SUSS INVESTMENT GROUP

Christian Dior (EPA: CDI)

Sector: Consumer Discretionary
Industry: Luxury Goods

Recommendation Buy

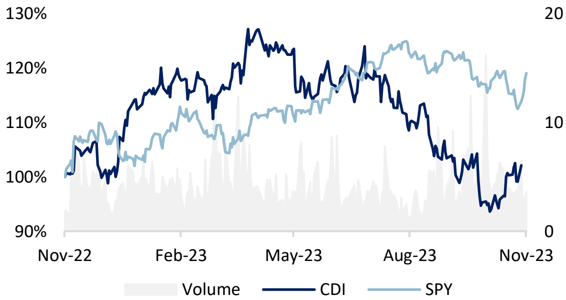
Analysts

Soh De Wei	Vice President
Su Lin Lin Htet	Analyst
Ching Wei Yang	Analyst
Jerome Chua	Analyst
Kan Yi Yong	Analyst

Basic Information

Current Price	EUR 632.50
Target Price	EUR 877.25
+/- Potential	+38.70%
Exchange	EPA
Ticker	CDI
Market Capitalisation	EUR 122.3bn
Shares Outstanding	180.4mn
52-Week Trading	EUR 605.50 – 872.00
Average Volume	4.25k
Fiscal Year End	31 December 2022

1Y Price vs S&P500 (Rebased)



Source: Team Analysis

Company Description

Founded in 1946, Dior is a prominent player in global luxury fashion, specialising in haute couture, ready-to-wear, and accessories. Part of the LVMH Group, the brand is recognised for iconic products like the Lady Dior handbag and J'adore fragrance. Dior's enduring legacy is marked by a commitment to innovation and a delicate balance between tradition and modernity, solidifying its leadership in the luxury fashion industry. Their diverse product range spans leather goods, accessories, fashion, jewellery, timepieces, fragrances, cosmetics, and skincare products.

Key Executives

Delphine Arnault	Chairwoman & CEO
Antoine Arnault	Vice-Chairman
Maria Grazia Chiuri	Creative Director

Major Shareholders

Arnault Family	97.50%

Where Innovation Meets Timeless Elegance

We initiate coverage on **Christian Dior (EPA: CDI)** with a **BUY** rating and a **EUR 877.25** target price, representing an upside potential of **+38.70%**. Our target price was derived using the Discounted Cash Flow (DCF) approach with Relative Valuation as our secondary method for a sanity check.

Investment Thesis

Mastering the Digital Luxury Landscape and Acquisition of Talents: Christian Dior's rise to the top luxury brand online in 2023 is driven by marketing investments and innovative digital strategies. Dior's strategic talent acquisition, characterized by selecting high-impact brand ambassadors and maintaining a highly-rated work environment, contributes to its industry-leading position.

Dior's Adaptive Strategies in the Market: Christian Dior's strategy emphasises innovation, driving growth in the luxury market. Their approach includes digital technology integration, like NFTs for product authenticity, and rejuvenating classic designs. Despite 2020's revenue drop, Dior rebounded strongly in 2021, outperforming industry averages, showcasing their robust adaptability in the market.

Financial Takeaways

Stable Profitability Margin: Despite pandemic challenges, Dior has demonstrated consistent growth over the past five years, underscored by resilient profitability margins. The company's commitment to high-quality materials is evident in its gross profit margins, which stood at about 65% for both FY2021 and FY2022, positioning Dior competitively within the industry.

Robust Growth and Resilience: Christian Dior's financial performance showcases remarkable growth, with a 23% year-on-year increase in revenue, particularly in the fashion and leather goods sector. Comparing this to the market share growth rate of 11.38%, this further indicates Dior's ability to outshine competitors.

Efficient Asset Management: In the last five years, Dior has consistently showcased strong asset management by efficiently growing revenue and effectively utilising resources. Their continuous strategic investments, particularly in markets like the US and China, underscores a proactive approach to sustainable growth and market dominance.

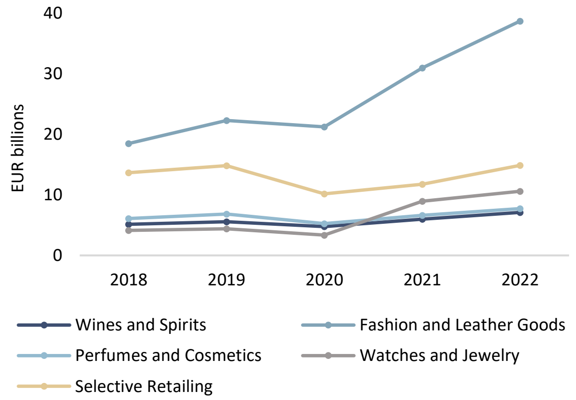
Investment Risks

Tough Competition and Cyclical Economic Cycles: Dior competes with Louis Vuitton, Gucci, Chanel and other brands in the luxury market. Economic cycles impact consumer spending on luxury items, affecting market share and revenue. Fierce competition and economic ups and downs makes it challenging for Dior to maintain and expand its market presence.

Product Replicas Create a Problem for Dior's Brand Identity: Replica products are a growing issue for Dior. The widespread availability of counterfeits jeopardises the company's reputation and customer loyalty. This challenges Dior's market expansion and poses a notable investment risk amid fierce competition.

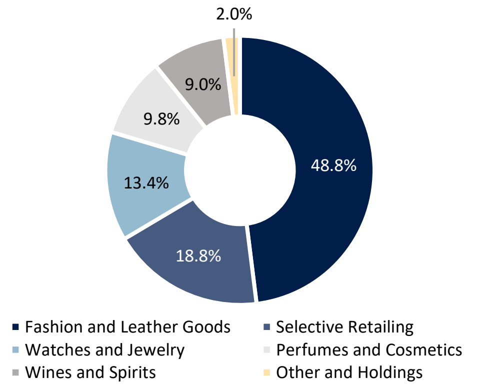
Reliance on Access and Pricing of Raw Materials: Dior's heavy reliance on specific raw materials, often affected by climate change, poses risks. Accessibility challenges and price fluctuations in materials like leather, cotton, gold, energy, and labour add inflationary pressure to production costs. Climate change threats to ecosystems and communities amplify these risks, highlighting the vulnerability of Dior's supply chain.

Fig 1.1: Revenue by Business Segments (YoY)



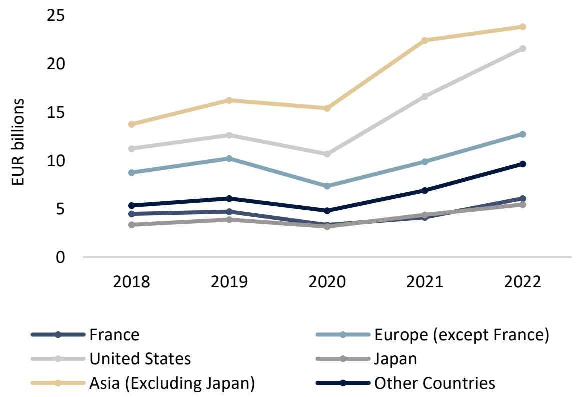
Source: S&P Capital IQ

Fig 1.2: 2022 Revenue by Business Segments (%)



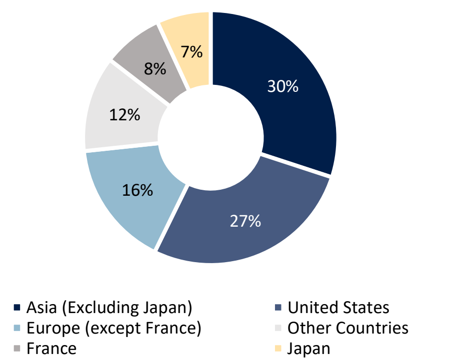
Source: S&P Capital IQ

Fig 1.3: Revenue by Geography (YoY)



Source: S&P Capital IQ

Fig 1.4: 2022 Revenue by Geography (%)



Source: S&P Capital IQ

Business Description

Business Description

Founded in 1946 by the renowned designer Christian Dior, the company is headquartered in Paris, France, and has a primary focus on the markets in Asia, the United States, and Europe. Its product range includes leather goods, fashion accessories, footwear, jewellery, timepieces, fragrances, makeup, and skincare products.

Dior upholds its legacy as an *haute couture* creator through the Christian Dior Couture division. Additionally, it is also renowned for its iconic fragrances, such as “Sauvage”, "J'adore" and "Miss Dior," which have achieved “classic” status within the perfume industry.

Revenue Breakdown

Two of Dior’s biggest revenue streams in FY2022 were derived from the manufacturing and distribution of fashion and leather goods and watch and jewellery. Fashion and leather goods accounts for 48% of the revenue; mainly from the production and distribution of fashion and leather goods amounting to EUR 38bn in 2022. This is a 25% increase from prior year and an increase by 20% of organic growth. Watch and jewellery accounts for 13% of the revenue with an increase in 18% from the previous year.

Cost Drivers

The biggest cost drivers of Dior include marketing & selling expenses, COGS and general and administrative expenses. Marketing & selling expenses which is driven by higher communication investment & development of retail networks contributes to 36% of the revenue. Advertising and promotion expenses amounts to 12% of revenue. COGS is mainly driven by the high-quality materials used and the increase in sales. Lastly, general and administrative expenses which mainly include equipment and salary comprise to 6% of revenue.

Industry Overview & Competitive Positioning

Industry Overview

The luxury goods industry is highly competitive, with firms constantly vying for dominance amid shifting consumer preferences and technological advances. As technology reshapes behaviour, the luxury goods industry will have to adapt to the advancements. Success hinges on understanding and responding effectively to both traditional challenges like craftsmanship and the demands of an increasingly digital world. For example, during the surge of NFT popularity, some luxury companies created their own NFTs, showcasing a commitment to innovative engagement and an understanding of the evolving technological and consumer landscape.

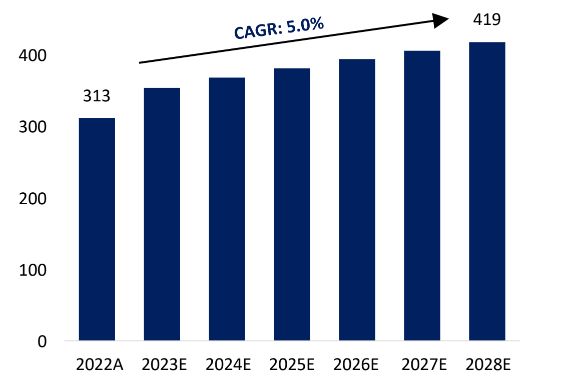
According to forecasts, the market for luxury goods will increase from USD$284bn in 2023 to USD$392bn in 2030, at a CAGR of 4.7%. This growth is primarily fuelled by the global reopening of borders post-pandemic. This reopening is expected to revive the industry, as travel restrictions ease and international tourism rebounds, contributing significantly to luxury sales.

Haute Couture

The making of expensive, custom-fitted garments is known as haute couture. Haute couture is high-end clothing that is entirely handmade from top to bottom, manufactured from rare and expensive fabrics, finished by the most skilled and qualified sewers which often employs labour-intensive, hand-executed techniques.

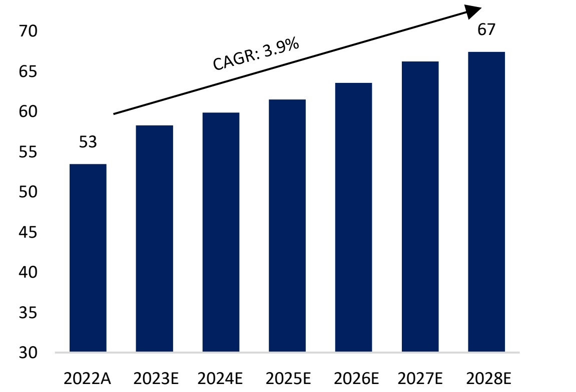
The projected period, 2018 to 2030, sees a CAGR of 5.8% for the global haute couture market. The market's expansion can be attributable to the rising global consumer demand. Moreover, the global haute couture market is experiencing growth driven by rising disposable incomes and evolving lifestyle preferences.

Fig 2.1: Luxury Goods Market Size



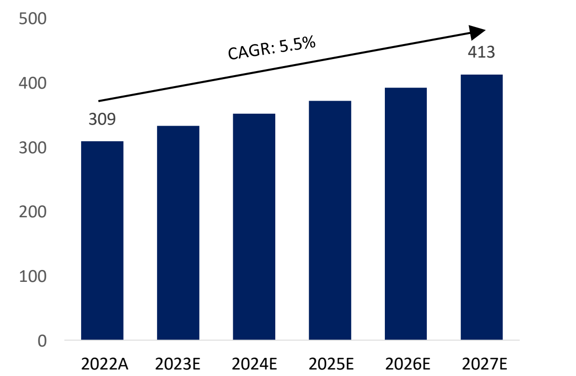
Source: Statista

Fig 2.2: Perfumery & Fragrance Market Size



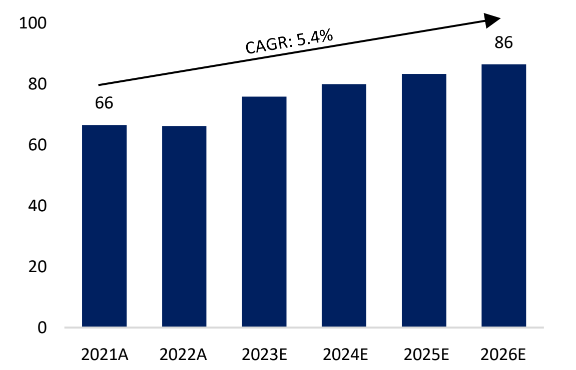
Source: Statista

Fig 2.3: Wine Market Size



Source: Statista

Fig 2.4: High-End Watches Market Size



Source: Statista

French Government Protecting Luxury Brands

Since three of the world's largest companies for luxury products are based in France, the country dominates the luxury fashion industry globally. Therefore, it is vital for the French government to safeguard their homegrown luxury brands' intellectual properties.

Different intellectual property rights, such as registered or unregistered designs, trademarks, copyrights, and even trade secrets, are used to protect fashion creations. Multiple intellectual property rights may be used to protect a single design. This reduces the risk of intellectual property theft and fake imitations which can impact these luxury brands.

China's Post-Pandemic Revenge Spending

China's recent reopening is a boost for the luxury sector, as Chinese consumers are key contributors to luxury spending, accounting for about 30% of total sales in 2021. Chinese consumers, like others globally, have accumulated savings over the past three years, with the average saving rate in China increasing from 30% in 2019 to 34% in 2022, as noted in a J.P. Morgan report. This, along with pent-up demand, is driving a surge in post-pandemic spending.

Domestic luxury sales are thriving, with total retail sales in China increasing by 17% in February 2023. This growth spans across various segments, including gold and jewellery, cosmetics, and apparel growing at 48%, 34% and 13% respectively. The demand for luxury timepieces is also on the rise, with Swiss watch exports to China up by 68% in February 2023 compared to the previous year.

Competitive Positioning

Strong Brand Identity

Dior possesses a robust and unmistakable brand identity synonymous with luxury, elegance, and exclusivity. Its iconic fashion designs, meticulous attention to detail, and dedication to providing a premium retail experience have solidified its position as a revered high-end fashion label worldwide.

High Product Quality and Innovation

Committed to creating high-quality products, Dior uses only using the top-tier materials, like silk, cashmere, and leather. Coupled with meticulous attention to detail, it ensures that its products are crafted with the finest European artistry and expertise, solidifying its position as a luxury fashion label.

Dior is renowned for its innovation in product creation and design. The company has pioneered several fashion trends that have gained popularity throughout the industry. For instance, Dior was one of the first fashion houses to popularise the full skirt in the 1950s, ushering in the "New Look" and revolutionising the industry at the time. Recently, Dior has been experimenting with cutting-edge materials and tools like virtual reality and 3D printing to produce original and one-of-a-kind designs.

Retail Experience

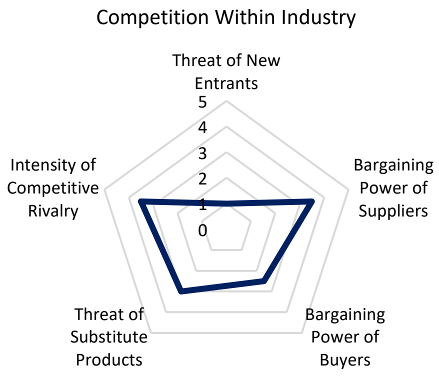
Dior's competitive edge extends to its retail experience, meticulously designed to offer customers a luxurious and exclusive ambiance. Flagship stores, like Avenue Montaigne in Paris, boast opulent interiors with marble floors, chandeliers, and plush furnishings, reinforcing the brand's high-end identity.

Dior emphasises on customer service, training associates to provide personalised and attentive assistance. Additionally, the brand offers made-to-measure services for clothing and accessories, allowing customers to tailor their purchases to their preferences.

Geographical Footprint

Dior has established a robust presence in developed countries and is now rapidly expanding into emerging economies. The company engages in the production, distribution, and retail of luxury goods across Asia-Pacific, Europe, the Middle

Fig 2.5: Porter's Five Forces



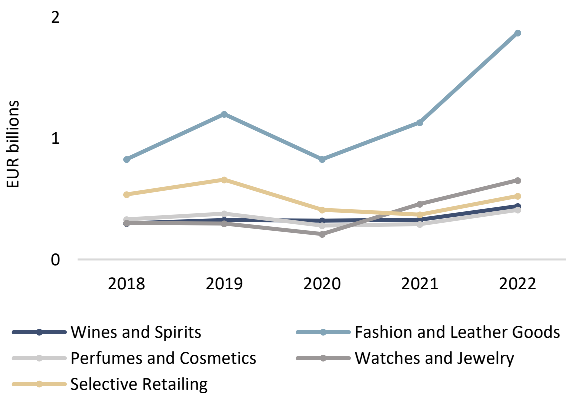
Source: Team Analysis

Fig 2.6: Dior's Ambassadors

Total Number of Ambassadors	**18**
Notable Ambassadors	
Park Ji-min	Jennifer Lawrence
Robert Pattinson	Rihanna
Angela Yeung	Kim Ji-soo
Cara Delevingne	Johnny Depp

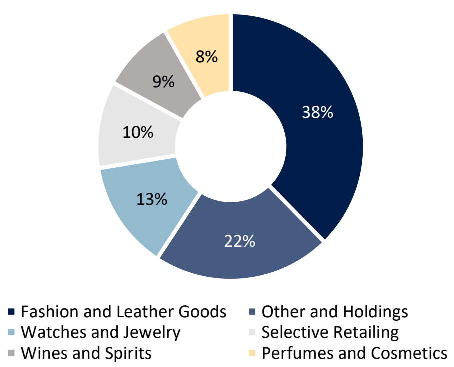
Source: Fashinza

Fig 3.1: Capex by Business Segments (YoY)



Source: S&P Capital IQ

Fig 3.2: 2022 Capex by Business Segments (%)



Source: S&P Capital IQ

East, Africa, and the US. As of December 2022, Christian Dior boasted a vast retail network comprising 5,664 stores. The brand's operations encompass 2,037 Sephora stores, 2,155 fashion and leather goods stores, 865 watch and jewellery stores, and 536 perfumes and cosmetics stores.

Investment Thesis

Thesis 1: Mastering the Digital Luxury Landscape and Acquisition of Talents

Navigating the Digital Luxury Landscape

Christian Dior is renowned as a fashion trendsetter and has seen a major rise in internet popularity, being named the most popular luxury brand on the internet in Luxe Digital's 2023 list. This is mainly driven by their focus on marketing. In 2022, Dior's marketing and selling expenses totalled EUR 28bn, which is a 26% increase from prior year. Additionally, these expenses amount to 37% of the revenue earned in 2022, slightly higher compared to 2021. These expenses predominantly cover advertising campaign costs, particularly for the launch of new products, and expenses related to public relations and promotional events, and the overall expenditures incurred by marketing teams overseeing these activities.

Dior's remarkable rise to the peak of online luxury brand popularity is evident in its transition from 7th place in 2019 to claiming the top spot in 2023. With 13.8% of overall internet search interest, Dior has gained a slight lead over Gucci, which has 13.7% and has significantly outpaced prominent competitors such as Chanel, Louis Vuitton, and Hermès. This shift is indicative of Dior's ability to outmanoeuvre its competitors and proactively seize the digital frontier strategically, reinforcing its robust market positioning.

The brand's digital initiatives, encompassing its avant-garde approach, pioneering collaborations with virtual influencers, and exploration of the metaverse, have significantly contributed to its ascent. Moreover, Dior's impressive 48% increase in website traffic in 2023 underscores its commitment to online engagement. As the brand selectively expands its range of product offerings online and attracts new customers, it demonstrates its potential for continued growth and market leadership in the digital age.

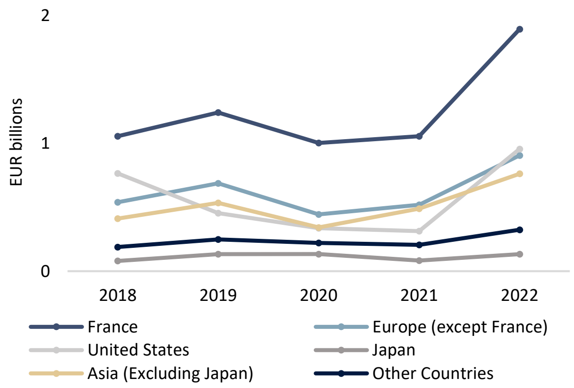
Selective Acquisition of Talents

Christian Dior has made its mark in the world of fashion, by meticulously curating its image through the strategic acquisition of competent employees and exceptional talents. Dior's commitment to excellence extends beyond its exquisite designs. It conducts a meticulous selection process, choosing personalities to serve as brand ambassadors. This selection process of Dior ambassadors is a testament to the brand's dedication to maintaining a unique identity and upholding the values that have defined it since its founding.

A metric called Media Impact Value (MIV) is employed in marketing and public relations to assess the worth and effectiveness of media coverage or influencer partnerships. In other words, it is used to calculate the return on investment for paying an influencer. According to Launchmetrics, Dior came out on top with $42mn in MIV, outpacing its competitors by 62%. Their collection of eccentric and elegant ambassadors garnered a substantial amount of attention. One who truly shone was Kim Ji-soo from the South Korean girl group band Blackpink, contributing a remarkable 23% to Dior's overall MIV on her own. In addition, Dior is a brand known for its unwavering support of its ambassadors, which could be observed when the company stood strong by Johnny Depp throughout his defamation lawsuit despite criticism. After the case was dismissed, people supported Depp by purchasing his signature fragrance, Dior Sauvage. This led to it becoming of the best-selling perfume globally, with a bottle sold every three seconds in 2021.

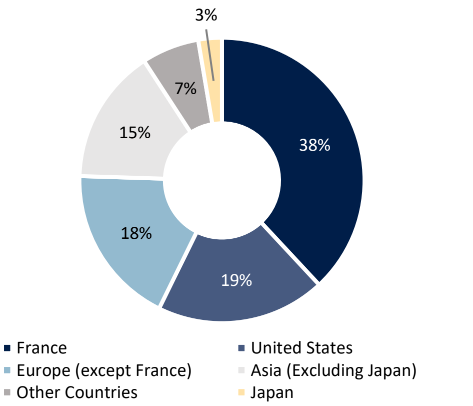
Not only is the human resource carefully selected, Dior ensures that its personnel are adequately cared for. The company has a rating of 4.1 on Indeed and 3.9 on Glassdoor (both of which are out of 5), and in France, sales associates at Dior make EUR 36,733 each year. Comparatively, its competitors like Prada,

Fig 3.3: Capex by Geography



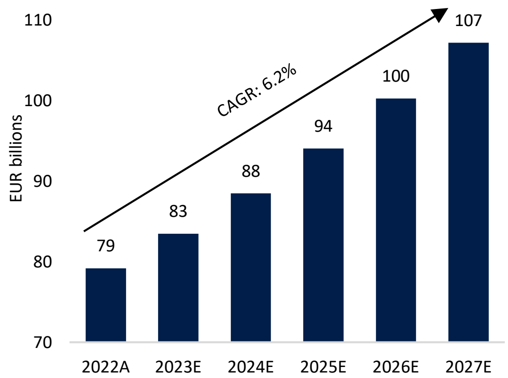
Source: S&P Capital IQ

Fig 3.4: 2022 Capex by Geography



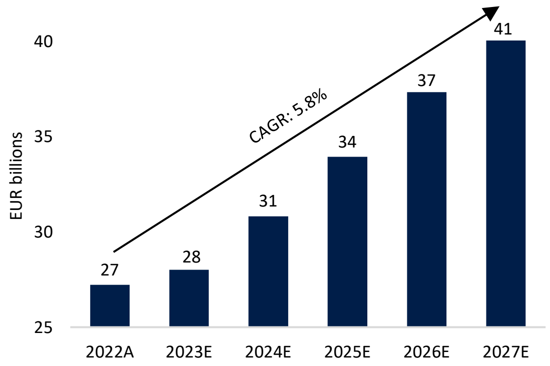
Source: S&P Capital IQ

Fig 4.1: Revenue Forecasted



Source: Team Analysis

Fig 4.2: EBITDA Forecasted



Source: Team Analysis

Louis Vuitton, and Tiffany & Co. have an Indeed ratings of about 3.7 to 3.8 and Glassdoor ratings ranging between 3.3 to 3.5. Similarly, sales associates in competitor company earn a considerably lower annual salary ranging from about EUR 26,287 to EUR 30,489. With one of the best rated work environments and greater salary offers, this shows that Dior is one of the top options among its peers and competitors. This allows Dior able to retain their key talents while also attracting fresh top talents as they continue to grow.

Thesis 2: Dior's Adaptive Strategies in the Market

Dior's Corporate Strategy

The Group's corporate strategy for 2023, with a special emphasis on innovation, is centred around sustaining the growth achieved in 2022 and further solidifying its global leadership in the luxury goods industry. Key to this strategy is a robust commitment to innovation, driving the development of their brands and ensuring their products remain at the forefront of quality and appeal. This innovative approach is supported by significant investments and is integral to all aspects of their operations, from product development to distribution. Evident from the increase in return on assets ratio over the years (from 8.3% in 2018 to 10.3% in 2022), Dior's strategy and investments on innovation have been yielding positive results. This strategy keeps Dior ahead of the curve while being more adaptable to market conditions than other consumer discretionary companies.

Innovate Product Offerings

Christian Dior's commitment to innovation in its product offerings is evident in its embrace of digital technology and its approach to classic designs. One of their notable innovations is the introduction of a "Digital Twin" and NonFungible Token (NFT) integration with their B33 sneakers. Each pair of these sneakers comes with a unique digital certificate of authenticity, enhancing their exclusivity and allowing customers to easily verify the genuineness of their purchase. This move aligns with the growing importance of digital authenticity in the modern world.

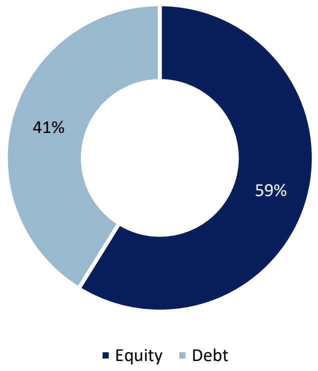
Furthermore, Dior has integrated Near Field Communication (NFC) technology into their products. For instance, by embedding an NFC chip beneath the sole of the right shoe, they enable customers to interact with the product using their smartphones. This feature not only confirms authenticity but also provides access to additional information and exclusive digital content related to the sneakers. It's a prime example of how luxury brands leverage technology to offer added value and unique experiences to their customers.

In addition to their digital innovations, Dior has also shown their ability to revive iconic designs with a modern touch. A case in point is their Fall/Winter 2022/23 collection, which saw the reintroduction of the iconic 62-22 pumps, an iconic heel, this time mixed with past and future elements. Through this innovation, Dior manages to pay homage to their heritage while remaining appealing and relevant to a contemporary audience. This approach not only honours the brand's legacy but also introduces classic pieces to a new generation of fashion enthusiasts. In essence, Dior's innovative product offerings cater to a diverse consumer base, ranging from those seeking cutting-edge digital experiences to those with an appreciation for timeless fashion.

Historical Performance During Market Shifts

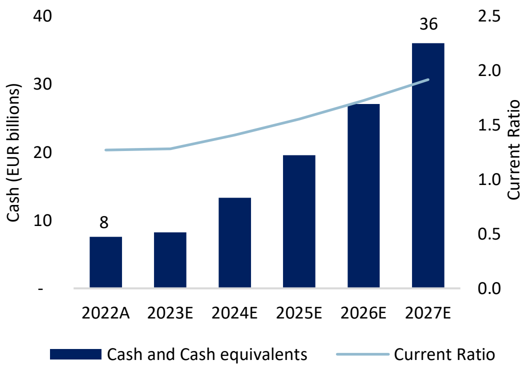
In 2020, Christian Dior saw a drop of revenue of EUR 9bn, a 17% decrease from 2019. Despite the drop in revenue, Dior managed to maintain a healthy gross profit at 64% in 2020 (from 66% in 2019) and net profit margin at 4.3% in 2020 (from 5.5% in 2019). In the following year, Dior also saw a revenue of EUR 64bn in 2021, a 44% increase from 2020, and a 20% increase from 2019. This strong growth, particularly in the fashion and leather goods segment, showed a notable rebound from the disruptions caused by the pandemic in 2020. The performance suggests a positive trajectory compared to the broader luxury industry's recovery, which experienced a growth rate of 13% to 15% in 2021, albeit still 9% to 11% below 2019 levels.

Fig 4.3: Debt Positioning



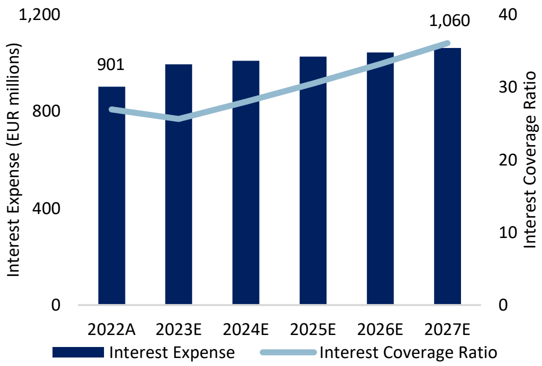
Source: Team Analysis

Fig 4.4: Liquidity Ratio



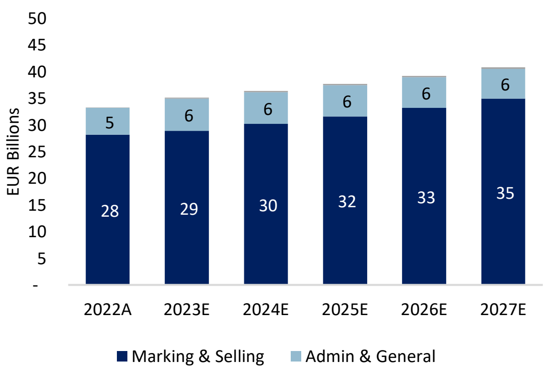
Source: Team Analysis

Fig 4.5: Interest Coverage Ratio



Source: Team Analysis

Fig 4.6: Forecasted Expenses



Source: Team Analysis

Dior’s ability to maintain a healthy gross profit is mainly due to their efficient inventory management alongside cost budgeting. All while keeping their costs low with low prices on raw materials from their internal sources, such as from Champagne vineyards and investments in fashion and leather goods. This enables Dior to have a stable and reliable source of raw material at low prices.

Furthermore, Dior strategically reinforces its luxury market presence through acquisitions and resource partnerships. The acquisition of a 7,500 sqm factory in Scandicci, previously owned by Savio Firmino, and Art Lab, a company that specializes in digital printing and hand-made treatments on leather, enhances Dior's leather goods with unique craftsmanship. enhancing the brand's leather goods manufacturing capabilities and enabling cost reductions.
Additionally, exclusive deals with flower farmers in France, Switzerland, and Africa secure a consistent, high-quality supply of raw materials like jasmine and roses. These strategic moves safeguard Dior's access to essential ingredients for their perfumes and creams. Combined with expansions into handbag and cosmetic manufacturing, these initiatives aim to bolster Dior’s production capabilities and secure the company’s supply of raw materials, while enabling them to maintain or reduce costs.

Lastly, between October 2021 and July 2022, the luxury sector faced challenges including high inflation which increased operational costs, affecting stock prices negatively. Despite these challenges, Christian Dior emerged resilient by achieving a "new record year" in 2022, indicating a strong performance potentially surpassing the industry average. This performance showcases Dior's robust financial management and its ability to navigate through sector-wide adversities, making it a promising investment avenue. In-depth analysis and additional data reveal a nuanced perspective, indicating that Dior's financial position and growth potential remain optimistic amid the backdrop of a recovering economic landscape.

Financial Analysis

Stable Profitability Margin

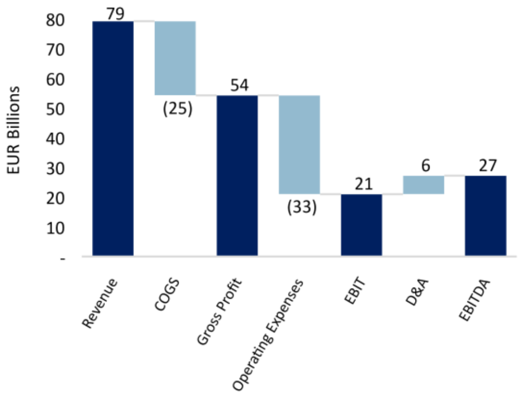
Over the past half-decade, Dior has experienced consistent growth, with its 11% (CAGR) showcasing this trend. Despite the challenges posed by the pandemic, the brand's profitability margins have largely remained resilient. This resilience is evident in the FY2021 revenue figures, further reinforced by the FY2022 annual results. Additionally, Dior maintains strong gross profit margins, consistently surpassing 65% and its EBITDA margin has steadily risen, staying around 35% over the last five years, well above the industry median of 20%. This is due to its commitment to high-quality raw materials, contributing to a loyal customer base.

Robust Growth and Resilience

Christian Dior's financial trends showcase a company on the rise, with year-on-year revenue growth of 23% to nearly EUR 79bn in FY2022A. The fashion and leather goods segment, which includes Christian Dior Couture, has seen a remarkable increase from EUR 31bn to EUR 39bn, signalling robust demand and market leadership. This upward trend reflects the company's capacity for sustaining growth and capturing market share, especially in high-margin segments. For investors, these figures suggest a strong investment case for Dior, backed by a proven ability to expand revenue streams and maintain a commanding presence in the luxury sector.

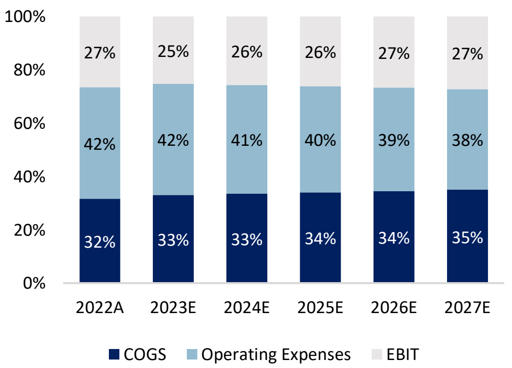
Dior's revenue growth has led to a notable increase in market share, rising from 11th place in 2017 to 7th place in 2022 globally. Outpacing competitors such as Prada, Coach, YSL, and Tiffany & Co. Additionally, Dior's growth surpasses the average growth rate of 6.2% seen among top companies, boasting an 11.38% CAGR from 2017 to 2022.

Fig 4.7: 2022 Profit & Loss Breakdown



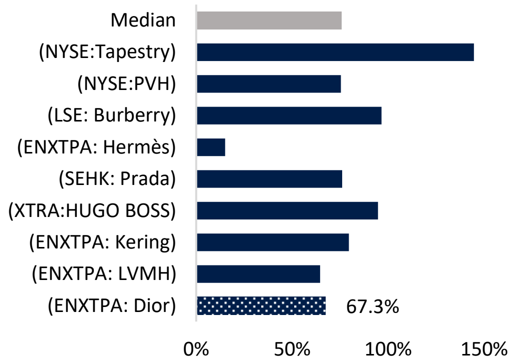
Source: Team Analysis

Fig 4.8: Revenue Breakdown



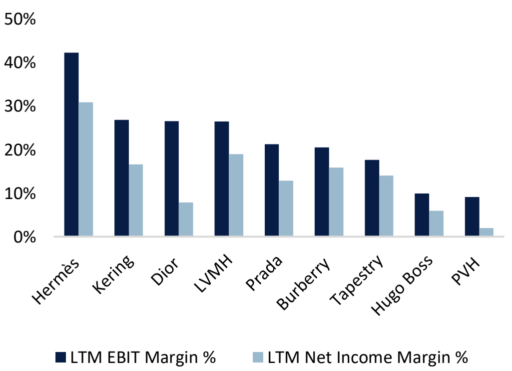
Source: Team Analysis

Fig 4.9: Comparable Comps Book D/E



Source: S&P Capital IQ, Team Analysis

Fig 4.10: Comparable Comps Profitability Margins



Source: S&P Capital IQ, Team Analysis

Efficient Asset Management

Over the past five years, Dior has showcased its aptitude in managing its resources and obligations, further emphasising its strong financial health. Dior average asset turnover of 0.5 over the past five years suggest moderate asset efficiency in generating revenue. The receivables turnover, standing at 16.4, indicates Dior's efficiency in collecting its accounts receivable, ensuring that its cash flow remains consistent. This is further complemented by a payable's turnover of 2.9, highlighting the company's effective strategy in settling its short-term liabilities. Together, these figures demonstrate Dior's adeptness in resource utilisation and its commendable financial management practices.

Positive Yield on Capital Expenditure and Assets

Over the past years, Dior has been increasing their capital expenditure in regions that have proven to be successful and generate a positive return on investment, such as the United States and France. This indicates that they are expanding into regions with most of the capital expenditure spent on intangible assets (capitalisation of R&D) and property, plant and equipment. With that, Dior has seen a constant and stable increase in its returns on assets, from 8.3% in 2018 to 10.3% in 2022.

Valuation

We reiterate our **BUY** recommendation for Dior with a target price of EUR 877.25, presenting a +38.70% upside potential based on the closing price of EUR 632.50 on 27th October 2023.

DCF Valuation (Exit Multiple & Perpetual Growth)

We recognise that Discounted Cash Flows (Free Cash Flow to Firm) effectively reflects Dior's upside potential due to its geographic presence and comparative advantage over its peers. This will all serve well to its growing customer base of affluent consumers, fashion enthusiasts, and celebrities. As a result, we believe there will be enhanced earnings and growth in the future. We derived our target price primarily through a 50/50 mix of Perpetual Growth and Exit Multiple methods. We utilised a 50/50 mix with Perpetual Growth as a hedge because the Exit Multiple's inflationary numbers required it, and this allowed us to obtain a more reliable estimate.

Discount Rate (WACC)

The cost of equity for Dior was determined using the Capital Asset Pricing Model (CAPM). We used a risk-free rate of 4.51%, referencing the 10-Year US Treasury Yield as of October 21, 2023. Drawing from Damodaran's data on the equity risk premium (ERP) from countries where Dior operates, we selected an ERP of 5.94%. Additionally, after re-levering, we arrived at a bottom-up beta of 1.16. Putting everything into CAPM, we derived a cost of equity of 9.52%

On the debt side, Dior's pre-tax cost of debt was calculated at 5.26%, based on the weighted-average YTM of its existing obligations. Considering a corporate tax rate of 25% from Damodaran and a 0% Country Risk Premium, the after-tax cost of debt was found to be 3.95%.

Given Dior's target debt-to-equity (D/E) ratio of 0.337, we consolidated these figures to determine a weighted average cost of capital (WACC) of 9.52%.

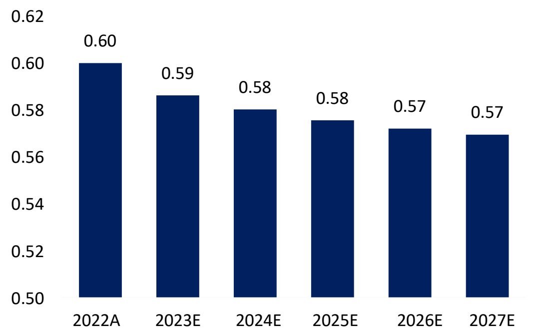
Perpetual Growth

With reference to the US long-term GDP growth rate, we derived a terminal growth rate of 3.65%, which provided us with a target price of EUR 877.25. This method is conservative, as for the next five years, we anticipated Dior to generate and sustain sizable operating cash flows.

Relative Valuation (Comparable Companies Analysis)

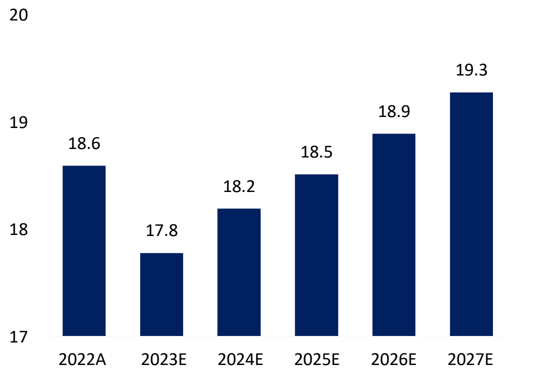
Screening Process: Firstly, we screened for public comparable using S&P Capital IQ based on our unique screening criteria: (1) Company Type: Public Companies only, (2) Company Status: Operating and Operating Subs, (3) Industry Classification: Luxury Goods (fashion and leather goods primary) (4) Market

Fig 4.11: Asset Turnover Ratio



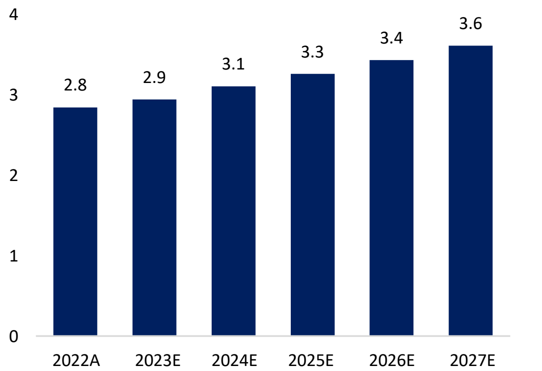
Source: Team Analysis

Fig 4.12: Accounts Receivable Turnover Ratio



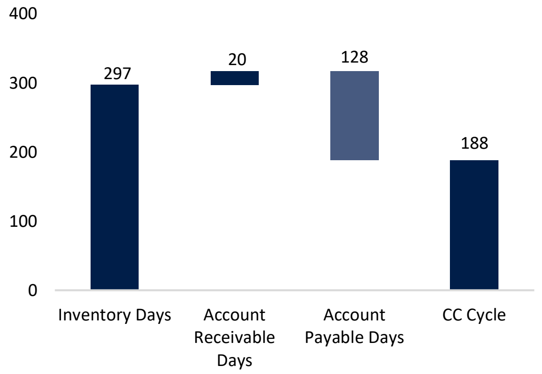
Source: Team Analysis

Fig 4.13: Accounts Payable Turnover Ratio



Source: Team Analysis

Fig 4.14: 2022 Cash Conversion Cycle



Source: Team Analysis

Capitalisation: greater than EUR 1bn. Adding on, we filtered public companies using their business models, geographical operations and products closest and most similar to Dior's. A total of 8 companies were chosen overall as our comparable companies.

Multiple Selection: We selected EV/EBITDA for several reasons. Firstly, we focus on Dior's operating efficiency compared to our comparable. Operating efficiency is essential in looking at Dior's ability to generate revenue and manage its operating costs efficiently. This displays Dior's and the industry core profitability, excluding non-operating and non-cash items. Secondly, Dior's industry is not capital intensive where depreciation and amortisation are not large economic cost. Lastly, EV/EBITDA also considers debt and cash holdings, which is crucial when evaluating Dior's financial health. By accounting for debt, it provides a more comprehensive view of Dior's financial obligations. Thus, we deem EV/EBITDA as the most appropriate metric for valuation for Dior.

Scenario Analysis

We performed a sensitivity analysis for our perpetual growth, WACC and exit multiple inputs to assess the impact on Dior's share price. We emphasise that a **BUY** recommendation is maintained as we observe a lower perpetual growth, a lower exit multiple, and a higher discount rate still represent an upside higher than current share price.

Investment Risks

Market Risk

M1 | Tough Competition and Cyclical Economic Cycles

Probability: *High* | *Impact:* *Moderate*

Even though Dior performed well during difficult market, the luxury market has seen fierce competition. Additionally, the cyclical nature of consumer spending, presents significant challenges to market share growth and stability. Furthermore, consumer discretionary spending on luxury items is closely tied to prevailing economic conditions. During economic downturns, consumer spending on luxury items often contracts, which could lead to a decline in Dior's revenue and profitability.

Hence, intense competition, coupled with the cyclical nature of consumer discretionary spending exacerbates the challenge, making it challenging not only to grow but also to maintain market share.

M1 | Mitigation:

To cope with tough competition, Dior is able to maintain its position ahead of the curve by innovating in sustainable luxury, personalised shopping, and exploring new markets. Dior broadens its customer base with more accessible products, while strengthening digital platforms, ensuring a flexible supply chain, and fostering customer loyalty through programs.

Additionally, Christian Dior adapts well amid economic downturns. Dior is only able to do that because of the its successful inventory management and cost budgeting and management. During economic downturns, Dior recognises that the disposable income of consumers would be fall. Taking that inconsideration, they are able to manage and budget for its inventory and expenses accurately. This is evident in the improved gross margins despite the economic downtown due to COVID-19.

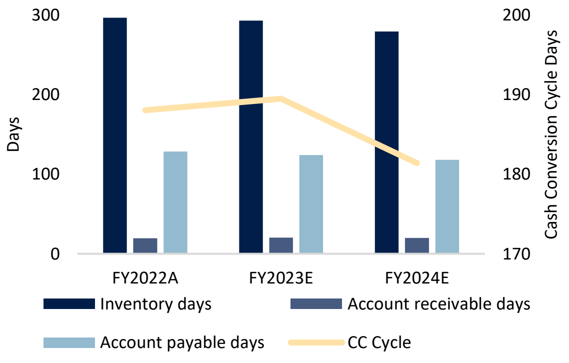
Business Risk

B1 | Product Replicas Create a Problem for Dior's Brand Identity

Probability: *High* | *Impact:* *Moderate*

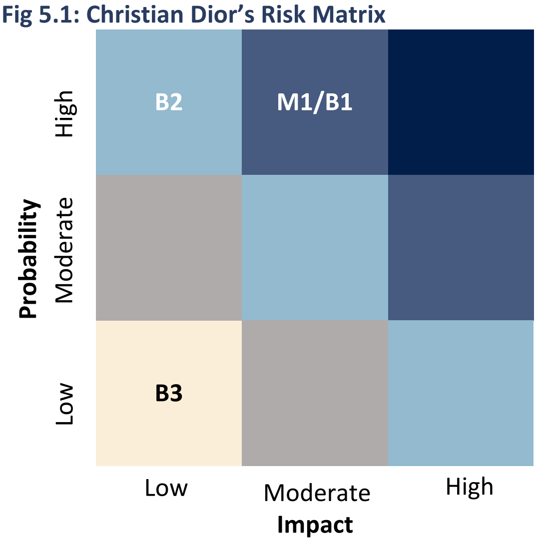
Dior, among other luxury brands, finds itself in a market where counterfeit goods are rampantly undermining Dior's brand identity and reputation. This will undermine the loyalty of Dior's customers. Furthermore, the prevalence of replicas creates a stifled market, making it challenging for Dior to secure a growing market share amidst the competition. This potentially poses a long-term problem for the company.

Fig 4.15: Cash Conversion Cycle Time Series



Source: Team Analysis

Fig 5.1: Christian Dior's Risk Matrix



Source: Team Analysis

Fig 6.1: WACC Computation

Capital Asset Pricing Model (CAPM)	
Risk-free Rate	4.51%
Equity Risk Premium	5.94%
Country Risk Premium	0.00%
5Y Beta	1.16
Cost of Equity	**11.40%**

Cost of Debt	
Pre-tax Cost of Debt	5.26%
Country Risk Premium	0.00%
Corporate Tax Rate	25.00%
After-tax Cost of Debt	**3.95%**

Capital Structure	
Market D/E	0.34
Proportion of Equity	74.79%
Proportion of Debt	25.21%

WACC	
WACC	**9.52%**

Source: Team Analysis

B1 | Mitigation: There are multiple mitigations strategies that Dior can take up such as, Legal Actions, Product Authentication Measures, and Intellectual Property Rights Protection.

Legal Actions – Dior has a history of taking legal actions against counterfeiters, which demonstrates its proactive stance in protecting its brand identity and consumer trust.

Product Authentication Measures – The brand has authentication measures in place like heat stamps with the Christian Dior logo and serial numbers on its products to help consumers distinguish genuine products from fake ones. The company has also leveraged on the use of NFC to authenticate their products.

Intellectual Property Rights Protection – Dior has achieved legal protections for certain signature designs, helping curb counterfeit production. For instance, a ruling in Italy protected Dior's Book Tote and its signature central multilayer stripe against counterfeiting.

B2 | Reliance on Access to And Pricing of Raw Materials

Probability: *High* | *Impact:* *Low*

Dior faces substantial risks stemming from its heavy reliance on specific raw materials, which are frequently scarce, valuable, and vulnerable to the effects of climate change. The accessibility of these resources is challenging, and fluctuations in their prices, including grapes, leather, cotton, gold, energy, and labour, exert significant inflationary pressure on the company's production costs. Climate change induced threats to natural ecosystems and local communities further compound these risks, emphasising the fragility of Dior's supply chain.

B2 | Mitigation: Dior strategically sources key raw materials internally, such as from champagne vineyards and investments in fashion and leather goods, ensuring a stable supply. The company emphasises quality and consistency by safeguarding plant and animal resources and their ecosystems, employing traceability and biodiversity strategies under its LIFE 360 program. Dior is committed to certifying all strategic raw materials by 2026, aligning with high social and environmental standards through collaborations with initiatives like Textile Exchange and the Leather Working Group. Dior's proactive ecosystem protection program aims to cover 5mn hectares by 2030, integrating regenerative agriculture. Additionally, the company conducts environmental and social audits for suppliers, fostering enduring partnerships. Through these measures, Dior fortifies its supply chain resilience, mitigating the impact of raw material risks on its operations.

B3 | Talent Management and The Loss of Strategic Competencies

Probability: *Low* | *Impact:* *Moderate*

A key risk Dior faces is the potential loss of expertise that forms the bedrock of the Group's success. The unique and time-honored skills within its Maisons, particularly in leather goods and watchmaking, underpin the exceptional quality of its globally sold products and the Maisons' renowned reputation. The loss of these strategic skills could significantly impact product quality.

B3 | Mitigation: To sustain their strategy of growth, international expansion, and digitalization, the group must make conscious effort to continuously identify and attract talented individuals that possess the necessary skills in a highly competitive environment.

To preserve crucial expertise, measures are taken to encourage passing on and promoting professions with specific criteria. The goal is to raise public awareness of trades like métiers d'excellence, attract talent, and ensure continuous development of internal employees' skills.

Fig 6.2: Sensitivity Analysis (Exit Multiple)

WACC \ Exit Multiple	5.3x	6.3x	7.3x	8.3x	9.3x
8.5%	895	964	1034	1103	1173
9.0%	814	881	949	1017	1084
9.5%	745	811	877	943	1009
10.0%	686	750	814	878	942
10.5%	634	697	759	821	884

Source: Team Analysis

Fig 6.3: Sensitivity Analysis (PGR)

WACC \ Perpetual Growth Rate	2.7%	3.2%	3.7%	4.2%	4.7%
8.5%	932	978	1034	1103	1190
9.0%	866	904	950	1004	1072
9.5%	808	840	877	921	975
10.0%	757	784	815	851	894
10.5%	711	733	760	790	825

Source: Team Analysis

Fig 7.1: Sustainalytics ESG Risk Ratings

Companies	Ratings
Hugo Boss AG	13.0
Tapestry, Inc.	14.8
Burberry Group plc	9.4
Prada S.p.A	16.8
Hermès International SCA	9.4
Kering SA	10.6
PVH Corp.	16.0
LVMH Moët Hennessy Louis Vuitton SE	12.0
Mean	**12.8**
Median	**12.5**
Christian Dior SE	**17.4**

Source: Sustainalytics

Fig 7.2: Organisational Structure

LVMH Moët Hennessy Louis Vuitton

Christian Dior

Subsidiaries:
Dior Watches North America
Christian Dior Puerto Banus Sl
Christian Dior Espalola Sl
Financiere Jean Goujon
CD Investissements
Ateliers Modeles SAS

Source: S&P Capital IQ

The Group is dedicated to creating conditions for employee success, involving profiling, formalised annual performance reviews, ongoing skills development through training, and promoting internal mobility.

Environmental, Social, and Governance

Environmental

LIFE360

In 2022, the Group revised its approach to handling climate impacts within its operations by updating its analysis of the physical risks tied to climate change. Using scenario analysis, they examined the financial implications of these risks. Committed to combating climate change, LVMH actively engaged in COP27, participating in discussions on regenerative agriculture, soil health, and unveiling a significant agroforestry initiative in the Lake Chad region.

LVMH partnered with Hang Lung Properties, a prominent mall owner, to promote energy conservation and share sustainability data. Together, they organised the Real Estate and Climate Forum in various cities, uniting experts from both entities. LVMH also collaborated with the Solar Impulse Foundation, fostering clean technology development. Their Carbon Fund invested EUR 9mn in 95 projects set to offset over 81,000 metric tons of CO_2.

Adhering to sustainability laws and regulations may entail significant financial outlay and alteration of operational procedures for compliance. However, Dior has proven records of adapting well while having outlined sustainability roadmaps like the “Beauty as a Legacy 2030” plan, which encompasses goals to reduce carbon emissions, transition to recyclable or refillable packaging, and sourcing sustainable ingredients.

Social

Talent Development & Expertise

LVMH heavily invests in talent acquisition, retention, and skill transfer. This is seen through their academic collaborations, dedicated institutes, broad training programs, and specialised initiatives targeting individuals with disabilities and high-potential female employees.

Health, Safety, and Well-being

Employee health and safety is paramount at LVMH companies. They've institutionalised codes of conduct, whistleblowing systems, and specific charters to ensure this. Moreover, they've committed to safety training, investments in security, supplier audits, and responsible alcohol consumption initiatives.

Inclusion, Diversity, and Human Rights

Championing a culture of inclusivity, LVMH companies enforces strict codes of conduct for both internal operations and suppliers, ensuring respect for human rights. Their proactive stance against discrimination is evident from their recruitment practices, disability inclusion efforts, gender diversity initiatives, and measures to ensure responsible supply chains.

Governance

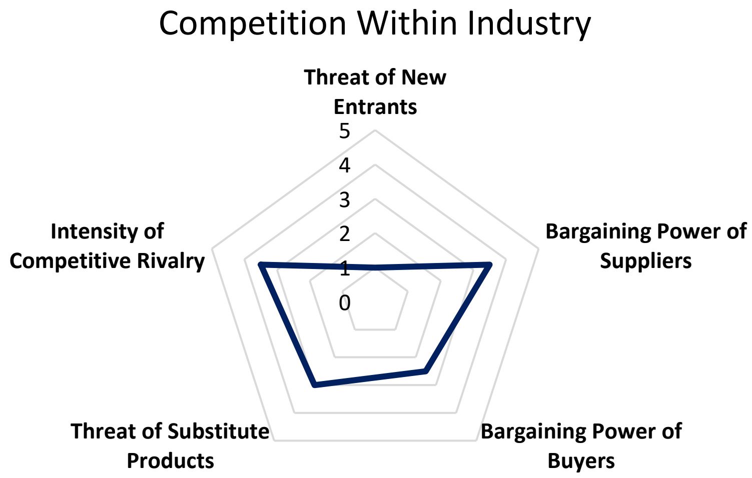
LVMH places a strong emphasis on ethical governance and sustainable development. The Group's Board of Directors features an Ethics & Sustainable Development Committee, primarily comprised of Independent Directors, that oversees adherence to the Group's core values and ethical standards. The board of Christian Dior reviews LVMH's ethical performance, particularly through presentations by the LVMH Privacy, Ethics & Compliance Director.

LVMH Privacy, Ethics & Compliance Department

The LVMH Privacy, Ethics & Compliance Department plays a central role, in overseeing anti-corruption, personal data protection, and human rights. This department liaises directly with LVMH’s CEO and Chairman and is integrated into the LVMH Executive Committee. They collaborate with other LVMH departments to ensure ethical and compliance standards are consistently implemented.

List of Appendices

Appendix A – Porter's 5 Forces



Threat of New Entrants – High (1): Dior faces relatively low threats of new entrants, due to high capital requirements like real estate, inventory, and marketing costs. There are established players hold advantages in brand recognition and customer loyalty. The emergence of e-commerce also lowers entry barriers by eliminating physical store costs.

Bargaining Power of Suppliers – Moderately High (3.5): The high bargaining power of Key suppliers, especially luxury brands, as they rely on their suppliers for quality raw materials. At the same time, natural resources used to design products are often in short supply, valuable, hard to access and threatened by the impact of climate change on natural ecosystems, all the more making prices susceptible to fluctuations.

Bargaining Power of Buyers – Moderately Low (2.5): Despite the various purchasing options online and offline, enabling price comparisons and informed decisions, Dior still hold substantial bargaining power over its buyers. This is because buyers and potential buyers of luxury goods are interested in the specific brand names.

Threat of Substitute Products – Moderate (3): There are various alternatives in the luxury goods industry. Additionally, with growing environmental awareness propelling a shift towards sustainable, eco-friendly alternatives, threatening the luxury goods industry, Dior would have to adapt fast to meet the demands of stakeholders.

Intensity of Competitive Rivalry – Moderately High (3.5): With numerous players vying for market share, Dior face moderately high competition in the industry. Replica goods in the industry further exacerbates this factor.

Appendix B – SWOT Analysis

Strengths:

1. Strong Brand Equity: Dior is recognised globally as a leader in the luxury goods industry, with a rich heritage of luxury, quality, and innovation that has helped build strong brand equity.
2. Diversified Product Portfolio: The company has a wide range of offerings including fashion items, fragrances, makeup, and skincare products, catering to a broad customer base with different preferences and budgets.
3. Global Presence: With a network of stores in major cities worldwide, Dior is able to reach a wider audience and generate significant revenue from different markets.

Weaknesses:

1. Heavy Reliance on Fashion Industry: Dior's financial performance is largely tied to the success of its fashion products, making it vulnerable to market fluctuations and economic downturns. Fashion Industry is cyclical in nature as well.
2. Limited Online Sales: Despite having an online store, Dior lags behind some competitors in terms of online sales.

Opportunities:

1. Digital Marketing and Sales: By strengthening its online presence and utilising social media platforms effectively, Dior can tap into a thriving digital market, reaching a broader audience and boosting its sales revenue.
2. High Demand: The existing high demand for Dior's products indicates a potential for expansion and increased market share in the future.
3. Sustainable and Eco-friendly Products: The increasing demand for sustainable luxury goods offers Dior a chance to cater to a new consumer base specifically interested in eco-friendly products. This trend creates an opportunity for Dior to diversify its product range by incorporating more sustainable and eco-friendly options, thereby appealing to environmentally conscious customers.

Threats:

1. Counterfeit Products: The imitation of Dior's products poses a significant threat, potentially diluting the brand's authenticity and customer trust.
2. Increased Competition: The luxury goods market is highly competitive, and increased competition from other luxury goods companies could make it difficult for Dior to maintain its market leader position.
3. Changing Consumer Preferences: As consumers shift towards more sustainable and eco-friendly products, Dior may struggle to adapt its product line and marketing strategy to meet these changing demands.
4. Sustainability Law: Even though it can be seen as an opportunity, growing trends for sustainability in the luxury goods industry can lead to sudden and drastic law implementations by the governments, thus obstructing Dior’s business.

Appendix C – Revenue Build

For Year Ended 31 December All Figure Expressed in Millions of EUR unless stated otherwise			Historical					Forecasted		
	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Revenue Forecast										
Wines and Spirits	$5,143	$5,576	$4,755	$5,974	$7,099	$8,181	$8,014	$8,575	$9,201	$9,900
Fashion and Leather Goods (Includes Christian Dior Couture)	$18,455	$22,237	$21,207	$30,896	$38,648	$42,600	$44,599	$45,984	$47,442	$48,979
Perfumes and Cosmetics	$6,092	$6,835	$5,248	$6,608	$7,722	$8,893	$9,676	$10,545	$11,513	$12,568
Watches and Jewellery	$4,123	$4,405	$3,356	$8,964	$10,581	$7,033	$7,232	$7,436	$7,646	$7,862
Selective Retailing	$13,646	$14,791	$10,155	$11,754	$14,582	$16,478	$18,669	$21,208	$24,156	$27,562
Other and Holdings	($633)	($174)	($70)	$19	$281	$285	$289	$293	$297	$301
Revenue	**$46,826**	**$53,670**	**$44,651**	**$64,215**	**$78,913**	**$83,470**	**$88,479**	**$94,041**	**$100,255**	**$107,173**
YoY Growth						*6%*	*6%*	*6%*	*7%*	*7%*
Wine and Spirits Revenue	$5,143	$5,576	$4,755	$5,974	$7,099	$8,181	$8,014	$8,575	$9,201	$9,900
Wine Industry	$352,660	$350,200	$290,840	$306,190	$309,320	$327,879	$349,191	$373,635	$400,910	$431,379
Live Case						6.0%	6.5%	7.0%	7.3%	7.6%
Best Case						7.0%	7.5%	8.0%	8.3%	8.6%
Base Case						6.0%	6.5%	7.0%	7.3%	7.6%
Worst Case						5.0%	5.5%	6.0%	6.3%	6.6%
Market Share of Wine Industry (%)	1.46%	1.59%	1.63%	1.95%	2.30%	2.5%	2.3%	2.3%	2.3%	2.3%
Best Case						3.5%	3.3%	3.3%	3.3%	3.3%
Base Case						2.5%	2.3%	2.3%	2.3%	2.3%
Worst Case						2.2%	2.0%	2.0%	2.0%	2.0%
Fashion and Leather Goods Revenue	$18,455	$22,237	$21,207	$30,896	$38,648	$42,600	$44,599	$45,984	$47,442	$48,979
Fashion and Leather Goods Industry	$271,805	$290,136	$246,183	$279,471	$296,989	$310,650	$325,226	$340,791	$357,427	$375,224
Live Case						4.6%	4.7%	4.8%	4.9%	5.0%
Best Case						5.1%	5.2%	5.3%	5.4%	5.5%
Base Case						4.6%	4.7%	4.8%	4.9%	5.0%
Worst Case						4.1%	4.2%	4.3%	4.4%	4.5%
Market Share of Fashion and Leather Goods Industry (%)										
Live Case	6.79%	7.66%	8.61%	11.06%	13.01%	13.7%	13.7%	13.5%	13.3%	13.1%
Best Case						14.2%	14.2%	14.0%	13.8%	13.6%
Base Case						13.7%	13.7%	13.5%	13.3%	13.1%
Worst Case						13.2%	13.2%	13.0%	12.8%	12.6%
Perfumes and Cosmetics Revenue										
Perfumes and Cosmetics Industry	$6,092	$6,835	$5,248	$6,608	$7,722	$8,893	$9,676	$10,545	$11,513	$12,568
Live Case	$494,610	$525,330	$557,950	$629,400	$592,600	$621,193	$653,029	$688,456	$727,870	$770,268
Best Case						4.8%	5.1%	5.4%	5.7%	5.8%

Base Case						4.9%	5.2%	5.5%	5.8%	5.9%
Worst Case						4.8%	5.1%	5.4%	5.7%	5.8%
						4.1%	4.4%	4.6%	4.9%	5.0%
Market Share of Perfumes and Cosmetics Industry (%)										
Live Case	1.23%	1.30%	0.94%	1.05%	1.30%	1.4%	1.5%	1.5%	1.6%	1.6%
Best Case						1.5%	1.5%	1.6%	1.6%	1.7%
Base Case						1.4%	1.5%	1.5%	1.6%	1.6%
Worst Case						1.4%	1.4%	1.5%	1.5%	1.6%
Watches and Jewellery Revenue	$4,123	$4,405	$3,356	$8,964	$10,581	$7,033	$7,232	$7,436	$7,646	$7,862
Watches and Jewellery Industry	$40,520	$43,540	$35,220	$41,570	$43,710	$44,803	$45,923	$47,071	$48,248	$49,454
Lives Case						2.5%	2.5%	2.5%	2.5%	2.5%
Best Case						2.6%	2.6%	2.6%	2.6%	2.6%
Base Case						2.5%	2.5%	2.5%	2.5%	2.5%
Worst Case						2.1%	2.1%	2.1%	2.1%	2.1%
Market Share of Watches and Jewellery Industry (%)										
Lives Case	15.03%	15.70%	14.90%	15.90%	17.67%	15.7%	15.7%	15.8%	15.8%	15.9%
Best Case						16.2%	15.8%	15.8%	15.9%	15.9%
Base Case						15.7%	15.7%	15.8%	15.8%	15.9%
Worst Case						15.6%	15.7%	15.7%	15.8%	15.8%
Selective Retailing Revenue										
Selective Retailing Industry	$13,646	$14,791	$10,155	$11,754	$14,582	$16,478	$18,669	$21,208	$24,156	$27,562
Live Case						13.0%	13.3%	13.6%	13.9%	14.1%
Best Case						13.5%	13.8%	14.1%	14.4%	14.6%
Base Case						13.0%	13.3%	13.6%	13.9%	14.1%
Worst Case						12.5%	12.8%	13.1%	13.4%	13.6%
Other and Holdings	($633)	($174)	($70)	$19	$281	$285	$289	$293	$297	$301
Live Case						1.4%	1.4%	1.4%	1.4%	1.4%
Best Case						1.5%	1.5%	1.5%	1.5%	1.5%
Base Case						1.4%	1.4%	1.4%	1.4%	1.4%
Worst Case						1.2%	1.2%	1.2%	1.2%	1.2%

Expenses Forecast	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
COGS	($15,625)	($18,123)	($15,871)	($20,355)	($24,988)	($27,435)	($29,524)	($31,850)	($34,456)	($37,369)
% of Total Revenue	*33.4%*	*33.8%*	*35.5%*	*31.7%*	*31.7%*	32.9%	33.4%	33.9%	34.4%	34.9%
Best Case						27.9%	28.4%	28.8%	29.2%	29.6%
Base Case						32.9%	33.4%	33.9%	34.4%	34.9%
Worst Case						33.9%	34.4%	34.9%	35.4%	35.9%
Marketing and selling expenses	($17,752)	($20,206)	($16,790)	($22,306)	($28,150)	($28,883)	($30,174)	($31,600)	($33,187)	($34,941)
% of Total Revenue	*37.9%*	*37.6%*	*37.6%*	*34.7%*	*35.7%*	34.6%	34.1%	33.6%	33.1%	32.6%

Best Case						29.4%	29.0%	28.6%	28.1%	27.7%
Base Case						34.6%	34.1%	33.6%	33.1%	32.6%
Worst Case						38.1%	37.5%	37.0%	36.4%	35.9%
General and administrative expenses	($3,471)	($3,877)	($3,648)	($4,427)	($5,033)	($6,030)	($5,949)	($5,853)	($5,738)	($5,598)
% of Total Revenue	*7.4%*	*7.2%*	*8.2%*	*6.9%*	*6.4%*	7.2%	6.7%	6.2%	5.7%	5.2%
Best Case						6.1%	5.7%	5.3%	4.9%	4.4%
Base Case						7.2%	6.7%	6.2%	5.7%	5.2%
Worst Case						7.9%	7.4%	6.8%	6.3%	5.7%
Other operating expenses	($126)	($231)	($333)	$4	($54)	($216)	($229)	($244)	($260)	($278)
% of Total Revenue	*0.3%*	*0.4%*	*0.7%*	*0.0%*	*0.1%*	0.3%	0.3%	0.3%	0.3%	0.3%
Best Case						0.2%	0.2%	0.2%	0.2%	0.2%
Base Case						0.3%	0.3%	0.3%	0.3%	0.3%
Worst Case						0.3%	0.3%	0.3%	0.3%	0.3%
Income/(Loss) from joint ventures and associates	$23	$28	($42)	$13	$37	$23	$23	$23	$23	$23
% of Total Revenue	*0.0%*	*0.1%*	*-0.1%*	*0.0%*	*0.0%*	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of net financial debt	($136)	($116)	($38)	$40	($15)	($180)	($191)	($203)	($217)	($232)
% of Total Revenue	0.3%	0.2%	0.1%	-0.1%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%
Best Case						0.2%	0.2%	0.2%	0.2%	0.2%
Base Case						0.2%	0.2%	0.2%	0.2%	0.2%
Worst Case						0.2%	0.2%	0.2%	0.2%	0.2%
Interest on lease liabilities	--	($290)	($281)	($242)	($254)	($315)	($333)	($354)	($378)	($404)
% of Total Revenue	0.0%	0.5%	0.6%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%
Best Case						0.3%	0.3%	0.3%	0.3%	0.3%
Base Case						0.4%	0.4%	0.4%	0.4%	0.4%
Worst Case						0.4%	0.4%	0.4%	0.4%	0.4%
Other financial income and expenses	($279)	($170)	($292)	$254	($632)	($497)	($483)	($466)	($447)	($424)
% of Total Revenue	0.6%	0.3%	0.7%	-0.4%	0.8%	0.6%	0.5%	0.5%	0.4%	0.4%
Best Case						0.5%	0.5%	0.4%	0.4%	0.3%
Base Case						0.6%	0.5%	0.5%	0.4%	0.4%
Worst Case						0.7%	0.6%	0.5%	0.5%	0.4%

Appendix D – Financial Analysis

For Year Ended 31 December			Historical					Forecasted		
All Figure Expressed in Millions of EUR unless stated otherwise	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Revenue Forecast										
Wines and Spirits	$5,143	$5,576	$4,755	$5,974	$7,099	$8,181	$8,014	$8,575	$9,201	$9,900
Fashion and Leather Goods (Includes Christian Dior Couture)	$18,455	$22,237	$21,207	$30,896	$38,648	$42,600	$44,599	$45,984	$47,442	$48,979
Perfumes and Cosmetics	$6,092	$6,835	$5,248	$6,608	$7,722	$8,893	$9,676	$10,545	$11,513	$12,568
Watches and Jewellery	$4,123	$4,405	$3,356	$8,964	$10,581	$7,033	$7,232	$7,436	$7,646	$7,862
Selective Retailing	$13,646	$14,791	$10,155	$11,754	$14,582	$16,478	$18,669	$21,208	$24,156	$27,562
Other and Holdings	($633)	($174)	($70)	$19	$281	$285	$289	$293	$297	$301
Revenue	**$46,826**	**$53,670**	**$44,651**	**$64,215**	**$78,913**	**$83,470**	**$88,479**	**$94,041**	**$100,255**	**$107,173**
YoY Growth		15%	-17%	44%	23%	6%	6%	6%	7%	7%
Profitability										
Gross Margin %	67%	66%	64%	68%	68%	67%	67%	66%	66%	65%
EBITDA Margin %	26%	30%	31%	36%	34%	34%	35%	36%	37%	38%
EBIT Margin %	21%	21%	18%	27%	27%	25%	26%	26%	27%	27%
Net Income Margin %	15%	15%	11%	20%	19%	17%	18%	18%	18%	19%
Return on Assets	3%	3%	2%	4%	4%	5%	5%	5%	5%	5%
Return on Invested Capital	9%	8%	5%	10%	11%	10%	10%	10%	11%	11%
Return on Equity	7%	8%	5%	11%	11%	11%	11%	11%	11%	11%
Cash Flow to Capex Ratio						1.18	1.33	1.42	1.51	1.59
Expenses (% of Revenue)										
Cost of Sales	33%	34%	36%	32%	32%	33%	33%	34%	34%	35%
Selling, General & Administrative	7%	7%	8%	7%	6%	7%	7%	6%	6%	5%
Marketing and Selling Expenses	38%	38%	38%	35%	36%	35%	34%	34%	33%	33%
Liquidity										
Current Ratio	1.70	1.19	1.57	1.23	1.27	1.28	1.41	1.55	1.72	1.92
Quick Ratio	0.98	0.58	1.07	0.64	0.63	0.62	0.75	0.91	1.09	1.28
Cash Ratio	0.49	0.27	0.79	0.29	0.24	0.25	0.39	0.55	0.73	0.93
Leverage										
Debt to Equity Ratio	1.12	1.63	1.93	1.64	1.43	1.33	1.23	1.13	1.04	0.95
Debt to EBITDA Ratio	3.37	3.55	4.98	3.31	2.85	2.90	2.72	2.55	2.39	2.24
Debt to Capital Ratio	0.53	0.62	0.66	0.62	0.59	0.57	0.55	0.53	0.51	0.49

Efficiency										
Asset Turnover Ratio	0.61	0.57	0.42	0.52	0.60	0.59	0.58	0.58	0.57	0.57
Receivables Turnover Ratio	14.53	15.56	16.20	16.96	18.60	17.78	18.20	18.52	18.89	19.28
Payables Turnover Ratio	2.94	3.12	3.11	2.87	2.84	-2.94	-3.10	-3.26	-3.43	-3.61

Coverage										
EBITDA/Interest Expense	29.28	24.24	18.73	N/A	26.88	25.58	27.93	30.44	33.12	36.00
Interest Coverage Ratio	23.80	19.55	13.04	N/A	23.30	21.09	22.46	23.94	25.58	27.37
Operating Cash Flow Margin %	17.98%	21.83%	24.35%	13.11%	14.80%	8.04%	8.44%	8.84%	9.23%	9.63%

DuPont Analysis										
ROE										
Net Income Margin %	5.50%	5.48%	4.33%	7.70%	7.32%	8.04%	8.44%	8.84%	9.23%	9.63%
Equity Multiplier	2.12	2.63	2.93	2.64	2.43	2.33	2.23	2.13	2.04	1.95
Earnings per Share	$14.27	$16.29	$10.72	$27.42	$32.13	$37.22	$41.39	$46.06	$51.30	$57.20

Appendix E – Pro Forma Income Statement

All Figure Expressed in Millions of EUR unless stated otherwise	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Income Statement										
Revenue	$46,826	$53,670	$44,651	$64,215	$79,184	$83,470	$88,479	$94,041	$100,255	$107,173
COGS	$15,625	$18,123	$15,871	$20,355	$24,988	($27,435)	($29,524)	($31,850)	($34,456)	($37,369)
Gross Profit	**$31,201**	**$35,547**	**$28,780**	**$43,860**	**$54,196**	**$56,035**	**$58,955**	**$62,191**	**$65,799**	**$69,804**
Gross Profit Margin %	*67%*	*66%*	*64%*	*68%*	*68%*	*67%*	*67%*	*66%*	*66%*	*65%*
Operating Expenses										
Marketing and selling expenses	($17,752)	($20,206)	($16,790)	($22,306)	($28,150)	($28,883)	($30,174)	($31,600)	($33,187)	($34,941)
General and administrative expenses	($3,471)	($3,877)	($3,648)	($4,427)	($5,033)	($6,030)	($5,949)	($5,853)	($5,738)	($5,598)
Income/(Loss) from joint ventures and associates	$23	$28	($42)	$13	$37	$23	$23	$23	$23	$23
Profit from recurring operations	**$10,001**	**$11,492**	**$8,300**	**$17,140**	**$21,050**	$21,145	$22,855	$24,761	$26,897	$29,287
Other Operating Expenses	($126)	($231)	($333)	$4	($54)	($216)	($229)	($244)	($260)	($278)
EBIT / Operating Profit (after depreciation)	**$9,875**	**$11,261**	**$7,967**	**$17,144**	**$20,996**	**$20,929**	**$22,626**	**$24,517**	**$26,637**	**$29,009**
EBIT Margin %	*21%*	*21%*	*18%*	*27%*	*27%*	*25%*	*26%*	*26%*	*27%*	*27%*
Depreciation and Amortisation of Fixed Assets	($2,278)	($2,700)	($3,478)	($3,136)	($3,219)	($4,452)	($5,517)	($6,648)	($7,854)	($9,144)
Depreciation of Right of Use	--	($2,408)	($2,572)	($2,691)	($3,007)	($2,630)	($2,675)	($2,766)	($2,827)	($2,870)
EBITDA	**$12,153**	**$16,369**	**$14,017**	**$22,971**	**$27,222**	**$28,011**	**$30,818**	**$33,931**	**$37,319**	**$41,023**
EBITDA Margin %	*26%*	*30%*	*31%*	*36%*	*34%*	34%	35%	36%	37%	38%
Cost of net financial debt	($136)	($116)	($38)	$40	($15)	($180)	($191)	($203)	($217)	($232)
Interest on lease liabilities	--	($290)	($281)	($242)	($254)	($315)	($333)	($354)	($378)	($404)
Other financial income and expenses	($279)	($170)	($292)	$254	($632)	($497)	($483)	($466)	($447)	($424)
EBT	**$9,460**	**$10,685**	**$7,356**	**$17,196**	**$20,095**	**$19,937**	**$21,618**	**$23,493**	**$25,596**	**$27,950**
EBT Margin %	*20%*	*20%*	*16%*	*27%*	*25%*	24%	24%	25%	26%	26%
Income Tax	($2,518)	($2,874)	($2,385)	($4,531)	($5,393)	($5,547)	($6,015)	($6,537)	($7,122)	($7,777)
Income Tax Rate	27%	27%	32%	26%	27%	28%	28%	28%	28%	28%
Net Profit with Minority Interest	**$6,942**	**$7,811**	**$4,971**	**$12,665**	**$14,702**	**$14,389**	**$15,603**	**$16,956**	**$18,474**	**$20,173**
Net Profit Margin %	*15%*	*15%*	*11%*	*20%*	*19%*	17%	18%	18%	18%	19%
Minority Interest	($4,368)	($4,872)	($3,037)	($7,718)	($8,905)	($7,675)	($8,135)	($8,647)	($9,218)	($9,854)
% of Revenue	*9%*	*9%*	*7%*	*12%*	*11%*	9%	9%	9%	9%	9%
Net Profit (Group Share)	**$2,574**	**$2,939**	**$1,934**	**$4,947**	**$5,797**	**$6,715**	**$7,468**	**$8,310**	**$9,256**	**$10,319**
Earnings Per Share	**$14**	**$16**	**$11**	**$27**	**$32**	**$37**	**$41**	**$46**	**$51**	**$57**
Shares Outstanding	*180.4*	*180.4*	*180.4*	*180.4*	*180.4*	*180.4*	*180.4*	*180.4*	*180.4*	*180.4*

Appendix F – Pro Forma Balance Sheet

Balance Sheet	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Assets										
Cash and cash equivalents	$8,553	$6,062	$20,358	$8,122	$7,588	$8,238	$13,314	$19,572	$27,087	$35,992
Trade accounts receivable	$3,222	$3,450	$2,756	$3,787	$4,258	$4,694	$4,863	$5,079	$5,306	$5,559
Income taxes	$461	$406	$401	$338	$375	$375	$375	$375	$375	$375
Other current assets	$4,864	$3,264	$3,846	$5,606	$7,550	$7,287	$7,338	$7,409	$7,504	$7,621
Inventories and work in progress	$12,485	$13,717	$13,016	$16,549	$20,319	$22,031	$22,523	$23,083	$23,723	$24,442
Current assets	**$29,585**	**$26,899**	**$40,377**	**$34,402**	**$40,090**	**$42,625**	**$48,412**	**$55,518**	**$63,995**	**$73,989**
Brands and other intangible assets	$16,376	$16,335	$16,143	$23,684	$24,565	$25,852	$26,034	$26,287	$26,622	$27,037
Goodwill	$12,192	$14,500	$14,508	$24,371	$23,250	$23,250	$23,250	$23,250	$23,250	$23,250
Property, plant and equipment	$14,463	$17,878	$17,575	$19,543	$22,414	$24,489	$25,890	$26,596	$26,581	$25,818
Right-of-use assets	--	$12,409	$12,515	$13,699	$14,609	$16,986	$19,511	$22,162	$24,994	$28,053
Investments in joint ventures and associates	$638	$1,074	$990	$1,084	$1,066	$992	$999	$955	$917	$882
Non-current available for sale financial assets	$1,100	$915	$739	$1,363	$1,109	$3,036	$3,219	$3,421	$3,647	$3,899
Other non-current assets	$985	$1,546	$845	$1,054	$1,187	$1,475	$1,485	$1,500	$1,519	$1,542
Deferred tax	$1,932	$2,274	$2,325	$3,156	$3,661	$3,661	$3,661	$3,661	$3,661	$3,661
Non-current assets	**$47,686**	**$66,931**	**$65,640**	**$87,954**	**$91,861**	**$99,741**	**$104,048**	**$107,831**	**$111,191**	**$114,142**
Total assets	**$77,271**	**$93,830**	**$106,017**	**$122,356**	**$131,951**	**$142,366**	**$152,461**	**$163,349**	**$175,186**	**$188,131**
Equity										
Equity, Group share	$14,240	$10,880	$11,270	$15,372	$19,038	$25,753	$33,221	$41,530	$50,786	$61,105
Minority interests	$22,132	$24,837	$24,974	$30,995	$35,276	$35,276	$35,276	$35,276	$35,276	$35,276
Total Owner's Equity	**$36,372**	**$35,717**	**$36,244**	**$46,367**	**$54,314**	**$61,029**	**$68,497**	**$76,806**	**$86,062**	**$96,381**
Liabilities										
Long-term borrowings	$6,353	$5,450	$14,065	$12,165	$10,380	$12,274	$13,168	$13,859	$14,366	$14,706
Non-current lease liabilities		$10,373	$10,665	$11,887	$12,776	$13,288	$13,804	$14,378	$15,021	$15,737
Non-current provisions and other liabilities	$3,269	$3,811	$3,288	$3,945	$3,866	$3,490	$3,514	$3,549	$3,594	$3,650
Deferred tax	$4,633	$5,094	$5,079	$6,302	$6,553	$6,553	$6,553	$6,553	$6,553	$6,553
Purchase commitments for minority interests' shares	$9,281	$10,735	$10,991	$13,677	$12,489	$12,489	$12,489	$12,489	$12,489	$12,489
Non-current liabilities	**$23,536**	**$35,463**	**$44,088**	**$47,976**	**$46,064**	**$48,094**	**$49,528**	**$50,827**	**$52,024**	**$53,134**
Short-term borrowings	$5,550	$7,627	$11,005	$8,091	$9,375	$10,481	$10,715	$10,922	$11,127	$11,320
Current lease liabilities		$2,172	$2,163	$2,387	$2,632	$2,685	$2,847	$3,025	$3,225	$3,448
Trade accounts payable	$5,314	$5,814	$5,098	$7,086	$8,788	$9,331	$9,513	$9,776	$10,047	$10,352
Income taxes	$542	$729	$721	$1,275	$1,224	$961	$990	$969	$950	$933
Current provisions and other liabilities	$5,957	$6,308	$6,698	$9,174	$9,554	$9,784	$10,371	$11,023	$11,752	$12,562
Current liabilities	**$17,363**	**$22,650**	**$25,685**	**$28,013**	**$31,573**	**$33,242**	**$34,436**	**$35,715**	**$37,100**	**$38,616**
Total liabilities and equity	**$77,271**	**$93,830**	**$106,017**	**$122,356**	**$131,951**	**$142,366**	**$152,461**	**$163,349**	**$175,186**	**$188,131**

Appendix G – Pro Forma Cash Flow Statement

Cashflow Statement	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Cash flows from operating activities:										
Net Profit						$6,715	$7,468	$8,310	$9,256	$10,319
Add: Depreciation of PPE						$4,452	$5,517	$6,648	$7,854	$9,144
Add: Depreciation of ROU						$2,630	$2,675	$2,766	$2,827	$2,870
Changes in Net Working Capital:										
(Increase)/Decrease in Account Receivable						($436)	($169)	($216)	($227)	($253)
(Increase)/Decrease in Other Account Receivables						$263	($51)	($71)	($95)	($117)
(Increase)/Decrease in Inventory						($1,712)	($492)	($560)	($640)	($719)
Increase/(Decrease) in Short-term borrowings						$1,106	$234	$207	$204	$193
Increase/(Decrease) in Current lease liabilities						$53	$161	$179	$200	$223
Increase/(Decrease) in Trade accounts payable						$543	$182	$263	$271	$305
Increase/(Decrease) in Income taxes						($263)	$29	($22)	($19)	($16)
Increase/(Decrease) in Current provisions and other liabilities						$230	$587	$652	$728	$811
Changes in Net Working Capital						($215)	$482	$432	$423	$426
Net cash provided by operating activities						**$13,581**	**$16,142**	**$18,156**	**$20,360**	**$22,758**
Cash flows from investing activities:										
Capex for PPE						($6,527)	($6,919)	($7,354)	($7,840)	($8,381)
Capex for ROU						($5,006)	($5,201)	($5,417)	($5,659)	($5,929)
(Increase)/Decrease in Brands and other intangible assets						($1,287)	($181)	($253)	($336)	($414)
(Increase)/Decrease in Investments in joint ventures and associates						$74	($7)	$43	$39	$35
(Increase)/Decrease in Non-current available for sale financial assets						($1,927)	($182)	($202)	($226)	($252)
(Increase)/Decrease in Other non-current assets						($288)	($10)	($14)	($19)	($24)
Net cash used in investing activities						**($14,962)**	**($12,500)**	**($13,197)**	**($14,041)**	**($14,964)**
Cash flows from financing activities:										
Increase/(Decrease) in Long-term borrowings						$1,894	$894	$691	$508	$339
Increase/(Decrease) in Non-current lease liabilities						$512	$516	$574	$644	$715
Increase/(Decrease) in Non-current provisions and other liabilities						($376)	$24	$34	$45	$56
Net cash (used in) provided by financing activities						**$2,030**	**$1,434**	**$1,299**	**$1,196**	**$1,111**
Net increase in cash and cash equivalents, and restricted cash						$650	$5,076	$6,258	$7,516	$8,905
Cash, cash equivalents and restricted cash at beginning of year						$7,588	$8,238	$13,314	$19,572	$27,087
Cash, cash equivalents and restricted cash at end of year						**$8,238**	**$13,314**	**$19,572**	**$27,087**	**$35,992**

Appendix H – Supporting Schedule

Assets										
Trade accounts receivable	$3,222	$3,450	$2,756	$3,787	$4,258	$4,694	$4,863	$5,079	$5,306	$5,559
Account receivable days	25	23	23	22	20	21	20	20	19	19
Other Current Assets	$4,864	$3,264	$3,846	$5,606	$7,550	$7,287	$7,338	$7,409	$7,504	$7,621
% of Revenue	10.4%	6.1%	8.6%	8.7%	9.5%	8.7%	8.3%	7.9%	7.5%	7.1%
Trade Account Payable	$5,314	$5,814	$5,098	$7,086	$8,788	$9,331	$9,513	$9,776	$10,047	$10,352
Account payable days	124	117	118	127	128	124	118	112	106	101
Inventories and work in progress	$12,485	$13,717	$13,016	$16,549	$20,319	$22,031	$22,523	$23,083	$23,723	$24,442
% of COGS	79.9%	75.7%	82.0%	81.3%	81.3%	80.3%	76.3%	72.5%	68.8%	65.4%
Brands and other intangible assets	$16,376	$16,335	$16,143	$23,684	$24,565	$25,852	$26,034	$26,287	$26,622	$27,037
% of Revenue	35.0%	30.4%	36.2%	36.9%	31.0%	31.0%	29.4%	28.0%	26.6%	25.2%
Addition of PPE	--	$6,115	$3,175	$5,104	$6,090	$6,527	$6,919	$7,354	$7,840	$8,381
% of Revenue		11.4%	7.1%	7.9%	7.7%	7.8%	7.8%	7.8%	7.8%	7.8%
Addition of ROU	--	--	$2,678	$3,875	$3,917	$5,006	$5,201	$5,417	$5,659	$5,929
% of Revenue			6.0%	6.0%	4.9%	6.0%	5.9%	5.8%	5.6%	5.5%
Depreciation of ROU	--	($2,408)	($2,572)	($2,691)	($3,007)	($2,630)	($2,675)	($2,766)	($2,827)	($2,870)
% of Net ROU			20.6%	19.6%	20.6%	18.0%	15.8%	14.2%	12.8%	11.5%
Addition of Intangible Assets	$16,376	$16,335	$16,143	$23,684	$24,565	$25,169	$24,012	$22,969	$22,038	$21,203
% of Revenue			36.2%	36.9%	31.0%	30.2%	27.1%	24.4%	22.0%	19.8%
Investments in joint ventures and associates	$638	$1,074	$990	$1,084	$1,066	$992	$999	$955	$917	$882
% of Revenue			2.2%	1.7%	1.3%	1.2%	1.1%	1.0%	0.9%	0.8%
Non-current available for sale financial assets	$1,100	$915	$739	$1,363	$1,109	$3,036	$3,219	$3,421	$3,647	$3,899
% of Revenue	2.3%	1.7%	2.6%	4.9%	4.1%	3.6%	3.6%	3.6%	3.6%	3.6%
Other Non-current Assets	$985	$1,546	$845	$1,054	$1,187	$1,475	$1,485	$1,500	$1,519	$1,542
% of Revenue	2.1%	2.9%	1.9%	1.6%	1.5%	1.8%	1.7%	1.6%	1.5%	1.4%
Liabilities										
Long term-borrowings	$6,353	$5,450	$14,065	$12,165	$10,380	$12,274	$13,168	$13,859	$14,366	$14,706
% of CAPEX (PPE+ROU)	43.9%	18.0%	46.7%	36.6%	28.0%	29.6%	29.0%	28.4%	27.9%	27.3%
Income Tax Payable	$542	$729	$721	$1,275	$1,224	$961	$990	$969	$950	$933
% of EBT	5.7%	6.8%	9.8%	7.4%	6.1%	4.8%	4.6%	4.1%	3.7%	3.3%
Non- current Lease Liabilities	--	$10,373	$10,665	$11,887	$12,776	$13,288	$13,804	$14,378	$15,021	$15,737

% of Revenue		19.3%	23.9%	18.5%	16.1%	15.9%	15.6%	15.3%	15.0%	14.7%
Current Lease Liabilities	--	$2,172	$2,163	$2,387	$2,632	$2,823	$2,843	$2,870	$2,907	$2,952
% of Revenue		4.0%	4.8%	3.7%	3.3%	3.4%	3.2%	3.1%	2.9%	2.8%
Deferred Tax	$4,633	$5,094	$5,079	$6,302	$6,553	$4,521	$4,657	$4,808	$4,976	$5,162
% EBT	49.0%	47.7%	69.0%	36.6%	32.6%	22.7%	21.5%	20.5%	19.4%	18.5%
Non-current provisions and other liabilities	$3,269	$3,811	$3,288	$3,945	$3,866	$3,490	$3,514	$3,549	$3,594	$3,650
% of Revenue	7.0%	7.1%	7.4%	6.1%	4.9%	4.2%	4.0%	3.8%	3.6%	3.4%
Current Lease Liabilities	--	$2,172	$2,163	$2,387	$2,632	$2,685	$2,847	$3,025	$3,225	$3,448
% of Revenue	0.0%	4.0%	4.8%	3.7%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%
Short-term borrowings	$5,550	$7,627	$11,005	$8,091	$9,375	$10,481	$10,715	$10,922	$11,127	$11,320
% of COGS	56.2%	67.7%	138.1%	47.2%	44.7%	38.2%	36.3%	34.3%	32.3%	30.3%
Current provisions and other liabilities	$5,957	$6,308	$6,698	$9,174	$9,554	$9,784	$10,371	$11,023	$11,752	$12,562
% of Revenue	12.7%	11.8%	15.0%	14.3%	12.1%	11.7%	11.7%	11.7%	11.7%	11.7%

Depreciation Schedules	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
PPE Opening Balance	**Useful Lives**					$22,414	$24,489	$25,890	$26,596	$26,581
CAPEX	7					**$6,527**	**$6,919**	**$7,354**	**$7,840**	**$8,381**
Depreciation of Existing PPE						$3,448	$3,448	$3,448	$3,448	$3,448
Depreciation of new CAPEX										
2023		$6,527				$1,004	$1,004	$1,004	$1,004	$1,004
2024		$6,919					$1,064	$1,064	$1,064	$1,064
2025		$7,354						$1,131	$1,131	$1,131
2026		$7,840							$1,206	$1,206
2027		$8,381								$1,289
Total Depreciation of new CAPEX						$1,004	$2,069	$3,200	$4,406	$5,695
Total Depreciation for the Year						**$4,452**	**$5,517**	**$6,648**	**$7,854**	**$9,144**
PPE Closing Balance						**$24,489**	**$25,890**	**$26,596**	**$26,581**	**$25,818**

Right of Use	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Opening ROU						$14,609	$16,986	$19,511	$22,162	$24,994
Addition of ROU						$5,006	$5,201	$5,417	$5,659	$5,929
Depreciation of ROU						($2,630)	($2,675)	($2,766)	($2,827)	($2,870)
Closing Balance	--	**$12,409**	**$12,515**	**$13,699**	**$14,609**	**$16,986**	**$19,511**	**$22,162**	**$24,994**	**$28,053**

Intangible Assets										
Intangible Assets Opening Balance						$24,565	$29,841	$32,311	$33,168	$33,124
Additions						$25,169	$24,012	$22,969	$22,038	$21,203
Total Intangible Assets before Amortisation						$49,734	$53,852	$55,281	$55,207	$54,327
Less: Amortisation					40%	($19,894)	($21,541)	($22,112)	($22,083)	($21,731)
Intangible Asset Ending Balance	**$16,376**	**$16,335**	**$16,143**	**$23,684**	**$24,565**	**$29,841**	**$32,311**	**$33,168**	**$33,124**	**$32,596**

Appendix I – Weighted Average Cost of Capital

Capital Asset Pricing Model (CAPM)		
Risk-free Rate	4.51%	US 10-Year Government Bond as at 21/10/2023
Equity Risk Premium	5.94%	Damodaran
Country Risk Premium	0.00%	Damodaran
5Y Beta	1.16	
Cost of Equity	**11.40%**	

Cost of Debt		
Pre-tax Cost of Debt	5.26%	
Country Risk Premium	0.00%	Damodaran
Corporate Tax Rate	25.00%	Damodaran
After-tax Cost of Debt	**3.95%**	

Capital Structure	
Market D/E	0.337
Proportion of Equity	74.79%
Proportion of Debt	25.21%

WACC	
WACC	**9.52%**

Appendix J – Discounted Cashflow Valuation

- DCF Assumptions & Output:

Unlevered Free Cash Flow	FY2018H	FY2019H	FY2020H	FY2021H	FY2022H	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F	
Operating Profit (EBIT)	$9,875	$11,261	$7,967	$17,144	$20,996	$20,929	$22,626	$24,517	$26,637	$29,009	--
Less: Taxes	($2,518)	($2,874)	($2,385)	($4,531)	($5,393)	($5,547)	($6,015)	($6,537)	($7,122)	($7,777)	--
Net Operating Profit after Tax	**$7,357**	**$8,387**	**$5,582**	**$12,613**	**$15,603**	**$15,382**	**$16,611**	**$17,980**	**$19,515**	**$21,232**	**--**
Add: Depreciation of Fixed Assets	$2,278	$2,700	$3,478	$3,136	$3,219	$4,452	$5,517	$6,648	$7,854	$9,144	--
Add: Amortisation of ROU	--	$2,408	$2,572	$2,691	$3,007	$2,630	$2,675	$2,766	$2,827	$2,870	--
Less: Capex	--	($6,115)	($3,175)	($5,104)	($6,090)	($6,527)	($6,919)	($7,354)	($7,840)	($8,381)	--
Less: Minority Interest	($4,368)	($4,872)	($3,037)	($7,718)	($8,905)	($7,675)	($8,135)	($8,647)	($9,218)	($9,854)	--
Add/(Less) Changes in Net Working Capital						($215)	$482	$432	$423	$426	--
Free Cash Flow to Firm						$8,047	$10,231	$11,826	$13,562	$15,438	$367,043

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Discount Factor	0.91	0.83	0.76	0.70	0.63	0.58
FCFF (Exit Multiple)	$8,047	$10,231	$11,826	$13,562	$15,438	**$299,466**
FCFF (Gordon Growth)	$8,047	$10,231	$11,826	$13,562	$15,438	**$276,095**
PV of FCFF (Exit Multiple)	$7,347	$8,529	$9,002	$9,427	$9,797	**$173,533**
PV of FCFF (Gordon Growth)	$7,347	$8,529	$9,002	$9,427	$9,797	**$159,990**

Terminal Value	
EBITDA	$41,023
EV/EBITDA Multiple	7.30x
Terminal Value (Exit Multiple)	**$299,466**
Perpetual Growth Rate	3.7%
WACC	9.5%
Terminal Value (Gordon Growth)	**$276,095**

Valuation (Exit Multiple)	
Enterprise Value (Implied)	**$217,636**
Add: Cash and Marketable Securities	$8,238
Less: Debt & Leases	($25,562)
Less: Minority Interest	($35,276)
Equity Value (Implied)	**$165,036**
No of Shares Outstanding	180.4
Price per Share	**$915**

Valuation (Gordon Growth)

Enterprise Value (Implied)	**$204,093**
Add: Cash and Marketable Securities	$8,238
Less: Debt & Leases	($25,562)
Less: Minority Interest	($35,276)
Equity Value (Implied)	**$151,493**
No of Shares Outstanding	180.4
Price per Share	**$840**

Share Price		
Current Share Price	**$632.50**	As of 21/10/23
Upside (Exit Mult.)	45%	
Upside (Gordon Growth)	33%	
Mixed Price	$877.25	
Mixed 50/50	**38.70%**	

Appendix K – Peers Comparison

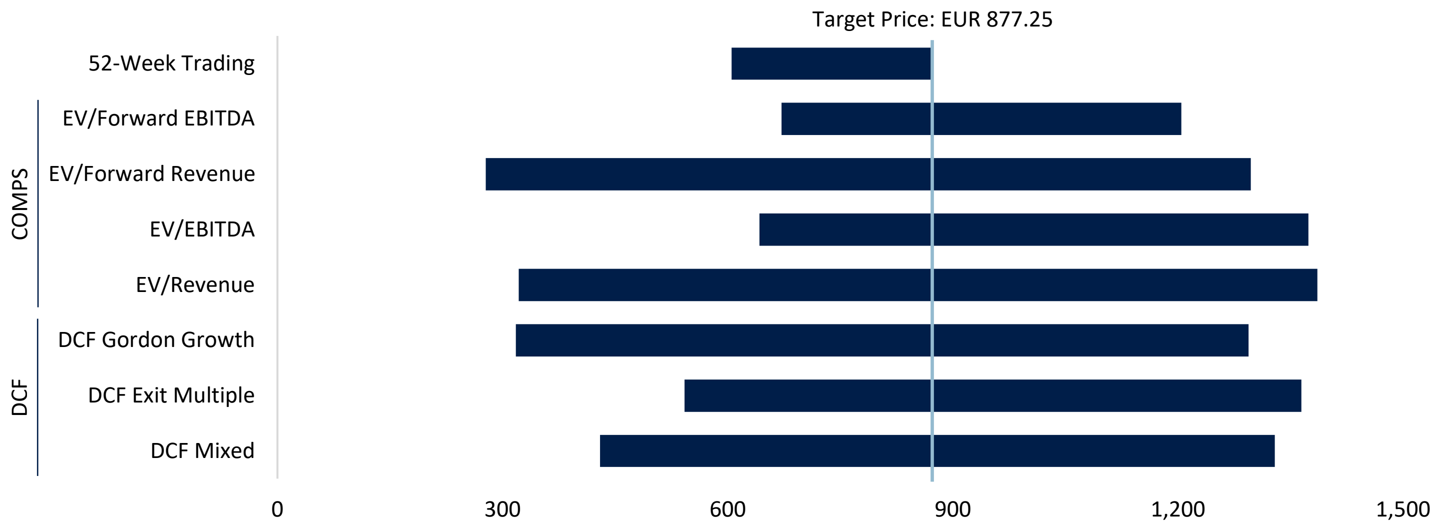
	Profitability Ratio					
	LTM EBITA Margin %	LTM EBIT Margin %	LTM Net Income Margin %	LTM Gross Margin %	LTM Return on Assets %	LTM Return on Equity %
LVMH Moët Hennessy - Louis Vuitton, Société Européenne (ENXTPA:MC)	26.70%	26.4%	18.93%	68.7%	10.3%	29.8%
Kering SA (ENXTPA:KER)	27.66%	26.8%	16.59%	75.6%	10.1%	24.0%
Hugo Boss AG (XTRA:BOSS)	9.94%	9.9%	5.95%	61.5%	8.1%	23.1%
Prada S.p.A. (SEHK:1913)	21.72%	21.2%	12.84%	80.1%	8.5%	17.3%
Hermès International Société en commandite par actions (ENXTPA:RMS)	42.30%	42.2%	30.81%	71.4%	20.3%	33.7%
Richemont Holdings (UK) Limited	-	-	-	-	-	-
Burberry Group plc (LSE:BRBY)	20.52%	20.5%	15.84%	70.5%	10.7%	31.2%
PVH Corp. (NYSE:PVH)	9.44%	9.1%	1.99%	56.8%	4.4%	3.6%
Tapestry, Inc. (NYSE:TPR)	17.60%	17.6%	14.05%	70.8%	10.2%	41.0%
Christian Dior SE (ENXTPA:CDI)	26.83%	26.5%	7.83%	68.7%	10.6%	31.1%
Median	21.1%	20.9%	14.9%	70.7%	10.2%	26.9%

	Liquidity Ratios	
	FY Current Ratio	FY Quick Ratio
LVMH Moët Hennessy - Louis Vuitton, Société Européenne (ENXTPA:MC)	1.2x	0.5x
Kering SA (ENXTPA:KER)	1.5x	0.7x
Hugo Boss AG (XTRA:BOSS)	1.5x	0.4x
Prada S.p.A. (SEHK:1913)	1.6x	0.9x
Hermès International Société en commandite par actions (ENXTPA:RMS)	4.2x	3.3x
Richemont Holdings (UK) Limited	-	-
Burberry Group plc (LSE:BRBY)	2.2x	1.7x
PVH Corp. (NYSE:PVH)	1.1x	0.4x
Tapestry, Inc. (NYSE:TPR)	1.8x	0.9x
Christian Dior SE (ENXTPA:CDI)	1.2x	0.5x
Median	1.6x	0.8x

	Leverage Ratio		
	LTM EBIT / Interest Exp.	FY Total Debt/Equity %	FQ Total Debt/Equity %
LVMH Moët Hennessy - Louis Vuitton, Société Européenne (ENXTPA:MC)	34.10x	62.4%	64.5%
Kering SA (ENXTPA:KER)	23.44x	80.3%	79.6%
Hugo Boss AG (XTRA:BOSS)	11.62x	90.3%	94.7%
Prada S.p.A. (SEHK:1913)	15.37x	76.2%	76.0%
Hermès International Société en commandite par actions (ENXTPA:RMS)	106.14x	15.5%	15.0%
Richemont Holdings (UK) Limited	-	1.2%	-
Burberry Group plc (LSE:BRBY)	17.14x	96.6%	96.6%
PVH Corp. (NYSE:PVH)	8.64x	76.6%	75.4%
Tapestry, Inc. (NYSE:TPR)	16.04x	144.6%	144.6%
Christian Dior SE (ENXTPA:CDI)	34.17x	65.1%	67.3%
Median	16.6x	76.6%	77.8%

	Turnover Ratios	
	FY Accounts Receivable Turnover	FY Inventory Turnover
LVMH Moët Hennessy - Louis Vuitton, Société Européenne (ENXTPA:MC)	19.69x	1.36x
Kering SA (ENXTPA:KER)	18.87x	1.32x
Hugo Boss AG (XTRA:BOSS)	14.87x	1.77x
Prada S.p.A. (SEHK:1913)	12.70x	1.26x
Hermès International Société en commandite par actions (ENXTPA:RMS)	32.41x	2.10x
Richemont Holdings (UK) Limited	-	-
Burberry Group plc (LSE:BRBY)	19.28x	2.09x
PVH Corp. (NYSE:PVH)	10.81x	2.48x
Tapestry, Inc. (NYSE:TPR)	28.72x	2.03x
Christian Dior SE (ENXTPA:CDI)	20.24x	1.14x
Median	19.1x	1.9x

Appendix L – Football Chart



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