

LVMH

Price EUR148.20

Sales growth slowdown expected in Q4 (inc at LV) and FY 50bp margin deline anticipated

Fair Value EUR182 (+23%)

BUY

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	175.6 / 134.7
Market Cap (EUR)	75,304
Ev (BG Estimates) (EUR)	78,831
Avg. 6m daily volume (000)	977.4
3y EPS CAGR	13.1%

LVMH will report its FY 15 results on Tuesday February 2nd (after market closure with analyst meeting to follow). We expect sales to reach EUR35.45bn (CS: 35.55bn) and to grow 5% organically (+3% in Q4 alone) and EBIT margin to be down 50bp to 18.2%. We reiterate our Buy recommendation with an unchanged EUR182 FV.

ANALYSIS

- The World Luxury Goods market leader will release its 2015 FY sales and results on Tuesday February 2nd after market closure (analyst meeting to follow). **We expect FY sales to reach EUR35.45bn (consensus:EUR35.55bn), up 15.5% and 5% organically.** This implies a 3% organic sales growth in Q4 alone following +7% in Q3 and +6% on 9M. The expected slowdown will come from Europe and US as we do not expect the same trend than on 9m (respectively +12% and +11%) given i/ the Paris attacks on November 13th that have significantly reduced tourists flows in France (7% of LVMH sales) and ii/ an environment less booming in US (lower tourists flows, consequence of a strong USD). Nevertheless, we do not anticipate further deterioration in Asia-Pacific after the 8% decline in Q3 given less demanding comparison basis in Q4 (-6% in Q4 14) and better trend in MC as already highlighted by most of luxury players. Lastly, we still expect a well oriented activity in Japan (7% of sales).
- By division, 2015 organic sales growth should be driven by Wine & Spirits (+6%) given better trend in Cognac (despite slowdown in Q4 after an exceptional Q3, and Watches & Jewely (+9%) thanks to Bulgari while we are more cautious for F&L (+3%) and particularly in Q4 with a moderate 1.5% sales increase following +5% on 9M as Louis Vuitton momentum should be affected by November Paris attacks even if in tough period, best known brands are historically more resilient.

Organic sales growth by business

in %	H1 15	Q3 15	9M 15	Q4 15e	FY 15e
Wine & Spirits	2	16	7	4	6
Fashion & Leather	5	3	5	2	4
Perfumes & Cosmetics	6	7	7	4	6
Watches & Jewellery	10	11	10	7	9
Selective Retail	5	5	5	2	4
Group	6	7	6	3	5

Source : Company Data; Bryan Garnier & Co. ests.

- We expect LVMH 2015 EBIT to reach EUR6.46bn (CS: EUR6.52bn) up 13%, implying a 18.2% EBIT margin**, down -50bp vs 2014 of which -30bp in H2 following -70bp in H1. Consensus anticipates 2015 EBIT margin at 18.3%. 2015 EBIT margin decline is due to negative hedging impact even at a less extend in H2 vs H1. Nevertheless, we expect that H2 EBIT margin should be impacted by the poor anticipated sales momentum in Q4 which accounts for almost 30% of group sales.

VALUATION

- LVMH share price has lost 12% on last three months in line with sector average** and is trading 11.1x on 2016 EV/EBIT, in line with peers average. We remain Buy on the stock with an unchanged EUR182 FV.
- The clear positive catalysts at LVMH** (and the reasons of our Buy recommendation) are its i/ very well balanced geographical exposure, ii/ a clear diversified businesses exposure (W&S, F&L, W&J), LVMH is not a mono business company as some others in our luxury sample, iii/ unique brands (with pricing power) in each of its business and iii/ its attractive current valuation (see above).

NEXT CATALYSTS

- FY results to be reported on February 2nd.

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BUY ratings 60.2%

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