

**MASTERS IN
FINANCE**

**MASTERS FINAL WORK
PROJECT**

**EQUITY RESEARCH:
HERMÈS INTERNATIONAL**

MÉLANIE SEABRA SEMEDO

JUNE 2024

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SUPERVISOR:

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Abstract

This Equity Research Report on Hermès International follows the research report format recommended by the CFA Institute, reflecting public information available until June 14, 2024. The report begins with a comprehensive business description, including an introduction to Hermès' history, a detailed analysis of each business segment, and the company's future strategies. Additionally, the report highlights Hermès' investments in Environmental, Social, and Governance (ESG) initiatives.

An in-depth industry analysis covers fashion luxury trends, the economic outlook and the supply and demand drivers within the industry. The competitive positioning of Hermès is assessed using a SWOT analysis.

Hermès International, a leading luxury fashion company, is engaged in the design, manufacturing, and marketing of a diverse range of high-end products. This report issues a BUY recommendation for Hermès, with a year-end 2024 price target (PT) of €2,411.03 per share. This target, derived using a Discounted Cash Flow (DCF) model, indicates an upside potential of 14.16% over the next 6.5 months, relative to the closing price of €2,112 per share as of June 14, 2024, and categorizes the investment as Medium Risk.

The recommendation is primarily supported by three key factors: i) Hermès' historical and consistent revenue growth, ii) its competitive advantage over other luxury brands and ii) its outstanding reputation in the market.

The valuation of Hermès was conducted using the Free Cash Flow to Equity (FCFE) model, complemented by other valuation methods including Free Cash Flow to the Firm (FCFF), Dividend Discount Model (DDM), and Relative Valuation.

However, the company's valuation is subject to several risks. Increasing consumer emphasis on sustainability poses significant challenges. Concerns among activist shareholders regarding Hermès' environmental practices and low ESG scores suggest that the company must enhance its efforts in addressing these areas. Additionally, despite Hermès' strong vertical integration, risks include potential supply chain disruptions and reputation damage.

JEL classification: G10 ; G17 ; G32 ; L67

Keywords: Equity Research; Valuation; Fashion Luxury; ESG; Valuation; Discounted Cash-Flow; Dividend Discount Model; Multiples

Disclaimer

This master project was developed with strict adherence to the academic integrity policies and guidelines set forth by ISEG, Universidade de Lisboa. The work presented herein is the result of my own research and analysis. In the interest of transparency, I provide the following disclosure regarding the use of artificial intelligence (AI) tools in the creation of this project:

I disclose that AI tools were employed during the development of this thesis only to enhance the grammatical precision and to help structure the content. Nonetheless, I have ensured that the use of AI did not compromise the originality and integrity of my work. The ethical use of AI in research and writing has been a guiding principle throughout the preparation of this thesis.

I understand the importance of maintaining academic integrity and take full responsibility for the content and originality of this work.

Resumo

Este Relatório sobre a Hermès International segue o formato de relatório de pesquisa recomendado pelo CFA Institute, refletindo informações públicas disponíveis até 14 de junho de 2024. O relatório começa com uma descrição abrangente da empresa, incluindo uma introdução à história da Hermès, uma análise detalhada de cada segmento de negócios e as estratégias futuras da empresa. Além disso, o relatório destaca os investimentos da Hermès em iniciativas de Governança Ambiental, Social e Corporativa (ESG).

Uma análise aprofundada da indústria aborda as tendências de luxo da moda, as perspectivas econômicas e os fatores de oferta e demanda dentro da indústria. O posicionamento competitivo da Hermès é avaliado através de uma análise SWOT.

A Hermès International, uma empresa líder em moda de luxo, está envolvida no design, fabricação e comercialização de uma gama diversificada de produtos de alto padrão. Este relatório emite uma recomendação de COMPRA para a Hermès, com um preço-alvo (PT) para o final de 2024 de €2.411,03 por ação. Este alvo, derivado usando um modelo de Fluxo de Caixa Descontado (DCF), indica um potencial de alta de 14.16% nos próximos 6.5 meses, em relação ao preço de fechamento de €2.112 por ação em 14 de junho de 2024, e categoriza o investimento como Risco Médio.

A recomendação é principalmente apoiada por três fatores principais: i) o crescimento histórico e consistente da receita da Hermès, ii) sua vantagem competitiva sobre outras marcas de luxo e iii) sua excelente reputação no mercado.

A avaliação da Hermès foi conduzida usando o modelo de Fluxo de Caixa Livre para o Acionista (FCFE), complementado por outros métodos de avaliação, incluindo Fluxo de Caixa Livre para a Firma (FCFF), Modelo de Desconto de Dividendos (DDM) e Avaliação Relativa.

No entanto, a avaliação da empresa está sujeita a vários riscos. O crescente ênfase do consumidor na sustentabilidade apresenta desafios significativos. Preocupações entre os acionistas ativistas sobre as práticas ambientais da Hermès e baixas pontuações ESG sugerem que a empresa deve intensificar seus esforços para abordar essas questões. Além disso, apesar da forte integração vertical da Hermès, os riscos incluem possíveis interrupções na cadeia de suprimentos e danos à reputação.

Classificação JEL: G10; G17; G32; L67

Palavras-chave: Pesquisa de Equidade; Avaliação; Moda de Luxo; ESG; Fluxo de Caixa Descontado; Modelo de Desconto de Dividendos; Múltiplos

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Glossary

CAPEX – Capital Expenditures

CAPM – Capital Asset Pricing Model

CAGR – Compound Annual Growth

CEO – Chief Executive Officer

CO₂ – Carbon Dioxide

CRP – Country Risk Premium

DCF – Discounted Cash Flow

DDM – Dividend Discount Model

DIO – Days Inventory Outstanding

DPO – Days Payable Outstanding

DPS – Dividend per Share

DSO – Days Sales Outstanding

EBITDA – Earnings before Interests, Taxes, Depreciations and Amortization

EBIT – Earnings before Interests and Taxes

EPS – Earnings per Share

ESG – Environmental, Social and Governance

EV – Enterprise Value

FCFE – Free Cash Flow to Equity

FCFF – Free Cash Flow to the Firm

GDP – Gross Domestic Product

IMF – International Monetary Fund

M&A – Mergers and Acquisition

MRP – Market Risk Premium

PT – Price Target

ROA – Return on Assets

ROE – Return on Equity

WACC – Weighted Average Cost of Capital

YE – Year End

YoY – Year-on-Year

HERMES INTERNATIONAL

Ticker:	Current Price:	Target Price:	Recommendation:	Upside Potential:	Level of Risk:
RMS	€2,112.00 (14/06/2024)	€2,411.03 (31/12/2024)	BUY	↑ 27.69% (annualized)	Medium

1. Research Snapshot

Based on a forecast period of 5 years, **2024YE-2028YE**, Hermès International is allocated a **BUY recommendation**, with a **2024YE target price of €2,411.03/share**. This target is derived using a **Discounted Cash Flow (DCF) model**, representing an **annualized upside potential of 27.69%** against the **closing price of €2,112.00/share** as of June 14, 2024, with a **Medium Risk**. (Figure 1) Hermès is positioned as one of the **market leaders in luxury products**, fortified by its **reputation for exclusivity, rich heritage** and a **vertically integrated production model**.

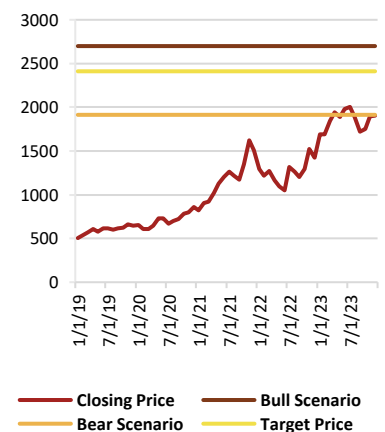
The personal luxury goods market, including **luxury fashion, accessories, jewelry, watches and beauty products** has shown **strength and growth**. The fast recovery from economic instabilities, such as the COVID-19 pandemic, underlines this fast adaptability. Despite facing some negative effects, **luxury brands quickly shifted to digital platforms**, enhancing their online presence and investing in virtual shopping experiences. Additionally, the market has capitalized on the **rising demand for sustainable and ethically produced items**. The sector's **expansion into emerging markets**, particularly in Asia, has also been a significant driver of resilience, demonstrating the strong and dynamic nature of the personal luxury market.

Sustainability is becoming **gradually essential** and consumers are growing more aware of environmental and social issues. **Hermès International** currently has a reduced **ESG score of 57.92**, which is lower compared to its **peers**, whose average **ESG score is 67.0**.

Hermès demonstrates impressive competitiveness when benchmarked against its peers, particularly evident in its consistent **higher EBITDA margins** over recent years. In 2023, Hermès presented an **EBITDA margin of 49.2%** (Table 1), **surpassing the average margin of its peers**, which stood at **34.22%**. Additionally, Hermès maintains a **robust balance sheet**, characterized by a **conservative cash position** and very low debt levels. In 2023, the company held **€10.6 million in total cash and cash equivalents**, which is sufficient to **finance nearly twice** its investment in **non-current assets**.

Stock exchange	Euronext Paris
Industry	Luxury Goods
Market Cap	€200,454.58M
Enterprise Value	€191,891.58M
Nb of shares outstanding	104.648079M
52-Week high	€2,436.00/sh
52-Week low	€1,641.00/sh

Figure 1 – Evolution of stock price vs PT, Bull and Bear scenarios



Source: Author and Yahoo Finance

Table 1 – Financial highlights

	2023	2025F	2028F
Revenues (€)	13427.00	17,603.86	21,626.23
EBITDA Margin (%)	49.2	48.2	49.8
EBIT Margin (%)	42	42.3	42.9
Net Income (€)	4,311.00	5,488.89	6,818.80
EPS (€)	40.84	52.45	65.16
DPS (€)	13.00	31.00	47.00
Debt/EBITDA (x)	0.31	0.31	0.29
Debt/Equity (%)	13.55	13.21	11.44
ROE (%)	31.17	27.92	25.07
ROCE (%)	32.73	33.44	30.59

Source: Author and Bloomberg

2. Business Description

Hermès International, a **renowned company** distinguished for its exquisite craftsmanship, holds a rich legacy in the art of **designing, manufacturing, and marketing** numerous luxurious and top-tier products with a market capitalization of €200.454 billion.

While the iconic Birkin and Kelly handbags stand as the centre of the brand, Hermès also designs an extensive **collection of high-end clothing, accessories, and beauty products**. Positioned at the **forefront of the luxury industry**, the brand has accumulated admiration for its **high quality, exclusivity**, and commitment to **represent luxury**.

In 2023, Hermès experienced a remarkable **surge in sales worldwide**, reflecting a notable increase of 21% at constant exchange rates, **totaling €13.4 billion**. (Figure 4) Particularly striking was the **Japanese market**, with a **remarkable 26% rise** in sales. Moreover, **France demonstrated significant growth of 20%** in sales, combined by robust performances in Europe (excluding France), Asia, and the Americas. This growth was further driven by the **successful reopening of several renovated stores**, including the Daimaru Sapporo store in Hokkaido and the Takashimaya store in Kyoto, collecting substantial customer interest.

History

Established in 1837 by **Thierry Hermès** in Paris, the company initially set its sights on **servicing the refined tastes of European nobility** through the distribution of leather riding gear. Eventually, **Charles-Emile Hermès**, Thierry Hermès' son, **assumed control of the business** in 1880, subsequently relocating its operations to its present-day headquarters at 24 Rue du Faubourg Saint-Honore. Throughout successive generations, Hermès expanded its product portfolio, marking important events along the way. Further diversification followed in the **1920s**, as Hermès **offered accessories and clothing**, including the introduction of its leather handbag line. However, it was during the **1930s** that the **famous “Kelly Bag”**, named in honour of Princess Grace Kelly, and the Hermès carrés achieved unique admiration, rapidly climbing to the peak of handbags trends. Significant to its legacy, the early **1980s experienced the introduction of the legendary “Birkin Bag”**, inspired by the encounter between the CEO then, Jean-Louis Dumas and the British actress Jane Birkin, during a Paris-London flight.

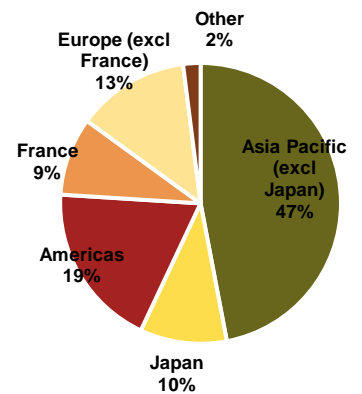
In a crucial step towards expanded reach and accessibility, Hermès International went **public in June 3rd, 1993**. This exceptional trajectory has firmly solidified Hermès' status as **one of the most esteemed luxury design houses worldwide**.

Figure 2 – Hermès' highlights

Market Cap	Assets
€200.454 B	€20,447M
Stores 294	Employees
	22,037
Revenues	€13,427M

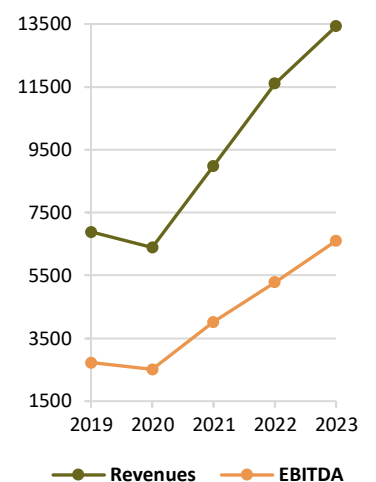
Source: Bloomberg

Figure 3 – Revenues per region in 2023



Source: Bloomberg

Figure 4 – Revenues and EBITDA (in € Million)



Source: Bloomberg

Segments

Hermès International operates through **seven** (Figure 5) different segments:

The **Leather and Saddlery** segment is essential to Hermès International, celebrated for its craftsmanship in **luxury handbags and luggage**. Notably, the **Birkin and Kelly bags epitomize elegance and quality**, with premium prices. In 2022, Sotheby's achieved a record sale of a Birkin bag exceeding \$450,000. **Total revenues** for the segment reached **€5,547 million**, reflecting a significant 17% increase in 2023 at constant exchange rates, driven by consistent demand and the introduction of new products such as the Maximors bag, Della Cavalleria Élan, and Arçon bags.

The **Ready-to-Wear and accessories** division saw a strong **28% growth in 2023**, at constant exchange rates, supported by successful collections and appreciation at fashion shows. Offering sophistication and timeless elegance, the division's diverse collection includes meticulously items like **belts, gloves, and hats**.

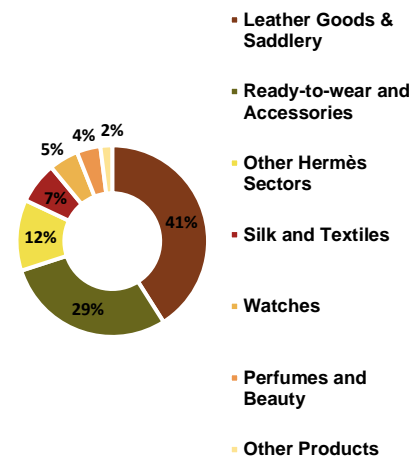
Hermès, known for its elegant **silk** scarves **and** timeless **textile** designs, continues to captivate the market with luxurious offerings. Production capacity expands with a new printing line at the Pierre-Bénite site in Lyon. **Total revenues** reached **€932 million**, marking a notable 16% increase in 2023 at constant exchange rates.

Introduced in 2020, **Beauty** became Hermès' sixteenth métier with the launch of the Rouge Hermès collection. The Perfume and Beauty division offers **fragrances, skincare, and cosmetics**, facing a **12% increase in sales in 2023**, at constant rates. Classic favorites like Terre d'Hermès and the Jardins collection, alongside new creations, contributed to this success. Recently, the Hermès Beauty range expanded with Regard Hermès, inspired by iconic House shades, and limited editions of Rouge Hermès.

Hermès **watches** are distinguished for their classical designs and craftsmanship. The Arceau le Temps voyageur received two prestigious awards in November 2022, highlighting the brand's commitment to excellence. The successful Hermès H08 line introduced new models this year, contributing to its popularity. **Total revenues** surged to **€611 million**, marking a notable 23% increase in 2023 at constant exchange rates.

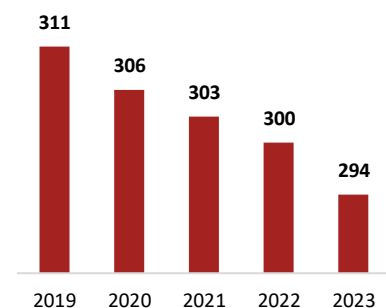
The following division includes **jewelry and homeware**, offering a range of pieces crafted from **exclusive materials**. The jewelry line introduced the Chaîne d'ancre design in various shapes and materials at an exhibition in the Faubourg store in Paris. **Total revenues** climbed to **€1,653 million**, marking a significant 26% increase at constant exchange rates in 2023.

Figure 5 – Revenues per segment in 2023



Source: Bloomberg

Figure 6 – Number of stores



Source: Bloomberg

Figure 7 – Structure of other Products and Brands

OTHER PRODUCTS AND BRANDS	
OTHER PRODUCTS	OTHER BRANDS
Wholesale Production and Distribution	Retail and Wholesale Production and Distribution
Internet of Things (IOT)	Crystal Saint-Louis John Lobb
Tanneries and Precious Leathers	Puiforcat Métaphores
Metal Parts (J3L)	Verel de Belval Bucol
Hermès Horizons	Le Crin

Source: Company

Finally, the **Other Products and Brands** segment (Figure 7), relatively small, includes brands like **Crystal Saint-Louis, John Lobb, J3L,** and **le Crin**. This segment experienced a **5% increase** at constant exchange rates in 2023.

Company strategies

Pursuit of Creative Excellence

Hermès distinguishes itself from competitors through the continuous **introduction of high-quality product lines and designs**, emphasizing creativity, exclusive materials, and unparalleled craftsmanship. This commitment to excellence includes six generations of family ownership, reflecting a legacy of producing timeless items that go beyond fashion trends. By **prioritizing "creative freedom"**, Hermès combines traditional savoir-faire with innovative techniques to consistently captivate and inspire its clientele.

Craftmanship Model

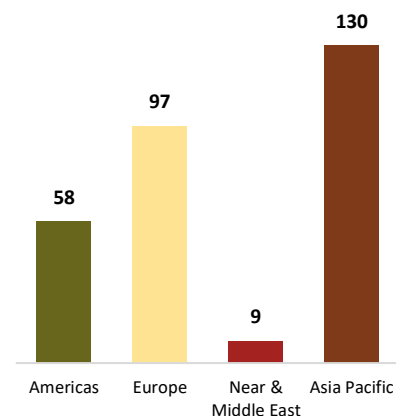
With nearly **7,000 craftspeople in France**, Hermès continuously invests in **expanding production capacity** and refining **craftsmanship techniques**. This commitment is reinforced by initiatives such as the **Centre de Formation d'Apprentis (CFA)** and **L'École des artisans**, which provide students with state-certified training in leather goods and exemplify Hermès' dedication to education and knowledge transmission.

Through **vertical integration**, Hermès ensures the preservation of its craftsmanship model and secures a **consistent supply of high-quality materials**. Strategic partnerships and acquisitions further improve its access to exceptional materials and expertise. Currently, **55% of production is internalized**, with **74% taking place in France**, providing Hermès comprehensive **oversight of the supply chain** and reinforcing its commitment to responsible development across materials, techniques, and savoir-faire.

Distribution Network

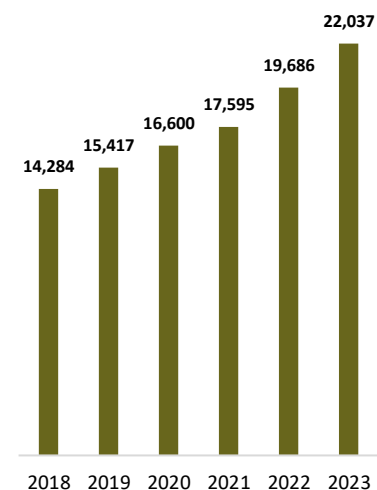
Hermès maintains a robust distribution network encompassing **physical stores and innovative e-commerce platforms** to provide to its clientele effectively. With a presence in **294 stores across 45 countries** (Figure 8), the brand strategically expands its reach by identifying new locations. Each "House of objects" offers a selected range, delivering a personalized shopping experience. Customer service remains paramount, with a focus on providing exceptional assistance. Notably, in 2023, 65% of online purchases were made by first-time costumers of the House.

Figure 8 – Stores per region in 2023



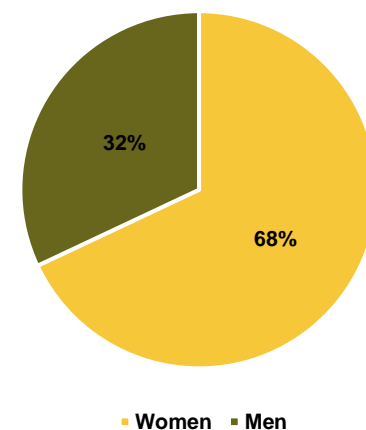
Source: Bloomberg

Figure 9 – Number of employees



Source: Bloomberg

Figure 10 – Split Women/Men in 2023



Source: Company

While most items are available for online purchase, the **exclusivity of Birkin and Kelly bags** is preserved by their **absence from online platforms**. Over the past seven years, Hermès has made significant investments in its digital platform and services, prioritizing online sales growth. The company strives to **exceed customer expectations** by delivering an **outstanding online shopping experience**.

Additionally, it hosts exclusive events worldwide to strengthen customer relationships and attract new clientele.

Ownership Structure

The company has a total of **104.65M common shares outstanding**. Hermès International operates as a **family business**, with the Hermès family retaining a substantial **66.72% ownership stake in the company** (Figure 11). The family control is exercised through Émile Hermès SAS and the legal entities H51 and H2. Executive Chairman Henri-Louis Bauer, a direct descendant of the Hermès family, supervises operations at Émile Hermès SAS. **32.48% of shares are publicly held** and the remaining **0.8% represents treasury shares, 0.2% less** compared to last year. Notably, the three **largest shareholders** (Table 2), excluding the Hermès family members, include **The Vanguard Group Inc. (0.96%)**, **Norges Bank Investment Management NBIM (0.74%)** and **BlackRock Institutional Trust Company, N.A (0.54%)**. **Axel Dumas**, a sixth-generation member of the Hermès family, currently serves as the **CEO of Hermès International**.

Dividend Policy

Hermès has demonstrated a robust dividend policy with a **consistent growth in DPS**, achieving a noteworthy **13.50% CAGR from 2014 to 2023**. (Figure 12) During the onset of the COVID-19 pandemic, Hermès' Supervisory Board, responding to uncertainties, made a pivotal decision on March 30, 2020. The initially proposed ordinary dividend for the General Shareholders' Meeting on April 24, 2020, was revised downward from €5.00 to €4.55 per share, matching the amount distributed in 2019.

In past years, Hermès has intermittently issued **extraordinary dividends**, notably amounting to **€5 in 2012, 2015, and 2018**, which significantly boosted DPS during those periods. This trend recurred in 2023 when an extraordinary dividend of €10 per share was declared in addition to an ordinary dividend of €15 per share.

Reflecting the company's robust financial performance, **EPS** also exhibited substantial growth, achieving a **remarkable 31.88% CAGR over the 2014-2023** period.

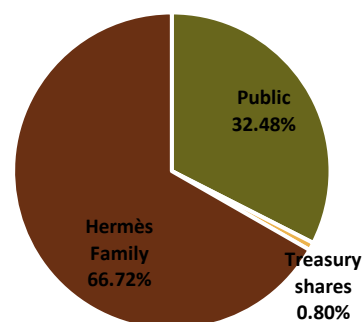
New Share Buyback Program

Table 2 – Top 5 Shareholders

#	Top 5 Shareholders	O/S
1	Hermes Family	66.70%
2	The Vanguard Group, Inc.	0.96%
3	Norges Bank Investment Management (NBIM)	0.74%
4	BlackRock Institutional Trust Company, N.A.	0.54%
5	Amundi Asset Management, SAS	0.42%

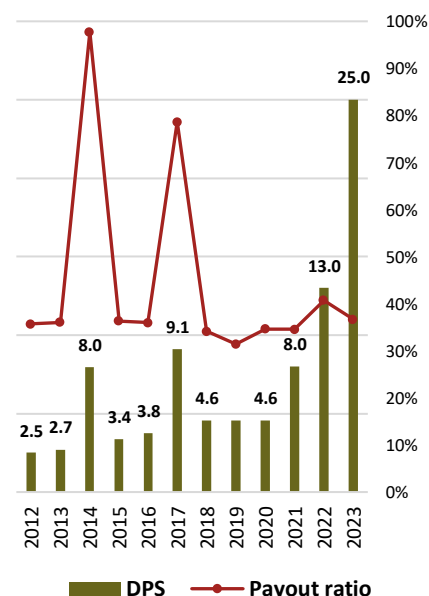
Source: Refinitiv

Figure 11 – Shareholder's structure



Source: Company

Figure 12 – DPS (in €) and payout ratio



Source: Bloomberg

Hermès introduced a forthcoming Share Buyback Program submitted for approval in 2023. As of 2022, the treasury held 1,030,286 shares (1%) with the program’s cap set at 10% (excluding the existing 1%) of the share capital on the date of the repurchase. The maximum purchase price is established at €2,200 per share, excluding costs. The acquisition can occur through various channels, including regulated markets, trading systems, systematic internalisers, over-the-counter offerings, or derivatives. The Executive Management retains the authority to execute purchases, even during public offerings, in accordance with market regulations. Subsequently, the acquired shares can be retained, sold, or transferred, including block sales. This buyback program holds from the Combined General Meeting date to October 20, 2024.

3. ESG – Environment, Social and Governance

Regarding ESG metrics, Hermès demonstrates a positive trajectory, however when compared to its industry peers, its ESG performance ranks lower. Particularly, the company maintains an ESG score of B- and an ESG Controversies score of D, resulting in an ESG Combined score of C.

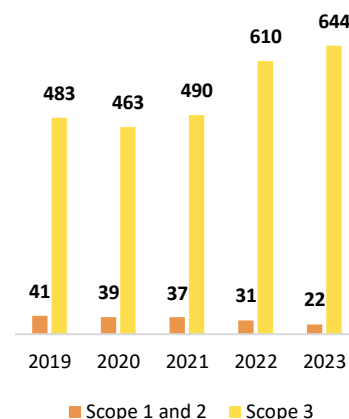
Environment

Hermès has achieved an Environmental Pillar Score of B+ since 2020, up from its previous score of B-. Under the categories of Resource Use and Emissions, the company owns an exemplary A+ rating. However, in the area of Innovation, it experiences a low score of C-, consequently impacting the overall average score. In 2023, the group demonstrated a commitment to promote its environmental objectives by implementing steady yet impactful changes. The company succeeded in reducing its carbon emissions on scale 1 and 2 by 49.6% in absolute value and 52.2% in intensity of scope 3, since 2018. Hermès was recently included in the esteemed CDP “A” List and has achieved an A ranking for Climate and Water and A- for Forest.

The overall water consumption for industrial (Figure 14) purposes has decreased by 9.3% compared to 2022, and by 62% in intensity over the past 10 years. Additionally, industrial energy intensity (Figure 15) has declined by 65.1% over the same period, with overall energy consumption decreasing by 4.1% compared to 2022.

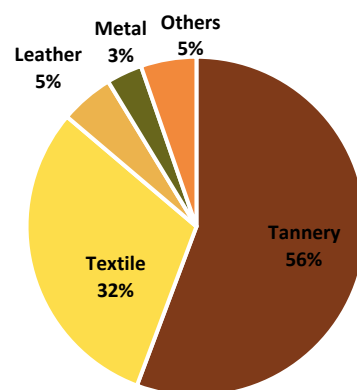
Since 2020, the Group has been dedicated to reducing its carbon footprint, with a targeted “net-zero carbon emission” goal set for 2050. SBTi (Science-Based Target Initiative) has validated Hermès’ efforts in reducing its carbon emissions for scope 1, 2 and 3, thus affirming the company’s commitment to combat global warming. Hermès aims to achieve a 50.4% reduction in absolute value for

Figure 13 – Scope 1, 2 and 3 CO2 emission (k tones CO2 eq)



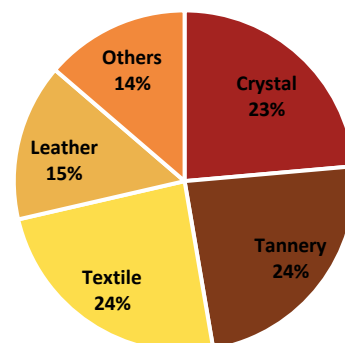
Source: Company

Figure 14 – Water consumption by sector in 2023



Source: Company

Figure 15 – Energy consumption by sector in 2023



Source: Company

scopes 1 and 2 and a 58.1% reduction for scope 3 emissions over the 2018-2030 time period.

Social

The **Social Pillar Score currently remains at B**, a decline from its 2020 rating of B+. Hermès ranks comparatively lower in this area to its industry counterparts. Across the categories, the company earned an A+ for Workforce, a B for Human Rights, an A for Community and a D for Product Responsibility.

Notably, **97% of employees worldwide benefit from statutory and/or supplementary healthcare coverage, legal and/or supplemental pension plans, and legal and/or supplemental life insurance schemes**. Additionally, 68% of the workforce are women, and 60% of managerial positions are held by women, highlighting Hermès' commitment to gender diversity and inclusion.

Hermès received the **Grand Prix Emploi Humpact France** for the third time, recognizing its achievements in social matters, and the **Grand Prix CAC Large 60** of the Transparency Awards, which honors the quality of its regulated information. The company welcomed **2,400 new employees**, including 1,400 in France. Over the past decade, the Group has more than doubled its workforce, with over 60% of recruitment occurring in France.

Management and Corporate Governance

The **Governance Pillar score for Hermès was C**, marking a decline from its 2021 score of B. This rating reflects the company's performance across various sub-categories, with Hermès achieving a **C** for **Management**, a **D+** for the **Shareholders category**, and an **A-** for **CSR Strategy**.

Management

Since December 27th, 1990, **Hermès operates as a Société en commandite par actions** (Partnership Limited by Shares). This legal structure includes two categories of partners:

The Active Partner

Émile Hermès SAS, assuming the role of the **unique active partner** since April 1st, 2006, is primarily **responsible for overseeing the company's operations and organizational functions**. The active partner is accountable for all the debts of the company.

Its responsibilities cover i) strategic decision-making, ii) oversight of decisions made by limited partners, iii) appointment and dismissal of executive chairmen, vi) authorization of significant transactions, v) provision of recommendations to the

Table 3 – ESG scores Hermès and peers

Company	ESG Score
Hermès International SCA	57.92
LVMH	82.77
Brunello Cucinello	50.25
Moncler	83.39
Richemont	72.14
Prada	47.01
Kering	73.98

Source: Refinitiv

Table 4 – Historical ESG scores

	2019	2020	2021	2022	2023
ESG Combined Score	B-	B+	B	B-	C
ESG Score	B-	B+	B	B	B-
Environmental Pillar Score	B-	B+	B+	B+	B+
Social Pillar Score	B-	B+	B	B	B
Governance Pillar Score	B-	B	B	B-	C
ESG Controversies Score	A+	A+	A+	C+	D

Source: Refinitiv

Table 5 – Supervisory board

Supervisory Board	
Éric de Seynes (Chairman)	Blaise Guerrand
Monique Cohen (Vice-Chairwoman)	Julie Guerrand
Dominique Senequier (Vice-Chairwoman)	Olympia Guerrand
Dorothee Altmayer	Renaud Momméja
Charles-Éric Bauer	Alexandre Viros
Estelle Brachlianoff	Prescience Assoh (Member representing employees)
Matthieu Dumas	Anne-Lise Muhlmeyer (Member representing employees)

Source: Company

Executive Management, and vi) proposal of appointments to the Supervisory Board, including the power to dismiss members.

The Limited Partners

Limited Partners contribute capital to the company and are accountable solely for their contribution. Their powers include i) voting on financial statements, ii) allocation of net income, iii) approval of related-party transactions, vi) selection of auditors and v) supervision of board member appointments.

The corporate governance framework of Afep-Mefef, introduced in 2009, serves as the guiding principle for the company. The **Executive Chairmen, Émile Hermès SAS, and Axel Dumas**, supervise the management of the company. Besides, the Executive Committee (*Table 6*) and the Operations Committee are the essential governing bodies, assisting the Executive Management.

The **Supervisory Board, consisting of 14 members** (*Table 5*), includes five representatives for the Audit and Risk Committee and three for the Compensation, Appointments, Governance, and CSR Committee. The primary function of the Supervisory Board is to **control the management of Hermès International**.

Compensation

Regarding management compensation, the Executive Chairmen have **both a fixed and a variable remuneration**. The fixed compensation is capped at €457,347.05, subject to indexation based on growth in consolidated revenue from the previous financial year, considering a constant scope and exchange rates. The variable component of the remuneration is calculated according to a method integrated since the company's IPO in 1993, with the maximum amount set at 0.20% of the consolidated net income before taxes from the preceding financial year. Each year, the responsibility of **verifying the compliance of Executive Chairmen's remuneration** with the company's compensation policy and Articles of Association is with the **CAG-CSR Committee of the Supervisory Board of Hermès International**.

4. Industry Overview and Competitive Positioning

World Economic Outlook

Macroeconomic summary

As we assess the current landscape, advanced economies are primed for **faster disinflation**, with projections indicating a trajectory **reaching 2.6% in 2024**, aligning with central banks' inflation targets. However, the World Bank's warning of a third

Table 6 – Executive committee

Name	Function
Axel Dumas	Executive Chairman
Florian Craen	Executive Vice-President Sales & Distribution
Charlotte David	Executive Vice-President Communication
Pierre-Alexis Dumas	Artistic Executive Vice-President
Olivier Fournier	Executive Vice-President Corporate Development and Social Affairs
Catherine Fulconis	Executive Vice-President Leather Goods & Saddlery
Wilfried Guerrand	Managing Director Métiers, Information Systems and Data
Éric du Halgouët	Executive Vice-President Finance
Sharon MacBeath	Group Director of Human Resources
Guillaume de Seynes	Executive Vice-President Manufacturing Division & Equity Investments
Agnès de Villers	Chairwoman and Executive-Vice President of Hermès Perfume and Beauty

Source: Company

Figure 16 – Awards/Recognition in 2023

Award/Recognition	Entity/Organizer
Best Performing CEO in the CAC 40 Index (2nd Consecutive Year)	Challenges
Grand Prix CAC Large 60 2023	Transparency Awards
4th Place - Women in Governing Bodies in the SBF 120	Ministry in Charge of Gender Equality
Grand Prix Emploi France, All Categories	HUMPACT
Grand Prix for the Vigilance Plan	French Sustainable Investment Forum
Carbon Score A	Axylia

Source: Company

year of **slowed growth underscores the persistent challenges** faced by the global economy. The repercussions of the **COVID-19 pandemic**, compounded by the **conflict in Ukraine** and subsequent **spikes in inflation and interest rates**, have cast a **shadow over economic recovery**. The IMF forecasts **modest global growth** rates of **3.1% in 2024 and 3.2% in 2025**, yet below historical averages (2000-2019) due to factors like elevated central bank rates and fiscal tightening. (Figure 18)

Eurozone

The Eurozone's economic outlook has been slightly **downgraded due to weaker-than-expected growth in 2023**, influenced by tight monetary conditions and reduced fiscal support post-pandemic, compounded by low productivity. Recovery is anticipated, with **GDP growth forecasted at 0.9% in 2024**, driven by **stronger household consumption amidst slower inflation**. France, the second-largest economy, is expected to see modest growth, with estimates of 1% in 2024 and 1.7% in 2025, showcasing resilience amid broader economic challenges.

Emerging and developing Asia

Growth in emerging and developing Asia is expected to moderate from **5.4% in 2023 to 5.2% in 2024 and 4.8% in 2025**, with an upgrade of 0.4 percentage points for 2024 primarily driven by China's economic performance. **China's growth is anticipated to remain steady** but moderate at 4.6% in 2024 and 4.1% in 2025, attributed to favorable growth momentum and increased government investments in disaster resilience. Conversely, **Japan's output is projected to slow from 1.9% in 2023 to 0.9% in 2024 and 0.8% in 2025**, reflecting the fading effects of temporary boosts to the economy observed in 2023.

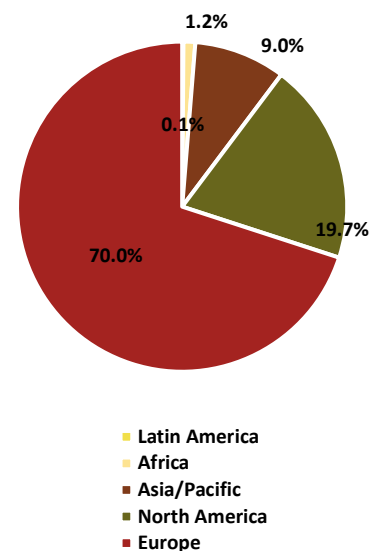
America

In the United States, growth is expected to **decelerate from 2.5% in 2023 to 1.7% in 2025** due to **tightening monetary and fiscal policies**, alongside **weakening labor markets** impacting overall demand. Latin America and the Caribbean are projected to experience a decrease in growth from 2.5% in 2023 to 1.9% in 2024, before rising to 2.5% in 2025.

Global Industry Overview

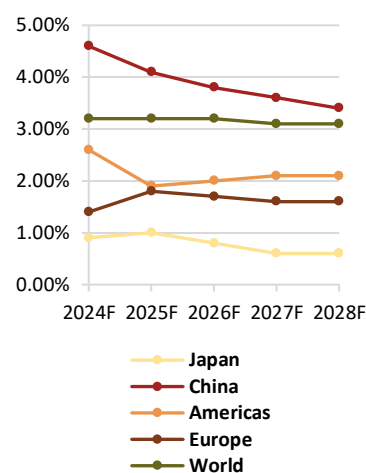
The **personal luxury goods** market, often regarded as the **"core of the core" within the luxury sector**, sustained its growth trajectory, **reaching €362 billion in 2023 (€353 billion in 2022)** (Figure 20), reflecting a **4% YoY increase over 2022** at current exchange rates (8% at constant exchange rates). **Apparel and jewelry emerged as the fastest-growing categories**, both experiencing growth rates of **5%**

Figure 17 – Hermès' shareholder breakdown by region



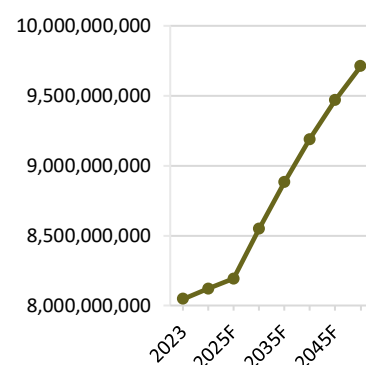
Source: Refinitiv

Figure 18 – Reel GDP growth in %



Source: IMF

Figure 19 – World population



Source: Worldometers

to 6% over 2022YE. (Bain & Company – Long Live Luxury: Converge to Expand through Turbulence)

In 2023, a shift in the global ranking by region occurred, with **Europe reclaiming the top position for personal luxury goods sales**, while the **Americas decelerated** to second place, followed by mainland China.

Looking **forward to 2024**, according to Bain& Company, forecast suggests **moderate growth** ranging between **1% and 4% for the personal luxury goods segment**. This projection considers factors such as **expected growth in touristic spending, the recovery of the US market, an acceleration in China and the Middle East, and the normalization of Japan.** (Figure 21)

Supply

Luxury fashion industry operations feature a **sophisticated supply chain**, meticulously sourcing **premium materials** such as exotic leather and precious metals from around the world. Production centers on **skilled craftsmanship** and **attention to detail**, ensuring each product's uniqueness. Brands often leverage regions renowned for specific crafts, such as Italian leather goods and Swiss watches. Stringent quality standards are upheld through **rigorous checks**, maintaining the **brand's reputation for excellence**. Additionally, luxury brands curate luxurious retail environments to reflect their image and heritage, enhancing the customer's shopping experience.

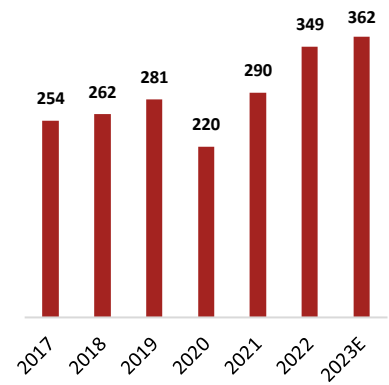
The **pricing strategies** employed in the fashion luxury market are integral to **maintaining the sector's exclusivity and perceived value**. Luxury brands meticulously consider factors beyond material costs, such as craftsmanship, brand reputation, and exclusivity. These brands typically maintain **stable or increasing prices to reinforce their image of exclusivity and prestige**. This approach is further motivated by factors like post-pandemic demand surges, global affluence, and the need to offset inflation and rising raw material costs. Successfully **balancing price adjustments with consumer loyalty and brand perception** remains paramount in this competitive landscape.

Industry trends

Luxury Fashion Challenge: Generational Shifts

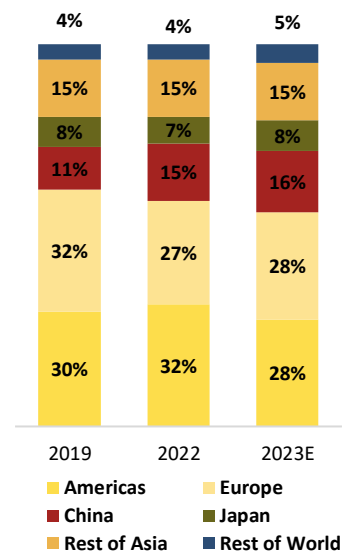
A significant shift is occurring in the luxury fashion market as **younger generations, particularly Gen Z (born 1996-2010), gain prominence.** (Figure 22) Gen Z's reliance on **social media platforms** like Instagram and TikTok is reshaping marketing strategies. Their preference for vintage and second-hand shopping is driving the growth of luxury resale platforms. Additionally, **Gen Z's demand for sustainability is pushing the industry towards eco-friendly practices.**

Figure 20 – Global personal luxury goods market (in € Billions)



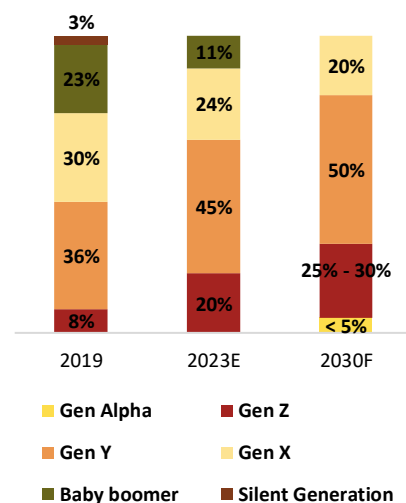
Source: Bain & Company

Figure 21 – Share of global personal luxury goods market



Source: Bain & Company

Figure 22 – Share of global personal luxury goods market by generation



Source: Bain & Company

Millennials are also contributing to **market growth** with their affinity for **upscale fashion and digital marketing influence**. **Gen Z** is projected to **account for 25% to 30%** of luxury market purchases, with **Millennials** making up **50% to 55%**, significantly shaping the future of the luxury goods market.

Partnerships with influencers and celebrities on social media play a vital role in connecting with younger consumers. Bain & Company predicts investing in **online channels and social media presence is critical for future growth**, underlining the importance of adapting to generational preferences.

Travel trend

With **COVID-19 restrictions easing** and consumers tapping into savings accumulated during lockdowns, the **tourism sector has seen a marked resurgence**. This presents a **pivotal opportunity for luxury fashion brands** to capitalize on the uptick in international travel by implementing targeted strategies to stimulate demand. Based on insights from Bain & Company, the spending power of **US tourists in Europe has surged, growing 2.5 times from 2019 to 2023**. Similarly, tourists from the **Middle East have significantly boosted their expenditures**, increasing by 1.7 times during the same period. In contrast, **Chinese tourist spending remains below pre-pandemic levels**, hovering around 40% of its 2019 figures.

Notably, despite fluctuations in shopper numbers and transaction volumes, overall spending by tourists on luxury goods in Europe experienced a notable 50% growth in 2023. (Figure 23)

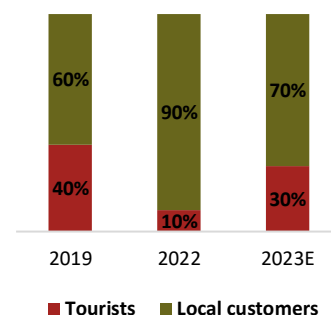
Secondary Market

The emergence of the secondhand luxury goods market in the fashion industry reflects a **growing emphasis on sustainability**. With sustainability becoming a pressing concern, companies are increasingly adopting environmentally friendly practices. Participating in the **resale market** allows companies to actively demonstrate their **commitment to reducing waste and minimizing environmental impact**. This market witnessed significant growth, **reaching €45 billion in 2023 (Figure 24)**, mirroring the overall luxury goods market's growth rate of 4% to 6% YOY. **Europe led the market**, accounting for 45% to 50% of global secondhand luxury sales, followed by the **US**, which showed a rising interest in preloved timeless bags. Secondhand platforms have become a gateway for younger generations and aspirational consumers, aligning with their sustainability values.

Sustainable Initiatives

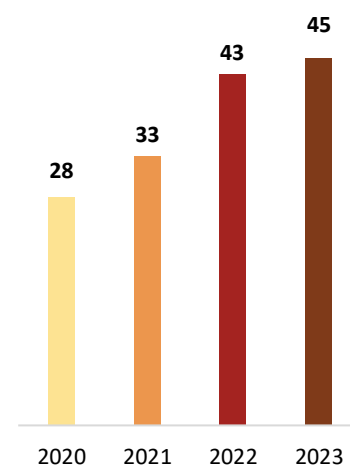
Adapting to **consumer demands for sustainability**, luxury fashion brands are emphasizing fair labor practices and the use of recyclable materials. Efforts include using **eco-friendly materials** like organic cotton and responsibly sourced exotic

Figure 23 – Global tourists spending



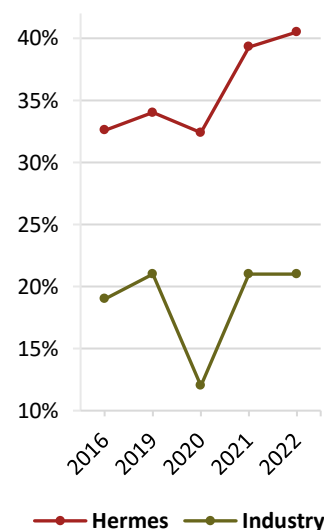
Source: Bain & Company

Figure 24 – Secondhand luxury market (in € Billion)



Source: Bain & Company

Figure 25 – EBIT margin Hermes vs industry



Source: Refinitiv

leathers. Some brands have phased out real fur and collaborate with innovators for bio-textile alternatives. **Hermès, for instance, invests in Mycoworcs, a startup producing mycelium-based materials**, aligning with Paris Agreement goals. Integrating sustainable practices poses challenges, notably higher costs, yet it adds value to designs and manufacturing.

Digital Fashion

Luxury brands have strategically pivoted towards **e-commerce and digital platforms** to expand their audience and meet changing consumer demands. The **integration of traditional design with innovative technologies**, accelerated by the pandemic, has resulted in significant growth in **online presence and sales, surging by 53% from 2019 to 2022**. Embracing digital fashion has become essential for brands to maintain their position as trendsetters, showcasing creativity and leveraging advanced technologies to craft innovative digital collections.

In parallel, luxury fashion is exploring the realm of **digital Nonfungible Tokens (NFTs) to enhance exclusivity and authenticity**. NFTs, once confined to gaming and art, are now utilized by luxury brands to provide unique digital assets with verifiable ownership.

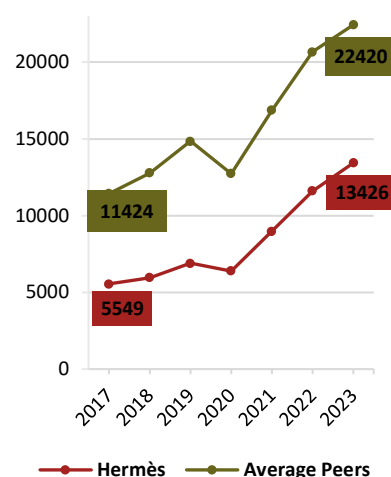
Moreover, luxury brands are venturing into **gaming collaborations, to reach new audiences** and explore digital asset monetization. However, understanding consumer attitudes and preferences in this evolving digital landscape remains a crucial research gap.

The **emergence of the Metaverse** offers a transformative space for users to engage in virtual activities, **blurring the lines between the real and virtual worlds**. **Metaverse Fashion Week (MFW) 2023** recently showcased the future of fashion, hosting a **four-day event on the Decentraland platform** from March 28th to 31st. Building upon the success of its inaugural edition in March 2022, Metaverse Fashion Week has become a key event in the digital fashion calendar, offering opportunities to experience the latest in virtual fashion and explore the intersection of fashion, technology, and the Metaverse.

Mergers and Acquisitions activity in the industry

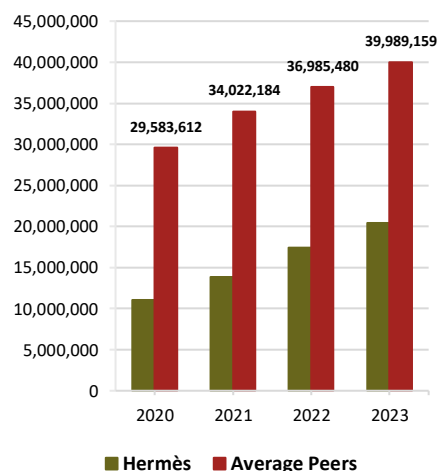
Mergers and acquisitions (M&A) play a crucial role in the luxury fashion industry, **driving rapid expansion, enhancing competitiveness, and promoting industry consolidation**. Despite a slight dip in activity from 2021, 2022 still saw significant M&A transactions in the fashion and luxury industry, **totaling 292 deals compared to 284 in the previous year**. Deloitte's Global Fashion & Luxury Investment and Private Equity Survey 2023 identified cosmetics and fragrances as the most attractive sectors for investors in 2023, followed by apparel and accessories.

Figure 26 – Revenues Hermès vs peers (in € Million)



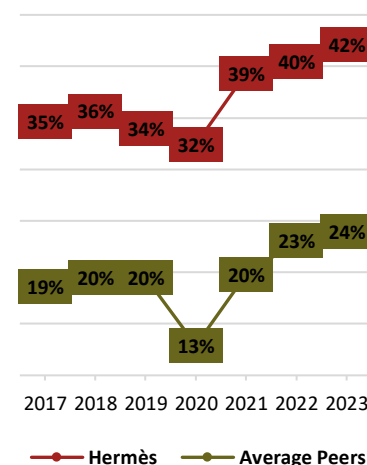
Source: Bloomberg

Figure 27 – Total assets Hermès vs Peers (in € Thousands)



Source: Refinitiv

Figure 28 – EBIT margin Hermès vs Peers



Source: Refinitiv

Foreseeing, M&A activity is poised to address industry challenges such as supporting category growth, expanding into new geographies, or securing critical resources and know-how. **Large luxury corporations frequently acquire their suppliers**, realizing benefits such as improved quality control, inventory management, and distribution efficiency.

Competitive Positioning

Peers identification

The selection of peers for Hermès International in the competitive positioning analysis involved **examining all companies classified within the Refinitiv Industry Group for Textiles & Apparel**. A relative valuation approach was used, the Selective And Representative Determination (**SARD**) method, which took into account parameters such as **market capitalization, return on equity (ROE), EBIT margin, enterprise value to revenues (EV/Revenues), and price-to-book ratio**. Given the **focus on companies closer to the luxury market, a deeper analysis was conducted**, leading to the identification of six peers that closely align with Hermès' business profile. (Table 7)

Porter's 5 forces (Figure 31)

Threat of New Entrants – Low (1)

The threat of new entrants in luxury fashion is **low due to high barriers to entry, including brand loyalty and reputation**. Established brands' substantial investments in design, manufacturing, and marketing act as barriers, making it **challenging for new entrants** to compete effectively

Bargaining Power of Buyers – Low-Medium (2)

Consumers in luxury fashion hold **considerable sway**, driven by their ability to switch between brands based on factors like **price, quality, and reputation**. Online access to product information amplifies their influence, although brand uniqueness and reputation mitigate it. Consequently, companies must invest strategically to attract and retain customers, fostering brand loyalty.

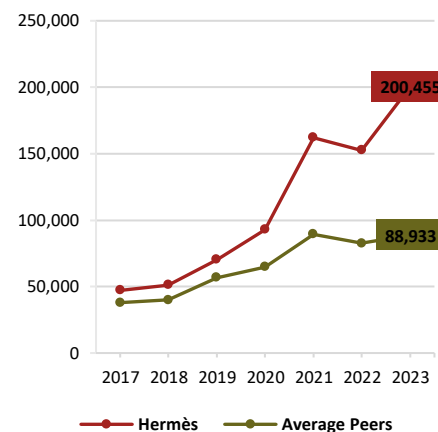
Bargaining Power of Suppliers – Low-Medium (2)

Suppliers' bargaining power in luxury fashion ranges from **low to moderate**, depending on **buyer dependence**. Raw material scarcity and specialized craftsmanship contribute to moderate supplier power. Luxury brands' emphasis on product uniqueness can further increase supplier bargaining power, although some brands opt to acquire suppliers to enhance control over the value chain.

Threat of Substitute Products – Moderate (3)

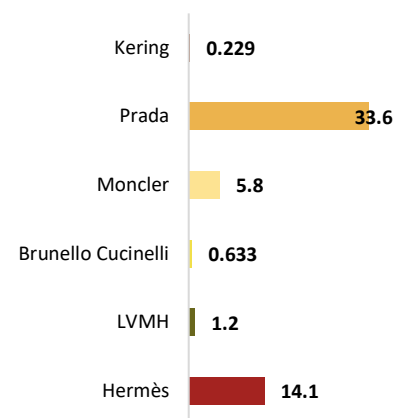
In the luxury fashion industry, consumers purchase apparel for reasons beyond basic necessity such as fashion, trend, status, and appearance. While there are **no**

Figure 29 – Market capitalisation Hermès vs Peers (in € Millions)



Source: Refinitiv

Figure 30 – Number of followers on Instagram in millions (in € Millions)



Source: Instagram

Figure 31 – Porter 5 forces



Source: Author

direct substitutes for luxury clothing, competition arises from similar offerings within the industry. Established brands benefit from strong reputations and brand recognition, fostering customer loyalty.

Rivalry Among Competitors – High (4)

Intense **competition characterizes the luxury fashion industry globally across various segments**, driving companies to differentiate themselves through innovation and brand reputation. (Figure 31)

SWOT Analysis

Strengths

- Unparalleled reputation
- Diversified product range
- Global presence
- Vertical integration

Weaknesses

- Geographic centralization
- Slow innovation concerning sustainability

Opportunities

- Expand online presence
- Expand to emerging markets
- Develop sustainable and ethical products
- Target new generations (Millennials and Gen Z)

Threats

- Fast changing consumer preferences
- High competition
- Unstable economic environment
- Regulatory risks (changes in international trade, labor practices and environmental standards)

Source: Author

5. Investment Summary

The base case recommendation for Hermès is to **BUY** with a 2024YE price target of **€2,411.03/share**, representing an **upside potential of 14.16%** in 6.5 months, corresponding to **an annualized return of 27.89%**, against the closing price of **€2,112/share**, as of June 14, 2024, with a **medium risk**.

Bull and Bear scenarios were determined with a 2024YE price target of **€2,699.43/share and €1,913.49/share**, respectively.

Nevertheless, the recommendation is based on the key pillars:

Hermès holds a **competitive edge over its market rivals**, a position we anticipate it will maintain. Bolstered by an **impeccable reputation for exclusivity and pricing power**, Hermès is strategically positioned for sustained growth, cementing its status as one of the most desired brands.

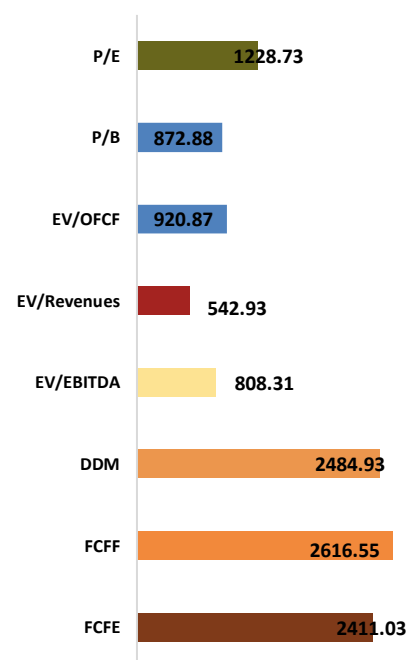
Post-pandemic, Hermès has exhibited **remarkable results**, nearly **doubling its revenues from 2019 to 2023**, boasting a **CAGR of 18.9%**. **Projections for 2024** indicate a 16.29% YoY revenue increase, amounting to a total revenue of €15,613 million, with a **CAGR from 2024-2028 projected at 8.49%**. This optimism is grounded in the belief that Hermès will sustain its revenue growth and retain its position at the forefront of sales.

Table 7 – SARD peers identification

Rank	Peer	SARD Result
1	LVMH	29
2	Brunello Cucinelli SpA	47
3	Moncler SpA	48
4	Compagnie Financiere Richemont SA	50
5	Prada SpA	71
6	Kering	77

Source: Author

Figure 32 – Price targets (€/share)



Source: Author

Hermès demonstrates **robust margins**, with **operating margins reaching 40.5% in 2022 and 42.1% in 2023**, far **surpassing industry averages of 23.05% and 24%** for the same periods. The company maintains a strong financial position with €5.38 billion in net cash by 2023. **Generating around €4 billion in operating cash flow** annually in both 2022 and 2023, Hermès retains flexibility for extraordinary dividends, M&A activities, and share buybacks, even after accounting for capital expenditures and lease liabilities

Valuation methods

Multiple methodologies were employed to establish Hermès' Price Target, yielding diverse conclusions. **The Free Cash Flow to Equity (FCFE)** discounted at the cost of equity served as the **base model**. Supplementary analyses **encompassed Free Cash Flow to Firm (FCFF), Dividend Discount Model (DDM), and relative valuation methodologies**. However, for the recommendation decision, emphasis was placed solely on the findings derived from the FCFE.

Investment risks

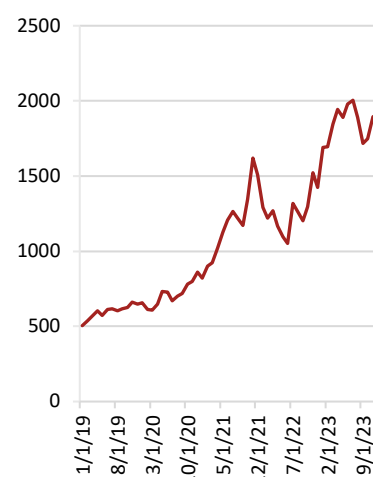
In recent years, **sustainability** has become pivotal for consumer perceptions. Despite Hermès' strong vertical integration, **supply chain disruptions** remain a risk, alongside potential **reputation damage**, highlighting the need for robust risk management.

6. Valuation

For the valuation of Hermès, please refer to Appendices 4-6 for forecasted macroeconomic and operational data, standardized and rearranged financial statements presented in common-size format, as well as supplementary tables detailing the rationale for assumptions on key variables and inputs.

The **Free Cash Flow to Equity (FCFE)** model formed the basis of Hermès' valuation (Table 8). A **detailed 2024-2028F FCF schedule** was developed, incorporating a perpetual growth rate model. This approach resulted in a **2024 YE Price Target of €2,411.03 per share**, implying an **annualized return of 27.69%** from the **closing price of €2,112/share**. The FCFE model calculates enterprise value by **discounting anticipated future cash flows back to their present value** using a specified discount rate, based on parameters such as net income, depreciation, capital expenditures, changes in net working capital, and net borrowings. The decision was made to **rely on the FCFE valuation** due to **Hermès' stable capital structure and minimal debt levels**, affirming the stability of this approach.

Figure 33 – Evolution of Hermès' share price (€)



Source: Yahoo Finance

Table 8 – Price Target by FCFE (in €)

Price Target	
Equity Value	252,309.36
# Shares outstanding	104.65
Price Target	2,411.03
Price 14th June 2024	2,112.00
Upside potential	14.16%

Source: Author

Table 9 – Price Target by FCFF (in €)

Price Target	
EV	283,696.26
Net Debt	-9,877.27
Equity Value	273,816.99
# Shares outstanding	104.65
Price Target	2,616.55
Price 30th June 2024	2,112.00
Upside potential	23.89%

Source: Author

Additionally, an alternative valuation was performed using the Free Cash Flow to the Firm (FCFF). The **FCFF** analysis yielded a share valuation of **€2,616.55**, suggesting a **potential upside of 48.51% annually**. (Table 9)

In the **Dividend Discount Model**, our approach involved projecting dividend payout ratio growth, starting with the base dividend of **€15 per share plus an extraordinary dividend of €10 per share for 2024**. Annual increases of **3% in the payout ratio** were assumed, reflecting Hermès' historical trend. **Extraordinary dividends** of €11, €14, and €15 per share were also anticipated **for 2025, 2027, and 2028** respectively, based on a percentage of extraordinary dividends decided in 2023 relative to net income. (Figure 35) This strategic dividend policy underscores Hermès' **strong cash flow generation and low debt levels**, reinforcing its potential for sustained growth. The **DDM estimated a share value of €2,484.93**, assuming a terminal growth rate of 4.6%, which is based on the average YoY growth of the dividend payout ratio over the past 4 years (2020-2023). (Table 10)

Furthermore, a **relative valuation** approach was employed using the Selective And Representative Determination (SARD) method to identify peer companies similar to Hermès. Despite applying multiple approaches such as P/E, P/B, EV/EBITDA, EV/OCF, and EV/Revenues, **none provided a reliable price target** due to **Hermès' outlier status among its peers**. Consequently, these results did not significantly influence the recommendation decision.

Revenue

We anticipate robust **overall revenue growth of 16.29% YoY**, projecting total revenues of **€15,613.04 million for 2024**, based on Hermès' 2022-2023 sales performance across regions. Our methodology involved segmenting revenues by region, applying **individual growth rates adjusted for regional inflation rates** sourced from the International Monetary Fund (IMF). This approach ensures a nuanced forecast, gradually moderating growth rates over the forecasted period. (Figure 37)

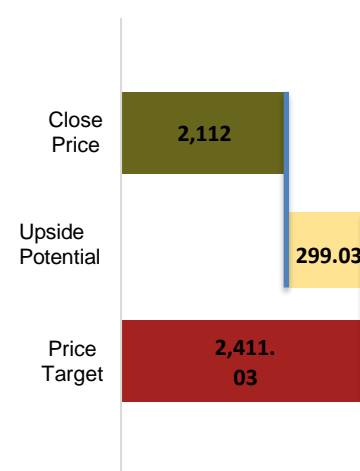
Looking ahead, **Asia-Pacific and Europe** are poised to **remain pivotal regions**. **Asia-Pacific (excluding Japan)** is expected to **grow at a 4.34% CAGR**, with **Japan projecting a 16.82% CAGR** from 2024 to 2028. Similarly, **Europe (excluding France)** anticipates a **9.97% CAGR**, while **France forecasts a 10.04% CAGR** during the same period. Comparing Compound Annual Growth Rates (CAGR) between 2019-2023 and 2024-2028 reveals a **decline in growth momentum**. **Total revenues grew at an 18.9% CAGR from 2019-2023**, contrasting with a **forecasted 8.49% CAGR** for the subsequent period. Despite this moderated growth, the **regional composition is expected to remain stable**. The anticipated revenue growth reflects a cautious trajectory, aligning with post-pandemic economic

Table 10 – Price Target by DDM (in €)

Price Target	
Equity Value	260,043.17
# Shares outstanding	104.65
Price Target	2,484.93
Price 14th June 2024	2,112.00
Upside potential	17.66%

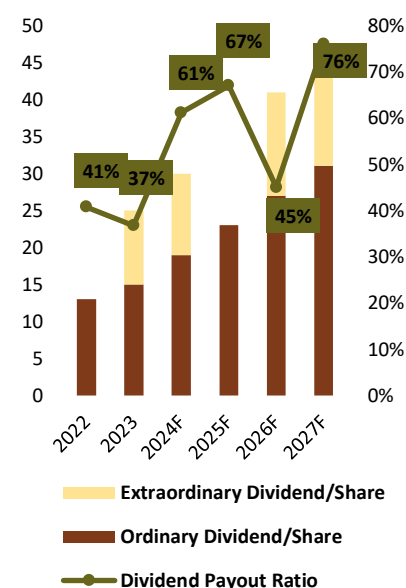
Source: Author

Figure 34 – Price Target and Close Price (in €)



Source: Author

Figure 35 – Dividend payout ratio and DPS



Source: Author and Bloomberg

adjustments away from previous consumption patterns observed during and after COVID-19.

Operating costs

We maintained a consistent **gross profit margin of 72.3% throughout 2023** and anticipate **a gradual increase to 73.1% by 2028**, reflecting an annual increment of 0.2%. This adjustment aligns with the upward trend observed in recent years.

Sales and Administrative expenses are projected to **remain at 23.6%** of total revenue, consistent with the 2023 level (Figure 38). Despite previous fluctuations, maintaining this percentage provides a stable foundation for our financial projections.

Similarly, **Other Income and Expenses** will continue to represent **6.62% of total revenues**, aligning with the benchmarks set in 2023. This decision ensures consistency in our financial modeling and underscores the confidence in the predictability of these operating costs over the forecast period.

Capex and D&A

Aligned with our growth projections for Hermès, we computed capital expenditures in fixed assets as a percentage of revenues, based on the historical percentage from 2023. For **Capital Expenditures (Capex)** (Figure 39), we derived a figure of **5.54% of revenues for 2023**. This percentage serves as a key parameter for forecasting future capital investment relative to overall revenues. We **increased this figure by 0.1% annually**, reaching 6.04% by 2028.

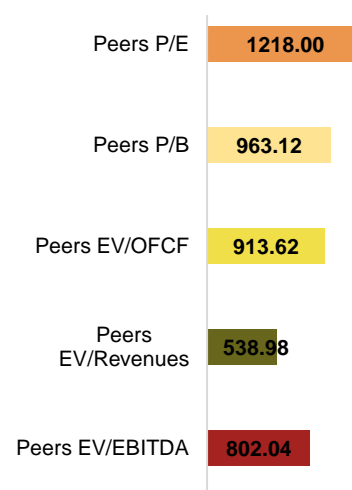
For Depreciation and Amortization (D&A), we applied a similar methodology, using the **historical average percentage of D&A over Property, Plant & Equipment** at the beginning of the period, which is 14.05%. This **percentage was maintained** for the forecast period.

Regarding Intangible Assets, we calculated **Capex as a percentage of revenues, resulting in 0.86% for 2023**. This percentage was **increased by 0.1% annually**, reaching **1.36% by 2028**, aligning with the **percentage** observed in 2019. This increase is primarily driven by the **growing importance of sustainability**. To **remain competitive**, Hermès will need to invest in innovation and research (R&D) to develop new technologies, designs, and processes that provide a sustainable competitive advantage. The amortization rate for **Intangible Assets was established at 44.60%** (2023) over the initial value at the beginning of the forecast period, and this rate was **maintained throughout the forecast period**.

Capital structure

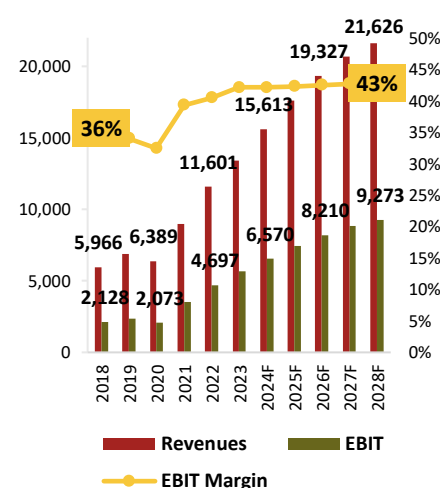
Throughout our forecast period, we decided to **maintain Hermès' level of debt without any adjustments**, ensuring a stable financial structure. However, we opted

Figure 36 – Price targets by relative valuation (in €)



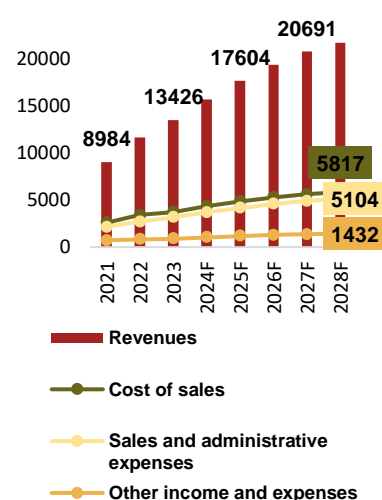
Source: Author

Figure 37 – Hermès' revenues and EBIT forecasted period (in € Millions)



Source: Author

Figure 38 – Revenues, Cost of Sales, Sales and Admn, Other Income Expenses (in € Millions)



Source: Author and Bloomberg

to increase lease liabilities. This augmentation was determined by considering the percentage of right-of-use assets over revenue. By **closely monitoring and adjusting lease liabilities in line with revenue growth**, we aim to reflect a realistic financial scenario that accounts for Hermès' operational needs and expansion plans. This approach ensures that the capital structure remains balanced, supporting Hermès' long-term strategic objectives while maintaining financial stability.

WACC rate assumptions (Table 11)

Cost of equity

To determine the **Cost of Equity (6.24%)**, we utilized the Capital Asset Pricing Model (CAPM) methodology:

- The **risk-free rate (2.440%)** was derived from the yield of the **10-year German government bond**, providing a stable baseline.
- For the **Market Risk Premium (5.44%)**, we calculated a weighted average based on Hermès' main markets, referencing **Fernandez (2024)**. (Table 12)
- The **levered beta (0.70)** was derived by analyzing Hermès' **historical price data** over the preceding five years (2019-2023) **in conjunction with data for the CAC40 index**. Additionally, we calculated the **beta** through an **analysis of comparable companies in the Luxury Goods Industry**. We first calculated peers' unlevered beta by deleveraging their five-year average beta using their specific debt-to-equity ratio. We then re-levered the obtained beta using Hermès' capital structure. The results from both methods were very similar, confirming the robustness of our beta estimate.

Cost of debt

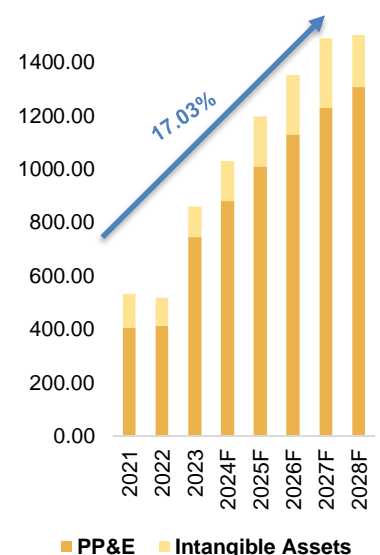
The pre-tax **Cost of Debt (3.75%)** was determined using the following approach:

- The risk-free rate was the one previously derived.
- The **country risk premium (0.72%)** was considered, based on synthetic ratings provided by **Damodaran**.
- Given Hermès' robust **interest coverage ratio surpassing 8.5x**, a spread of **0.59% over the AAA large company rate** was applied to ascertain the cost of debt.

Long-run sustainable growth rate and terminal value

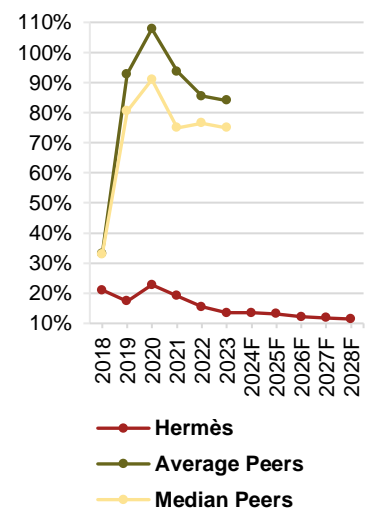
We determined the **long-run sustainable growth rate for Hermès to be 4%**, aligning with historical growth and future market projections by Bain & Company. Additionally, by 2030, **Millennials and Gen Z will constitute the majority of consumers**. It is expected that their **spending will increase at rates faster** than previous generations, with Gen Z anticipated to increase their luxury spending three

Figure 39 – Capex split (in € Million)



Source: Author and Bloomberg

Figure 40 – D/E Hermès and peers



Source: Author and Refinitiv

Table 11 – WACC assumptions

WACC	
Risk-free rate	2.44%
Beta	0.70
MRP	5.44%
Cost of equity	6.24%
Spread	0.59%
CRP	0.72
Pre-tax cost of debt	3.75%
Effective tax rate	27.80%
Cost of debt after tax	2.71%
D/(D+E)	10.82%
E/(D+E)	89.18%
WACC	5.9%

Source: Author

times faster. This projection underscores the potential for sustained growth in the luxury market, supporting Hermès' long-term strategic planning and terminal value assumptions.

7. Financial Analysis

Profitability

Hermès has consistently outperformed the market in recent years. From 2018 to 2022, while the **average market growth was 11.36%**, Hermès recorded a robust **sales growth of 17.1%**, according to Bloomberg. This **significant outperformance underscores Hermès'** status as a leader in the industry, showcasing its resilience and market excellence.

Hermès' **operating margins** have consistently **outperformed peers** in the industry. During the COVID-19 pandemic, Hermès experienced a **modest decline in operating margin, falling to 33.98% in 2019 and further to 32.44% in 2020**. However, the company leveraged its robust vertical integration network to **rebound strongly, with margins rising to 39.30% in 2021, 40.48% in 2022, and 42.08% in 2023**. We forecast that the operating margin will **increase from 42.08% to 42.9%** for the years 2024F-2028F, driven by the strong desirability of Hermès' collections and its pricing power.

In 2023, Hermès' **operating cash flows reached €5.1 billion (€4.1 billion in 2022), marking a 25% increase year-on-year**, closely mirroring the growth rate of net income before tax. Additionally, Hermès maintained a robust **cash position in 2023, with cash representing 51.96% of total assets**, amounting to **€5.38 billion in net cash**.

The **COVID-19 pandemic** caused a **temporary setback in revenues** in 2020, with a **7.18% YoY decrease from 2019**. However, the subsequent years saw a remarkable recovery. In **2021**, revenues **surged by 40.58%**, reaching **€8,984 million**, with **significant growth** in the **"Watches" and "Ready-to-Wear & Accessories"** segments, which grew by 73% and 59% at constant exchange rates, respectively. The momentum continued in **2022**, with revenues **growing by 29.16%** at current exchange rates compared to the previous year.

Our revenue forecasts, based on **sales growth from 2022 to 2023 at constant exchange rates and adjusted for regional inflation forecasts**, project a total **growth CAGR of 8.49%** for 2024F-2028F (compared to a CAGR of 18.18% for 2019-2023). The primary revenue drivers, **"Leather Goods & Saddlery" and "Ready-to-Wear & Accessories,"** collectively **contribute 70%** of the total revenue, underscoring their critical role in Hermès' overall financial performance.

Table 12 – MRP per region

MRP	
Europe	
Belgium	5.70%
Czech Republic	5.60%
Denmark	5.80%
Finland	5.70%
Germany	5.60%
Italy	6.20%
France	5.60%
Total	5.74%
Asia Pacific	
China	6.30%
Japan	5.30%
Total	5.80%
Americas	
Canada	5.20%
USA	5.50%
Total	5.35%
Other	
Qatar	6.70%
Total	6.70%

Source: Fernandez

Table 13 – MRP and % of revenues

	% of Revenues	Total MRP
Europe	23.60%	5.74%
Asia-Pacific	54.50%	5.80%
Americas	19.23%	5.35%
Other	2.65%	6.70%

Source: Fernandez and Bloomberg

Leverage

Analyzing Hermès' **Debt-to-Equity ratio** (Figure 40), the company has demonstrated a consistent reduction over recent years, **declining from 17.4% in 2019 to 13.5% in 2023**. This trend underscores Hermès' prudent financial management and its **minimal reliance on borrowing to sustain growth**. Such **financial resilience is particularly critical during challenging periods, such as the COVID-19 pandemic**, when companies may need additional funds to navigate economic uncertainties. Hermès' financial preparedness is evident from its ability to increase the ratio to 22.8% in 2020, followed by subsequent decreases in the following years.

We anticipate a **gradual decrease in the Debt-to-Equity ratio for the forecasted years, projecting it to reach 11.4% by 2028F**. This strategic financial trajectory highlights Hermès' deliberate and forward-thinking approach, laying a foundation for **sustained growth while maintaining financial prudence**. This projection aligns with the Group's objectives in capital management, which will continue, ensuring financially balanced operations and minimizing debt usage.

DuPont Analysis

Based on the DuPont analysis, the **Return on Equity (ROE) for Hermès demonstrated a decline from 23.24% in 2019 to 18.74% in 2020**. This reduction can be largely attributed to a **decrease in the net profit margin**, which fell from 22.20% to 21.68% over the same period. However, a significant recovery occurred in 2021, with ROE rebounding due to a substantial increase in the net profit margin, which rose by 5.5% compared to 2020. This upward trend in ROE continued through 2023.

Looking forward, our projections indicate a **gradual decline in ROE up until 2028**. This anticipated **downward trend is primarily due to asset expansion**, notably driven by an **increase in cash and equivalents** that outpaces the growth in sales.

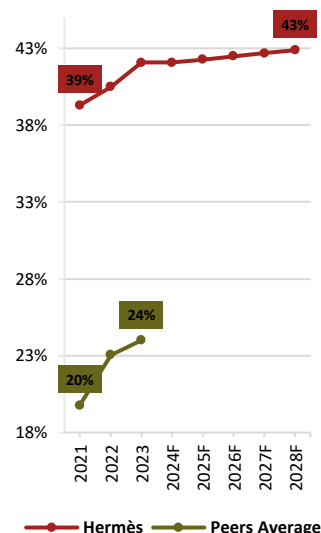
8. Investment Risks

Market Risks

Changes in the economies of the main consumer's market (M1)

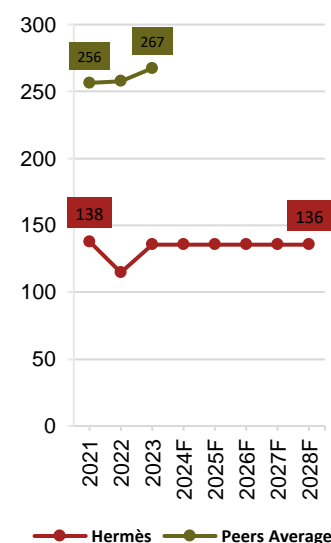
Hermès' **revenues are predominantly influenced by key markets such as Asia-Pacific** (excluding Japan) (46.72%), **Japan** (9.38%), **Americas** (18.64%), and **France** (9.49%). The substantial reliance on these regions implies that any **significant economic shift or major event** in the business environment, coupled with changes in consumer behavior, could significantly **impact the company's revenues**. Given its exposure to diverse economies, the likelihood of such shifts poses a major risk for the company.

Figure 41 – EBIT margin Hermès' and peers



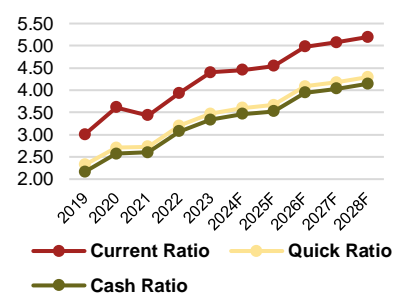
Source: Author and Refinitiv

Figure 42 – Cash conversion cycle (in days)



Source: Author and Refinitiv

Figure 43 – Cash, quick and current ratio



Source: Author and Refinitiv

Currency risk (M2)

Given that a significant portion of Hermès' revenues originates from countries outside the euro zone, the company is inherently exposed to currency risk. The revenues generated in Asia-Pacific, and the Americas are denominated in various currencies such as Hong Kong Dollar, Singapore Dollar, other Asia-Pacific currencies, Japanese Yen, and United States Dollar. This diversity in currencies poses a potential challenge as Hermès faces exchange rate risks, particularly because a substantial portion of its costs is denominated in Euros. The fluctuation in exchange rates adds a layer of complexity to Hermès' financial landscape.

Operational Risks

Supply chain (O1)

Hermès benefits from an integrated supply chain, a strategic asset that greatly facilitates its business operations. However, potential disruptions arising from political instability, labor disputes, and natural disasters pose significant risks to the company. These types of instabilities can introduce disruptions across the entire production and distribution process, interfering with the flow of business operations. Insufficient supply, resulting from such disruptions, may lead to product shortages or compromise product quality, presenting a considerable risk to Hermès.

Craftmanship (O2)

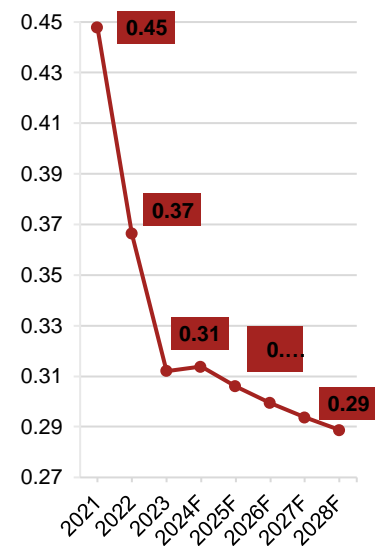
Hermès' reputation is primarily built on the exceptional craftsmanship embedded in its production chain. The absence of expertise and savoir-faire among its craftspeople could significantly impact the company's image and likely result in a loss of consumer trust and loyalty. The intricate skill and artistry of its craftsmen are integral to Hermès' brand identity, and any compromise in this area could undermine the company's longstanding reputation for excellence.

Brand and Strategy Risks

Reputation (BS1)

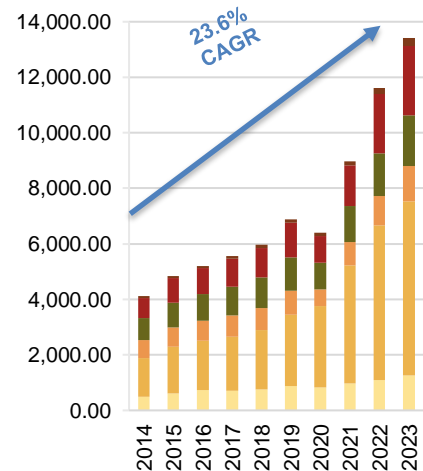
Hermès places importance on its reputation for exceptional quality, craftsmanship, and creativity. These pillars are the cornerstones of the brand's identity. Any negative news surrounding Hermès has the potential to destroy the meticulously built reputation that has evolved over the years. In our contemporary world, where social media platforms dominate the dissemination of news, the risk of misinformation becomes significantly magnified. The rapid and widespread nature of social media can have a profound impact on the brand's image, potentially leading to irreparable damage.

Figure 44 – D/EBITDA



Source: Author and Refinitiv

Figure 45 – Revenues by region (in € Million)



Source: Bloomberg

Creativity / GEN Z Adaptation (BS2)

In a world characterized by constant change, **staying in line with evolving trends poses a significant challenge**. The **fashion industry**, in particular, **is vulnerable to swift and unpredictable shifts in consumer preferences**, presenting a potential threat to Hermès. Failing to adapt quickly to these changes may not only affect sales but also impact the brand's overall image. With the emergence of younger consumers as a substantial segment in the luxury goods market, Hermès must proactively align itself with contemporary trends.

Counterfeiting (BS3)

Given the exceptionally high prices associated with luxury brands, the **proliferation of counterfeit products has become increasingly common**. These counterfeit items pose a substantial risk to the brand image of Hermès, known for its unwavering commitment to immaculate quality and exclusivity. The availability of counterfeit Hermès products not only compromises the perceived exclusiveness of the brand but also threatens the reputation built on the dedication to superior craftsmanship.

Environmental and Social Risks

Sustainability (ES1)

In the contemporary world, where **climate change stands as a paramount global concern**, it poses a challenge for Hermès. The **increasing environmental consciousness among consumers** places a significant pressure on Hermès to showcase a commitment to sustainability. The brand must **explore options and implement solutions that involve sustainable materials, eco-friendly production processes, and overall environmentally conscious practices**. Failing to address these concerns not only poses a risk to the environment but also jeopardizes Hermès' esteemed reputation.

Human Rights (ES2)

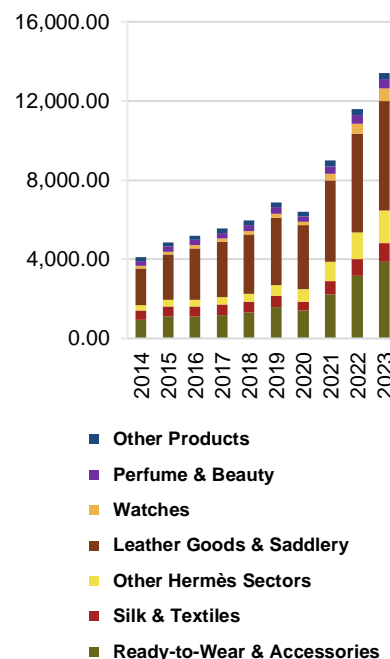
As awareness of brands' **adherence to human rights and ethical values grows**, consumers are increasingly mindful of these considerations when making purchasing decisions. If Hermès were to be associated with any situation that suggests a lapse in ethical values or human rights standards, **it could have a profound impact on the brand's reputation and image**. The modern consumer places a premium on ethical practices, and any divergence from these principles may lead to a loss of trust and loyalty.

Political and Regulatory Risks

Laws and Regulation (PR1)

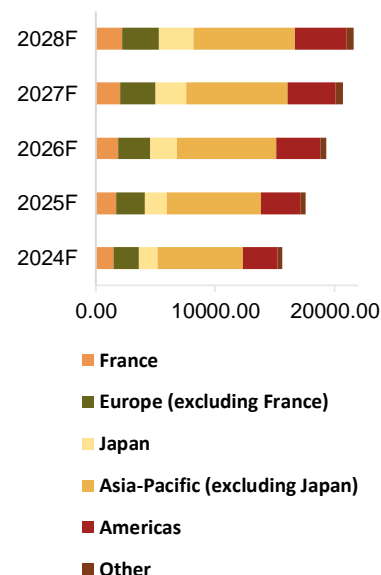
With a **complex supply chain covering various countries**, Hermès is obligated to **adhere to diverse laws and regulations**. Operating in multiple countries with

Figure 46 – Revenues by segment



Source: Bloomberg

Figure 47 – Forecast revenues by region



Source: Author

distinct legal frameworks exposes Hermès to risks associated with changes in trade policies, import/export regulations, and other laws. Regulatory shifts can impact the company's operations significantly. The primary challenge lies in the **intricate and numerous natures of these regulations**, making full compliance a demanding task. Any lapses in compliance could have negative effects on the business' operations and reputation, potentially resulting in penalties.

Figure 48 – Risk Matrix

LIKELIHOOD OF OCCURENCE	Almost certain	PR1			
	Very possible	BS3	BS2 M1	O1 ES1	
	Possible		O2 M2	BS1 ES2	
	Not possible				
		Limited	Significant	Critical	Major
		IMPACT			

Sensitivity analysis

Bull and Bear scenarios

The sensitivity of Hermès' 2024 YE **Price Target to changes** in variables specifically i) **the terminal growth rate** and ii) **the cost of equity** has been thoroughly analyzed.

Our **base case scenario** assumes a **terminal growth rate of 4%**. It was observed that a 0.10% increase (decrease) in the terminal growth rate results in an approximate increase (decrease) of €100/share, holding all other factors constant (ceteris paribus).

The base case employs a **cost of equity of 6.24%**. If all other variables remain constant, the recommendation for Hermès' stock would shift to a REDUCE recommendation if the cost of equity increases by 0.25%, and to a STRONG BUY

recommendation if the cost of equity decreases by 0.25%.

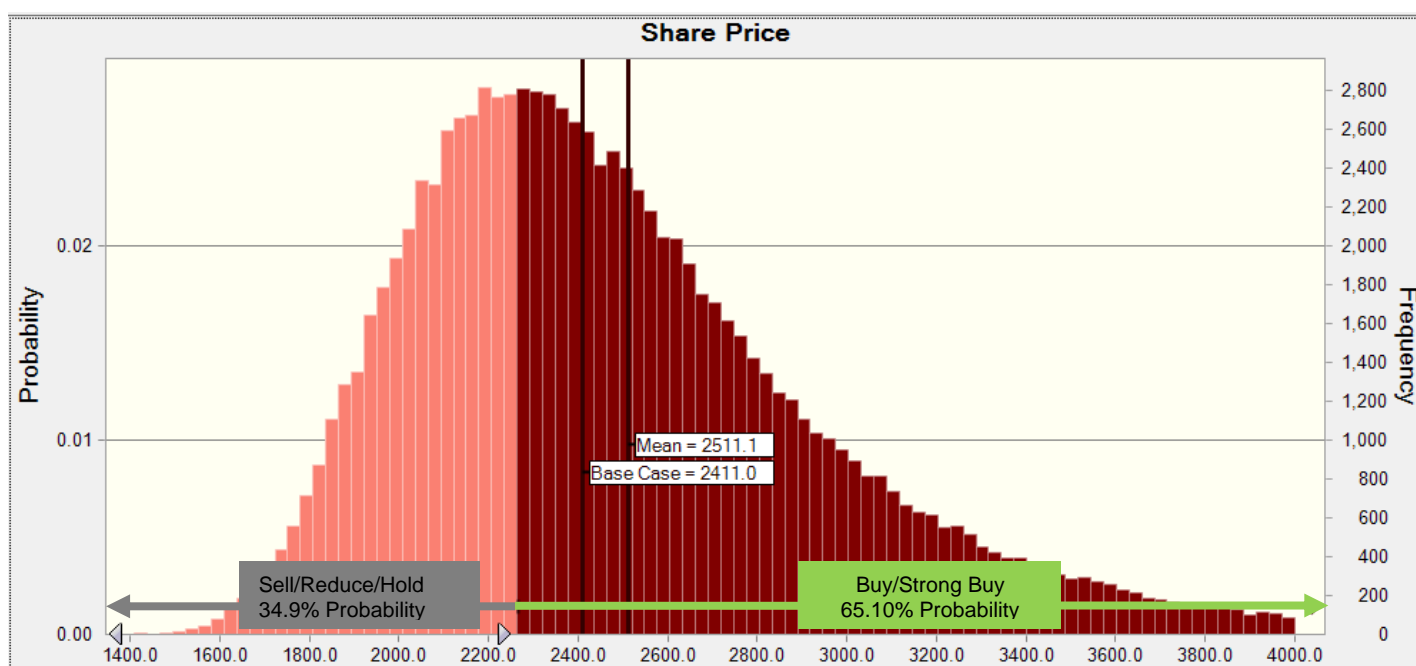
A bull and bear scenario was assessed, assuming changes in i) the terminal growth rate and ii) the cost of equity. In the **bullish scenario**, we anticipate a **reduction in the cost of equity by 0.25%** and an **increase in the terminal growth rate by 0.10%**, resulting in a projected share price of **€2,699.43**. Conversely, the **bearish scenario** envisions a **0.25% increase in the cost of equity** and a **decrease in the terminal growth rate to 3.6%**, leading to an estimated share price of **€1,913.49**.

Monte Carlo Simulation	
# Trials	100,000
Base Case	2,411.03
Median	2,411.60
Mean	2,511.10
St. Deviation	531.70
Upside Potential	37.65%

Monte Carlo Simulation

In addition to our valuation, we conducted a Monte Carlo simulation to assess the potential future share prices of Hermès. This simulation included 100,000 trials, resulting in an average price of €2,511.10/share. This represents a 37.65% upside potential compared to the closing price of €2,112 per share as of June 14, 2024, with a confidence level of 65.1%. Key inputs for the simulation included the cost of equity and the terminal growth rate.

Figure 50 – Monte Carlo



Source: Author

Table 14 – Price per share sensitivity (g and cost of equity)

Price per share		Cost of Equity										
		-1.25%	-1.00%	-0.75%	-0.50%	-0.25%	0%	0.25%	0.50%	0.75%	1.00%	1.25%
Terminal Growth Rate	3.50%	3614.40	3110.54	2733.56	2440.97	2207.35	2016.56	1857.85	1723.79	1609.08	1509.84	1423.16
	3.60%	3856.66	3285.11	2865.07	2543.42	2289.29	2083.50	1913.49	1770.72	1649.15	1544.42	1453.28
	3.70%	4136.47	3482.36	3011.27	2655.92	2378.39	2155.71	1973.12	1820.73	1691.66	1580.96	1484.99
	3.80%	4463.32	3707.00	3174.78	2780.02	2475.63	2233.84	2037.18	1874.15	1736.83	1619.62	1518.42
	3.90%	4850.15	3965.18	3358.86	2917.60	2582.17	2318.65	2106.20	1931.33	1784.93	1660.59	1553.71
	4.00%	5315.12	4264.99	3567.64	3071.01	2699.43	2411.03	2180.75	1992.69	1836.24	1704.10	1591.03
	4.10%	5884.59	4617.41	3806.47	3243.12	2829.08	2512.04	2261.55	2058.69	1891.11	1750.38	1630.54
	4.20%	6598.25	5037.61	4082.33	3437.58	2973.23	2622.96	2349.40	2129.89	1949.91	1799.70	1672.46
	4.30%	7518.77	5547.21	4404.55	3659.05	3134.44	2745.31	2445.27	2206.93	2013.08	1852.37	1717.01
	4.40%	8751.37	6178.16	4785.90	3913.58	3315.92	2880.96	2550.32	2290.55	2081.13	1908.76	1764.44
4.50%	10487.14	6979.65	5244.30	4209.16	3521.77	3032.21	2665.93	2381.64	2154.65	1969.26	1815.04	

Source: Author

Table 15 – Terminal value sensitivity (g and cost of equity)

Terminal Value		Cost of Equity										
		-1.25%	-1.00%	-0.75%	-0.50%	-0.25%	0%	0.25%	0.50%	0.75%	1.00%	1.25%
Terminal Growth Rate	3.50%	422,071.90	361,427.24	316,020.41	280,749.31	252,560.93	229,516.53	210,325.79	194,096.64	180,192.63	168,147.47	157,611.75
	3.60%	452,875.26	383,836.81	333,063.10	294,152.74	263,382.84	238,440.70	217,813.90	200,471.69	185,687.38	172,933.91	161,819.73
	3.70%	488,454.57	409,156.83	352,010.06	308,870.28	275,149.91	248,067.57	225,838.81	207,266.16	191,516.16	177,990.77	166,249.76
	3.80%	530,013.90	437,993.67	373,199.36	325,105.13	287,991.63	258,483.55	234,460.37	214,522.85	197,710.39	183,341.64	170,919.92
	3.90%	579,199.22	471,134.72	397,054.07	343,104.71	302,062.27	269,789.81	243,747.71	222,290.58	204,305.55	189,012.93	175,850.25
	4.00%	638,321.60	509,621.35	424,110.89	363,173.27	317,547.08	282,105.58	253,781.03	230,625.31	211,341.86	195,034.31	181,063.12
	4.10%	710,730.81	554,860.40	455,060.95	385,689.31	334,670.55	295,572.40	264,653.99	239,591.47	218,865.13	201,439.22	186,583.55
	4.20%	801,472.90	608,799.77	490,809.70	411,129.62	353,707.32	310,359.53	276,476.57	249,263.65	226,927.71	208,265.51	192,439.57
	4.30%	918,519.38	674,216.35	532,566.95	440,103.47	374,997.04	326,671.15	289,378.88	259,728.66	235,589.75	215,556.19	198,662.75
	4.40%	1,075,246.76	755,209.45	581,986.52	473,401.97	398,964.82	344,755.83	303,515.89	271,088.12	244,920.70	223,360.31	205,288.73
4.50%	1,295,952.53	858,094.40	641,390.45	512,071.46	426,149.89	364,919.29	319,073.75	283,461.86	255,001.13	231,734.08	212,357.93	

Source: Author

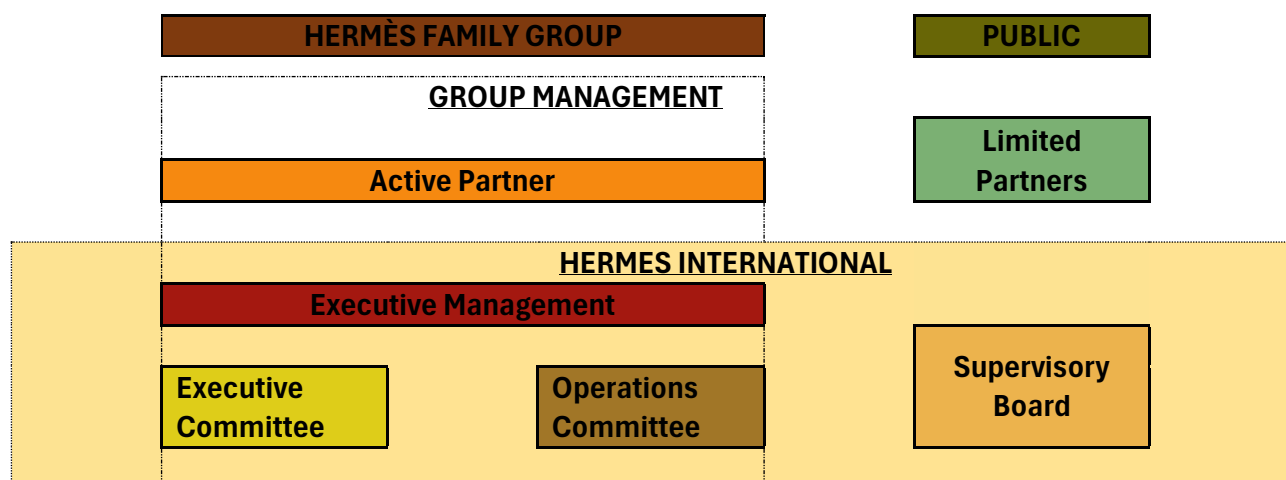
Table 16 – Enterprise value sensitivity (g and cost of equity)

Equity Value		Cost of Equity										
		-1.25%	-1.00%	-0.75%	-0.50%	-0.25%	0%	0.25%	0.50%	0.75%	1.00%	1.25%
Terminal Growth Rate	3.50%	378239.85	325511.77	286061.44	255442.69	230995.02	211028.94	194420.03	180390.90	168386.95	158001.84	148931.09
	3.60%	403591.57	343780.62	299823.83	266164.29	239570.24	218034.08	200242.91	185301.97	172580.44	161620.82	152083.21
	3.70%	432873.98	364422.14	315123.97	277937.07	248894.40	225590.81	206483.21	190536.13	177028.86	165444.26	155401.66
	3.80%	467078.05	387930.66	332234.85	290923.57	259070.11	233766.96	213187.48	196126.38	181756.19	169490.01	158899.98
	3.90%	507558.46	414948.08	351498.12	305321.70	270219.61	242641.94	220409.47	202110.30	186789.49	173778.01	162593.20
	4.00%	556217.22	446323.36	373347.18	321374.84	282489.68	252309.36	228211.55	208531.03	192159.49	178330.72	166498.07
	4.10%	615811.30	483203.37	398340.12	339385.76	296058.22	262880.30	236666.55	215438.18	197901.11	183173.41	170633.31
	4.20%	690493.66	527176.12	427208.11	359735.84	311142.86	274487.64	245859.99	222889.21	204054.33	188334.71	175019.95
	4.30%	786825.01	580505.37	460928.13	382912.46	328012.72	287291.65	255893.04	230951.00	210665.05	193847.12	179681.61
	4.40%	915814.45	646533.00	500835.65	409548.42	347004.65	301487.44	266886.22	239701.85	217786.26	199747.74	184645.01
4.50%	1097459.24	730407.41	548805.80	440480.72	368545.95	317314.99	278984.27	249234.05	225479.47	206079.07	189940.41	

Source: Author

Appendices

Appendix 1 – Governance Structure



Appendix 2 – 16 Métiers of Hermès

Leather Goods and equestrianism	Women's ready-to-wear	Men's ready-to-wear	Belts
Hats	Gloves	Shoes	Women's silk
Men's silk	Jewellery	Furniture and art of living	Tableware
Perfume	Beauty	Watches	Petit h

Appendix 3 – Steps in production of a Birkin

Step	Description
Artisan Involvement	Each Birkin bag is made entirely by a single, well-trained, and experienced artisan. It takes over eighteen hours of labor to produce each one. The bag is then marked with an identifying code including the year of creation, the artisan, and the workshop.
Choosing the Skin	Artisans examine each skin in minute detail, looking for the smallest flaw. Only flawless skins are taken to the next step.
Cutting the Leather	Approved skins are cut with extreme care. Typically, a single skin is used for a Birkin bag, but multiple skins may be required depending on size and type of skin. For lizard skin bags, four to five skins are needed for a single, small bag.
Stitching the Bag	Every bag is stitched by hand using the saddle stitch. The skin is held in a wooden clamp while the artisan sews each stitch using two needles. The intricate saddle stitch ensures no seam can unravel, using waterproof, waxed linen thread.
Ensuring Uniformity	If multiple hides are used, they must match perfectly. Each bag must look exactly like every other of its kind in size, shape, and detail. Each seam is shaved, sanded, and waxed to perfection. Variations in some leathers and scales are expected and accepted.
Creating the Handle	Handles are made with the same leather as the bag, formed by several layers of rolled leather, and can take up to four hours to fashion.
Placing the Hardware	Hermès precious metal hardware is placed with meticulous care and attached by a process known as “pearling.” Components are secured using tiny nails, which are then cut, hammered, and polished until smooth.
Inspecting the Bag	Detailed inspections occur at every stage. Completed bags are examined by a workshop inspector and then stamped with the year, workshop, and artisan. Final inspections occur at the Hermès logistics department in Bobigny before packing. Any bag failing inspection is destroyed.
Custom-Made Birkin Bags	Custom-made Birkin bags follow the same process. Buyers specify size, leather, and color. Hermès VIPs can customize bespoke Birkins with two colors, contrasting interior, handles, sangles, and gussets. Hardware and stitching colors can also be customized. The process can take one to two years or longer.

Appendix 4 – Statement of Financial Position

Appendix 4.1 – Statement of Financial Position

in € Million	Historical					Forecasted					CAGR 2024-2028
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
ASSETS											
Goodwill	16.20	42.40	42.00	0.00	72.00	72.00	72.00	72.00	72.00	72.00	
Intangible assets	184.10	221.30	258.00	213.00	225.00	273.99	337.78	410.65	487.49	563.44	19.75%
Right-of-use assets	954.30	1,446.10	1,517.00	1,582.00	1,716.00	1,998.47	2,253.29	2,473.84	2,648.45	2,768.16	8.49%
Property, plant and equipment	1,541.80	1,646.10	1,881.00	2,007.00	2,340.00	2,892.02	3,496.39	4,134.10	4,782.58	5,417.13	16.99%
Investment property	78.00	73.30	9.00	8.00	7.00	7.00	7.00	7.00	7.00	7.00	
Financial assets	357.40	367.70	617.00	1,109.00	1,141.00	1,409.63	1,589.38	1,744.94	1,868.10	1,952.54	
Investments in associates	79.30	48.80	51.00	54.00	200.00	200.00	200.00	200.00	200.00	200.00	
Loans and deposits	58.10	55.90	59.00	65.00	70.00	70.00	70.00	70.00	70.00	70.00	
Deferred tax assets	510.80	475.20	546.00	555.00	631.00	631.00	631.00	631.00	631.00	631.00	
Other non-current assets	10.50	23.90	22.00	39.00	37.00	37.00	37.00	37.00	37.00	37.00	
Non-current assets	3,790.60	4,400.80	5,002.00	5,630.00	6,438.00	7,591.12	8,693.84	9,780.54	10,803.63	11,718.26	11.47%
Inventories and work-in-progress	1,132.60	1,289.40	1,449.00	1,779.00	2,414.00	2,437.36	2,728.30	2,973.56	3,160.12	3,278.57	7.69%
Trade and other receivables	317.90	249.70	333.00	383.00	431.00	477.48	538.36	591.06	632.77	661.37	8.49%
Current tax receivables	20.70	63.40	58.00	19.00	51.00	51.00	51.00	51.00	51.00	51.00	
Other current assets	198.60	193.10	257.00	263.00	300.00	348.87	393.35	431.85	462.34	483.23	8.49%
Financial derivatives	36.50	121.40	53.00	160.00	188.00	188.00	188.00	188.00	188.00	188.00	
Cash and cash equivalents	4,384.20	4,732.70	6,696.00	9,225.00	10,625.00	12,219.74	13,516.95	16,151.93	17,331.90	18,385.33	10.75%
Current assets	6,090.50	6,649.70	8,845.00	11,828.00	14,008.00	15,722.44	17,415.97	20,387.40	21,826.13	23,047.51	10.03%
TOTAL ASSETS	9,881.10	11,050.50	13,847.00	17,459.00	20,447.00	23,313.56	26,109.81	30,167.94	32,629.75	34,765.77	10.51%
LIABILITIES											
Share capital	53.80	53.80	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	
Share premium	49.60	49.60	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	
Treasury shares	-508.80	-463.70	-551.00	-674.00	-698.00	-698.00	-698.00	-698.00	-698.00	-698.00	
Reserves	5,255.70	6,211.90	7,142.00	8,795.00	10,744.00	12,438.80	14,040.74	17,059.63	18,692.16	20,251.56	12.96%
Foreign currency adjustments	138.70	37.60	178.00	303.00	189.00	189.00	189.00	189.00	189.00	189.00	
Revaluation adjustments	50.90	105.50	83.00	546.00	553.00	553.00	553.00	553.00	553.00	553.00	
Net income	1,528.20	1,385.40	2,445.00	3,367.00	4,311.00	4,854.37	5,488.89	6,046.40	6,497.49	6,818.80	8.87%
Equity attributable to owners of the parent	6,568.10	7,380.10	9,400.00	12,440.00	15,201.00	17,441.16	19,677.63	23,254.03	25,337.65	27,218.35	11.77%
Non-controlling interests	7.80	10.90	12.00	16.00	2.00	2.00	2.00	2.00	2.00	2.00	
Equity	6,575.90	7,391.00	9,412.00	12,457.00	15,203.00	17,443.16	19,679.63	23,256.03	25,339.65	27,220.35	11.77%
Borrowings and financial liabilities due in more than one year	29.60	18.40	24.00	35.00	50.00	50.00	50.00	50.00	50.00	50.00	
Lease liabilities due in more than one year	896.00	1,447.50	1,529.00	1,629.00	1,720.00	2,002.47	2,257.29	2,477.84	2,652.45	2,772.16	8.47%
Non-current provisions	29.00	21.70	26.00	30.00	31.00	31.00	31.00	31.00	31.00	31.00	
Employee benefits	270.00	275.20	220.00	181.00	151.00	151.00	151.00	151.00	151.00	151.00	
Deferred tax liabilities	24.60	21.90	15.00	20.00	2.00	2.00	2.00	2.00	2.00	2.00	
Other non-current liabilities	32.50	36.20	45.00	103.00	106.00	106.00	106.00	106.00	106.00	106.00	
Non-current liabilities	1,281.70	1,820.90	1,860.00	1,998.00	2,060.00	2,342.47	2,597.29	2,817.84	2,992.45	3,112.16	7.36%
Borrowings and financial liabilities due in less than one year	20.50	24.50	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	
Lease liabilities due in less than one year	195.60	195.60	248.00	268.00	289.00	289.00	289.00	289.00	289.00	289.00	
Current provisions	101.40	99.90	115.00	133.00	134.00	134.00	134.00	134.00	134.00	134.00	
Employee benefits	18.20	28.30	40.00	15.00	16.00	16.00	16.00	16.00	16.00	16.00	
Trade and other payables	480.40	448.20	535.00	777.00	880.00	1,023.07	1,145.20	1,248.14	1,326.45	1,376.17	7.69%
Financial derivatives	47.10	29.30	122.00	74.00	45.00	45.00	45.00	45.00	45.00	45.00	
Current tax liabilities	360.10	217.80	347.00	496.00	586.00	586.00	586.00	586.00	586.00	586.00	
Other current liabilities	800.20	794.90	1,168.00	1,239.00	1,233.00	1,433.85	1,616.68	1,774.92	1,900.20	1,986.08	8.49%
Current liabilities	2,023.60	1,838.60	2,575.00	3,004.00	3,183.00	3,527.92	3,832.88	4,094.06	4,297.65	4,433.26	5.88%
TOTAL EQUITY AND LIABILITIES	9,881.10	11,050.50	13,847.00	17,459.00	20,447.00	23,313.56	26,109.80	30,167.94	32,629.75	34,765.77	10.51%

Appendix 4.2 – Statement of Financial Position (Common-size)

in %	Historical					Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ASSETS										
Goodwill	0.16%	0.38%	0.30%	0.00%	0.35%	0.31%	0.28%	0.24%	0.22%	0.21%
Intangible assets	1.86%	2.00%	1.86%	1.22%	1.10%	1.18%	1.29%	1.36%	1.49%	1.62%
Right-of-use assets	9.66%	13.09%	10.96%	9.06%	8.39%	8.57%	8.63%	8.20%	8.12%	7.96%
Property, plant and equipment	15.60%	14.90%	13.58%	11.50%	11.44%	12.40%	13.39%	13.70%	14.66%	15.58%
Investment property	0.79%	0.66%	0.06%	0.05%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%
Financial assets	3.62%	3.33%	4.46%	6.35%	5.58%	6.05%	6.09%	5.78%	5.73%	5.62%
Investments in associates	0.80%	0.44%	0.37%	0.31%	0.98%	0.86%	0.77%	0.66%	0.61%	0.58%
Loans and deposits	0.59%	0.51%	0.43%	0.37%	0.34%	0.30%	0.27%	0.23%	0.21%	0.20%
Deferred tax assets	5.17%	4.30%	3.94%	3.18%	3.09%	2.71%	2.42%	2.09%	1.93%	1.82%
Other non-current assets	0.11%	0.22%	0.16%	0.22%	0.18%	0.16%	0.14%	0.12%	0.11%	0.11%
Non-current assets	38.36%	39.82%	36.12%	32.25%	31.49%	32.56%	33.30%	32.42%	33.11%	33.71%
Inventories and work-in-progress	11.46%	11.67%	10.46%	10.19%	11.81%	10.45%	10.45%	9.86%	9.68%	9.43%
Trade and other receivables	3.22%	2.26%	2.40%	2.19%	2.11%	2.05%	2.06%	1.96%	1.94%	1.90%
Current tax receivables	0.21%	0.57%	0.42%	0.11%	0.25%	0.22%	0.20%	0.17%	0.16%	0.15%
Other current assets	2.01%	1.75%	1.86%	1.51%	1.47%	1.50%	1.51%	1.43%	1.42%	1.39%
Financial derivatives	0.37%	1.10%	0.38%	0.92%	0.92%	0.81%	0.72%	0.62%	0.58%	0.54%
Cash and cash equivalents	44.37%	42.83%	48.36%	52.84%	51.96%	52.41%	51.77%	53.54%	53.12%	52.88%
Current assets	61.64%	60.18%	63.88%	67.75%	68.51%	67.44%	66.70%	67.58%	66.89%	66.29%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES										
Share capital	0.54%	0.49%	0.39%	0.31%	0.26%	0.23%	0.21%	0.18%	0.17%	0.16%
Share premium	0.50%	0.45%	0.36%	0.29%	0.24%	0.21%	0.19%	0.17%	0.15%	0.14%
Treasury shares	-5.15%	-4.20%	-3.98%	-3.86%	-3.41%	-2.99%	-2.67%	-2.31%	-2.14%	-2.01%
Reserves	53.19%	56.21%	51.58%	50.38%	52.55%	53.35%	53.78%	56.55%	57.29%	58.25%
Foreign currency adjustments	1.40%	0.34%	1.29%	1.74%	0.92%	0.81%	0.72%	0.63%	0.58%	0.54%
Revaluation adjustments	0.52%	0.95%	0.60%	3.13%	2.70%	2.37%	2.12%	1.83%	1.69%	1.59%
Net income	15.47%	12.54%	17.66%	19.29%	21.08%	20.82%	21.02%	20.04%	19.91%	19.61%
Equity attributable to owners of the parent	66.47%	66.79%	67.88%	71.25%	74.34%	74.81%	75.36%	77.08%	77.65%	78.29%
Non-controlling interests	0.08%	0.10%	0.09%	0.09%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Equity	66.55%	66.88%	67.97%	71.35%	74.35%	74.82%	75.37%	77.09%	77.66%	78.30%
Borrowings and financial liabilities due in more than one year	0.30%	0.17%	0.17%	0.20%	0.24%	0.21%	0.19%	0.17%	0.15%	0.14%
Lease liabilities due in more than one year	9.07%	13.10%	11.04%	9.33%	8.41%	8.59%	8.65%	8.21%	8.13%	7.97%
Non-current provisions	0.29%	0.20%	0.19%	0.17%	0.15%	0.13%	0.12%	0.10%	0.10%	0.09%
Employee benefits	2.73%	2.49%	1.59%	1.04%	0.74%	0.65%	0.58%	0.50%	0.46%	0.43%
Deferred tax liabilities	0.25%	0.20%	0.11%	0.11%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Other non-current liabilities	0.33%	0.33%	0.32%	0.59%	0.52%	0.45%	0.41%	0.35%	0.32%	0.30%
Non-current liabilities	12.97%	16.48%	13.43%	11.44%	10.07%	10.05%	9.95%	9.34%	9.17%	8.95%
Borrowings and financial liabilities due in less than one year	0.21%	0.22%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lease liabilities due in less than one year	1.98%	1.77%	1.79%	1.54%	1.41%	1.24%	1.11%	0.96%	0.89%	0.83%
Current provisions	1.03%	0.90%	0.83%	0.76%	0.66%	0.57%	0.51%	0.44%	0.41%	0.39%
Employee benefits	0.18%	0.26%	0.29%	0.09%	0.08%	0.07%	0.06%	0.05%	0.05%	0.05%
Trade and other payables	4.86%	4.06%	3.86%	4.45%	4.30%	4.39%	4.39%	4.14%	4.07%	3.96%
Financial derivatives	0.48%	0.27%	0.88%	0.42%	0.22%	0.19%	0.17%	0.15%	0.14%	0.13%
Current tax liabilities	3.64%	1.97%	2.51%	2.84%	2.87%	2.51%	2.24%	1.94%	1.80%	1.69%
Other current liabilities	8.10%	7.19%	8.44%	7.10%	6.03%	6.15%	6.19%	5.88%	5.82%	5.71%
Current liabilities	20.48%	16.64%	18.60%	17.21%	15.57%	15.13%	14.68%	13.57%	13.17%	12.75%
TOTAL EQUITY AND LIABILITIES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Appendix 5 – Income Statement

Appendix 5.1 – Income Statement

in € Million	Historical					Forecasted					CAGR 2024-2028
	2019	2020	2021	2022	2023	2023	2024	2025	2026	2027	
Revenue	6,883.40	6,389.40	8,982.00	11,602.00	13,427.00	15,613.04	17,603.86	19,326.91	20,691.04	21,626.23	8.49%
Cost of sales	-2,124.90	-2,013.30	-2,580.00	-3,389.00	-3,720.00	-4,324.81	-4,841.06	-5,276.25	-5,607.27	-5,817.46	7.69%
Gross margin	4,758.00	4,376.20	6,402.00	8,213.00	9,708.00	11,288.23	12,762.80	14,050.66	15,083.77	15,808.78	8.78%
Sales and administrative expenses	-1,815.70	-1,698.50	-2,137.00	-2,680.00	-3,169.00	-3,684.68	-4,154.51	-4,561.15	-4,883.09	-5,103.79	8.49%
Other income and expenses	-604.00	-605.10	-734.00	-836.00	-889.00	-1,033.81	-1,165.64	-1,279.73	-1,370.05	-1,431.98	8.49%
Operating income	2,338.90	2,072.50	3,530.00	4,697.00	5,650.00	6,569.74	7,442.65	8,209.78	8,830.63	9,273.01	9.00%
Net financial income	-68.60	-86.10	-96.00	-62.00	190.00	68.76	77.53	85.11	91.12	95.24	8.49%
Net income before tax	2,270.30	1,986.40	3,435.00	4,635.00	5,840.00	6,638.50	7,520.18	8,294.90	8,921.75	9,368.25	8.99%
Income tax	-751.00	-613.00	-1,015.00	-1,305.00	-1,623.00	-1,845.50	-2,090.61	-2,305.98	-2,480.25	-2,604.37	8.99%
Net income from associates	15.90	16.10	34.00	50.00	105.00	77.50	77.50	77.50	77.50	77.50	
CONSOLIDATED NET INCOME	1,535.30	1,389.60	2,454.00	3,380.00	4,322.00	4,870.49	5,507.07	6,066.42	6,519.00	6,841.37	8.87%
Non-controlling interests	-7.00	-4.10	-8.00	-13.00	-12.00	-16.13	-18.17	-20.02	-21.51	-22.58	8.77%
Net income	1,528.20	1,385.40	2,445.00	3,367.00	4,311.00	4,854.37	5,488.89	6,046.40	6,497.49	6,818.80	8.87%

Appendix 5.2 – Income Statement (Common-size)

in %	Historical					Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	-30.87%	-31.51%	-28.72%	-29.21%	-27.71%	-27.70%	-27.50%	-27.30%	-27.10%	-26.90%
Gross margin	69.12%	68.49%	71.28%	70.79%	72.30%	72.30%	72.50%	72.70%	72.90%	73.10%
Sales and administrative expenses	-26.38%	-26.58%	-23.79%	-23.10%	-23.60%	-23.60%	-23.60%	-23.60%	-23.60%	-23.60%
Other income and expenses	-8.77%	-9.47%	-8.17%	-7.21%	-6.62%	-6.62%	-6.62%	-6.62%	-6.62%	-6.62%
Operating income	33.98%	32.44%	39.30%	40.48%	42.08%	42.08%	42.28%	42.48%	42.68%	42.88%
Net financial income	-1.00%	-1.35%	-1.07%	-0.53%	1.42%	0.44%	0.44%	0.44%	0.44%	0.44%
Net income before tax	32.98%	31.09%	38.24%	39.95%	43.49%	42.52%	42.72%	42.92%	43.12%	43.32%
Income tax	-10.91%	-9.59%	-11.30%	-11.25%	-12.09%	-11.82%	-11.88%	-11.93%	-11.99%	-12.04%
Net income from associates	0.23%	0.25%	0.38%	0.43%	0.78%	0.50%	0.44%	0.40%	0.37%	0.36%
CONSOLIDATED NET INCOME	22.30%	21.75%	27.32%	29.13%	32.19%	31.20%	31.28%	31.39%	31.51%	31.63%
Non-controlling interests	-0.10%	-0.06%	-0.09%	-0.11%	-0.09%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Net income	22.20%	21.68%	27.22%	29.02%	32.11%	31.09%	31.18%	31.28%	31.40%	31.53%

Appendix 6 - Cash-Flow Statement

Appendix 6.1 – Cash-Flow Statement

in € Million	Historical					Forecasted					CAGR 2024-2028
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Net income	1,528.20	1,385.00	2,445.00	3,367.00	4,311.00	4,854.37	5,488.89	6,046.40	6,497.49	6,818.80	8.87%
Depreciation of assets	236.20	271.00	312.00	341.00	378.00	429.14	528.56	641.93	764.03	889.42	19.98%
Amortisation of right-of-use assets	211.50	243.00	251.00	266.00	288.00	335.41	378.18	415.19	444.50	464.59	8.49%
Impairment losses	28.50	54.00	65.00	123.00	106.00	-	-	-	-	-	
Other items	59.10	39.00	-13.00	14.00	43.00	-	-	-	-	-	
Operating cash flows	2,063.50	1,992.00	3,060.00	4,111.00	5,123.00	5,618.91	6,395.62	7,103.51	7,706.02	8,172.80	9.82%
Change in working capital requirements	23.90	-350.00	346.00	73.00	-794.00	227.22	-91.36	-75.27	-55.17	-32.35	#NUM!
Cash Flow from Operating Activities	2,087.40	1,642.00	3,405.00	4,184.00	4,328.00	5,846.14	6,304.27	7,028.24	7,650.84	8,140.46	8.63%
Operating investments	-478.00	-448.00	-532.00	-518.00	-859.00	-1,030.15	-1,196.72	-1,352.50	-1,489.35	-1,599.92	11.63%
Acquisitions of investment securities	-12.80	0.00	0.00	0.00	0.00	-	-	-	-	-	
Acquisition of consolidated shares	0.00	-72.00	0.00	-1.00	-288.00	-	-	-	-	-	
Acquisitions of other financial assets	-76.60	-36.00	-198.00	-165.00	-52.00	-268.63	-179.74	-155.57	-123.16	-84.43	
Other items	96.30	124.00	61.00	105.00	205.00	0.00	0.00	0.00	0.00	-	
Cash Flow from Investing Activities	-471.10	-432.00	-669.00	-579.00	-995.00	-1,298.79	-1,376.46	-1,508.07	-1,612.51	-1,684.35	6.71%
Dividends paid	-486.60	-490.00	-490.00	-852.00	-1,386.00	-2,616.20	-3,252.43	-2,470.00	-4,413.87	-4,938.09	17.21%
Repayment of lease liabilities	-202.80	-199.00	-212.00	-261.00	-277.00	-335.41	-378.18	-415.19	-444.50	-464.59	8.49%
Treasury share buybacks net of disposals	-53.10	-122.00	-158.00	-123.00	-130.00	-	0.00	0.00	0.00	0.00	
Borrowing subscriptions	0.00	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Repayment of borrowings	-0.30	-8.00	-8.00	0.00	-1.00	0.00	0.00	0.00	0.00	0.00	
Cash Flow from Financing Activities	-742.80	-810.00	-869.00	-1,237.00	-1,794.00	-2,951.61	-3,630.60	-2,885.19	-4,858.37	-5,402.68	16.32%
Foreign currency translation adjustments	33.10	-55.00	110.00	159.00	-138.00	-	-	-	-	-	
Change in net cash	906.60	345.00	1,978.00	2,528.00	1,401.00	1,595.74	1,297.21	2,634.98	1,179.97	1,053.43	-9.86%
Net cash at the beginning of the period	3,465.10	4,372.00	4,717.00	6,695.00	9,223.00	10,624.00	12,219.74	13,516.95	16,151.93	17,331.90	13.02%
Net cash at the end of the period	4,371.60	4,717.00	6,695.00	9,223.00		12,219.74	13,516.95	16,151.93	17,331.90	18,385.33	10.75%
Change in net cash position	906.50	345.00	1,978.00	2,528.00	-9,223.00	1,595.74	1,297.21	2,634.98	1,179.97	1,053.43	-9.86%

Appendix 6.2 – Cash-Flow Statement (Common-size)

in %	Historical					Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Net income	73.21%	84.35%	71.81%	80.47%	99.61%	83.04%	87.07%	86.03%	84.93%	83.76%
Depreciation of assets	11.32%	16.50%	9.16%	8.15%	8.73%	7.34%	8.38%	9.13%	9.99%	10.93%
Amortisation of right-of-use assets	10.13%	14.80%	7.37%	6.36%	6.65%	5.74%	6.00%	5.91%	5.81%	5.71%
Impairment losses	1.37%	3.29%	1.91%	2.94%	2.45%	-	-	-	-	-
Other items	2.83%	2.38%	-0.38%	0.33%	0.99%	-	-	-	-	-
Operating cash flows	98.86%	121.32%	89.87%	98.26%	118.37%	96.11%	101.45%	101.07%	100.72%	100.40%
Change in working capital requirements	1.14%	-21.32%	10.16%	1.74%	-18.35%	3.89%	-1.45%	-1.07%	-0.72%	-0.40%
Cash Flow from Operating Activities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating investments	-22.90%	-27.28%	-15.62%	-12.38%	-19.85%	-17.62%	-18.98%	-19.24%	-19.47%	-19.65%
Acquisitions of investment securities	-0.61%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-
Acquisition of consolidated shares	0.00%	-4.38%	0.00%	-0.02%	-6.65%	-	-	-	-	-
Acquisitions of other financial assets	-3.67%	-2.19%	-5.81%	-3.94%	-1.20%	-	-	-	-	-
Other items	4.61%	7.55%	1.79%	2.51%	4.74%	-	-	-	-	-
Cash Flow from Investing Activities	-22.57%	-26.31%	-19.65%	-13.84%	-22.99%	-22.22%	-21.83%	-21.46%	-21.08%	-20.69%
Dividends paid	-23.31%	-29.84%	-14.39%	-20.36%	-32.02%	-44.75%	-51.59%	-35.14%	-57.69%	-60.66%
Repayment of lease liabilities	-9.72%	-12.12%	-6.23%	-6.24%	-6.40%	-5.74%	-6.00%	-5.91%	-5.81%	-5.71%
Treasury share buybacks net of disposals	-2.54%	-7.43%	-4.64%	-2.94%	-3.00%	-	-	-	-	-
Borrowing subscriptions	0.00%	0.49%	0.00%	0.00%	0.00%	-	-	-	-	-
Repayment of borrowings	-0.01%	-0.49%	-0.23%	0.00%	0.00%	-	-	-	-	-
Cash Flow from Financing Activities	-35.58%	-49.33%	-25.52%	-29.57%	-41.45%	-50.49%	-57.59%	-41.05%	-63.50%	-66.37%
Foreign currency translation adjustments	1.59%	-3.35%	3.23%	3.80%	-3.19%	-	-	-	-	-
Change in net cash	43.43%	21.01%	58.09%	60.42%	32.37%	27.30%	20.58%	37.49%	15.42%	12.94%
Net cash at the beginning of the period	166.00%	266.26%	138.53%	160.01%	213.10%	181.73%	193.83%	192.32%	211.11%	212.91%
Net cash at the end of the period	209.43%	287.27%	196.62%	220.43%	0.00%	209.02%	214.41%	229.81%	226.54%	225.85%
Change in net cash position	43.43%	21.01%	58.09%	60.42%	-213.10%	27.30%	20.58%	37.49%	15.42%	12.94%

Appendix 7 – Assumptions

	Unit	2024F	2025F	2026F	2027F	2028F	Assumptions
Total Revenues							
France	% growth	17.19%	14.11%	11.32%	8.71%	6.17%	Sales growth 2022-2023 at constant exchange rates + expected inflation rate
Europe (excluding France)	% growth	16.05%	13.67%	11.44%	9.25%	5.66%	Sales growth 2022-2023 at constant exchange rates + expected inflation rate
Japan	% growth	23.29%	20.75%	18.38%	16.06%	12.25%	Sales growth 2022-2023 at constant exchange rates + expected inflation rate
Asia-Pacific (excluding Japan)	% growth	14.29%	9.57%	5.77%	2.29%	0.00%	Sales growth 2022-2023 at constant exchange rates + expected inflation rate
Americas	% growth	16.50%	14.11%	11.76%	9.36%	7.00%	Sales growth 2022-2023 at constant exchange rates + expected inflation rate
Other	% growth	24.65%	19.28%	15.02%	11.13%	7.48%	Sales growth 2022-2023 at constant exchange rates + expected inflation rate
Cost of sales	% of revenues	27.70%	27.50%	27.30%	27.10%	26.90%	Slowly decreasing % over revenues through efficiency
Sales and administrative expenses	% of revenues	23.60%	23.60%	23.60%	23.60%	23.60%	Equal to the 2023 % over revenues
Other income and expenses	% of revenues	6.62%	6.62%	6.62%	6.62%	6.62%	Equal to the 2023 % over revenues
Net financial income	€ millions	0.44%	0.44%	0.44%	0.44%	0.44%	Average 2022-2023 % over revenues
Income tax	% effective tax rate	27.80%	27.80%	27.80%	27.80%	27.80%	Equal to 2023 effective tax rate
Net income from associates		77.5	77.5	77.5	77.5	77.5	Average of 2022-2023 YE nominal values
Non-controlling interests	% of consolidated income	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%	Average 2022-2023 % over consolidated income

	Unit	2024F	2025F	2026F	2027F	2028F	Assumptions
Non-current assets							
Goodwill	€ millions	72.00	72.00	72.00	72.00	72.00	Equal to 2023 YE nominal value
Intangible assets	€ millions	273.99	337.78	410.65	487.49	563.44	Appendix
Right-of-use assets	€ millions	1998.47	2253.29	2473.84	2648.45	2768.16	Appendix
Property, plant and equipment	€ millions	2892.02	3496.39	4134.10	4782.58	5417.13	Appendix
Investment property	€ millions	7.00	7.00	7.00	7.00	7.00	Equal to 2023 YE nominal value
Financial assets	€ millions	1409.63	1589.38	1744.94	1868.10	1952.54	Average 2022-2023 % over revenues
Investments in associates	€ millions	127.00	127.00	127.00	127.00	127.00	Equal to 2023 YE nominal value
Loans and deposits	€ millions	70.00	70.00	70.00	70.00	70.00	Equal to 2023 YE nominal value
Deferred tax assets	€ millions	631.00	631.00	631.00	631.00	631.00	Equal to 2023 YE nominal value
Other non-current assets	€ millions	37.00	37.00	37.00	37.00	37.00	Equal to 2023 YE nominal value
Current assets							
Inventories and work-in-progress	days	206	206	206	206	206	2023 DIO
Trade and other receivables	days	11.2	11.2	11.2	11.2	11.2	2023 DSO
Current tax receivables	€ millions	51.00	51.00	51.00	51.00	51.00	Equal to 2023 YE nominal value
Other current assets	€ millions	348.87	393.35	431.85	462.34	483.23	Equal to the 2023 % over revenues
Financial derivatives	€ millions	188.00	188.00	188.00	188.00	188.00	Equal to 2023 YE nominal value
Equity							
Share capital	€ millions	54.00	54.00	54.00	54.00	54.00	Equal to 2023 YE nominal value
Share premium	€ millions	50.00	50.00	50.00	50.00	50.00	Equal to 2023 YE nominal value
Treasury shares	€ millions	-698.00	-698.00	-698.00	-698.00	-698.00	Equal to 2023 YE nominal value
Reserves	€ millions	12438.80	14040.74	17059.63	18692.16	20251.56	Retained Earnings Formula
Foreign currency adjustments	€ millions	189.00	189.00	189.00	189.00	189.00	Equal to 2023 YE nominal value
Revaluation adjustments	€ millions	553.00	553.00	553.00	553.00	553.00	Equal to 2023 YE nominal value
Non-controlling interests	€ millions	2.00	2.00	2.00	2.00	2.00	Equal to 2023 YE nominal value
Non-current liabilities							
Borrowings and financial liabilities due in more than one year	€ millions	50.00	50.00	50.00	50.00	50.00	Equal to 2023 YE nominal value
Lease liabilities due in more than one year	€ millions	2002.47	2257.29	2477.84	2652.45	2772.16	Linked with increase of Right-of-use Assets
Non-current provisions	€ millions	31.00	31.00	31.00	31.00	31.00	Equal to 2023 YE nominal value
Employee benefits	€ millions	151.00	151.00	151.00	151.00	151.00	Equal to 2023 YE nominal value
Deferred tax liabilities	€ millions	2.00	2.00	2.00	2.00	2.00	Equal to 2023 YE nominal value
Other non-current liabilities	€ millions	106.00	106.00	106.00	106.00	106.00	Equal to 2023 YE nominal value
Current liabilities							
Borrowings and financial liabilities due in less than one year	€ millions	1.00	1.00	1.00	1.00	1.00	Equal to 2023 YE nominal value
Lease liabilities due in less than one year	€ millions	289.00	289.00	289.00	289.00	289.00	Equal to 2023 YE nominal value
Current provisions	€ millions	134.00	134.00	134.00	134.00	134.00	Equal to 2023 YE nominal value
Employee benefits	€ millions	16.00	16.00	16.00	16.00	16.00	Equal to 2023 YE nominal value
Trade and other payables	days	86.34	86.34	86.34	86.34	86.34	2023 DPO
Financial derivatives	€ millions	45.00	45.00	45.00	45.00	45.00	Equal to 2023 YE nominal value
Current tax liabilities	€ millions	586.00	586.00	586.00	586.00	586.00	Equal to 2023 YE nominal value
Other current liabilities	€ millions	1433.85	1616.68	1774.92	1900.20	1986.08	Equal to the 2023 % over revenues

Appendix 8 – Property Plant and Equipment, Intangible Assets and Right-of-use assets

Appendix 8.1 – PP&E

	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
PP&E BoP	1345.4	1541.9	1646.1	1881	2007	2340	2892.02	3496.39	4134.10	4782.58
Capex	383.4	339.8	405	414	744	880.81	1010.72	1128.98	1229.36	1306.55
Depreciation	-187.6	-203.3	-223	-258	-282	-328.79	-406.35	-491.27	-580.87	-671.99
Impairment losses	17.1	15.8	49	38	93	0	0	0	0	0
Other	17.8	-16.5	103	8	-37	0	0	0	0	0
PP&E EoP	1541.9	1646.1	1881	2007	2340	2892.0	3496.4	4134.1	4782.6	5417.1
Capex (% of revenue)	5.57%	5.32%	4.51%	3.57%	5.54%	5.64%	5.74%	5.84%	5.94%	6.04%
Depreciation (% of PP&E BoP)	13.94%	13.19%	13.55%	13.72%	14.05%	14.05%	14.05%	14.05%	14.05%	14.05%

Appendix 8.2 – Intangible Assets

	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Intangible assets BoP	142	184.1	221.3	258	213	225.00	273.99	337.78	410.65	487.49
Capex	94.7	108.5	127	104	115	149.35	185.99	223.52	259.99	293.37
Amortisation	-46.4	-65.5	-87	-83	-95	-100.35	-122.20	-150.65	-183.16	-217.43
Intangible assets EoP	184.1	221.3	258	213	225	273.99	337.78	410.65	487.49	563.44
Capex (% of revenue)	1.38%	1.70%	1.41%	0.90%	0.86%	0.96%	1.06%	1.16%	1.26%	1.36%
Amortisation (% of Intangible assets BoP)	32.68%	35.58%	39.31%	32.17%	44.60%	44.60%	44.60%	44.60%	44.60%	44.60%

Appendix 8.2 – Right-of-use assets

	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Right of use assets	954.30	1446.10	1517	1582	1716	1998.47	2253.29	2473.84	2648.45	2768.16
Amortisation of Right-of-use assets	211.5	243.5	251	266	288	335.41	378.18	415.19	444.50	464.59
Right of use assets (% of revenue)	13.9%	22.6%	16.9%	13.6%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%
Amortisation (% of Right of use assets)	22.2%	16.8%	16.5%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%

Appendix 9 – Revenues per region (in € Millions)

Revenues	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
France	867	620	838	1064	1274	1493	1704	1896	2062	2189
Europe (excluding France)	1202	953	1303	1536	1818	2110	2398	2673	2920	3085
Japan	864	834	977	1101	1260	1553	1876	2221	2577	2893
Asia-Pacific (excluding Japan)	2590	2915	4251	5556	6273	7169	7856	8309	8499	8499
Americas	1241	959	1459	2138	2502	2915	3326	3717	4065	4350
Others	120	108	156	207	299	373	445	511	568	611

Appendix 10 - Key Financial Ratios

Ratios	Historical						Forecasted				
	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2026	2028
Liquidity Ratios											
Current Ratio	times	3.01	3.62	3.43	3.94	4.40	4.46	4.54	4.98	5.08	5.20
Quick Ratio	times	2.32	2.71	2.73	3.20	3.47	3.60	3.67	4.09	4.18	4.30
Cash Ratio	times	2.17	2.57	2.60	3.07	3.34	3.46	3.53	3.95	4.03	4.15
Efficiency Ratios											
Total assets turnover	times	0.70	0.61	0.72	0.74	0.71	0.71	0.71	0.69	0.66	0.64
Fixed assets turnover	times	2.50	2.08	2.55	3.10	3.32	3.30	3.13	2.95	2.77	2.59
Receivables turnover	times	21.65	22.51	30.83	32.41	32.99	32.70	32.70	32.70	32.70	32.70
Collection period (DSO)	days	16.86	16.53	13.69	11.54	11.16	11.16	11.16	11.16	11.16	11.16
Inventory turnover	times	1.88	1.66	1.88	2.10	1.77	1.77	1.77	1.77	1.77	1.77
Days in inventory (DIO)	days	194.55	219.55	193.70	173.83	205.70	205.70	205.70	205.70	205.70	205.70
Payables turnover	times	4.42	4.49	4.82	4.36	4.23	4.23	4.23	4.23	4.23	4.23
Payables period (DPO)	days	82.52	81.26	75.69	83.68	86.34	86.34	86.34	86.34	86.34	86.34
Operating cycle	days	211.41	236.08	207.39	185.37	216.87	216.87	216.87	216.87	216.87	216.87
Cash cycle	days	128.9	154.8	131.7	101.7	130.5	130.52	130.52	130.52	130.52	130.52
Profitability Ratios											
Gross Profit Margin	%	69.1%	68.5%	71.3%	70.8%	72.3%	72.3%	72.5%	72.7%	72.9%	73.1%
EBITDA Margin	%	39.6%	39.3%	44.8%	45.5%	49.2%	47.8%	48.2%	48.7%	49.2%	49.8%
EBIT Margin	%	34.0%	32.4%	39.3%	40.5%	42.1%	42.1%	42.3%	42.5%	42.7%	42.9%
Net Profit Margin	%	22.2%	21.7%	27.2%	29.0%	32.1%	31.1%	31.2%	31.3%	31.4%	31.5%
ROA	%	15.5%	13.2%	19.6%	21.5%	22.7%	20.8%	21.0%	20.0%	19.9%	19.6%
ROCE	%	29.8%	22.5%	31.3%	32.5%	32.7%	33.2%	33.4%	31.5%	31.2%	30.6%
ROE	%	23.2%	19.8%	29.1%	30.8%	31.2%	27.8%	27.9%	26.0%	25.6%	25.1%
EPS	times	14.48	13.12	23.16	31.89	40.84	46.39	52.45	57.78	62.09	65.16
Solvency Ratios											
Total Liabilities/Total Assets	%	33.5%	33.1%	32.0%	28.6%	25.6%	25.2%	24.6%	22.9%	22.3%	21.7%
Debt to EBITDA	times	0.42	0.67	0.45	0.37	0.31	0.31	0.31	0.30	0.29	0.29
Debt to Equity Ratio	%	17.4%	22.8%	19.1%	15.5%	13.5%	13.4%	13.2%	12.1%	11.8%	11.4%
Equity Multiplier	times	1.50	1.50	1.47	1.40	1.34	1.34	1.33	1.30	1.29	1.28
Equity to Assets	%	66.6%	66.9%	68.0%	71.4%	74.4%	74.8%	75.4%	77.1%	77.7%	78.3%

Appendix 11 - DuPont

in millions	Historical					Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Net income	1528.00	1385.40	2445.00	3367.00	4311.00	4854.37	5488.89	6046.40	6497.49	6818.80
Sales	6884.00	6389.00	8984.00	11602.00	13426.00	15613.04	17603.86	19326.91	20691.04	21626.23
Net Profit Margin	22.20%	21.68%	27.22%	29.02%	32.11%	31.09%	31.18%	31.28%	31.40%	31.53%
Net income	1528.00	1385.40	2445.00	3367.00	4311.00	4854.37	5488.89	6046.40	6497.49	6818.80
EBT	2270.30	1986.40	3435.00	4635.00	5840.00	6638.50	7520.18	8294.90	8921.75	9368.25
Tax Burden	67.30%	69.74%	71.18%	72.64%	73.82%	73.12%	72.99%	72.89%	72.83%	72.79%
EBT	2270.30	1986.40	3435.00	4635.00	5840.00	6638.50	7520.18	8294.90	8921.75	9368.25
EBIT	2338.90	2072.50	3530.00	4697.00	5650.00	6569.74	7442.65	8209.78	8830.63	9273.01
Interest Burden	97.1%	95.8%	97.3%	98.7%	103.4%	101.0%	101.0%	101.0%	101.0%	101.0%
EBIT	2338.90	2072.50	3530.00	4697.00	5650.00	6569.74	7442.65	8209.78	8830.63	9273.01
Sales	6884.00	6389.00	8984.00	11602.00	13426.00	15613.04	17603.86	19326.91	20691.04	21626.23
EBIT Margin	33.98%	32.44%	39.29%	40.48%	42.08%	42.08%	42.28%	42.48%	42.68%	42.88%
Sales	6884.00	6389.00	8984.00	11602.00	13426.00	15613.04	17603.86	19326.91	20691.04	21626.23
Total Assets	9881.10	11050.50	13847.00	17459.00	20447.00	23313.56	26109.81	30167.94	32629.75	34765.77
Return on Assets	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.6
Total Assets	9881.10	11050.50	13847.00	17459.00	20447.00	23313.56	26109.81	30167.94	32629.75	34765.77
Shareholder Equity	6575.90	7391.00	9412.00	12457.00	15203.00	17443.16	19679.63	23256.03	25339.65	27220.35
Leverage	1.5	1.5	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.3
Return on Equity	23.24%	18.74%	25.98%	27.03%	28.36%	27.83%	27.89%	26.00%	25.64%	25.05%

Appendix 12 - FCFE

FCFE	2025F	2026F	2027F	2028F
Net income	5488.89	6046.40	6497.49	6818.80
D&A	906.73	1,057.12	1,208.53	1,354.00
Capex	-1,196.72	-1,352.50	-1,489.35	-1,599.92
Net increase in Working Capital	-91.36	-75.27	-55.17	-32.35
Repayment of Lease Liabilities	-378.18	-415.19	-444.50	-464.59
Net Borrowings	0.00	0.00	0.00	0.00
Free Cash Flow to Equity	4729.37	5260.55	5717.00	6075.95
Cost of Equity	6.24%	6.24%	6.24%	6.24%
Discount Factor	1.06	1.13	1.20	1.27
Discounted Cash-Flows	4451.60	4660.75	4767.65	4769.39
Sum discounted Cash-Flows	18649.39			
Excess Cash	12219.74			
Non-controlling interests	-2.00			
Terminal Value	282105.58			
Discounted Terminal Value	221442.23			
Equity Value	252309.36			
Number of shares outstanding	104.65			
Price Target (€/share)	2411.03			

Appendix 13 – FCFF

FCFF	2025F	2026F	2027F	2028F
EBIT	7442.65	8209.78	8830.63	9273.01
Taxes	2069.06	2282.32	2454.92	2577.90
EBIT * (1-t)	5373.59	5927.46	6375.72	6695.11
D&A	906.73	1,057.12	1,208.53	1,354.00
Capex	-1,196.72	-1,352.50	-1,489.35	-1,599.92
Net increase in Working Capital	-91.36	-75.27	-55.17	-32.35
Repayment of Lease Liabilities	-378.18	-415.19	-444.50	-464.59
Free Cash-Flow to the Firm	4614.07	5141.62	5595.22	5952.27
WACC	5.9%	5.9%	5.9%	5.9%
Discounted Factor	1.06	1.12	1.19	1.26
Discounted Cash Flows	4358.73	4588.29	4716.76	4740.07
Sum of discounted Cash-Flows	18403.85			
Terminal Value	333137.01			
Discounted Terminal Value	265292.415			
Enterprise Value	283696.26			
Non-controlling interests	-2.00			
Net Debt	-9877.27			
Equity Value	273816.99			
Number of shares outstanding	104.65			
Price Target (€/share)	2616.55			

Appendix 14 - DDM

Dividend Discount Model	2024F	2025F	2026F	2027F
Dividends	3252.43	2470.00	4413.87	4938.09
WACC	6.2%	6.2%	6.2%	6.2%
Discounted Factor	1.06	1.13	1.20	1.27
Present Value of dividends	3061.40	2188.37	3680.92	3876.22
Sum of present value of dividends	12806.90			
Terminal price	314965.81			
Discounted Terminal price	247236.26			
Equity Value	260043.17			
Number of shares outstanding	104.65			
Price Target (€/share)	2484.93			

Appendix 15 – Relative Valuation

Appendix 15.1 – Enterprise Value and Price Multiples

Company Name	Enterprise Value Multiples			Price Multiples	
	EV/EBITDA	EV/OCF	EV/Revenues	P/E	P/B
LVMH	13.72	21.49	4.59	24.19	6.01
Brunello Cucinelli SpA	20.23	31.56	5.79	52.56	13.64
Moncler SpA	12.50	16.20	4.97	24.65	4.68
Compagnie Financiere Richemont SA	12.65	16.96	3.86	21.40	4.03
Prada SpA	8.60	13.15	3.21	19.76	3.44
Kering	9.58	14.09	3.21	16.37	3.22
Average	12.88	18.91	4.27	26.49	5.84
Median	12.58	16.58	4.23	22.80	4.36
Maximum	20.23	31.56	5.79	52.56	13.64
75th Percentile	13.45	20.36	4.88	24.54	5.68
Minimum	8.60	13.15	3.21	16.37	3.22
25th Percentile	10.31	14.62	3.37	20.17	3.59

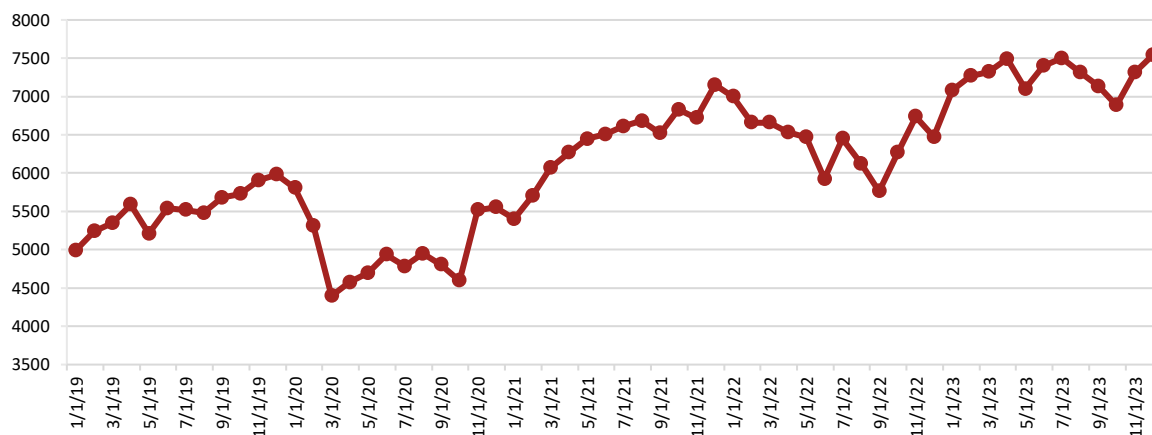
Appendix 15.2 – Price Targets by relative valuation

	EV/EBITDA	EV/OCF	EV/Revenues	P/E	P/B
LVMH Moet Hennessy Louis Vuitton	13.72	21.49	4.59	24.19	6.01
Brunello Cucinelli SpA	20.23	31.56	5.79	52.56	13.64
Moncler SpA	12.50	16.20	4.97	24.65	4.68
Compagnie Financiere Richemont SA	12.65	16.96	3.86	21.40	4.03
Prada SpA	8.60	13.15	3.21	19.76	3.44
Kering SA	9.58	14.09	3.21	16.37	3.22
Average	12.88	18.91	4.27	26.49	5.84
Enterprise value	94465.61	106244.31	66693.72		
Net Debt	-9877.27	-9877.27	-9877.27		
Equity Value	84588.34	96367.04	56816.45	128584.06	101809.93
Nb of shares outstanding	104.65	104.65	104.65	104.65	104.65
Price Target (€/share)	808.31	920.87	542.93	1228.73	972.88

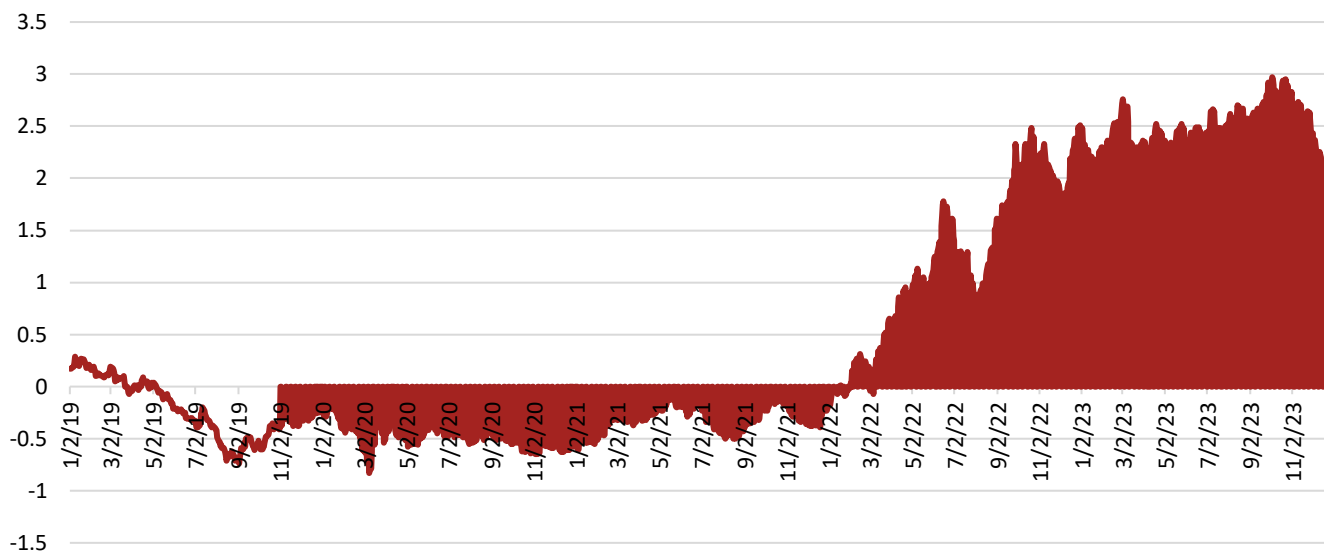
Appendix 16 – SARD

Entity details		SARD Variables					SARD Result
#	Name of potential peers	ROE	Market Cap (in millions)	EBIT	EV/Revenues	Price/Book	
1	LVMH	26.1%	366,442.96	26.2%	4.59	6.01	29
2	Brunello Cucinelli SpA	27.8%	6,024.80	16.4%	5.79	13.64	47
3	Moncler SpA	20.0%	15,046.62	30.0%	4.97	4.68	48
4	Compagnie Financiere Richemont SA	20.2%	83,915.32	25.2%	4.08	4.43	50
5	Prada SpA	18.3%	13,258.04	22.5%	3.21	3.44	71
6	Kering	20.4%	48,909.49	23.7%	3.21	3.22	77

Appendix 17 – CAC40 price evolution



Appendix 18 – 10y German Bond yields



Appendix 19 – Forecast of inflation rates per region

Inflation (IMF)	2024F	2025F	2026F	2027F	2028F
France	2.40%	1.80%	1.80%	1.80%	1.80%
Europe	3.40%	2.70%	2.50%	2.40%	2.40%
Japan	2.00%	2.10%	2.00%	2.00%	3.40%
Asia-Pacific	5.00%	4.30%	3.60%	3.40%	3.40%
Americas	3.00%	2.10%	2.10%	2.20%	2.20%
Others	5.90%	4.50%	3.70%	3.50%	3.40%

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Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	$0\% \leq$	$>0\% \ \& \ \leq 10\%$	$>10\% \ \& \ \leq 20\%$	$>20\% \ \& \ \leq 45\%$	$>45\%$
Medium Risk	$-5\% \leq$	$>-5\% \ \& \ \leq 5\%$	$>5\% \ \& \ \leq 15\%$	$>15\% \ \& \ \leq 30\%$	$>30\%$
Low Risk	$-10\% \leq$	$>-10\% \ \& \ \leq 0\%$	$>0\% \ \& \ \leq 10\%$	$>10\% \ \& \ \leq 20\%$	$>20\%$