.0	22,802.0	19,571.0	17,755.0	18,869.0	20,395.4	21,859.6	23,229.7	24,475.0
operating margin	*(%)*	*21.43%*	*18.60%*	*26.71%*	*26.59%*	*26.47%*	*23.11%*	*21.97%*	*22.50%*	*23.00%*	*23.50%*	*24.00%*	*24.50%*
Taxes (on EBIT)	(€MM)	3,152.1	2,715.7	4,493.6	5,621.7	5,974.1	5,577.7	5,823.6	5,377.7	5,812.7	6,230.0	6,620.5	6,975.4
as a % of EBIT	*(%)*	*27.40%*	*32.70%*	*26.20%*	*26.70%*	*26.20%*	*28.50%*	*32.80%*	*28.50%*	*28.50%*	*28.50%*	*28.50%*	*28.50%*
NOPAT	(€MM)	8,351.9	5,589.3	12,657.4	15,433.3	16,827.9	13,993.3	11,931.4	13,491.3	14,582.7	15,629.6	16,609.2	17,499.6
Cash Flow Items													
D&A		5,108.0	6,050.0	5,830.0	6,226.0	7,177.0	7,796.0	8,001.0	7,966.9	8,202.5	8,371.8	8,469.1	8,491.3
CapEx		(3,294.0)	(2,478.0)	(2,664.0)	(4,969.0)	(7,478.0)	(5,531.0)	(4,567.0)	(4,612.4)	(4,877.2)	(5,116.1)	(5,323.5)	(5,494.4)
Change in NWC		(1,154.0)	(367.0)	426.0	(3,019.0)	(4,577.0)	(1,925.0)	(576.0)	(458.3)	(722.0)	(651.6)	(565.6)	(466.1)
Total Lease Burden		(2,359.5)	(2,361.1)	(2,341.6)	(2,573.2)	(2,922.0)	(3,092.7)	(3,343.6)	(3,324.9)	(3,515.8)	(3,688.0)	(3,837.5)	(3,960.7)
DCF													
Year									*1*	*2*	*3*	*4*	*5*
FCFF	(€MM)								13062.6	13670.2	14545.7	15351.8	16069.7
Discount Factor									1.07	1.15	1.24	1.33	1.43
PV of FCFF	(€MM)								12,162.3	11,850.9	11,740.8	11,537.4	11,244.6

The DCF model implies a 26.06% upside to an Implied Fair Value of €604.72 per share (vs €479.70 currently), reflecting gradual normalisation across key operating segments. This assumes the dominant F&LG division exits its digestion phase to stabilise at a 3.5% to 4.5% forward CAGR (peaking at 6.50% in 2027E), while consolidated PRO margins expand 50 basis points annually from the 22.0% trough in 2025A to 24.5% by 2030E.

This margin-clearing path is supported by the DFS Greater China divestiture (supporting Selective Retailing margins as the business mix shifts toward Sephora) and a normalisation of Wines & Spirits destocking (rebounding to 4.00% growth in 2027E). The €300,961 million Implied Equity Value is underpinned by a 7.40% WACC derived from our assumed capital structure and market-based cost of capital and a 2.5% perpetual growth rate. This implied return assumes favourable resolution of unhedged FX headwinds and strict capital discipline, with CapEx capped at 5.5% of revenue

IMPLIED SHARE PRICE (€)

€ 604.72	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
5.9%	631.72	691.19	765.92	862.60	992.60	1176.72	1457.63
6.4%	574.94	622.51	680.88	754.20	849.08	976.65	1157.34
6.9%	528.06	566.83	613.51	670.79	742.76	835.87	961.08
7.4%	488.74	520.85	558.90	604.72	660.94	731.57	822.97
7.9%	455.32	482.28	513.80	551.15	596.12	651.31	720.65
8.4%	426.62	449.51	475.96	506.91	543.57	587.72	641.90
8.9%	401.73	421.35	443.82	469.79	500.17	536.17	579.51

UPSIDE / (DOWNSIDE) (%)

	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
5.9%	31.69%	44.09%	59.67%	79.82%	106.92%	145.30%	203.86%
6.4%	19.85%	29.77%	41.94%	57.22%	77.00%	103.60%	141.26%
6.9%	10.08%	18.16%	27.89%	39.84%	54.84%	74.25%	100.35%
7.4%	1.88%	8.58%	16.51%	26.06%	37.78%	52.51%	71.56%
7.9%	(5.08%)	0.54%	7.11%	14.89%	24.27%	35.77%	50.23%
8.4%	(11.06%)	(6.29%)	(0.78%)	5.67%	13.32%	22.52%	33.81%
8.9%	(16.25%)	(12.16%)	(7.48%)	(2.07%)	4.27%	11.77%	20.81%

Valuation Outputs		
Terminal Value	(€MM)	336,008
PV of TV	(€MM)	235,118
Sum of PVs of FCFFs	(€MM)	72,700
Enterprise Value	(€MM)	307,818
Debt	(€MM)	20,359
Current available for sale financial assets	(€MM)	4,708
Cash	(€MM)	8,794
Nebt Debt		6,857
Equity Vaue	**(€MM)**	**300,961**
Shares Outstanding	(MM)	497.69
Implied Share Price	**(€)**	**604.72**
Current Share Price	**(€)**	**479.70**
Upside / (Downside)		**26.06%**

Public Comparable Companies

LVMH's five divisions have genuinely different economics, so no single peer group is appropriate at every level. A broad luxury peer universe is used for group-level relative valuation, and division-level peer sets are used for the sum-of-the-parts (SOTP).

Broad peer group

Company	Valuation relevance
Hermès	Closest luxury benchmark — sets the sector's premium ceiling
Richemont	Watches & Jewellery read-across for LVMH's own W&J division
Kering	Fashion & Leather Goods exposure via Gucci/YSL — a downside case comparator
Moncler	China-sensitive luxury outerwear; Asia demand read-across
Prada	Brand-momentum and growth benchmark — tests the valuation premium awarded to stronger recent fashion execution

Divisional peer groups (for SOTP cross-check)

- Wines & Spirits: Rémy Cointreau, Pernod Ricard, Campari, Diageo, Brown-Forman
- Fashion & Leather Goods: Hermès, Kering, Prada, Burberry, Moncler, Ferragamo, Brunello Cucinelli, Zegna
- Perfumes & Cosmetics: L'Oréal, Estée Lauder, Coty, Beiersdorf, Shiseido, Interparfums
- Watches & Jewellery: Richemont, Swatch Group
- Selective Retailing: Ulta Beauty, Douglas, Avolta (Dufry), CTG Duty Free

Source: Barclays LVMH — SOTP peer snapshot, 07 May 2026.

Public Comparable Companies

Company-level valuation snapshot

Company	Target	Mkt Cap €m	Rev Gr. 26E	EBIT Mgn 26E	EV/EBIT 26E	Prem/Disc*	P/E 26E	P/E 27E
LVMH	€600-700	230,479	-0.5%	22.5%	11.7x	-35%	20.4x	17.0x
Hermès	€2,320	169,861	6.3%	41.1%	22.2x	+23%	34.6x	29.3x
Richemont	CHF195	88,553	7.6%	21.7%	18.0x	-1%	21.8x	18.9x
Kering	€290	31,670	0.3%	13.2%	18.1x	0%	36.7x	26.3x
Moncler	€55	14,125	4.1%	29.2%	15.1x	-17%	21.5x	19.0x
Burberry	£1,480	4,496	4.6%	8.2%	39.7x	+119%	32.2x	18.2x
Prada	n/a	10,427	13.7%	20.3%	n/a	n/a	12.4x	11.1x
Peer median	—	—	**5.5%**	**21.0%**	**18.1x**	—	**27.0x**	**19.0x**
DB sector avg	—	543,982	**3.1%**	**27.7%**	—	—	**26.0x**	**21.7x**

*Source: DB European Luxury coverage (Fig. 35, 31 Mar 2026) and DB single-name models. *Prem/Disc vs. peer-median EV/EBIT 26E of 18.1x (ex-Prada, not covered).*

Divisional EV/EBIT — LVMH vs. peer medians (Barclays SOTP)

Division	2026E Revenue (€m)	2026E EBIT Margin	2026E EBIT (€m)	Peer Median EV/EBIT	Implied EV (€m)	Implied % of EV
Fashion & Leather Goods	39,280.8	35.0%	13,748.3	19.9x	273,590.8	76.2%
Watches & Jewellery	10,800.6	14.4%	1,555.3	23.6x	36,704.8	10.2%
Selective Retailing	19,265.4	12.5%	2,408.2	11.8x	28,416.5	7.9%
Wines & Spirits	5,411.6	19.0%	1,028.2	13.6x	13,983.6	3.9%
Perfumes & Cosmetics	8,419.2	8.9%	749.3	8.3x	6,219.3	1.7%
Total represented divisions	**83,177.6**	—	**19,489.3**	—	**358,914.9**	**100.0%**

No premium/discount to divisional peer medians is applied in the SOTP cross-check; this represents the upper-end re-rating scenario used in our bull case.

Premium / Discount Analysis

LVMH trades at a material discount to its broad luxury peer group, with a 2026E P/E of c.20.4x against a peer median of c.27.0x (ex-LVMH, now including Prada) and a DB sector average of c.26.0x. The discount persists into 2027E (17.0x vs. 19.0x); however, differences in earnings quality, category mix and growth mean the headline gap should not be interpreted as pure mispricing.

Why Hermès and Richemont earn their premium

Hermès commands a structural valuation premium due to its scarcity-led model, which supports strong pricing power, high full-price sell-through and a c.41% EBIT margin. Combined with stronger recent growth, these superior economics justify a higher trading multiple than LVMH. By contrast, LVMH benefits from greater scale and diversification, but its broader product availability and lower blended margins warrant a lower group multiple.

Richemont's premium comes from its category mix and hard-luxury resilience: Watches & Jewellery has been the most resilient division through the downturn, pulling its peer-median EV/EBIT to 23.6x versus LVMH's 18.4x blended multiple.

Interpreting Kering's Elevated P/E

Kering's elevated forward P/E of 36.7x should not be interpreted as a conventional quality premium. It has been mechanically inflated by a near-total collapse in 2025E EPS (-55.7%) during the Gucci turnaround rather than by any genuine re-rating, which reduces its usefulness as a direct relative-valuation benchmark for LVMH.

Burberry displays the same distortion even more starkly on an EV/EBIT basis: a near-zero 2025A EBIT base pushes its 2026E EV/EBIT to 39.7x, the highest in the peer set, purely as a base-effect artefact of its turnaround rather than a genuine quality premium. Both cases illustrate why EBIT margin, revenue growth and EV/EBIT are shown alongside P/E: headline multiples alone can flatter or penalise a stock purely because of where it sits in its earnings cycle.

Assessment of LVMH's Valuation Discount

Some of the discount to Hermès is fair - Perfumes & Cosmetics (8.9% margin) and Selective Retailing (9.7%), largely Sephora and DFS, mechanically drag the group multiple down.

The 27.0x peer-median P/E gap is less straightforward: isolating Fashion & Leather Goods, the division screens at 19.9x EV/EBIT while representing 76.2% of the implied EV of the five disclosed operating divisions, broadly in line with Kering and Moncler and below Burberry's turnaround multiple, despite LVMH's superior scale, 35.0% margin and greater diversification. Barclays' own SOTP applies zero premium by division, so even the €700 bull case gives LVMH no credit for re-rating, indicating that the discount is more cyclical – reflecting China and aspirational-consumer weakness – than structural.

Implied Valuation

Translating the analysis above into a price requires a defined benchmark and a clear view of how much re-rating it assumes. The EV/EBIT-based SOTP provides a relative-valuation cross-check to our primary DCF, allowing us to assess the degree of re-rating implied by the €604.72 target price.

Scenario	Basis	Implied price	Upside
Bear	DB Buy case - group EV/EBIT re-rates with the sector only, no Fashion & Leather Goods catch-up	€600	+25%
Base	Blend of DB (€600) and UBS (€640) - partial China/margin normalisation, modest EV/EBIT convergence	€620-640	+29-34%
Bull	Barclays SOTP - Fashion & Leather Goods and W&J re-rate fully to peer-median EV/EBIT, 12m forward roll	€700	+46%

Current share price: €479.70 as of 05/08/2026

The bear case alone implies meaningful upside, reflecting how far sentiment has drifted from fundamentals rather than an optimistic set of assumptions. None of the three scenarios requires an aggressive re-rating, only a partial unwind of the China-driven de-rating discussed above. The bull case is the most demanding, assuming full peer-median convergence across two divisions simultaneously; it reflects Barclays' own SOTP once the zero premium/discount assumption is removed, rather than an independently constructed upside case.

The DCF analysis implies a fair value of €604.72 per share, a 26.06% upside to the EUR 479.70 current price, based on a 7.40% WACC and 2.5% terminal growth. This is closely aligned with the Comps-based Bear case (EUR600) and marginally below the Base case (EUR620-640), with the two methods converging at the conservative end of the range and supporting EUR600-620 as a well-supported near-term target. The Comps Bull case (EUR700) represents additional upside contingent on Fashion & Leather Goods re-rating toward peer multiples, which a cash-flow-based DCF does not explicitly capture.

Risks & Catalysts

Headline Risks

Risk 1: The Exchange Rate Hedging Cliff and Lagged Profitability Compression. LVMH's Profit from Recurring Operations (PRO) declined by 9% in FY2025 to €17,755 million, forcing operating margins down to 22.0%. This margin contraction was primarily driven by a material €1,065 million negative currency translation hit on the bottom line. While a negative 3% exchange rate hit on revenue was fully neutralised in FY2025 by LVMH's centralised derivative hedging program, these favourable rate hedges end in 2026. According to BNP Paribas Equity Research, unhedged currency headwinds will hit luxury margins with a lag in 2026, cutting nominal sector revenue growth to 4% (from 6% organic). In a flat-to-low single-digit volume growth environment, the expiration of these hedges will prevent LVMH from achieving the operational leverage needed to absorb its rigid, store-network-driven selling and marketing expenses (which stood at €29,914 million, or 37.0% of sales in 2025), creating material near-term pressure on operating margins.

Risk 2: Structural Chinese Consumer Re-Rating and Luxury "Wallet Shift" The Fashion & Leather Goods division is LVMH's primary profit driver, contributing €37,770 million (46.7% of consolidated FY2025 revenue) and €13,209 million in PRO (74.4% of total group recurring profit) at a 35.0% operating margin. Asia (excluding Japan), which accounts for 26% of LVMH's FY2025 revenue and 32% of Q1 2026 revenue, is experiencing a structural slowdown. Morgan Stanley highlights that Chinese luxury demand faces material structural headwinds, particularly middle-income and younger consumer caution stemming from property downturns and fears surrounding AI's impact on white-collar job security, indicating that the era of double-digit expansion has ended. This shift is prompting a "wallet shift" where Chinese consumers are reallocating spending away from high-margin Leather Goods toward categories such as ready-to-wear, gold jewellery and savings. As Melania Grippo notes, Chinese luxury is "finally succumbing to several years of economic worries... simply marking a 'coming of age' of that market" and beginning to behave like mature Western markets. This transition could weaken LVMH's favourable product mix if spending continues to shift away from high-margin Leather Goods, compressing segment-level profitability.

Risk 3: US Equity-Correlated Consumption Sensitivity and Retail CapEx Over-Allocation. The United States represents LVMH's second-largest geographic market, accounting for 26% of consolidated FY2025 revenue and 23% of Q1 2026 revenue. Although the region posted a solid +3% organic growth in Q1 2026, demand remains highly vulnerable to wealth-effect reversals. Recent US luxury spend has been heavily inflated by the "AI frenzy" and wealth effects from strong equity and cryptocurrency markets. Antoine Belge flags that while luxury players continue to plan significant retail expansion and CapEx in the US under the thesis that the market is under-penetrated, the sustainability of this US equity boom is highly questionable. If the US equity market corrects or the tech-led wealth effect cools, aspirational luxury demand could weaken materially. LVMH's exposure is amplified by its extensive US footprint across capital-intensive divisions such as Watches & Jewellery and Selective Retailing. A sharp deceleration in demand could reduce returns on recently deployed retail CapEx and place pressure on ROIC

Risk Assumptions & DCF Sensitivities

Risk Factor	DCF Lever	Bear Case	Base Case	Bull Case
FX Hedging Cliff	Blended Gross Margin	-50 to -80 bps; Expiration of 2025 currency hedges exposes nominal revenue to translation drag, structurally compressing the 22.0% operating margin.	Flat (~66.2%); Pricing and mix broadly offset inflationary and FX pressures, leaving gross margin approximately stable	+100 bps; Favourable EUR depreciation and tariff rollbacks drive structural COGS relief, restoring gross margin elasticity.
China Wallet Shift	F&LG Revenue CAGR (2026E–2030E)	0%–1.5%; Structural shift to gold and savings persists; aspirational buyers exit market, halting high-margin Leather Goods volume.	3.5%–4.5%; Gradual recovery driven by ~25m "affluent" cohort resuming historical luxury velocity.	6.0%–7.5%; property-market stabilisation and improving consumer confidence support renewed high-single-digit F&LG growth.
US Wealth Effect	US Segment Revenue CAGR & Terminal ROIC	0%–2.0%; US equity/AI market corrects; aspirational volumes contract materially, stranding recently deployed US retail CapEx and depressing ROIC.	3.0%–5.0%; Normalised premiumisation; top-tier wealth insulates baseline demand against localised inflation.	6.0%–8.0%; Continued equity boom fuels aggressive under-penetrated store network expansion.
WACC	Discount Rate	8.5%–9.0%; Higher risk-free rates and a wider equity risk premium increase LVMH’s cost of capital.	7.4%; Reflects our market-based cost of capital assumption using the current risk environment and target capital structure.	6.8%–7.0%; Lower risk-free rates and a narrower equity risk premium reduce LVMH’s cost of capital.
Terminal Growth Rate	Terminal Value	1.5%; Global personal luxury goods sector stagnates, mirroring mature consumer staples multiples.	2.5%; Standard equilibrium aligning with Bain & Co.'s 70% probability of 2% to 4% structural market growth.	3.5%; Aggressive global market share capture and persistent pricing elasticity (maps to Bain's 20% Bull probability).

Key Catalysts

Catalyst 1: Completion of the DFS Greater China Divestiture and Selective Retailing Margin Rebasing (H1 2026):
The January 2026 agreement to dispose of DFS's Greater China operations to China Tourism Group Duty Free could improve the earnings mix and capital efficiency of Selective Retailing by reducing exposure to lower-return travel retail assets. It is paired with the strategic disposal of DFS's SFO and LAX airport concessions to Duty Free Americas. The Selective Retailing segment is LVMH's second-largest segment, representing 22.7% of consolidated FY2025 revenue at €18,348 million. However, its profitability has been severely impaired by the Chinese economic slowdown and slow travel retail recovery. Removing these lower-margin, lease-intensive travel retail assets should increase the relative contribution of Sephora and support an improvement in Selective Retailing margins. In FY2025, the overall Selective Retailing segment had already expanded its operating margin by 200 basis points to 9.7%, driving a 28% increase in Profit from Recurring Operations (PRO). The disposal should therefore improve capital efficiency and support higher ROIC and free cash flow expectations for the segment.

Catalyst 2: Commercial Rollout of the Major Creative Director Refresh (Q1–Q3 2026):
The commercial rollout of new collections under recently appointed creative directors represents a potential revenue catalyst for LVMH's core Fashion & Leather Goods division. Key milestones include the Q1 2026 arrival of Jonathan Anderson's first Haute Couture and ready-to-wear collections for Christian Dior, Sarah Burton's first Givenchy collections following Paris shows in March 2026, and Michael Rider's Celine collection debuts following initial runway presentations in June 2026. In an environment where Bain & Company expects personal luxury goods spending to normalise at a base case of 2% to 4% growth, market share gains are increasingly zero-sum and driven by brand "newness". Strong early indicators suggest that consumers are experiencing growing fatigue with "quiet luxury". Positive consumer reception, sell-through and retail momentum across these collections could support organic growth and contribute to a gradual recovery in Group operating margins from the 22.0% FY2025 level.

Catalyst 3: Commercial Activation of the 10-Year Formula 1® Global Partnership (Full-Year 2026):
The first full season of LVMH's highly coordinated 10-year global partnership with Formula 1® serves as a major brand-heat catalyst across its most lucrative divisions. High-profile, multi-Maison integrations include Moët & Chandon returning as the Official Champagne of all Grand Prix races, Louis Vuitton crafting 24 bespoke trophy trunks, and TAG Heuer returning as the Official Timekeeper. The partnership provides LVMH with additional exposure to a global, affluent audience and may support brand awareness and customer engagement, particularly in the US. Greater brand visibility among younger and high-income consumers could support medium-term brand desirability and customer acquisition, although the direct earnings impact is likely to be less immediate than the operational catalysts discussed above.

2026 Catalyst Timeline

Timing	Catalyst / Event	Segment	Status
Q1 2026 (Launched)	Commercial launch of *La Beauté Louis Vuitton* (new cosmetics segment) .	Perfumes & Cosmetics	Confirmed
Q2 2026 – May	Christian Dior Cruise Collection Show (Los Angeles) .	Fashion & Leather Goods	Confirmed
Q2 2026 – Jun	Celine Men's Collection debut under new Creative Director Michael Rider .	Fashion & Leather Goods	Certain
Q3 2026 – Jul	Fendi returns to the Haute Couture scene under Chief Creative Officer Maria Grazia Chiuri .	Fashion & Leather Goods	Certain
Ongoing 2026	DFS asset divestitures (Sale of Greater China Gallerias to China Tourism Group Duty Free; SFO/LAX concessions to Duty Free Americas) .	Selective Retailing	High
Ongoing 2026	Retroactive US margin recovery via tariff refunds (following Feb 2026 Supreme Court abolition of Liberation Day tariffs) .	Group (Macro)	High
FY 2026	Expiration of favourable FY2025 FX hedges, increasing exposure to currency-related margin pressure.	Group (Macro)	Certain
Multi-Year (2026+)	Formula 1® Global Partnership execution (TAG Heuer returns as Official Timekeeper; Louis Vuitton & Moët integrations) .	Watches & Jewellery / F&LG	Confirmed

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Disclosure

This report was prepared by Elphinstone Research Group for academic and educational purposes only. The author does not hold a financial interest in LVMH Moët Hennessy Louis Vuitton SE (Euronext Paris: MC).
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