# LVMH – The House That Outlives Cycles

- LVMH is the luxury empire built to outlive cycles, now exiting a rare downturn.
- The "Luxury Winter" has thawed, with Q3's return to positive organic growth.
- Initiate with a BUY, current historic valuation discount as a rare window to acquire.

## Luxury Isn't a Trend—It's Human Nature

What if the best time to buy the world's leading luxury group is when the market is fearful? Steve Jobs once told Bernard Arnault that while he wasn't sure the iPhone would exist in 50 years, he was certain people would still be drinking Dom Pérignon. This captures our core thesis: LVMH taps into the highest rungs of the human hierarchy of needs—status and self-expression—creating a portfolio that outlives economic cycles. While the market frets over a temporary slowdown and "structural fatigue," we view LVMH not just as a brand, but as an empire built on emotional durability. We are not betting on a trend; we are betting on the permanence of desire.

## The Arnault Flywheel: Engineering Brands, Not Just Owning Them

LVMH does not just own brands; it engineers them with a repeatable flywheel. Star maisons like Louis Vuitton and Dior generate massive cash flow that funds the next wave of winners (Celine, Loewe, Rimowa) through talent, marketing, and flagship retail that smaller rivals cannot match. The group controls distribution through 6,000+ boutiques, protecting pricing and data, while allowing each Maison to stay creatively autonomous inside a decentralized federation. As the market shifts from products toward lifestyle, LVMH is widening its ecosystem—from Belmond hotels to Orient Express—turning luxury into an end-to-end experience rather than a single purchase.

## Luxury Winter, Signs of Spring

The "Revenge Spending" era is dead, but the recovery has begun. 2025 saw the sharpest stock drawdown since 2008, driven by the "Luxury Shame" phenomenon in China and a structural reset where aspirational buyers exited the market. However, clarity is worth paying for. After a rare contraction in 1H25—the first non-crisis decline in decades—the Q3 return to positive organic growth (+1%) signals that the negative feedback loop has broken. We are witnessing the transition from freefall to stabilization. As the market bifurcates, the industry is consolidating around the strongest players, and LVMH's ability to pivot toward "Quiet Luxury" (Loro Piana) positions it to win in this new normal.

## When Price Lags Reality: The LVMH Opportunity

Investors are currently offered a rare "Margin of Safety." LVMH trades at a distressed ~25x P/E, significantly below its historical floor of 30x, incorrectly extrapolating a cyclical pause into perpetuity. This creates a massive disconnect between price and reality. You are effectively buying a portfolio of "Mini-Hermès" assets—like Dior and Loro Piana—at a conglomerate discount. The momentum is structurally back, but the valuation premium has not yet returned. We view this as an optimal window to accumulate shares before the "flight to quality" closes the valuation gap.

## Initiate a BUY with TP of THB16.40 (€700, based on EUR/THB at 37.5)

We initiate coverage on LVMH01 with a BUY rating and a 12M TP of THB16.40 (EUR700, EUR/THB 37.5). At current trading levels, our target implies a potential capital appreciation of +13%, offering a compelling risk-adjusted entry point. Our valuation is grounded in a conservative mean-reversion to 28x 2026E earnings—still comfortably below the stock's 5-year average.

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# LVMH – The House That Outlives Cycles

What if the **best time to buy** the world's leading luxury group is precisely when its customers are **spending less?**

Over the past two years, the market has been busy de-rating global luxury on fears of a prolonged slowdown – from China's uneven recovery to a softer US aspirational buyer. LVMH's earnings have cooled from their post-pandemic highs, and sentiment has swung from talk of a "luxury super-cycle" to concerns about "structural fatigue".

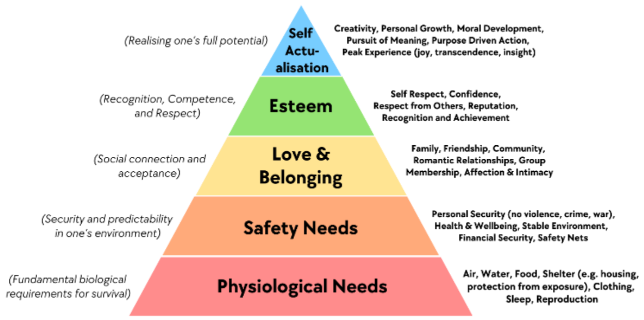
## Exhibit 1: LV The Place Bangkok, Thailand


Sources: Elite Plus Magazine

We take a different view. In our opinion, the luxury sector taps directly into one of the higher rungs of the human hierarchy of needs: once basic needs for food, safety and belonging are met, people naturally seek status, self-esteem and self-expression. Luxury goods are one of the most powerful ways consumers signal this – which is why the sector has historically enjoyed both resilient demand and exceptional margins. Within this universe, LVMH is not just another brand; it is the empire that sits at the centre of global luxury, with a portfolio of maisons that can compound value across cycles.'

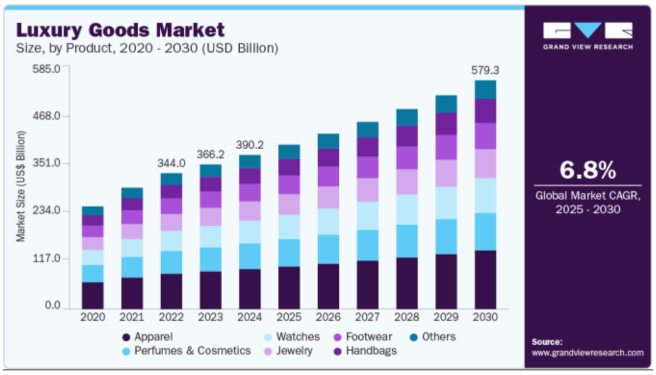
Perhaps Steve Jobs captured this better than any analyst ever could when he told Bernard Arnault: he wasn't sure that the iPhone would still be a success in 50 years, but he was certain people would still be drinking Dom Pérignon. That, in essence, is the time horizon we think investors should have in mind when looking at LVMH today.

## Exhibit 2: Maslow's hierarchy of needs




Sources: Wikipedia

## Exhibit 3: Luxury Goods Market




Sources: Grand View Research

According to Grand View Research**, the global luxury goods market is expected to grow at a CAGR of 6.8%**, driven by both core markets and rising aspirational consumers in the Asia. In short, luxury offers a rare combination of emotional durability, economic resilience, and financial excellence—making it a structurally advantaged sector for long-term capital deployment.

## 40 Years in 40 Seconds

In this report, we do not aim to retell how the LVMH empire was built or what Bernard Arnault did to make it the number one group in global luxury. If you are interested in that journey, *the Acquired* and *Founders podcasts* offer excellent deep dives into Arnault's character and the rise of LVMH.

However, in this report, we will focus on the current picture of LVMH, LVMH strategy and how will it look like in the future. But before that I want to recap the 40 years of LVMH expansion in 40 seconds.

### Exhibit 4: LVMH takeover / JV timeline

| Year | Maison / Partner | Sector | Type | Strategic |
|---|---|---|---|---|
| 1987 | Louis Vuitton + Moët Hennessy | Group | Merger | Merger of Louis Vuitton with Moët Hennessy formally creates LVMH, the modern luxury conglomerate. |
| 1988 | Givenchy | Fashion & Leather | Acquisition | First big haute-couture house added; strengthens fashion and fragrance portfolio. |
| 1993 | Kenzo | Fashion & Leather | Acquisition | Diversification into younger, colorful ready-to-wear. |
| 1994 | Guerlain | Perfumes | Acquisition | Acquired one of the oldest French perfumers (est. 1828) to control beauty margins. |
| 1996 | Celine | Fashion & Leather | Acquisition | A bet on "wearable luxury" and leather manufacturing capacity. |
| 1996 | Loewe | Fashion & Leather | Acquisition | Secured the world's best Spanish leather artisans (supply chain moat). |
| 1997 | Sephora | Selective Retailing | Acquisition | The Pivot. Moved from making goods to controlling distribution and customer data. |
| 1999 | TAG Heuer / Zenith | Watches & Jewelry | Acquisition | Established the "Hard Luxury" division to compete with Richemont/Rolex. |
| 2000 | Emilio Pucci | Fashion & Leather | Acquisition | Captured the niche "Jet Set" / Resort-wear market. |
| 2001 | Fendi | Fashion & Leather | JV → Acquisition | Originally a JV with Prada; LVMH bought out to own the fur/leather master. |
| 2011 | Bulgari | Watches & Jewelry | Acquisition | Scale Up. Instantly doubled the jewelry division to challenge Cartier. |
| 2013 | Loro Piana | Fashion & Leather | Acquisition | The ultimate "Stealth Wealth" play; secured the global vicuña wool supply. |
| 2016 | Rimowa | Fashion (Travel) | Acquisition | German Expansion. Acquired the leader in aluminum luggage (80% stake). |
| 2017 | Christian Dior | Fashion & Leather | Consolidation | Simplified group structure; bought the remaining stake to fully own the "sister" brand. |
| 2017 | Thélios | Eyewear | JV | Partnered with Marcolin to internalize eyewear production (fully acquired in 2021). |
| 2019 | Belmond | Hospitality | Acquisition | Pivot to "Experiential Luxury" (Hotel Cipriani, Venice Simplon-Orient-Express). |
| 2021 | Tiffany & Co. | Watches & Jewelry | Acquisition | Largest Deal in History ($15.8b). Secured US dominance and "engagement ring" authority. |
| 2024 | L'Épée 1839 | Watches & Jewelry | Acquisition | Acquired a specialized Swiss high-end clockmaker (objets d'art). |
| 2024 | Orient Express | Hospitality | Strategic Partnership | Partnered with Accor to launch ultra-luxury trains and hotels. |
| 2025 | La Joux-Perret | Watches & Jewelry | Minority Stake | Nov 2025: Invested in this Swiss movement maker to secure component supply. |

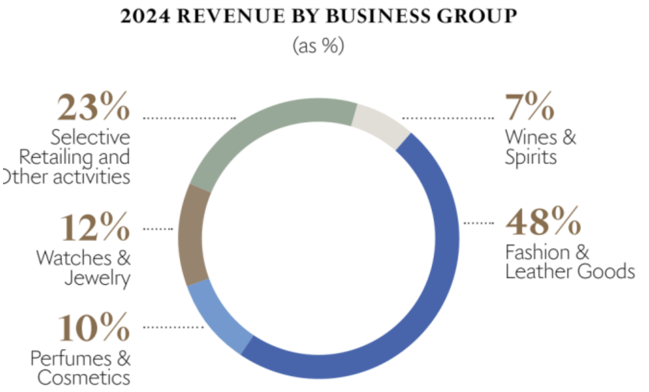
Sources: Wikipedia; Globlex Research

## How LVMH Makes Money?

LVMH makes money by selling high-margin luxury products across a portfolio of maisons, with **Fashion & Leather Goods** (F&LG) at the core. In 2024 this division (Louis Vuitton, Dior, Fendi, Celine, Loewe, etc.) generated about **48% of group revenue**, driven by leather goods, ready-to-wear and accessories that command strong pricing power and premium margins. Around it sit **Perfumes & Cosmetics (10%)**, **Watches & Jewelry (12%)** and **Wines & Spirits (7%)**, which monetise LVMH's brands in beauty, hard luxury and beverages and provide additional profit streams.

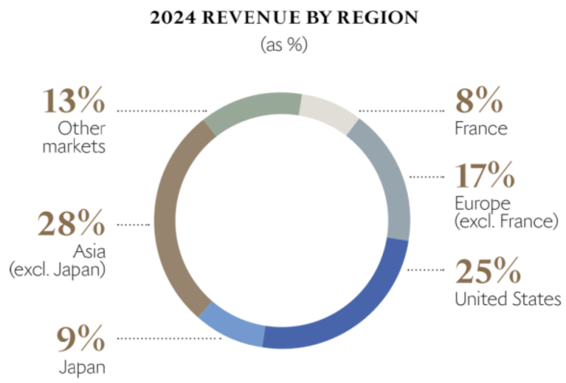
A second engine is **Selective Retailing and Other activities (23%)**, mainly Sephora and travel retail. These formats operate at more accessible price points and lower margins but drive traffic, data and brand awareness, especially among younger customers, and create a powerful distribution platform for LVMH's brands.

**Exhibit 5: 2024 revenue breakdown**




Sources: LVMH

**Exhibit 6: 2024 revenue by region**




Sources: LVMH

Geographically, LVMH earns revenue from a **balanced global footprint** rather than a single market: the **US (~25%)** and **Asia ex-Japan (~28%)** are the largest contributors, followed by **Europe ex-France (17%)**, **Japan (9%)**, **France (8%)** and **other markets (13%)**. This diversification across categories and regions helps smooth earnings when any one market or segment slows.

## The "Arnault Flywheel"

LVMH does not just buy brands; it engineers them. The group's strategy relies on four immutable pillars that create a "flywheel" effect, making the conglomerate more valuable than the sum of its parts,

**1. The "Star Brand" Strategy**

Bernard Arnault defines a "Star Brand" as having four contradictory characteristics simultaneously: **Timeless, Modern, Fast-Growing, and Highly Profitable.**

LVMH uses the massive free cash flow from its mature Star Brands (*Louis Vuitton, Dior*) to fund the unlimited marketing budgets of smaller, high-potential brands (*Celine, Loewe, Rimowa*). They essentially "force" a brand to scale by starving competitors of ad space and talent, a tactic smaller players cannot survive.

**2. Controlled Retail (The "No Wholesale" Rule)**

Unlike competitors who rely on department stores (like Macy's or Harrods), LVMH ruthlessly controls its distribution. By owning over **6,000+ boutiques**, LVMH controls the **pricing** (no unauthorized discounts) and the **inventory**. In a downturn, they are not forced to slash prices to clear stock, preserving brand equity.

Crucially, they own the **customer data**: they know exactly who bought a bag in Tokyo and can retarget them with a hotel stay in Paris.

**3. Decentralized Federation**

LVMH operates as a collection of independent "Maisons," not a monolithic corporation.

**The Advantage:** Each brand (*e.g., Fendi, Givenchy*) has its own CEO and Creative Director who run the business with autonomy to preserve their unique "DNA." However, the "Group" provides the backend muscle: negotiating prime real estate leases, buying media at bulk rates, and securing raw materials (leather/diamonds) cheaper than any rival could.

**4. The 2026 Pivot: "From Product to Experience"**

Recognizing that the Ultra-High-Net-Worth consumer is shifting spend from "goods" to "lifestyle," LVMH is expanding its ecosystem.

**Experiential Luxury:** The acquisition of **Belmond** (hotels) and the 2025 launch of **Orient Express** trains allow LVMH to capture wallet share *outside* the boutique. They don't just want to sell you the luggage (Rimowa); they want to sell you the journey (Orient Express) and the destination (Cheval Blanc Hotel).

**Exhibit 7: Trains by Belmond**

Sources: LVMH

**Exhibit 8: River Cruises by Belmond**

Sources: LVMH

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Securities Co., Ltd.

# What Happened to LVMH in 2024–2025?

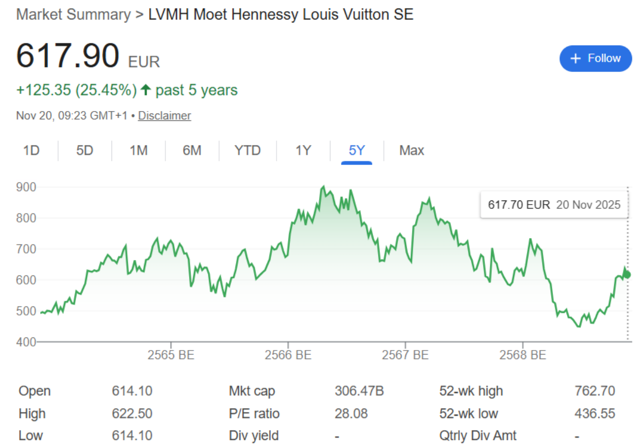
**Macro + Stock/Sector Backdrop**

**Biggest drawdown since 2008:** LVMH suffered its sharpest stock correction in 2025 as the luxury sector moved from "super-cycle optimism" to "fatigue" pricing.

**From share-gain era to consolidation:** After a decade of market-share wins (2014–2023), Fashion & Leather Goods (F&LG) entered a maturation / consolidation phase in 2024–25, with growth softer and more mixed versus peers.

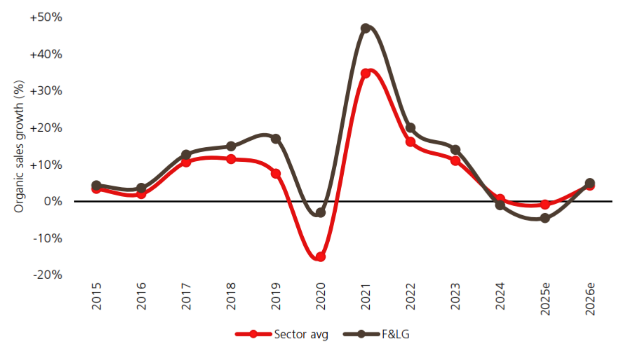
**Revenge spending is over:** The post-Covid boom (2021–2023) officially faded. The industry is now digesting a structural reset rather than riding a demand wave. we have now entered a phase of structural maturation defined by three critical shifts.

### Exhibit 9: LVMH's 5 years stock price




Sources: Google

### Exhibit 10: Sector avg. sales growth vs LVMH's F&LG




Sources: UBS

**China: The Center of the Reset**

**1. The China Pivot: From Growth to Bifurcation** The slowdown is driven by a "wealth effect" lag. In China, where 70% of household wealth is tied to real estate, the property crisis has severely impacted consumer confidence.

Despite Beijing's late-2024 stimulus, we expect this **"low growth" environment to persist through 2026**, as liquidity injections take 12–18 months to trickle down to discretionary spending. Consequently, the market has bifurcated. The aspirational middle class—the buyer who saves for months to purchase a single €1,000 bag—has effectively exited the market due to inflation and youth unemployment. Growth is now driven entirely by the top 1% (VICs).

*Data Point:* In 3Q25, LVMH foot traffic in Chinese malls declined, yet Average Transaction Value (ATV) rose. **The Group is selling fewer items to fewer people, but at significantly higher price points.**

**2. The Cultural Headwind: "Luxury Shame" & Quiet Luxury** Culturally, the "Common Prosperity" rhetoric has birthed the "Luxury Shame" phenomenon. Wealthy Chinese consumers still possess liquidity, but the appetite for "loud" displays of wealth has vanished.

This explains why LVMH's **Loro Piana (quiet luxury)** is outperforming while loud-luxury peers like **Gucci** are suffering**.**

**3. The New Landscape: Experience & Survival of the Biggest** To survive this new normal, LVMH is pivoting from **"Product" to "Experience."** With Chinese consumers demanding "cultural currency" over mere handbags, LVMH is deploying massive CAPEX to transform retail spaces into cultural hubs—such as the new multi-story "Mansions" in Beijing featuring galleries and chocolateries.

Simultaneously, the Group is countering the rise of **"Guochao"** (nationalist pride in brands like Laopu Gold) by embedding itself in local culture, evidenced by the Louis Vuitton Cruise 2026 show in Macao. This new, capital-intensive landscape favors the giant: while LVMH invests in the arms race of experience, smaller peers like Burberry and Kering struggle to keep pace.

## Is now the time to buy LVMH?

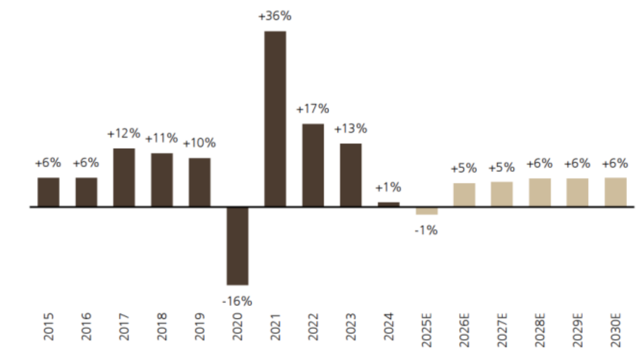
To address the timing question directly: **Have we missed the absolute bottom? Likely, yes.** The stock has already rebounded from its mid-year lows. However, in investing, clarity is worth paying for. Six months ago, the bottom was unknown, and the narrative was broken. Today, the narrative has turned.

**The Momentum Signal.** Over the past 20 years, LVMH has delivered positive Organic Sales Growth (OSG) in every year except two major crises—2009 (-1% during the GFC) and 2020 (-16% during Covid). Across that period, **average organic growth has been around 10%**, highlighting that demand pauses are typically cyclical, not structural, for the category leader. Against that backdrop, 1H25's -3% organic sales decline was the first negative print outside a crisis shock in decades, which explains the sharp derating in the stock.

**The key change is that the narrative has now shifted:** with 3Q25 returning to **positive organic growth (+1%)**, we have clearer evidence that the cycle is stabilizing and that demand **momentum is coming back.**

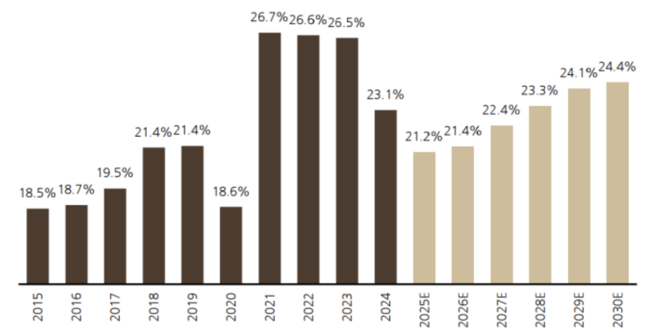
**Valuation Disconnect** The market has not yet priced in this recovery. At **~25x P/E**, LVMH trades at a steep discount to its historical floor of **30x**. This disconnect offers a rare "Margin of Safety": we have the certainty of returning growth, but we are paying a price that still reflects uncertainty. **Verdict:** The momentum is back, but the premium is not. We see a clear path to **20%+ upside** as the valuation catches up to the reality.

**Exhibit 11: LVMH's organic sales growth (2015-2030)**



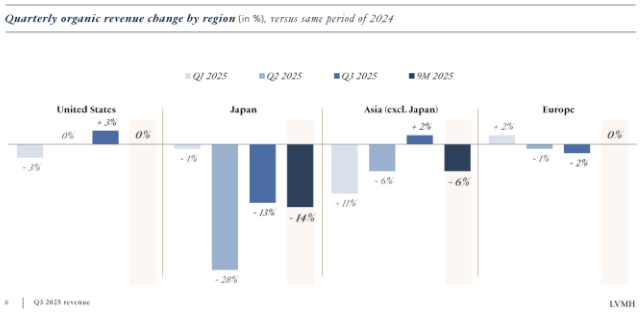

Sources: UBS

**Exhibit 12: LVMH's EBIT margin**



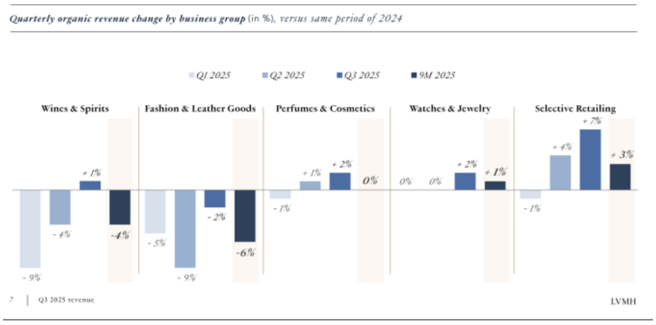

Sources: UBS

### Exhibit 13: Organic revenue trend by regions in 2025




Sources: LVMH

### Exhibit 14: Organic revenue trend by business group




Sources: LVMH

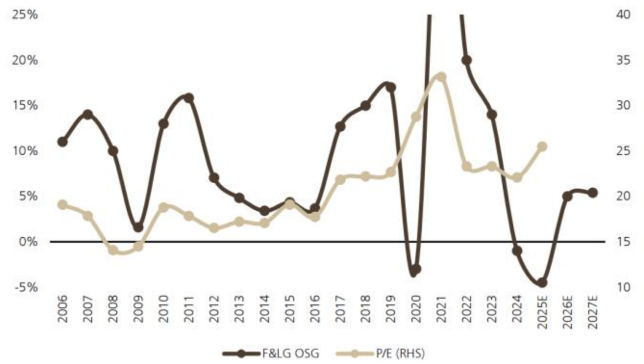
## Initiated with BUY and a TP of THB16.40

We initiate coverage on LVMH01 with a **BUY** rating and a 12-month price target of **THB16.40 (EUR700, EUR/THB of 37.5).** At current trading levels THB14.50 (~€620), our target implies a potential capital appreciation of **+13%**, offering a compelling risk-adjusted entry point into the sector's highest-quality asset. Our conviction is not based on aggressive growth assumptions, but rather on a conservative **mean-reversion thesis**: the market is currently pricing LVMH at a distressed ~25x P/E, incorrectly extrapolating the "Luxury Winter" of 1H25 into perpetuity.

Our valuation framework assumes a partial re-rating to **28x 2026E Earnings**, a multiple that remains comfortably below the stock's 5-year historical average of 30x. We believe this re-rating is inevitable given the confirmed pivot in Q3 2025, where organic growth returned to positive territory (+1%). This data point effectively sets a fundamental floor for the stock, signaling that the "negative momentum loop" has broken and the operational recovery is underway.

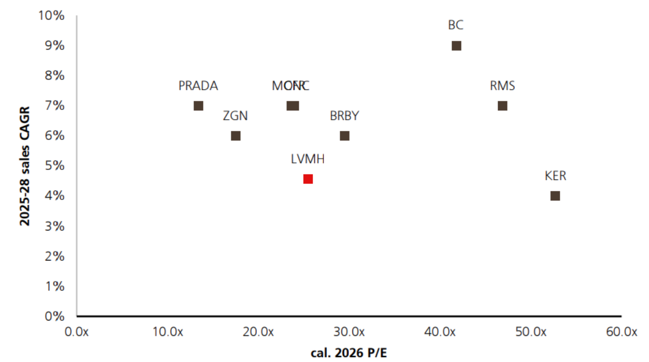
Ultimately, LVMH represents a classic asymmetric trade: a **"Compounder"** temporarily priced as a **"Turnaround."** Investors are currently offered the rare opportunity to acquire a portfolio of "Mini-Hermès" assets—such as Dior and Loro Piana—at a conglomerate discount. With the momentum structurally back and the valuation disconnected from historical norms, we view this as the optimal moment to accumulate shares before the "flight to quality" in 2026 closes the valuation gap.

### Exhibit 15: Fashion & Leather Goods' OSG vs. P/E




Sources: UBS

### Exhibit 16: 2026E P/E vs. 2025-28E EPS CAGR




Sources: UBS

# GENERAL DISCLAIMER

## Analyst Certification

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# RECOMMENDATION STRUCTURE

## Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

**BUY:** Expected return of 10% or more over the next 12 months.
**HOLD:** Expected return between -10% and 10% over the next 12 months.
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

## Sector Recommendations

**Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

## Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.