

25th July 2016

Luxury & Consumer Goods

LVMH

Price EUR142.30

LVMH sells Donna Karan!

Fair Value EUR171 (+20%)

BUY

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	175.6 / 131.4
Market Cap (EURm)	72,241
Avg. 6m daily volume (000)	915.2

ANALYSIS

- LVMH has just announced an agreement by which LVMH is to sell Donna Karan International, Inc (parent company of the Donna Karan and DKNY brands) to G-III Apparel Group (a leading US designer, manufacturer and marketer of branded apparel & accessories).
- G-III Apparel Group will buy Donna Karan for enterprise value of around USD650m. We estimate DK sales of around EUR450m with losses at the EBIT level of close to EUR30/40m. More importantly, DK sales have been down for several quarters. G-III Apparel Group added that this acquisition, that should be finalised in late 2016 and will have a dilutive impact on FY 2018 earnings.
- We see the deal as good news for LVMH as DK was a burden for the group's growth (see negative impact on Q1 organic sales growth for F&L division of around 1 point) and profitability. The positive impact should be felt in 2017.

VALUATION

- We reiterate our Buy recommendation with a EUR171 FV.

NEXT CATALYSTS

- H1 2016 results to be reported tomorrow after market closure.

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Distribution of stock ratings

BUY ratings 72%

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