



Consumer, Brands & Retail

9th October 2019

LVMH

- Consumer, Brands & Retail
- Luxury Goods

BUY

Fair Value	EUR395 vs. EUR385 (+13%)
Share price	EUR351.05
EPS 3Y Cagr	13.3%

Reassuring Q3!

LVMH sales grew 11% in Q3 (consensus: +9%)

LVMH sales reached EUR13.32bn in Q3 (consensus: EUR12.78bn), up 17% and 11% organically, vs +12% in Q2 and in H1. 9m sales grew 11% at same FX. FX had a 4% positive impact. The very slight slowdown in Q3 vs Q2 was partly due to the protests in Hong Kong in our view, even though the impact was clearly lower than investors feared and our estimate. LVMH is due to report sales momentum by region during the conference call (today at 3pm) but we argue that the trend was probably still strong in Europe with a slight slowdown in APAC due to the H-K protests, although this impact should not be overestimated, at least for Q3.

Fashion & leather business still very dynamic despite H-K...

Fashion & Leather goods division revenues (40% of group sales and 59% of group EBIT) grew 19% in Q3 after an exceptional +18% in H1 of which +20% in Q2, implying no negative impact from H-K as this should have been offset by acceleration in the "others Asia" region (Mainland China, Korea...). We guess that once again, Louis Vuitton and Dior drove growth in the division (thanks also to higher production capacity) while Céline is in a transition period with the new collection of Hedi Slimane. As expected, Wines & Spirits business was quite dynamic in Q3 (+7% vs +4% in Q2), especially thanks to Hennessy whose sales were driven by restocking trends in the US. Hennessy volumes grew 10% over 9m (+8% in H1), boosted by VS quality. In contrast, champagne volumes were down during the period (-1% in H1).

...but disappointing Perfumes & Cosmetics

Watches & Jewellery sales momentum was quite resilient in Q3 (+5% vs +4% in Q2), despite exposure to H-K (12% of sales) while in H1 the former British colony was a clear driver for the Bulgari brand. The division was driven by jewellery. On the other hand, the Perfumes & Cosmetics division was the disappointment of this release with sales up 7% in Q3 after +10% in Q2, with leading brands such as Parfums Christian Dior (Joy and Sauvage) faring quite well. In our view, the slowdown in the division probably stemmed from the US and H-K. Lastly and as expected, the Selective Retail division reported Q3 growth of 4% versus +7% in Q2, impacted by DFS in H-K (DFS accounts for a third of the division's revenues) even if DFS sales were still up on 9m, while Sephora is still faring very well with healthy sales growth, driven by new market share gains in the main markets.

LVMH remains one of our favourite luxury group stocks

With these Q3 figures, LVMH again confirmed its growing and (more important in our view), also resilient profile with leading brands in each division, which is a clear advantage. We have slightly adjusted (1.5%) our FY earnings in view of 9m sales and FX. We expect slightly higher organic sales growth (+10.5% vs +10% previously), which implies a 9% sales increase in Q4 alone. Buy recommendation confirmed with new EUR395 FV vs EUR385 previously.

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Market Data

Bloomberg / Reuters	MC FP/LVMH.PA
Market Cap.	EUR177,432m
E.V.	EUR183.853m
Free Float	53%
Avg. Daily volume (6m)	598.6
12m high / low	EUR385.6 / EUR243.3
Ytd Perf.	36.0%

EURM	12/18	12/19e	12/20e	12/21e
Sales	46,826	53,590	57,215	60,155
% Change		14.4%	6.8%	5.1%
EBITDA	11,940	13,580	14,685	14,745
% Change		13.7%	8.1%	0.4%
EBIT	9,980	11,530	12,535	13,555
% Change		15.5%	8.7%	8.1%
Net Income	6,354	7,625	8,400	9,247
% Change		20.0%	10.2%	10.1%
ROE	0.19	0.18	0.17	0.17

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.9x	3.4x	3.1x	2.8x
EV/EBITDA	15.4x	13.2x	11.9x	11.6x
EV/EBIT	18.4x	15.6x	13.9x	12.6x
EPS	12.65	15.18	16.73	18.41
% change		20.0%	10.2%	10.1%
P/E	27.7x	23.1x	21.0x	19.1x
Div Yield	1.7%	1.9%	2.1%	2.4%

Next Catalyst : conf call today at 3pm

Last FV Change:

[2019-7-25, Priority to market share gains and top-line growth](#)

Last Reports:

[2019-7-25, Priority to market share gains and top-line growth](#)

Organic sales growth by division

lfl chge (%)	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	H1 19	Q3 19	9m 19
Wines & Spirits	10	3	7	2	9	4	6	8	7
Fashion &	16	13	14	17	15	20	18	19	18
Perfumes &	17	14	11	13	9	10	9	7	8
Watches &	20	12	10	7	4	4	4	5	4
Selective Retail	9	9	5	3	8	7	8	4	6
Group	13	11	10	9	11	12	12	11	11

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



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BUY

Fair Value	EUR395 vs. EUR385 (+13%)
Share price	EUR351.05
Market Cap.	EUR177,432m
EPS 3Y CAGR	13.3%

Fiscal year end 31/12	2017	2018	2019e	2020e	2021e
<i>Financial Summary</i>					
EPS	10,21	12,65	15,18	16,73	18,41
Restated EPS (EUR)	10,21	12,65	15,18	16,73	18,41
% change	28,8%	23,9%	20,0%	10,2%	10,1%
BVPS (EUR)	60,3	67,6	85,1	96,8	109,6
Operating cash flows (EUR)	15,02	19,07	20,62	22,44	22,21
FCF (EUR)	9,47	10,86	14,48	16,19	15,54
Net dividend (EUR)	5,00	6,00	6,60	7,50	8,50
Average yearly Price	00	00	-	-	-
Avg. Number of shares, diluted (m)	502,229	502,229	502,229	502,229	502,229
Historical Enterprise value (EURm)	119	144	-	-	-
<i>Valuation (x)</i>					
EV/Sales	2,8x	3,1x	3,35x	3,05x	2,83x
EV/EBITDA	11,7x	12,0x	13,22x	11,89x	11,55x
EV/EBIT	14,3x	14,4x	15,57x	13,93x	12,57x
P/E	21,6x	21,7x	23,12x	20,99x	19,07x
FCF yield (%)	4,3%	4,0%	4,13%	4,61%	4,43%
Net dividend yield (%)	2,3%	2,2%	1,9%	2,1%	2,4%
<i>Profit & Loss Account (EURm)</i>					
Revenues	42,636	46,826	53,590	57,215	60,155
Change (%)	13,4%	9,8%	14,4%	6,8%	5,1%
Gross margin	27,853	31,201	35,540	37,975	40,235
Change (%)	13,4%	12,0%	13,9%	6,9%	6,0%
EBITDA	10,118	11,940	13,580	14,685	14,745
EBIT	8,296	9,980	11,530	12,535	13,555
Change (%)	18,1%	20,3%	15,5%	8,7%	8,1%
Others income & expenses	-180	-126	-140	-140	-139
Financial results	-179	-388	-200	-170	-169
Pre-Tax profits	7,937	9,466	11,190	12,225	13,247
Tax	-2,318	-2,499	-2,900	-3,120	-3,295
Profits from associates	-3	23	15	15	15
Minority interests	-487	-636	-680	-720	-720
Net profit	5,129	6,354	7,625	8,400	9,247
Restated net profit	5,129	6,354	7,625	8,400	9,247
Change (%)	28,8%	23,9%	20,0%	10,2%	10,1%
<i>Cash Flow Statement (EURm)</i>					
Operating cash flows	7,544	9,577	10,355	11,270	11,157
Change in working capital	514	1,087	781	838	901
Capex, net	2,276	3,038	2,301	2,302	2,450
Free Cash flow	4,754	5,452	7,273	8,130	7,806
Financial investments, net	6,306	400	0	0	0
Dividends	2,110	2,715	2,959	3,226	3,516
Other	342	921	0	0	0
Change in net debt	-	-	-	-	-
Net debt (+)/cash (-)	7,838	6,422	2,108	-2,796	-7,087
<i>Balance Sheet (EURm)</i>					
Tangible fixed assets	15,812	18,030	17,969	18,121	19,381
Intangibles assets	30,228	30,981	30,968	30,969	30,969
Cash & equivalents	3,738	4,610	8,924	13,828	18,118
current assets	17,344	18,941	20,505	21,682	22,941
Other assets	1,428	1,738	1,428	1,428	1,428
Total assets	68,550	74,300	79,794	86,028	92,837
L & ST debt	11,576	11,032	10,535	10,535	10,535
Others liabilities	26,714	29,311	26,543	26,881	27,239
Minority interests	-	-	-	-	-
Shareholder's funds	30,260	33,957	42,717	48,612	55,063
Total Liabilities	68,550	74,300	79,794	86,028	92,837
Capital Employed	55,145	59,404	60,111	61,102	63,263
<i>Ratios</i>					
Gross margin (% of sales)	65,3%	66,6%	66,3%	66,4%	66,9%
Operating margin	19,5%	21,3%	21,5%	21,9%	22,5%
Tax rate	29,2%	26,4%	25,9%	25,5%	24,9%
Net margin	12,0%	13,6%	14,2%	14,7%	15,4%
ROE (after tax)	16,9%	18,7%	17,9%	17,3%	16,8%
ROCE (after tax)	10,7%	12,4%	14,2%	15,3%	16,1%
Gearing	26%	19%	5%	-6%	-13%
Pay out ratio	49,0%	47,4%	43,5%	44,8%	46,2%
Number of shares, diluted	502,229	502,229	502,229	502,229	502,229

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



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BUY ratings 50,6%

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